

Blake Barrios of B&L Amusement gets a Virtuo demonstration from TouchTunes Account Representative Matt Ammirati at the Partners Meeting Welcome Reception.

TOUCHTUNES invests in the FUTURE

Going out on a limb technologically is customary for TouchTunes Interactive Networks, a company that changed the jukebox genre with the introduction of the first digital downloading jukebox 14 years ago.

Looking back on the advancements from 78-rpm records to 45-rpm records to CDs, those changes were slow compared to the leap forward with digital and the addition of powerful capabilities never imagined.

Flash forward to fall 2010 and the announcement, at its first Partners Meeting, of the myTouchTunes loyalty program and social network and the myTouchTunes Mobile app that gives consumers more opportunity to experience TouchTunes and play music.

TouchTunes raised the bar yet again with the introduction of its Virtuo SmartJuke at the Amusement Expo in March and with the preview of its Virtuo Karaoke app and Virtuo Photo Booth app at its 2nd Annual Partners Meeting in September. (A separate article on the Partners

The digital jukebox pioneer is committed to continual innovations that ensure the relevance of the music experience in the changing social/mobile landscape.

Meeting appears in this issue.)

Dare we ask what's ahead in the future? Charles Goldstuck, President and CEO of the company, does not shy away from answering that question.

Play Meter caught up with Goldstuck after the Partners Meeting to find out more about the products, priorities, and corporate culture at TouchTunes.

"Our company is absolutely committed to innovation in the marketplace," Goldstuck began. "We firmly believe that our industry desperately needs innovation. We don't see a lot of innovation coming from the industry at this moment, even though technology today allows us to be more innovative. We now have access to technology platforms that were not available two or three years ago. It's pretty astounding."



TOP LEFT: Steve Brecher, Chief Operating Officer

BOTTOM LEFT: Lawrence Coelho of West Coast Amusement and Michael Lansing of Michael Lansing Amusements during a break at the Partners Meeting.

Goldstuck acknowledged that when TouchTunes came out with the myTouchTunes Mobile app last year, some industry members were “rather dismissive of that initiative,” adding, “but when you look at the performance of our app today, it has become a mainstream source of new revenue.”

The vision and direction for a company starts at the top. Goldstuck said his philosophy has always been: “If you deliver opportunities for your customers, the business will take care of itself.”

Lately businesses have been negatively impacted by the economy, including the coin machine business. Goldstuck commented, “As companies like Apple show with the iPhone and iPad, irrespective of economic conditions, if you introduce innovative products that enrich people’s lives, consumers will spend money.”

THE SOCIAL ARENA

He promised, “You can expect continuous innovation from us. We are clearly moving the company and the industry into the social arena.”

He noted that currently 200 million people access Facebook through their mobile phones, not on their computer. “Mobile is a prolific platform for the consumption of entertainment,” he said.

We’ve all heard the term “staying ahead of the curve.” “Being ahead of the curve is solidly being ingrained in the DNA of our company,” said Goldstuck. “The benefits are already being felt.”

Goldstuck is well aware of the challenges faced by the industry: “There currently are many threats to our industry, whether it be smoking bans, iPod usage in locations, or others, and thus we have no choice but to stay ahead of what is happening with consumers and what is going on in the out-of-home arena.”

He added, “You can’t ignore the

TOP RIGHT: A breakout session during the Partners Meeting.

BELOW: Charles Goldstuck, President and CEO



“If you come up with the right product and services, customers will support you.”

importance of Facebook with its 750 million users worldwide. We have to integrate that into our business. The social environment typified by Facebook is something we talk about at TouchTunes every day; it’s that relevant.”

He noted, “Facebook is making it easier to integrate the outside world into their ecosystem. Every new initiative Facebook comes up with makes it easier for us to integrate with their audience. Facebook’s enhancements generally help us.”

CONNECT WITH PARTNERS

Attendance at the TouchTunes Partners Meeting grew substantially in one year. Goldstuck places a high



value on this event and said it “will be a permanent fixture on the calendar.”

“It’s going to be a part of our relationship with our partners and customer base,” he said. “It’s difficult when you only see your customers en masse once a year at a trade show. Our development and innovative cycle is so robust that it is becoming important for us to see our customers more often.”

He continued, “We had a very strong showing this year. We know it’s difficult for operators to take time away from their businesses and we appreciate it. We devote considerable resources to this event, and we value the feedback from operators. This is an opportunity to meet with them face-to-face. That alone makes it so worthwhile. We could not be happier with what how this meeting has evolved.”

Goldstuck remarked that there are fewer opportunities for these kinds of events. “Given that we have so many customers, it’s difficult to reach them all the time. This venue works out very well.”

For Goldstuck, it’s critical that customers are fully conversant with what TouchTunes is doing and what new opportunities are available to them.

“We know that our partners are investing capital and buying into our vision,” remarked Goldstuck. “Nothing can be more important to this company than fulfilling that commitment.”

BREAK NEW GROUND

“The Virtuo SmartJuke is the biggest investment we’ve made in any new product,” said Goldstuck. “When you attempt to create an opportunity where you can significantly galvanize earnings, you have to make a significant commitment. The karaoke and photo booth apps are complex to design and challenging to bring to the marketplace.”

He explained: “In effect, we’ve had to create a licensing environment for karaoke. There is no standard licensing protocol for an institutional karaoke solution in-venue. We are breaking new ground. The music industry is constantly looking for ways to enhance their opportunities. It’s important to us to come up with licensing arrangements that are sustainable and are a win-win for everyone.”

In an effort to understand its customers, TouchTunes does extensive market research and does not cut corners. TouchTunes has two customers: the operator and the patron, and both have to be happy.

To that end, Goldstuck said, “We have to be relevant to our audi-

ence. Being relevant in the present does not guarantee that you will be relevant in the future. Our development plans must stay abreast of where consumer interests are going.”

CONTINUE THE JOURNEY

Goldstuck came on board two years ago. What did he see as the major challenges facing the company at that time?

Goldstuck said, “We were starting on a journey and I accelerated that journey into the future. We had to strengthen our digital media capabilities as well as prepare the company to move into a cycle of rapid innovation. We also had to be able to adapt to constant change.”

He continued, “We went from an operator facing business to an operator and consumer facing business.

We’ve successfully done that. And now our journey really goes to the next

Building value in a social world

To engage consumers and stay relevant, TouchTunes recognizes that entertainment must include elements that are social, mobile, and local. To drive revenue, by reaching today’s technology-savvy consumers who have high expectations, TouchTunes has introduced:

- ◆ myTouchTunes loyalty program and social network whereby members earn free credits and other rewards, build custom playlists, and share and interact online. This app automatically posts plays (when opted in) to Facebook and Twitter (also Foursquare opt-in). TouchTunes currently has over 27,000 fans on Facebook.
- ◆ myTouchTunes Mobile app that includes loyalty bonuses, social networking integration, and allows consumers to play music on the jukebox with their mobile devices. TouchTunes has tracked more than 200,000 downloads since September 2010.
- ◆ Virtuo SmartJuke that is visually appealing and serves as a platform for new apps that will drive incremental revenue. Two of the apps, karaoke and photo booth, were previewed at the recent TouchTunes Partners Meeting. The user interface engages consumers and encourages more music play. ▲



BOTTOM LEFT: At a TouchTunes meet-and-greet with artists, New York City venue owner Edward Brady and friends meet Susan Tedeschi and Derek Trucks of Tedeschi Trucks Band backstage at their Sept. 10 Beacon Theatre show, (l-r): Brady, Trucks, Tedeschi, Brady’s guest Risa, and Tara Spence.

BOTTOM RIGHT: Christian McMahan, Chief Marketing Officer



chapter, which is about being able to innovate on a perpetual basis, because it will not be good enough to come up with a new product and rest there. We must continually improve and adapt our products to match the marketplace.”

When he joined the company in May 2009, TouchTunes had digital jukeboxes in approximately 30,000 locations. That number has grown to more than 50,000 locations today, a staggering growth figure.

TouchTunes will soon embark on a new frontier by moving into the international arena beyond North America. That will bring it's own

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challenges since every country has its own licensing protocol. The company began preparations some time ago to meet the licensing needs.

Goldstuck's background makes him eminently qualified to spearhead this endeavor. He co-founded J Records, which was later sold to Bertelsmann Music Group (BMG). When J Records was purchased, Goldstuck assumed the role of Chief Operating Officer at BMG. Before that he held senior executive posts at Capitol Records and Arista Records.

Two characteristics stand out at TouchTunes: Dedication to working with operators for a true partnership, and continually investing in innovation. The end product of both: growing business.

In conclusion, Goldstuck said, “In the final analysis, if you can show your customers they can earn more money by investing in your equipment, they will invest. Customers have to be comfortable that the investment will pay off. We're finding that if you come up with the right product and services, customers will support you.

“That's why we felt compelled to

TOP RIGHT: Gary Hough of Gary's Music sings with members of Rubix Kube at the closing event of the Partners Meeting.

BOTTOM RIGHT: Marc Felsen, Vice President, Corporate Marketing



provide the myTouchTunes Mobile app to operators and their customers. It's been a phenomenal success. Operators recognize it as a powerful tool. They are seeing a significant uplift in revenue in those locations that are deploying and promoting the app.



Are operators upgrading with the new Virtuo SmartJuke after the considerable buzz at the outset? Goldstuck said the company would reach 2,500 units deployed in November. “Shipment patterns have been growing nicely. We're very happy with how the operating community has responded to Virtuo, and from the earnings standpoint we are pleased with what we have seen. This has been our most successful launch, by a wide margin.”

If the past and present are any indication, stand by for more exciting products for the industry from the creative minds at TouchTunes. For more information, call (888)338-5853; Web (www.touchtunes.com). ▲

Connecting through music

The core of TouchTunes is music. The company has taken the jukebox music experience and added new dimensions that make the jukebox the centerpiece of entertainment in a given location.

TouchTunes has cultivated close relationships with music labels, publishers, and artists, ensuring the most relevant content is licensed and available (example, securing the rights for Led Zeppelin's full catalog, Bruce Springsteen's full catalog, and the greatest hits from Jimmy Buffet).

TouchTunes has secured the latest releases from established labels and independents. Because of this, the company has become a sought-after marketing partner for the music industry. TouchTunes has pre-released numerous albums across the network before their official release.

In addition, TouchTunes has hosted high-profile events and initiated music promotions that often include sweepstakes that generate excitement. Recent examples included trips for two to see Brad Paisley and Kid Rock in concert. ▲