A Work Project presented as partial fulfillment of the requirements for the Award of Masters Degree in Management at NOVA School of Business and Economics

ENTREPRENEURIAL INNOVATIVE VENTURES: INTERNATIONALIZATION STRATEGY OF NMUSIC

Appendix

A Master’s Thesis by Duarte Ramalho Bento Costa Caires

#1733

Project carried out on the Field Lab in Entrepreneurial Innovative Ventures, under the supervision of:

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Appendix A

Issue Tree and Answering Tools

How has the market evolved? What are the current trends?

Market Evolution and Trends

Literature Review

Industry Mapping

How to take advantage of the opportunities that are arising?

Opportunity Identification

SLEPT Analysis

Case Studies

Report Analysis

How to take advantage of NMusic specialized resources to create a sustainable competitive advantage?

NMusic and Trace strategic fit

SWOT/TOWS

SMART Objectives

Value Proposition

Operating Model

Porter Five Forces

Competitors Assessment

Partnership Strategic Analysis

How attractive is the industry? How should NMusic position?

Industry attractiveness tests

Scenarios Identification

Collaborative Arrangements

Mode of Entry

Revenue Model

What approach should NMusic take? What are the possible the best scenario?

Internationalization Strategy

Appendix A

Issue Tree and Answering Tools

How to maximize the creation of value for the partnership of NMusic and Trace when entering the digital music industry in Morocco?
Appendix B

Industry Mapping

Primary Players

- Music Creators
  - Artists
  - Bands
  - Better Royalties

- Intermediaries
  - Agents
    - Connections
    - Expertise
  - Music Publishers
    - Record Labels
    - Royalties

- Externalities
  - Illegal Access
    - Piracy
    - P2P Services
    - Torrent Downloads

- Royalties
  - Connections
  - Expertise

Competitors

- NMusic Private Label
  - Royalties Negotiation Process

- Other Streaming Services
  - Music Publishers
  - Record Labels
  - Intermediaries
  - Agents

Music Distributors

- NMusic
  - Other Entities
  - Music Creators
  - Artists
  - Bands
  - Better Royalties

Other Entities

- Enterprises and Institutions
  - Advertising and Publicity Agencies
    - Moroccan Copyright Office
    - Government
    - Others

- Other Streaming Services
  - Physic Music Stores
  - Radio Stations & Broadcast
  - Download Platforms
  - Music Video Providers
  - Others

Specific Knowledge

- Service Provision
- Music Expertise

Strategic Alliances

- Strategic Partnerships
  - Media Agency (TRACE TV)

- Strategic Alliances
  - Communication Services
    - (Maroc Telecom)
  - Legal Entities
    - Anti-Piracy Agencies
      - Moroccan Copyright Office
      - Government
      - Others
  - Legal Entities
    - Control
  - Legal Entities
    - Advertising
    - Difficult to Control

End User

- Target Consumer
  - Access through several
    - Platforms (TV, Smartphone, Tablet, Computer)

“Freemium” Service Offerings

- Payments
- Subscriptions

B2B Relations

- B2B Relation
- Country Knowledge Expertise
- Customer Base Branding

B2C Relations

- Bundle Offering Service Offering
- Consumer

Illegal but direct and shorter way for the product to reach consumers
Appendix C
Morocco’s main Economic, Geographic, Political and Socio-Environmental Indicators

Economic:

GDP:
Current US$, 2013: $104.4 billion;
Composition, 2012: agriculture (15.1%), industry (31.7%), and services (53.2%);
Unemployment Rate, 2013 est.: 9.5%;
Inflation Rate, 2013 est.: 2.5%;
Current Account Balance, 2013 est.: -$9.6 billion;
Exports
2013 est.: $16.78 billion;
Partners, 2012 est.: France (21%), Spain (17.3%), Brazil (5.4%), India (4.9%), and US (4.6%);
Imports
2013 est.: $38.66 billion;
Partners, 2012 est.: Spain (13.1%), France (12.1%), China (6.9%), US (6.8%), Saudi Arabia (6.2%), Italy (5.1%), Russia (5%), Germany (4.9%);

Geographic:
Location: Northern Africa (Maghreb Region);
Area: 446,550 km² (710,850 km² including Moroccan Western Sahara);
Borders: Algeria, Western Sahara, Spain (Ceuta), Spain (Melilla);

Social:
Population, July 2014 est.: 32,987,206;
Ethnic Groups: Arab-Berber (99%), other (1%);
Official languages: Arabic, Berber (Tamazight, Tachelhit, Tarifit);
Unofficial languages: French, Spanish;
Religions: Muslim (99%), Christian, Jewish, and Baha’i (1%);
Dependency Ratio, 2014 est.: 49.1%;
Major Cities (by population, 2011 est.): Casablanca, Rabat (capital), Fes, Marrakech, Tangier, Agadir;
Literacy Rate, 2011 est.: 67.1%;
Currency: Moroccan Dirham (MAD);

Political:
Local Name: Al Mamlakah al Maghribiyah;
Government Type: Constitutional Monarchy;
Independence: 2nd March 1956, from France;
Suffrage: 18 years of age, Universal;
Chief of State: King Mohammed VI, since 30th July 1999;
Prime Minister: Abdelillah Benkirane, since 29th November 2011;
Appendix D
SLEPT Analysis

D1. Social Factors

- **Demographics:**
  In the almost 33 million people, around 60% have ages between 15 and 54 years old. Median age is 28 years;
  Most people live in urban areas (57%) and rate of urbanization is growing;
  Net migration rate is negative and high, with about 3.5 people per 1000 population leaving the country;
  High emigration rate of skilled and educated workers.

- **Ethnic and Religions:**
  Most people are Arab-Berber and Muslim (99%);
  Around 1% of the population is Christian, Jewish, and Baha’i.

- **Ethical:**
  There is still discrimination against women in the country, although the government and support groups are making efforts in order to achieve gender rights and completely eliminate this issue;
  Morocco still faces forced labor and sex trafficking;
  Terrorism is a constant threat, due to the growing number of Moroccans pertaining to extremist organizations, such as the Jihadists;
  Although the government denies, there has been reports of other Human Rights abuses:
    - Violent repression of protests
    - Torture by security forces
    - Infringements on freedom of expression
    - Religion-motivated abuses

- **Education:**
  Although still not high, Morocco is committed to improve literacy rate (67.1%), which is lower in rural areas;
  Morocco has many public and private Universities, and while small, the rate of enrolment is increasing and the conditions offered are improving.
D2. Legal Factors

- **Copyrights and Digital Music Industry Legislation:**
  Many affordable public and private news sources, such as Internet, broadcast or television exists;
  The legal entity responsible for collecting royalties regarding the music industry in Morocco is SACEM\(^1\) (*Société des Auteurs, Compositeurs et Editeurs de musique*), which is a French performance rights organization that operates in the country via BMDA\(^2\) (*Bureau Marocain du Droit d’Auteur*);
  Patenting is available and has a lifetime of 20 years, in general;
  Musical composition and notes are considered as trademark, if applicable;
  It is possible to copyright protect creative work in Morocco through national legislation, but also under international legislation created on agreements:
  - Berne Convention for the Protection of Literacy and Artist Works (1917)
  - Convention establishing the World Intellectual Property Organization (1971), generally known as WIPO
  - Agreement on Trade-Related Aspects of Intellectual Property Rights (1995), administered by the World Trade Organization (WTO) and generally known as TRIPS Agreement

- **Main Regulatory Bodies:**
  The following authorities are responsible for enforcing the copyright law and fight piracy in the country:
  - Police and customs officials
  - Moroccan Copyright Office
  - Public prosecutor
  - Supervising Authority

- **Piracy:**
  In 2008, software piracy rate was 66% but has been decreasing since then;
  The government and authorities are increasingly committed to fight piracy and there are many predicted punishments for copyrights infringers, from monetary fines to imprisonment from 2 to 6 months.

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\(^1\) In English, SACEM stands for Society of Music Authors, Compositors and Editors.

\(^2\) In English, BMDA stands for Moroccan Bureau of Authors’ Rights.
D3. Economic Factors

- **Situation:**
  - Steady Economic Growth;
  - Low inflation;
  - Unemployment rate is 9.5%;
  - There is still poverty, but number of people below the international poverty line is decreasing;
  - Poverty headcount ratio at $1.25 a day is 2.5%;
  - Moderate external and public debt;
  - High dependence on tourism and money transfers from emigrants.

- **Taxation:**
  - Taxation on companies is only relative to operations carried in the territory of Morocco;
  - Normal corporate rate is 30%, except low taxable income (less than 300,000 MAD or 27,300€ that is taxed at 10%);
  - VAT is 20% and applies to all suppliers of goods and services;
  - Other taxes are considered to be at a regular and acceptable level.

- **Foreign Investment:**
  - Excellent performance since 2011, due to aggressive policy and self-promotion;
  - In 2011, Morocco accounted for 33% of all Northern Africa foreign direct investment.

- **Key Sectors:** agriculture, tourism, phosphates, textiles, apparel.
D4. Political Factors

- **Stability:**
  Same king since 1999: Mohammed VI;
  Higher tendency towards more democratic and liberal values;
  Current continuous evolution from a strongly centralized monarchy to a parliamentary system (more power to local governors since 2001);
  Politics to strengthen human rights, democracy, good governance and economic transparency.

- **Trading Agreements:**
  Europe and US:
  - Euro-Mediterranean Free Trade Agreement (EuroMed);
  - DCFTA – Deep and Comprehension Free Trade Area – negotiations started on 1st March 2013 and are currently in progress;

  Maghreb and Arab World:
  - Agadir Agreement (among Greater Arab Countries);
  - Free Trade Agreement with United Arab Emirates;
  - Free Trade Agreement with Turkey.

- **External Relations:**
  Good external relations with Western World, especially France and Spain, which are Morocco’s primary creditors and foreign investors.

- **Conflicts:**
  Western Sahara Conflicts, which last for over 30 years and remains unsolved.

- **Main Challenges:**
  - Fight against the terrorism, extreme Islamism and corruption;
  - Reforming educational and judiciary system.
D5. Technological Factors

- **Recent Trends in Global Development:**
  Internet penetration rate has been growing in the past years and is projected to maintain the trend; Smartphone, tablet and laptop usage have also been increasing. Internet access is moving from public places, such as cyber cafés, to homes and workplaces. Number of App developers is increasing, especially since 2013 – MySportner (founded by Kenza Bennani, allows people that practice sport to find a leveled partner) or LaCartePlz.ma (founded Yassine El Kachchani, a real time meal delivery) are some examples.

- **Research and Development (R&D):**
  4th Generation Mobile Technology auctions started recently (November 2014) and communications operators believe that introduction of 4G will revolutionize mobile, smartphone and internet industries in Morocco.

- **Access to Technology and Consumer Preferences:**
  Moroccans are spending more daily hours on Internet:
  - Social networks represent around 50% of daily online time
  - Other activities are to obtain information, work and keep in touch with relatives
  Many people are interested in online advertising: Facebook, Google, YouTube and Wikipedia are the most visited sites; Mobile penetration is higher than 100%, which suggests that assuming that not everyone has a mobile phone, some users are operating more than one phone – this users account for 81% of all Internet users; Besides public television, Maroc Telecom offers Asymmetric Digital Subscriber Line Television (ADSL TV), in which TRACE is included.
Appendix E

NMusic Mission Triangle

Picture D1 – NMusic Mission Triangle. Data was collected from the 2014 NMusic Full Report.

Appendix F

TRACE Brand Pillars

Picture E1 – TRACE Brand Pillars. Data was collected from the TRACE Overview Report.
Appendix G
Detailed Porter Five Forces Analysis and Assessment of Rivalry Level
(1 to 5 Scale, being 1 very low and 5 very high)

G1. Threat of New Entrants to the Market (4)

- **Initial investment cost and economies of scale:**
  The necessary initial investment for NMusic is expected to be bearable as the company will be able to take advantage of its previous experiences to minimize as much as possible the investment cost. The main expected costs are those related with fixed tangible assets (such as an equipped physical space in Morocco), human resources (at least two Moroccan people working directly from the Moroccan office), those associated with the cloud system, data usage and other utilities, potential legal and/or administrative fees and the launching marketing.
  The initial required investment might be mitigated by economies of scale, especially for well-established worldwide players, such as Spotify and iTunes, which have a much stronger financial power and consolidated resources. Thus, although this cost may be somehow relevant for NMusic, it is expected that it will not represent a relevant barrier for these players if they decide to enter the Moroccan industry of digital music.

- **Product differentiation and retaliation by established companies:**
  The product that NMusic will provide to the Moroccan consumer is clearly innovative in the market, as the company will be the first mover in the country to offer this type of music streaming service. However, it is expected that similar and already established products, such as Deezer, may retaliate by trying to adapt their product to one more resembling, as they begin to feel like their offer is limited. Thus, NMusic should protect as much as possible its offering, by taking advantage of protective legal issues, first-mover advantage and continuously leverage of the company’s sustainable competitive advantage and innovative dynamics.
  Nevertheless, product differentiation may become less relevant in the long term, unless the company is able to establish a strong brand in the country, by creating and securing a large network of loyal customers in the short term. Otherwise, bigger players may be able to enter the market and grab a substantial part of these customers.
In this way, product differentiation will be a big advantage for NMusic in the short term and as long as the big players do not enter the Moroccan market.

- **Access to resources and distribution channels:**
The access to resources is crucial in the digital music industry, and the most relevant part is composed by intangible resources and specialized know-how, which besides having them extremely well rooted, it is considered that NMusic can easily transfer them to Morocco. The same applies to potential entrants, who are already established in other parts of the world, and also have the access and knowledge of the market dynamics.

The access to distribution channels will not represent a significant barrier to NMusic in a way that its partnership with TRACE will open many distribution doors and allow a more efficient allocation of the offering. Additionally, NMusic will celebrate exclusivity contracts that will prevent potential entrants to take advantage of the same channels. However, access to distribution channels may represent a meaningful barrier for other players when considering the entering in the Moroccan market of digital music.

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**G2. Bargaining Power of Suppliers (5)**

In the music industry, bargaining power of suppliers (record labels) is one of the most relevant constraints to take into account, as they control the largest part of the overall industry. Thus, music suppliers have a significant power of the businesses, and it is very important to establish good relations and celebrate as most as possible beneficial contracts with them, which will not jeopardize the business.

- **Uniqueness of the product/service supplied:**
  Most digital music, not to say all digital music, is own by record labels, which have exclusivity agreements with the artists and managers regarding the rights of publishing and distribution. This fact makes the product that the suppliers offer unique and impossible to replicate, thus giving to the suppliers great bargaining power. Moreover, the usual payoff rate of streaming services like NMusic for the record labels is currently around 70% of total revenues, and is not expected to decrease in the near
future, and this has a significant level of relevance.

- **Number and size of players supplying the product/service:** Worldwide digital music industry is controlled by a few, but very big players, called the Big Three: Universal Music Group, Sony Music Entertainment, and Warner Music Group. These players are subdivided into smaller labels, due to legal constraints related with monopoly issues, but control over 70% of the world music market, which enhances once more the great bargaining power of the suppliers in this industry. Moreover, almost every well-known artist have contracts with these three record labels, and if you want to offer to the customers the entire set of music you need to celebrate contracts with these three labels, and have almost no choice but to accept the possible biased conditions suppliers may impose in the contract for their own benefit, as there are no substitutes in this industry that are able to provide you with the same musical content.

Regarding local Moroccan record labels, they are much smaller than the Big Three and contracts should not be very difficult to attain, as the offering NMusic will provide is also a big opportunity for them to advert their artists, which most of them are not worldwide famous and need projection to be able to grow. Nevertheless, and although it may be possible to celebrate better contracts with these labels, the values and payments shall not be very different from those paid to the Big Three.

Even though suppliers in this industry are powerful, NMusic already has contracts with all the Big Three record labels, which will allow the distribution of their content in the African Continent, enabling the company to skip this very difficult step of negotiating with the labels, and giving them a significant advantage over potential entrants. Negotiations only have to occur with Moroccan labels, and as mentioned before, are probably not as though as those that took place with the Big Three.

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Bargaining power of buyers is also an important factor to take into account, due to the fact that users of streaming services are rational and have preferences and some standards that need to be met.

- **Potential number of customers:** Different users have different preferences and tastes regarding the products or services.
Being a country with almost 33 million people, the potential number of customers in Morocco is a very appealing number. A short and long term estimation of these potential customers will be given later in this paper, together with the respective revenue model, and according to three possible scenarios, a pessimistic, an optimistic and an intermediate.

Nevertheless, the number of potential customers, although relatively small when comparing to the total population, is expected to grow after the first year of operations and is much more significant than the Portuguese market.

- **Price sensitivity and ability to substitute:**

  Price sensitivity is another of the distinguished factors that especially affects this business. Most people is not willing to spend much money on digital music services, as they acknowledge that there are also alternatives to the service, that even though do not have the same quality and diversification of services and offerings, can provide them with a similar final output, most of the times for free. Even if we are talking about pirate digital music, that unfortunately everyone is able to download from the internet, sometimes without the need for installation of any software, and which contributes to the destruction of the business, reducing profits for everyone, from the streaming services to the artists themselves.

  Notwithstanding, the easiness to substitute to cheaper and sometimes free products is what gives the customers a significant bargaining power, and this is why it will be taken into account when pricing NMusic offering.

### G4. Threat of Substitute Products (2)

As mentioned before, if the offering is not sufficiently attractive in a way that it is able to engage with the customers and create brand loyalty, it may not be possible to retain customers, due to the easiness of substitution.

Regardless the fact that in the Moroccan market of digital music there are not many perfect substitutes to the product that NMusic will offer, we cannot assume that these options cannot be created and that customers can change to the available competition. If not fully satisfied in conformity with price or specific characteristics of the service itself, and due to its bargaining power, customers may opt for services like Deezer or Anghami, which are already established in Morocco, because they have preferences
and will always choose the service that is more attractive to them. This enhances the fact that product and service that the partnership NMusic and TRACE will offer has to be completely innovative and sensitive to the customers’ preferences, in a way that it will be able to create brand loyalty and retain customers as much as possible, by creating an instantaneous engagement of the customer with the product.

Moreover, as previously mentioned and while it must not be considered as a real direct threat, piracy is a reality and is jeopardizing many players in the industry of digital music, absorbing the movement of money and thus the profits of overall industry, from artists to the streaming services.

**G5. Degree of Competitive Rivalry (3)**

- **Moroccan market size and growth prospect:**
  As already discussed, the Moroccan market of digital music is currently not very well consolidated nor represents a significant portion of the worldwide market. The market is composed by a few well-established competitors, whose offerings are different and not so innovative comparing to the offering that NMusic, in partnership with TRACE, will offer to the consumers.

  Nevertheless, and due to the factors discussed in the SLEPT analysis, this market has a significant potential for the future, as its growth prospect for the next years is quite relevant, and its likely that when the market reaches a bigger size, other players will try to enter the market, contributing to the increase of the level of competitive rivalry. The fact that NMusic is entering the market before many powerful potential entrants, such as Spotify, is an important advantage for the company, that will be able to attract and retain an important part of the consumers that would be uncertain about which service to choose, which will attenuate the threat of other services to the company.

- **Number of competitors in the market:**
  Nowadays, the number of competitors in the digital music industry in Morocco is not wide, but there are already established players and there are also other players who are not currently present in the country but may represent a potential threat in the future to NMusic in case they decide to start an internationalization process to the country. Deezer is the biggest player and thus will be the main direct competitor to NMusic. The extent, proprieties and quality of Deezer service, combined with the company’s
size and worldwide experience and presence, and already established and relatively consolidated position in the Moroccan market is an advantage for the company. Another player in this market is Anghami, whose primary competitive advantage is the fact that it is an Arab music streaming service, benefiting therefore of a specialized knowledge of the region that will take time to NMusics to learn. Moreover, YouTube was also considered as an indirect competitor, due to the fact that even though the type of service offered is different from Deezer and Anghami, there are still a significant number of people that continue to listen to music and watching music videos on YouTube. As it will explain in more detail later, one of NMusics SMART objectives will be to attract these music consumers. For a schematized analysis of these mentioned NMusics competitors and its offerings, refer to Appendix G. Reinforcing the fact that it is also important to look at the longer term, other potential entrants and powerful direct competitors for the company, such as Spotify and iTunes were also analyzed in a summarized way. Hence, and according to these arguing, the current degree of rivalry in the market is not high and will not represent a very striking threat, but it is expected to increase significantly in the next years, strengthening the idea that NMusics should enter the market in the near future.

![Picture F1 – Porter Five Forces qualitative competitive assessment](image-url)
# Main Worldwide Streaming Services and Its Offerings

<table>
<thead>
<tr>
<th>Feature</th>
<th>NMUSIC</th>
<th>ANGAMI</th>
<th>DEEZER</th>
<th>SPOTIFY</th>
<th>ITUNES</th>
<th>YOUTUBE</th>
</tr>
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<tr>
<td>Laptop/Computer</td>
<td>✓</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Mobile/Tablet</td>
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<td>✓</td>
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<td>✓</td>
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<td>TV/Interactive TV</td>
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<td>✓</td>
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<td>x</td>
<td>✓</td>
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<td>✓ (Premium)</td>
<td>✓ (Premium)</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Video clips</td>
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<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>✓ (P2P)</td>
</tr>
<tr>
<td># Music Offered</td>
<td>&gt;20 million songs (Portugal)</td>
<td>&gt;4 million songs</td>
<td>&gt;35 million songs</td>
<td>&gt;30 million songs</td>
<td>&gt;26 million songs</td>
<td>NA</td>
</tr>
<tr>
<td>Playlists from iTunes</td>
<td>Match</td>
<td>Import</td>
<td>Import</td>
<td>Import</td>
<td>Create</td>
<td>x</td>
</tr>
<tr>
<td>Live streaming (Radio and Podcasts)</td>
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<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
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<tr>
<td>Create Playlists</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>White-label Service</td>
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<td>x</td>
<td>x</td>
<td>x</td>
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<td>Mp3 download</td>
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<td>✓ (Premium)</td>
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<td>✓ (Pay per item)</td>
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</tbody>
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Appendix I
Detailed NMusic SWOT Analysis

II. Internal Strengths Analysis

1. Expertise and know-how:
   - Previous experience from the Portuguese market and other internationalization processes (please check Appendix M for NMusic Portuguese and International branding);
   - Necessary technical know-how for most maintenance and control of the service will be managed from Portugal;
   - NMusic has experience regarding contract management, which will be availed to negotiate with Moroccan record labels.

2. Strategic agreements:
   - Strategic partnership with TRACE: creation of an innovative service in Morocco, flexible to any unpredicted changes and will benefit from the third-party agreement that TRACE has with Maroc Telecom ADSL TV service;
   - The company have already agreements with the Big Three record labels for the rights of digital music distribution in Morocco.

3. Differentiation product and unique resources:
   - NMusic’s platform is completely legal and the company is committed to fight the high levels of piracy;
   - The company’s management is characterized by a strong leadership and is composed by a highly valuable team, with specialized knowledge of the international music industry.
I2. Internal Weaknesses Analysis

1. Local market knowledge and brand awareness:
   - NMusic has currently almost no knowledge regarding the Moroccan industry and brand awareness among Moroccan customers is very low at the moment.

2. Financial resources:
   - Available funding for the implementation of the internationalization process is limited.

3. Dependence on partners and suppliers:
   - NMusic partnership with TRACE has limitation for the company regarding the power of decision and profit maximization in the Moroccan market;
   - NMusic will always be restricted in its actions due to the strong power of suppliers. However, this limitation becomes less relevant as it is compensated by the fact that agreements for the distribution of the Big Three record labels in Morocco are already negotiated.

I3. External Opportunities Analysis

1. Market growth prospect and Moroccan consumer trends:
   - As it was analyzed in the STEPL analysis, the Moroccan market of digital music is projected to growth;
   - Each year, more and more Moroccans are using Internet, smartphones and ADSL TV.

2. Tighter regulation and expansion possibility:
   - Moroccan government is increasingly committed to fight piracy and to apply more severe punishments for those that violate these laws;
   - The entrance in Morocco, as a benchmark for the African continent, potentiates the possible future expansion for other markets, especially in the African continent.

3. Local record labels willingness to cooperation:
   - Moroccan record labels are willing to cooperate with NMusic upon the contract celebration for the distribution of Moroccan digital music, as this cooperation is an opportunity to create a win-win situation.
I4. External Threats Analysis

1. Threat of new entrants and supplier restrictions:
   - Barriers to entry in the Moroccan industry of digital music are low, and thus new entrants may represent a major threat;
   - Threat of retaliation of established players: adaptation of its offer more similar to NMusic’s;
   - Payments to suppliers (record labels) remain very high and are not expected to decrease.

2. Moroccan customer characteristics and illegal practices:
   - Moroccans are still not much aware of digital music streaming services and although decreasing, piracy (such as illegal downloads) is still a common practice.
### TOWS Analysis (1/2)

#### Internal Strengths (S):
1. NMusic previous experience in internationalization processes and contract negotiations
2. Offshore management of technical knowhow, strong leadership and valuable team
3. Strategic partnership with TRACE
4. Already established contracts with the major record labels
5. Legal and innovative service

#### External Opportunities (O):
1. Market growth prospect
2. Increasing of technological devices usage
3. Possibility to expand
4. Willingness to cooperate from local record labels

#### External Threats (T):
1. Threat of new entrants
2. Threat of retaliation by established players
3. Low streaming services awareness
4. Piracy level

<table>
<thead>
<tr>
<th><strong>Internal Strengths (S):</strong></th>
<th><strong>External Opportunities (O):</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. NMusic previous experience in internationalization processes and contract negotiations</td>
<td>1. Market growth prospect</td>
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<tr>
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</tr>
<tr>
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<td>3. Possibility to expand</td>
</tr>
<tr>
<td>4. Already established contracts with the major record labels</td>
<td>4. Willingness to cooperate from local record labels</td>
</tr>
<tr>
<td>5. Legal and innovative service</td>
<td></td>
</tr>
</tbody>
</table>

(\textit{SO}) - "Maxi-Maxi" Strategy

(S1&2/O1&2) NMusic can use its previous experience in internationalization processes and contract negotiations to capitalize by taking the most of the growing Moroccan market. Moreover, the company will minimize operational costs by managing the technical knowhow offshore (in Portugal).

(S3&4/O3) In a secondary phase and after the internationalization to Morocco, NMusic’ strategic partnership with TRACE and already established contracts with the Big Three record labels will facilitate the expansion process to other African countries.

(\textit{ST}) - "Maxi-Mini" Strategy

(S3&4/T1&2) NMusic strategic partnership with TRACE and contracts with the major record labels will give the company an exclusive competitive advantage that will attenuate the threat of new entrants and will give the company advantage over any possible retaliation by the established players.

(S5/T4) The offering of a legal and innovative service and the company’s commitment to fight piracy will contribute for the decreasing of the levels of piracy and illegal downloads in the country.
## Appendix J

**Detailed NMusic TOWS Analysis (2/2)**

<table>
<thead>
<tr>
<th>TOWS Analysis (2/2)</th>
<th>Internal Weaknesses (W):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Limited local market knowledge</td>
</tr>
<tr>
<td></td>
<td>2. Low brand awareness</td>
</tr>
<tr>
<td></td>
<td>3. Limited financial resources</td>
</tr>
<tr>
<td></td>
<td>4. Revenues and operational limitations related with TRACE partnership</td>
</tr>
<tr>
<td></td>
<td>5. Limitation of actions from great supplier power</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Opportunities (O):</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market growth prospect</td>
</tr>
<tr>
<td>2. Increasing of technological devices usage</td>
</tr>
<tr>
<td>3. Possibility to expand</td>
</tr>
<tr>
<td>4. Willingness to cooperate from local record labels</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Threats (T):</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Threat of new entrants</td>
</tr>
<tr>
<td>2. Threat of retaliation by established players</td>
</tr>
<tr>
<td>3. Low streaming services awareness</td>
</tr>
<tr>
<td>4. Piracy levels</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(WO) - &quot;Mini-Maxi&quot; Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(W1&amp;2/O4) The willingness to cooperate from the local record labels can broaden the limited Moroccan market knowledge and increases brand awareness, by the transfer of knowledge and advertising of NMusic product.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(WT) - &quot;Mini-Mini&quot; Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(W1/T2) NMusic limited local market knowledge may be a disadvantage in case established players decide to retaliate and adapt their products to one more similar. Protective strategies and strategic agreements with local players, such as record labels, can be a strategy to mitigate this issue.</td>
</tr>
</tbody>
</table>

| (W2&3/T1) NMusic needs to create protective strategies as the low brand awareness and limited financial resources can be jeopardized in case well-established and financially consolidated worldwide players decide to enter the market. |
Appendix K
Segmentation Variables for Moroccan Potential Customers According to Several Criteria

<table>
<thead>
<tr>
<th>Segmentation 1 – According to Population by Region, 2014 est.</th>
<th>Potential Customers</th>
<th>% of Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco Total</td>
<td>32,987,206</td>
<td>100%</td>
</tr>
<tr>
<td>Urban population</td>
<td>18,802,707</td>
<td>57%</td>
</tr>
<tr>
<td>Casablanca</td>
<td>3,144,909</td>
<td>9.5%</td>
</tr>
<tr>
<td>Rabat</td>
<td>1,655,753</td>
<td>5%</td>
</tr>
<tr>
<td>Fès</td>
<td>964,891</td>
<td>2.9%</td>
</tr>
<tr>
<td>Sale</td>
<td>903,485</td>
<td>2.7%</td>
</tr>
<tr>
<td>Marrakesh</td>
<td>839,296</td>
<td>2.5%</td>
</tr>
<tr>
<td>Agadir</td>
<td>698,310</td>
<td>2.1%</td>
</tr>
<tr>
<td>Tangier</td>
<td>688,356</td>
<td>2.1%</td>
</tr>
<tr>
<td>Meknès</td>
<td>545,705</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Total Cities over 500,000 people</strong></td>
<td><strong>9,440,705</strong></td>
<td><strong>29%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segmentation 2 – According to Population by Age, 2014 est.</th>
<th>Potential Customers</th>
<th>% of Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;15</td>
<td>8,906,546</td>
<td>27%</td>
</tr>
<tr>
<td>15-25</td>
<td>5,937,697</td>
<td>18%</td>
</tr>
<tr>
<td>25-54</td>
<td>13,854,627</td>
<td>42%</td>
</tr>
<tr>
<td>55-64</td>
<td>2,309,104</td>
<td>7%</td>
</tr>
<tr>
<td>&gt;64</td>
<td>1,979,232</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Population below 55 years old</strong></td>
<td><strong>28,698,870</strong></td>
<td><strong>87%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segmentation 3 – According to Maroc Telecom Subscribers, 2013</th>
<th>Potential Customers</th>
<th>% of Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile customer base:</td>
<td>18,193,000</td>
<td>55%</td>
</tr>
<tr>
<td>- Prepaid users</td>
<td>16,813,000</td>
<td>51%</td>
</tr>
<tr>
<td>- Postpaid users</td>
<td>1,380,000</td>
<td>4%</td>
</tr>
<tr>
<td>- 3G Mobile internet subscribers</td>
<td>2,300,000</td>
<td>7%</td>
</tr>
<tr>
<td>Fixed line customer base:</td>
<td>1,962,000</td>
<td>6%</td>
</tr>
<tr>
<td>- Fixed line subscribers</td>
<td>1,269,000</td>
<td>4%</td>
</tr>
<tr>
<td>- ADSL TV subscribers</td>
<td>683,000</td>
<td>2%</td>
</tr>
<tr>
<td>MT Box subscribers</td>
<td>32,000</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

Please note that all percentages are rounding statistics, and may refer to different periods. Nevertheless, and due to lack of more recent statistics, the oldest values were considered to be constant.

Fixed line subscribers include Internet, ADSL TV and data services to business.

MT Box is an offering from Maroc Telecom that offers a Triple Play (voice, Internet and TV).
<table>
<thead>
<tr>
<th><strong>Segmentation 4</strong> – According to Other Relevant Statistics</th>
<th><strong>Potential Customers</strong></th>
<th><strong>% of Total Population</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet users countrywide, 2014 est.</td>
<td>19,901,181</td>
<td>60%</td>
</tr>
<tr>
<td>Mobile phone users countrywide, 2014</td>
<td>&gt;32,987,206</td>
<td>&gt;100%&lt;sup&gt;6&lt;/sup&gt;</td>
</tr>
<tr>
<td>Smartphone users, 2013</td>
<td>5,277,953</td>
<td>16%</td>
</tr>
<tr>
<td>Literacy rate, 2011</td>
<td>22,101,428</td>
<td>67%</td>
</tr>
<tr>
<td>Literacy rate of young people (15-25), 2012</td>
<td>26,719,636</td>
<td>81%</td>
</tr>
<tr>
<td>Population below international poverty gap at $1.25 a day, 2011</td>
<td>4,948,081</td>
<td>2.5%</td>
</tr>
<tr>
<td>Unemployment rate, 2013</td>
<td>3,133,784</td>
<td>9.5%</td>
</tr>
<tr>
<td>Number of Moroccan emigrants, 2005:&lt;sup&gt;7&lt;/sup&gt;</td>
<td>3,185,382</td>
<td>-</td>
</tr>
<tr>
<td>- France</td>
<td>1,036,909</td>
<td>33%</td>
</tr>
<tr>
<td>- Spain</td>
<td>503,171</td>
<td>16%</td>
</tr>
<tr>
<td>- Other European countries</td>
<td>1,198,971</td>
<td>37%</td>
</tr>
<tr>
<td>- Arab Countries</td>
<td>213,034</td>
<td>7%</td>
</tr>
<tr>
<td>- Asia and Oceania</td>
<td>2,515</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>- Africa</td>
<td>4,586</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>- America</td>
<td>226,196</td>
<td>7%</td>
</tr>
</tbody>
</table>

<sup>6</sup> Percentage for mobile phones is higher than 100% because in Morocco there are many people with more than one cellular.

<sup>7</sup> Percentages relative to the number of Moroccan emigrants by country are relative to the total number of Moroccans living abroad and not total population.
Appendix L

Segmentation Process and Assessment of the Number of Potential Customers
# Appendix M

## NMuse and TRACE Detailed Offering for Morocco

<table>
<thead>
<tr>
<th>Feature</th>
<th>Free</th>
<th>Premium</th>
<th>Premium Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laptop/Computer</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mobile/Tablet</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Interactive TV</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Offline Mode</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Video clips</td>
<td>×</td>
<td>×</td>
<td>✓</td>
</tr>
<tr>
<td># Music Offered</td>
<td>≈4 million</td>
<td>≈10 million</td>
<td>&gt;20 million</td>
</tr>
<tr>
<td>Playlists from iTunes</td>
<td>×</td>
<td>×</td>
<td>✓</td>
</tr>
<tr>
<td>Live streaming (Radio and Podcasts)</td>
<td>×</td>
<td>×</td>
<td>✓</td>
</tr>
<tr>
<td>Create Personal Playlists</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>White-label Service</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mp3 download</td>
<td>×</td>
<td>3 per month</td>
<td>10 per month</td>
</tr>
<tr>
<td>Search History</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Social Network Sharing</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Advertisement</td>
<td>✓</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Languages</td>
<td>English</td>
<td>Arabic, English, French</td>
<td>Arabic, English, French</td>
</tr>
<tr>
<td>Regular Price</td>
<td>Free</td>
<td>2.99€ per month</td>
<td>4.19€ per month</td>
</tr>
<tr>
<td>Price for Maroc Telecom ADSL TV subscribers</td>
<td>Free</td>
<td>1.99€ per month</td>
<td>3.19€ per month</td>
</tr>
</tbody>
</table>
Appendix N
NMusic Portuguese and International Branding

<table>
<thead>
<tr>
<th>Name</th>
<th>Partner</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meo Music</td>
<td>Portugal Telecom</td>
<td>Portugal</td>
</tr>
<tr>
<td>Kisom</td>
<td>Unitel - Telecom</td>
<td>Angola</td>
</tr>
<tr>
<td>Sultn</td>
<td>Intigral - Telecom</td>
<td>Middle East</td>
</tr>
<tr>
<td>Zyng</td>
<td>Airtel - Telecom</td>
<td>Nigeria</td>
</tr>
</tbody>
</table>