

How Austin can follow Nashville's lead to amplify its music economy

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SongOffice Engineer and Producer Jason Richards, left, founder Anthony De Los Santos and... [more](#)

Austin is struggling to give its music sector something solid to stand on beyond its moniker as the world's live music capital. Local music-focused startups like SongOffice could use help from a new kind of incubator that's been created in Nashville and Chicago — and they may very well find some similar industry assets popping up sooner than later.

Having a great business idea was never the problem for [Anthony De Los Santos](#). But piecing together a business plan and learning the other basics of building a music startup with scarce outside help took him five years, with plenty of trial and error along the way.

De Los Santos' company, SongOffice, is a music licensing platform that seeks to increase opportunities for musicians looking to have their music featured in film, television, commercials and other outlets and receive revenue from producers in return. The company came out of stealth mode in 2014.

When he knocked on the doors of assorted tech incubators in Austin he heard the same thing that other would-be music entrepreneurs hear: Sorry, but we don't do music.

"They gave me some numbers of other people who were in music but that was pretty much it and I found that a little frustrating," said De Los Santos, who has self-funded the business so far to the tune of \$50,000. "I had the idea and would ask friends in the legal world for help when I needed it but it took me five years to get the business plan together. People would ask for the business plan and I was like, 'My website is the business plan.'"

Austin-area incubators such as Capital Factory, TechStars Austin and Austin Technology Incubator are in business to help new entrepreneurs get their footing, and are seen as important drivers of Austin's technology and overall thriving business community.

By providing resources such as co-working space, professional guidance and direct lines to investment capital they help startups figure out their business model and get up and running so they can operate on their own and grow their workforce and revenue.

But those incubators either don't work with or aren't the right fit for music-focused startups because businesses in that sector are typically more passion-based projects that tend to be less lucrative than most apps and software or hardware-based companies.

That situation has an economic effect. Austin's music economy, which generates more than \$2 billion in economic activity every year, doesn't have the same resource pool and ready access to capital as other industries, putting even more pressure on musicians and music-focused businesses as the city continues to grow.

How others are doing it

While Austin's booming tech- and retail-focused incubator scene has mostly ignored business opportunities in the music world, other major cities — such as Nashville and its \$9.7 billion music industry — are taking a different tack.

Project Music, for example, is a music technology accelerator launched this year out of the Nashville Entrepreneur Center incubator program. It was created by veterans of Nashville's country music industry who pitched in their own money to recruit sponsorship from Google Inc. and other major brands to fund the first class of eight startups.

Joe Galante, a former Sony Nashville chairman and one of the first proponents of Project Music, said Nashville's deep network of music industry professionals have

helped provide resources that the startups need to test out their business ideas and grow.

“We’re able to bring people in from booking, touring and management — people who have a Rolodex that goes all over the globe and put it to use in building these startups,” he said.

“This city is known as a health care power but people were going to the East or West Coast with their creative ideas. The fact is we can provide the infrastructure and want people to utilize it, but the fact it was all there wasn’t really known.”

Chicago, meanwhile, has recently jumped into the music incubator game with 2112, a privately funded hub for music-focused tech startups that occupies 20,000 square feet of Fort Knox Studios, a 160,000-square-foot former factory building. The remaining space is taken up by band rehearsal spaces, recording studios and office space for managers, entertainment lawyers and other music-related professionals.

Owners [Kent Nielsen](#) and Dan Mahoney are former tech and creative entrepreneurs as well as musicians and saw an opportunity to capitalize on the need for more innovation in the music industry.

“We’re going big-tent with this and said let’s put everybody together to create an ecosystem where it’s very easy for everyone to work together and make something bigger happen,” said Nielsen, who declined to say how much it cost to launch For Knox Studios.

“We’ll be at 2,000 people in here when we’re done.”

Nielsen said he and Mahoney are looking beyond Chicago and have identified Austin as one of 14 markets for possible expansion in the coming years. An Austin location would almost certainly require construction of a roughly 200,000-square-foot facility since the city is low on large existing industrial building stock.

“Austin is certainly a viable city for what we want to do and I’ve made a lot of visits there,” he said. “The challenge in Austin is the same one we see in other cities, of learning the fundamentals of the market and what’s a good of the amount of studio space versus rehearsal space versus office.”

Some pieces in place

While Austin lacks an incubator program focused on music startups, there are some pieces in place created with funding from the city of Austin that could lay a foundation for creating such a project.

The Austin Music Foundation is concluding the third year of its Music Industry Collaborative membership program, while Leaders In Austin Music puts experienced music industry professionals in close contact with artists and aspiring entrepreneurs.

Those programs will continue thanks to new sponsorship from DTB Partners, a new Austin-based venture capital group focused on music-related businesses.

Brad Stein, board president for AMF, said the sponsors will likely invest in some participating businesses that seem promising, providing a more direct link to capital and business incubation effort for programs that had largely been information-driven.

Stein said existing tech incubators in Austin have shown little enthusiasm for music-related startups because their business models generally don't produce the kind of returns seen by typical tech companies.

Stein hopes the formation of DTB Partners shows that there is an interest in funding music and other creative industry startups that could boost the local economic impact of the music industry.

"There are people here with good business models and are trying to do things both inside and outside of Austin," Stein said.

"If only we could get together that kind of incubator to be a platform for success and provide access to capital, potential board members, services providers and space to work. Those are all less things they need to worry about. Instead, they can focus on creating jobs and other opportunities for musicians in Austin."

Don Pitts, director of the city of Austin's music division, said data in the city's forthcoming census on the local music industry will highlight the need for more business activity in addition to the live music scene. Pitts, a former executive with Gibson Guitar Corp. of Nashville, will soon travel to Nashville to meet with the creators of InDo, a privately backed creative industry incubator and workspace that hopes to expand to Austin in the near future.

Wanted: A place that'll kick your butt a little bit

Like De Los Santos and other would-be businessmen working in the music sector, Kevin Tully and Dave Barry found themselves having to go it alone when they launched Moniker Guitars in 2013 after relocating to Austin from Massachusetts. Moniker makes custom guitars and basses through an online design platform, adding a tech edge to the established business model of making musical instruments.

Their story took a different turn, however, when they were accepted as part of a group of startups participating in Austin's SKU incubator that helps grow businesses in the consumer product field.

Tully said the guidance he and Barry have received from SKU has been invaluable as the pair work on planning the next phase of Moniker's business plan and how to take on investment.

“We thought it would be valuable to go to a place where we would get our butts kicked a little bit, because when you’re in a business like ours where you’re managing inventory, marketing and sales it’s hard to drill down and be an expert at any one thing,” he said. “It can help you move along so much faster than just learning things along the way.”

The pair participated in both of the AMF programs to get connected in the local music industry, but Tully said it would be beneficial if those efforts added a business component, or an entirely music dedicated incubator were available.

“I see an opportunity there to grow [the AMF programs] into something more deft, with funding like an accelerator program,” he said. “We came here from Massachusetts to start Moniker and felt there would be more resources for music startups like ours, and that there was more of a presence from the music industry [in Austin] than there is.”