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TouchTunes

MUSIC INNOVATION

TouchTunes charges forward with its new SmartJuke and mobile app



Only the Beginning



TouchTunes' Debut of *Virtuo* and Mobile Apps Are First Steps in New Network Growth



TouchTunes stole the tradeshow this spring with a glitzy unveiling of the new *Virtuo* smart jukebox, and by all reports the units are making quite an entrance at locations around the country. Charles Goldstuck, who is celebrating two years as the company's top executive, says the launch of *Virtuo* is merely the first act in a comprehensive plan to grow the company's location network and consumer mindshare.

"The future of place-based music will revolve around offering music in a way that allows patrons to fully participate in the process," he said of the complex and constantly changing landscape of music. "In creating *Virtuo*, the user experience was the driving factor in our development goals. All of our research was done based on keeping the consumer engaged. I am a firm believer that content will always be relevant so long as you give the consumer an experience that is of real value."

By focusing on the consumer, TouchTunes says it has created a new and compelling experience that is being rewarded with a boost in incremental revenue, commensurate with patrons' enhanced enjoyment of the jukebox. Operators are also beginning to reap real rewards from the launch last fall and again this spring of mobile apps, which allow consumers to purchase music directly from their smart mobile device. Elsewhere in this issue, *RePlay* interviews several operators who report substantial increases in revenue from the mobile apps.

"There are so many out-of-home locations that are really underserved in terms of their music in venue," said Goldstuck of the growth potential for the *Virtuo*. "They are dissatisfied with their existing background music options or the traditional jukebox experience."

Over the past two years, Goldstuck has focused both on new product develop-



TouchTunes regional sales manager Mike Jablonski demonstrates *Virtuo* at Amusement Expo.



TouchTunes CEO Charles Goldstuck and Luke Adams of Pioneer Vending at the *Virtuo* unveiling at The Joint in Las Vegas.

ment, as seen in the *Virtuo*, as well as shoring up the company's fundamentals, including parts, service and management of the firm's vast music license portfolio. TouchTunes has also forged new partnerships, connecting with Verizon's new 4G network and leveraging the production capabilities of Flextronics, one of the world's largest contract manufacturers, for

the new *Virtuo* juke.

On the music front, TouchTunes continues to strengthen its relationship with the major record labels and music publishers, as well as individual talent, bringing many artists on board from specialty performers to powerhouse names like Bruce Springsteen and most recently Jimmy Buffet, a bar room favorite across the nation. The digital jukebox network is able to offer music in a timely manner, usually at the same time it's made available on iTunes and Amazon. Plus, TouchTunes has actively worked with the labels to promote dozens of new albums from big names to emerging indie artists.

All of this adds up to increased relevance with both the music industry and the consumer. The former benefits, as do operators, because promoted songs are generally played more often, sometimes representing more than 100% increase in plays. Meanwhile, customers are able to cash in



TouchTunes regional sales manager Jim Kelly with Joe Bossolina of McGee Amusements and Lou Miele of L&M Music at the *Virtuo* unveiling at The Joint in Las Vegas.



TouchTunes CEO Charles Goldstuck and *American Idol*'s Crystal Bowersox at the *Virtuo* unveiling at The Joint in Las Vegas.

on the exciting sweepstakes giveaways that often attend such promotions. Those prizes include concert tickets, autographed guitars and even music-focused vacations like a trip for two to Lollapalooza.

Lastly, TouchTunes has hosted a number of high-profile artists for live events, including its Amusement Expo bash featuring *American Idol* finalist Crystal Bowersox and alt pop stars Jimmy Eat World. In the past, TouchTunes has hosted Wilson Phillips, Santana, Gene Simmons and Wyclef Jean for various live events.

The Virtues of *Virtuo*

Much has already been written and said about the new *Virtuo* (at right) with its intuitive interface and dramatic graphical backdrop along with several new ways to search for music. However, the units are only beginning to make their way onto the location stage. As this story was going to press, approximately 900 units were on location, another 1,500 on order and plans for shipping close to 5,000 by the end of the year, a firm target in the minds of company executives.

“We know we’re on to something. Our footprint is expanding, and our earnings are growing with *Virtuo*,” Goldstuck told *RePlay*. “All of the indicators tell me that we will have a very healthy 2011 — our biggest growth year ever.”

Virtuo and its new Open Stage operating system were developed to significantly increase consumer engagement, as noted earlier. Its sleek new design features a 26” landscape user interface, bringing advanced browsing capabilities, showcasing its extensive music library, video and interactive advertising abilities.

A Now Playing feature running across the top of the large-format screen is just one of many new promotional aspects of

the juke, which also offers dedicated advertising space on its display. *Virtuo* provides a seamless integration of the myTouchTunes website, myTouchTunes mobile applications and emerging social media platforms.

Virtuo’s powerful search features include the ability to search even by snippets of song lyrics and browse albums alphabetically via a number of different categories, in effect, replicating the classic



record store experience. These enhanced search features, in addition to the unit’s impressive audiovisual presentation of its musical selections, are aimed at driving additional plays, especially premium music selections.

“This is the start of a new era for our industry,” Goldstuck told a crowd of operators earlier this year at the Amusement Expo launch party for *Virtuo*. “It’s not just about great music but about great imagery on the screen as well. Our goal was to

open the catalog for better search and a more interactive, multimedia experience. We want to utilize the screen interface to its fullest capability. *Virtuo* and the Open Stage platform represent a significant leap forward for our industry in that the consumer experience now represents exactly what today’s consumers want and expect.”

Virtuo was designed for TouchTunes by the world-renowned Frog Design. Other notable work by Frog Design in the technology and entertainment categories includes HP TouchSmart IQ500, Xbox Kinect and Roku Digital Video Player.

A Social Networking Strategy

TouchTunes, more than any other digital jukebox company, has embraced the rapidly growing social networking phenomenon. Several years ago the company launched its MyTouchTunes.com website, where loyal jukebox players could go to create personalized playlists. Today, integrating that network with other existing platforms and the firm’s own evolving hardware is the backbone of its framework for future growth.

Now, subscribers to myTouchTunes.com can earn free music credits, automatically post plays to Facebook and Twitter and opt-in to Foursquare for automatic location check-in. Additionally, with the launch of the mobile app for myTouchTunes.com users, consumers can pay and choose jukebox music on their mobile device, providing another screen to generate in-venue music revenue. According to TouchTunes, more than 80,000 downloads have been ordered via the mobile apps and in excess of one million plays have been credited through smart mobile devices.

“Social media will play the most important role in our growth and that of



TouchTunes CEO Charles Goldstuck and TouchTunes vice president of music marketing Vicki Saunders with alternative rock band Jimmy Eat World.

the music industry's, now and in the future," emphasized TouchTunes' chief marketing officer Christian McMahan. "Look now how artists and consumers are able to communicate through the likes of Facebook and Twitter. It is the new reality. The artists that have had the most success in doing this like Lady Gaga and Justin Bieber have also successfully translated it in to record sales. They are also converting this success at a much faster pace than most consumer product companies have been able to do. It is truly a match made in heaven. Our job is to recognize the trends early on that will make the biggest difference in how we can capitalize this for our network while also ensuring the best possible consumer experience."

McMahan says the myTouchTunes loyalty program combined with the mobile apps and now *Virtuo* offer an unprecedented marketing opportunity for the company. In terms of challenges, the most important thing is prioritization.

"We need to have laser focus on putting our energies against the ideas that will truly elevate both TouchTunes

and the entire category in the eyes of our operators and consumers," he elaborated. "Our consumer model is based on increasing usage among our current users while

also recruiting in a new base of users to consistently rejuvenate our franchise. We are building, in the right way, an army of music lovers who look for and prefer the TouchTunes brand. In doing this, we are successfully creating demand for a strong brand that makes it easier for our operators to sell behind and support."

The revenue that operators are already seeing from the mobile apps is proof of the reach of social networking, according to CEO Goldstuck.

"This is a tool that consumers are very used to using in their everyday lives," he said. "In locations where patrons are using mobile technology, the results are astounding. This is a way to drive a broader payment experience. Users

that have and use the app are usually heavier users more committed to the jukebox. We are looking not just at where the world is today but where it is going."

Future Growth

Looking ahead, TouchTunes is focused on at least two avenues of growth, includ-

ing the development of new products and an expansion of its distribution capabilities into certain international markets, a first for the company that has to date maintained its presence only in the U.S. and Canada.

Top executives including Goldstuck have already revealed some of the future product cards, namely the anticipated introduction of a karaoke solution that will work in a wide variety of locations. Operators are likely to get their first look at this and other as yet undisclosed new products at the fall Partners Meeting in Phoenix.

The focus, in terms of product development, will be on tools that open new doors for operators to capture revenue and patron attention, said Goldstuck. "Karaoke taps into the desire for a live experience that can't be duplicated at home," he explained. "Shows like *American Idol* have created an enormous demand for karaoke and the performance experience. This is a compelling way to link in-venue experiences with social media tools, all via our platform."

Looking beyond the U.S. and Canadian markets, Goldstuck says TouchTunes will utilize the modern and hip look and feel of *Virtuo* to gain a foothold in other countries and regions of the world.

"*Virtuo* offers a way to expand into the global marketplace," said the company CEO. "You will see a concerted effort to penetrate additional international markets, although we will only target markets that respect the rule of law and the right of intellectual property."

Ever the optimist, Goldstuck says he is decidedly bullish about the future, even as the music industry struggles and the amusement trade continues to consolidate. Citing specific operators whose businesses are growing through aggressive investment and promotion, he made the case that industry growth will be determined by the collective decisions of many individuals and their businesses.

"It's really about each operator and their individual enterprise and how they are utilizing the innovations and tools we are providing," Goldstuck concluded. "We will continue to do our part. There is much more to come."

To learn more about TouchTunes, log on to the company's website at www.touchtunes.com.



The myTouchTunes.com

mobile app lets consumers pay and choose jukebox music on their mobile device. According to the factory, more than 80,000 downloads have been ordered via the mobile apps and in excess of one million plays have been credited through smart mobile devices.

