



# Designing a concept for a vinyl record store

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### Vinyylilevykaupan konseptin suunnittelu

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Tämän opinnäytetyön tarkoituksena oli suunnitella yksinkertainen konsepti vinyylilevykaupalle. Ajatuksena oli tuoda työssä esille tärkeimmät ja perusteellisimmat asiat levykaupan palvelun suunnittelussa sekä yrityksen perustamisessa. Työn hyödyn saajina toimivat kaikki lukijat, joilla on kiinnostusta oman palveluyrityksen perustamisen suhteen.

Opinnäytetyöhön haettiin tietoa palvelumuotoilusta, konseptien suunnittelusta, vinyylilevy-markkinoista sekä yrittäjyydestä yleisesti. Työssä on käytetty internet- sekä kirjallisuuslähteitä. Työtä varten haastateltiin kahta Suomessa toimivan levykaupan omistajaa ja lisäksi netnografiaa hyödynnettiin vinyylilevyjä ostavien asiakkaiden tarkastelussa.

Kerättyjen tietojen perusteella työssä kuvailtiin yksinkertainen konsepti fyysisestä levykaupasta. Tiedoista pääteltiin, että vinyylilevyjä myyvän kaupan perustaminen on helppoa tuotteiden riittävyuden ollessa hyvä. Tästä huolimatta vinyyli on kuitenkin tuotteena erittäin marginaalinen verrattuna nykypäivän digitaaliseen musiikkiin, vaikka vinyylilevyjen myynti on kasvanut useita vuosia peräkkäin niin Suomessa kuin myös ulkomailla.

Työtä voi vahvistaa teettämällä lisää haastatteluja etenkin isompien ja/tai pitkään toiminnassa olleiden levykauppojen kanssa. Haastatteluissa pitäisi keskittyä kysymysten osalta enemmän palvelun suunnitteluun ja vähemmän liiketoimintaan. Myös vinyylilevyjä hankkivien ihmisten mielipiteitä levyistä tuotteina ja niitä myyvistä kaupoista pitäisi kartoittaa tarkemmin. Jatkotutkimuksissa pitäisi keskittyä etenkin asiakaskokemukseen ja muun muassa palvelun fyysisen ympäristön luomiin vaikutuksiin (englanniksi servicescape,) asiakaspolkuihin ja pitkäaikaisasiakkuuksien luontiin. Etenkin servicescape vaikuttaa hyvin mielenkiintoiselta vaihtoehdolta luoda erikoisempaa asiakaskokemusta liikkeen sisätilojen suunnittelun avulla.

Asiasanat: palvelumuotoilu, bisnesmalli, konsepti, vinyylilevyt

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This thesis' purpose was to design a simple concept for a vinyl record store. The idea was to have the thesis highlight the most important and fundamental aspects of designing a record store service and establishing a business. This thesis will be of benefit to all readers who have an interest regarding the establishment of one's own company for a service.

Information regarding service design as well as concept design, the vinyl record market and general entrepreneurship was researched for the thesis. Sources used include both internet and book sources. Two vinyl record store owners who conduct business in Finland were interviewed, and netnography was used to examine consumers of vinyl records.

Based on the information acquired a simple concept for a physical record store was laid out in the thesis. The information led to the conclusion that establishing a store that sells vinyl records is easy provided that enough products are available. However, vinyl is still a very marginal product these days when compared to digital music, regardless of the growth of vinyl record sales that has been noted both in Finland and elsewhere globally over a span of multiple years.

The thesis can be improved upon by conducting additional interviews with record stores, with an emphasis on stores that are larger and/or have been in business for longer. The interview questions should focus more on service design and less on business operations. Additionally, the opinions of consumers regarding vinyl records as products as well as the stores selling them should be researched in further detail. Further studies should focus especially on customer experience and e.g. servicescape (the impact of the physical environment of a service,) customer paths and acquirement of long-term customers. Servicescape in particular stands out as a very interesting option for creating a more special customer experience by means of interior design.

Keywords: service design, business model, concept, vinyl records

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## 1 Introduction

Vinyl records have been for the most part surpassed by other music formats such as CDs and digital music files bought or streamed online. Regardless of the technological advancements, vinyl has been seeing a worldwide resurgence and the sales of vinyl records have been growing for multiple years in a row in many regions of the world. There are various reasons why consumers choose to purchase music on vinyl including e.g. collecting, personal connections to physical records and enjoyment of products seen as retro or vintage.

The purpose of this thesis is to produce a concept design for a service that sells vinyl records. The reason for choosing physical records as the product in focus is my personal interest in this format of music as well as the music entertainment industry in general. The goal of the thesis is to discover different possibilities for what the service concept can be designed to be like. The viability of establishing a record store will also be examined.

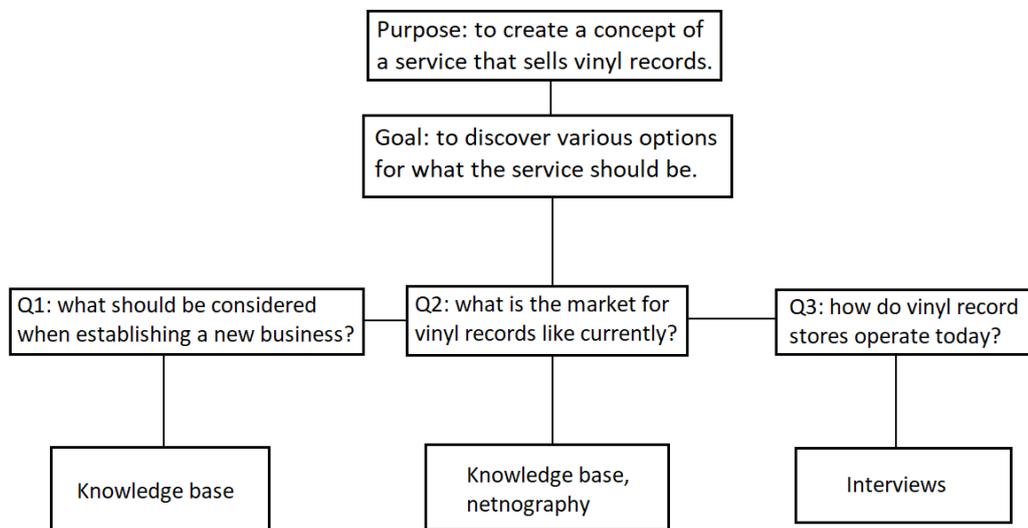


Diagram 1: A visual representation of the thesis' objectives.

There are three main research questions that will be used to approach the thesis goal. They include finding out important fundamentals for establishing a business, examining the vinyl record market and finally discovering how vinyl record stores are run. The first two of these three questions will be mainly answered by means of creating a knowledge base from printed and online sources, whereas the third will be answered based on interviews with current record store owners. Creating this concept design has the purpose of giving readers a basic outline of a what a vinyl record store requires as a business while also briefly discussing the viability of entering the field of selling vinyl records in the modern day.

The structure of this thesis is as follows: the second chapter will include information that will form the knowledge base. The third chapter will cover the methodology used for obtaining data. The fourth chapter will examine the results gathered from interviews with record store owners and the netnography of vinyl record consumers. The fifth chapter will outline the concept example as well as the viability of opening a record store today and will be followed by the final chapter meant for conclusions.

The idea of this thesis is to provide an overview of fundamental aspects which readers can follow to gain a better understanding of what is required to design and establish a small business, especially one in the vinyl record market. Examples of topics not covered in the thesis include: the market situation for rentable properties in the Helsinki region, brand and image building, and business expansion and marketing. The viability of opening a record store in the present day is not the focus of this thesis but will nonetheless be briefly discussed.

## 2 Knowledge base

This chapter includes examinations of concept design, the vinyl record market and entrepreneurship. The purpose of this chapter is to provide the reader with an understanding of the main elements of each of the mentioned topics. The latter half of the thesis will build on top of the knowledge base by going into further detail specifically regarding vinyl record store operating and reasons for consumers choosing vinyl.

### 2.1 Concept design definitions and principles

Geoff Hedges condenses a Danish 221-page publication concerning the definition of "concept design" with the phrase: "concept design is the solution to a problem that has not yet been solved or which so far has been solved unsatisfactorily." He follows this by bringing forth a narrower definition: "Recognizing that phases overlap, we specifically mean that after you've determined product requirements, but before you start detailed design, you're in the thick of concept design. ... Concept design is the initial big picture or macro design. It shows us what problems the product will solve, how it will solve them, and what it will feel like as it is solving them. Arguably the most creative stage of product development, concept design is stickies slapped on whiteboards, ink and wash, napkins and crayons even. It calls on us to consider sweeping ideas and all the various possibilities. The more the better" (PTC, 2017.)

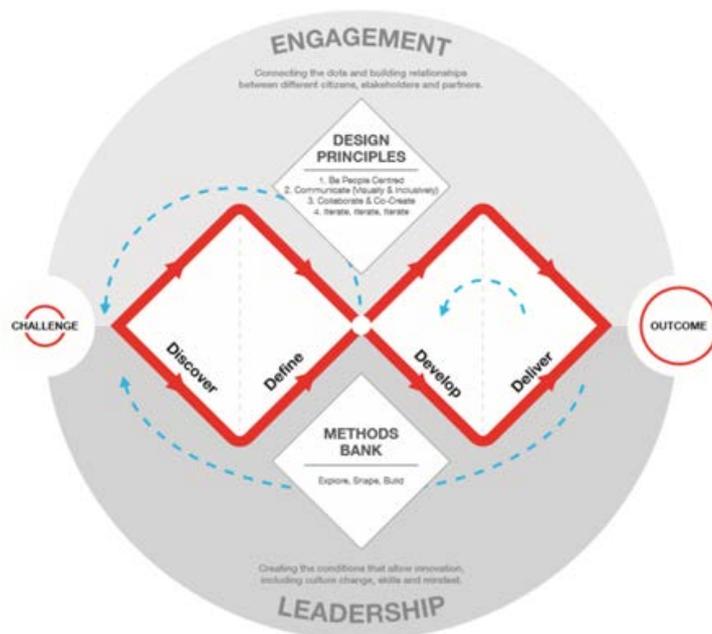
A Toyota family van and a Ferrari sports car are the same object type, but not the same product type. Both are cars, but they are different from each other because of the differing concepts the manufacturers had in mind (Reaktor, 2016). In this example the problem which Toyota is solving mainly concerns capacity: "we need a car that can easily and efficiently transport a medium-to-large family and their luggage." Ferrari's problem has much more to

do with car performance: “we need a car with good handling capabilities, top speed and high power.” These differences in what the manufacturers are looking for lead to the need for different solutions. Toyota’s van needs a large interior space to hold the designed amount of cargo and occupants, whereas the Ferrari must be not only as lightweight as possible but also shaped and made to a size that will reduce drag caused by air. Thus, it is almost a certainty before any sketches for the cars have been made that these two examples must turn out vastly different based on the limitations as well as the necessities in physical size alone. There is no need to consider details such as what the dashboard features or the color of the leather seats in the cars will be before the aforementioned “macro design” has been thoroughly considered.

When designing a concept for a service there are several sets of proposed principles to keep in mind. The government of the United Kingdom has produced one such set of principles which include: start with user needs, concentrate on the irreducible core aspects, learn from how existing services are used, aim for simplicity and iterate (Government of UK, 2019.) A 2018 book titled “This is service design doing: applying service design thinking in the real world” proposes similar principles such as: be human-centered, collaborative, iterative, sequential and real (Wikipedia, 2019d.) The essential aspects in these principle sets to focus on are simplicity and clarity, providing solutions to people (customers as well as employees) and using prior knowledge to an advantage. A good concept design for a service is achieved by being able to meet a well understood need or problem with a concise and easily understandable solution that is based on the research of prior knowledge and examples of solutions made by others as well as prior tests or versions of one’s own solution.

## 2.2 Double Diamond as a design tool

The UK-based Design Council launched “a clear, comprehensive and visual description of the design process” named the Double Diamond in 2004. It is the model which will be used to create the concept design in this thesis.



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Diagram 2: A visual representation of the Double Diamond by the Design Council.

The two diamonds represent two different types of thinking: divergent, meaning wide and deep exploration, and convergent, meaning focused action. The first diamond has the keywords “discover” and “define:” it is meant for gaining an understanding of the problem by speaking to and interacting with people affected by it, and also for defining the problem further based on information attained during the discovery phase. The second diamond’s keywords are “develop” and “deliver:” the purpose of this diamond is to find various answers to the defined problem, and to also put those answers to small-scale tests. (Design Council, 2019)

Four principles to follow are given along with the Double Diamond. These principles are very similar to the ones in the sets described in the previous sub-chapter. The first of them is to put people first: begin by understanding the needs, strengths and aspirations of the people using a service. Secondly, communicate visually and inclusively: do your best to make problems and ideas understandable. Thirdly, collaborate and co-create: work together with others and let them inspire you. Lastly, iterate: do things over and over again to notice errors quickly and build confidence in your ideas. The Double Diamond also outlines three main groups of methods: explore, shape and build. Exploring means finding challenges and opportunities. Shaping means coming up with prototypes and visions. Building means creating ideas and gaining expertise. (Design Council, 2019)

### 2.3 Niche markets

Vinyl records can be seen as products in a niche market, which means a subset of a market in which a specific product is focused on. Not all products are defined by their market niche: a niche market is highly specialized and aims to survive amongst numerous larger competitors. Small capital providers often choose a niche market with narrow demographics to increase their financial gain margins. The final product quality is determined by the specific needs that the product is meant to satisfy and sometimes also by aspects of brand recognition such as prestige, social status or environmental conscience. (Wikipedia 2019c)

### 2.4 Vinyl as a product

While vinyl records might be able to take advantage of retro trends, they do suffer due to other much larger ones: environmentalism and waste management. Andie Stephens from the corporate carbon footprint measuring company Carbon Trust explains that vinyl is made by extracting crude oil from the ground, refining it and turning it into the plastic PVC which is used to make the record itself. This means that they are not biodegradable. The common black color of a vinyl record is due to adding carbon black which is also made from fossil fuels. Additionally, the cardboard covers and possible paper sleeves probably come from tree pulp and compared to purely digital music the production and transportation of vinyl records is much more straining in terms of energy consumption. (VICE, 2018)

Additionally, vinyl records do not remain in perfect condition but instead wear down little by little each time they are played (the same is true for the equipment used to play the record.) They are also prone to becoming damaged if mishandled: scratches, dents and bent shapes resulting from large amounts of heat or pressure can make a vinyl practically unusable. The sleeves and center labels of the records are especially prone to water damage. Vinyl also cannot be listened to on-the-move in the same manner how people can listen to the radio or music that is streamed via the internet.

These days there are groups who are focused on keeping vinyl alive whilst staying environmentally friendly. One example of such a group is the Dutch company Deepgrooves whose vinyl products are made to be "as green as possible." The vinyl is based on an environmentally friendly material, made on green power and bio-mass in an almost completely circular environment. Deepgrooves uses FSC certified paper as well as cardboard and prints with environmentally friendly ink, and all shipping is done by using carbon neutral shipping companies. (Deepgrooves, 2019)

Reasons for consumers choosing vinyl will be covered later in the netnography section.

## 2.5 Examination of the market for vinyl records

Despite being old technology when compared to the modern music formats of CDs and digital sound files, vinyl records have never been completely phased out. In fact sales of vinyl records have been growing globally during the past years. According to The Guardian, the British Phonographic Industry's statistics showed that in 2016 vinyl record sales had grown for the ninth consecutive year in the United Kingdom; the sales in 2016 had increased by 53 % compared to the previous year, with the 3.2 million records sold being the greatest number since 1991 (The Guardian, 2017). A similar situation is prevalent in the United States, where according to the U.S. Music Year-End Report conducted by Nielsen the sales of vinyl had grown for 12 consecutive years in 2017 (Billboard, 2018). By the end of 2019 the monetary value of vinyl records sold in the United States is expected to be over 500 million dollars which would be greater than the value of CDs sold for the first time since 1986 (Helsingin Sanomat, 2019).

The surge of vinyl record sales has also been noted in Finland. Statistics compiled by Suomen Musiikkituottajat ry show that in the year 2000 around 8800 records were sold, whereas in 2015 the number had increased to about 74000. These numbers are also more than likely somewhat downplayed as the statistics only take into account sales by members of Musiikkituottajat and do not include records ordered from abroad or used records bought from record conventions. (Etelä-Suomen Sanomat, 2017)

Tommi Kyyrä from Musiikkituottajat confirmed a similar trend in 2019 by stating that "CD is coming down and vinyl is on the rise." By the end of August the monetary value of vinyl records sold in Finland had grown by 28 % during the year. Out of the entire market share vinyl had less than 2 % two years ago, but this has risen to 3,5 % in 2019. The aforementioned probable smaller sales numbers due to not all vinyl record sales being recorded in the statistics of Musiikkituottajat is also in effect here. (Helsingin Sanomat, 2019)

While the growth in both sales and interest in vinyl has been great, it is a clear fact that vinyl records still only play a marginal part in music business today. For example, the 2017 report by Nielsen showed that vinyl LP sales in the U.S. made up only 14 % of all physical album sales, and a mere 8.5 % of album sales overall in 2017 (Billboard, 2018). In Finland vinyl accounts for only a few percent of music sales, although according to the Jyri Lipponen, CEO of the Helsinki record store Levykauppa Äx, the sales of vinyl records at Levykauppa Äx have surpassed that of CDs in terms of euros spent (Helsingin Sanomat, 2017). Music streaming services that are paid for, such as those provided by Spotify and Apple Music, have 62 % of the entire music market share in the United States (Helsingin Sanomat, 2019).

One estimation for the amount of record shops in Finland comes from VinylHub, a webpage that is meant to "document every physical record shop and record event on the planet." The

most recent statistics provided by the site show that there are around 80 record shops in Finland, with the vast majority being situated in the south of the country and of those over 30 in Helsinki alone. Some of the listed stores are closed however, with one example being Mind Records which used to be in Helsinki. (VinylHub, 2019)

The event and location database MyHelsinki has listed around 20 of those record stores in Helsinki. The majority of these stores do not describe themselves as focusing on one specific genre of music. Mentioned specific styles provided for include electronic music, punk and a couple of stores focusing on old as well as used records. (MyHelsinki, 2017)

## 2.6 Entrepreneurship theory

The notion that someone can “become” an entrepreneur is one that some people may claim to be untrue; starting a business is something that fits certain personalities better than others. Nevertheless there are procedures, ideas and rules of thumb that can serve to help anyone begin their journey as an owner of a company.

Products and services are purchased by customers in order to satisfy the needs of those customers. This is an important detail to take into account due to the fact that it shows that a company’s competitors are not only those companies who offer the same product or service, but also those companies that offer a different product or service that still satisfies the same need that is targeted. Where are the customers whose needs your products/services satisfy? Who are your top competitors? What are your weaknesses and strengths compared to your competitors?

A company can offer physical products, non-physical services or both; commonly physical products are also accompanied by some form of service such as customer service during sales or maintenance work later after the actual transaction is completed. Customers can choose what products or services they purchase based on many factors: price, quality, uniqueness and accompanying service are examples of things that can sway the purchasing decision of a customer in one direction or another. Knowledge of what thing(s) will most likely affect a customer’s purchasing decision is highly advantageous. (Holopainen, 23)

How a company operates to provide its products or services influences its success. Companies require mental, mechanical and economical resources in order to offer their products. There should be a good idea of what resources a company already has available and what resources it must acquire from elsewhere. Combining these areas together in an effective way will make a company be more likely to succeed. It is important to remember that as conditions in markets change the business plan must adapt to those changes. Failure to do so can be the end of a company. (Holopainen, 24)

Being an entrepreneur requires individuals to have certain qualities and traits of personality. Perhaps the most obvious one is initiative: the want to be an entrepreneur, a willingness to take calculated risks and both good work ethic and effort. Striving towards goals, having good social skills, being creative and able to make decisions, an ability to handle pressure as well as having confidence are examples of other qualities that are to the benefit of an entrepreneur. Combining these qualities with a good business idea is a sign of one having a good opportunity to begin entrepreneurship. (Yrittäjät, 2019a)

According to Zacharakis and co., the initial step for beginning one's entrepreneurial journey is to come to an understanding about one's goals and aspirations. Three questions should be asked: "what are my career goals? How does an entrepreneurial endeavour help me achieve these goals? What skills do I need to develop in order to be successful?" Being an entrepreneur is not about making money, which is merely something that comes along with the main course: the achievement of self-actualization. Many entrepreneurs see their businesses as their children, which they help to grow up and hopefully outlive them. The primary motivation for people to choose the path of an entrepreneur is not the chance to become wealthy; building an enterprise which makes long-term capital gains as well as the sense of personal achievement, control of one's destiny and realizing a dream push people onto the entrepreneurial journey more often than the search for instant acquisition of money. (Zacharakis, 10-11)

Five attributes are prevalent in successful entrepreneurs according to Zacharakis: in his "Star of Success" idea, success is made up of knowledge, network, energy, commitment and passion. Knowledge allows for entrepreneurs to recognize patterns and act according to them in markets; many people launch their own business in a field that they have lots of prior experience in. Networks give an opportunity to find or add to prior knowledge: the more connections a person has, the more likely it is that he or she can find e.g. new customers, an appropriate supplier or the correct information to tackle a problem with. Energy is self-explanatory: even just the planning of a business takes up lots of it, not to speak of running it. Some of that energy can be attained from the final two attributes, the first of which is commitment. Commitment is important because of the nature of being an entrepreneur, which more often than not has both ups and downs, growth and slumps; it is easy to throw in the towel and give up at the first sign of trouble if the commitment to one's mission is lacking. The final attribute, passion, is also key for staying on the path of an entrepreneur. In fact, it is perhaps the most important of all the attributes: unless making money happens to be the passion itself, it can be difficult to achieve success for an entrepreneur if they start a business just to simply make more money. A business that is driven by passion leads to self-actualization and the feeling of truly succeeding. (Zacharakis, 12-16)

Coming up with multiple business ideas can be straightforward when a clear passion is coupled with an understanding of career goals. However, a large portion of those ideas are probably not viable in terms of the ability to generate profits and satisfactory returns to both the team running the business and investors. Gauging the opportunity and potential of a business idea is therefore crucial to prevent a business failure. One way to do this is to use the Timmons Model. This model argues that creating a new and successful venture depends on having certain themes: opportunity-driven, existence of a lead entrepreneur and an entrepreneurial team, resource parsimonious and creative, fit and balance, integrated and holistic, and finally sustainable. The opportunity comes first: without opportunity even the best team in the world with the most amount of money will be hard-pressed to find success or let alone know where to start the process. A good idea does not necessarily equate to a good opportunity: only a few percent of proposed ideas pitched to potential investors achieve the goal of acquiring funding, with over 80 % of the rejections happening within minutes of the pitch beginning. About 10 % fail to make the cut after the business plan has been examined more thoroughly after sparking an initial interest. (Zacharakis, 16-17, 19)

## 2.7 Company types, establishment and business models

When starting a company one must specify what type of a company it is. There are various options, with each having different traits that will help to decide which type is the best fit for the company in question. Choosing what type of a company will be established depends on various attributes. Some company types can only be chosen if a minimum requirement of founders is met. The required amount of capital will determine what type is the most effective choice. The ability for different individuals to form agreements and make decisions on behalf of the company and responsibility for e.g. debt also vary depending on the company type. Sharing of profits will work differently in different types of companies. These are just a few fundamental examples of things that will influence what company type is chosen when the company is founded. (Holopainen, 170)

A sole trader (in Finnish yksityinen toiminimi/yksityisliike) is a good option for an entrepreneur who is planning to have small-scale business operations. Sole traders have a modest turnover, and often they have no need for big loans, large storages or expensive machinery. In this type of a company tax planning does not need to be complex. Becoming a sole trader is both simple and cheap, and because of this it is a good option for somebody working alone. (Yrittäjät, 2019b)

Commandite companies (kommandiittiyhtiö) are somewhat similar to sole traders in terms of having light organisational aspects but have the added benefit of being able to bring in investors. Commandite companies can also do legal actions under their own name, e.g. forming

contracts and being litigants when negotiating with officials. Establishing this type of a company requires at least two partners, with one being a responsible partner and the other being a voteless partner. The prior of these two partners is only required to give their work effort as an investment, while the latter is required to make a monetary one. The responsible partner is also responsible for the debt of the company with their entire property and belongings whereas for the voteless partner only the amount of the monetary investment applies. An open company (avoin yhtiö) is very similar to a commandite company, but open companies have at least two partners who both have the right to handle the company's affairs by themselves as well as having a shared responsibility for the company's commitments. Because of this absolute trust between the partners is a necessity. (Yrittäjät, 2019b)

Choosing to be a limited company (osakeyhtiö) is a good option in the majority of situations. The arrangement of the company activities is clear and unlike the prior types of companies there is no personal responsibility. A single individual can establish a limited company, although an extra member of the board is required. When multiple stakeholders are present, each is responsible for only the amount of their own investments. A limited company is a good option especially when large investments are to be made or when multiple owners are going to be employed by the company. (Yrittäjät, 2019b)

Forms must be filled out and sent to the Finnish Patent and Registration Office when establishing a company. The price of these forms depends on the type of company that is chosen: the price for becoming a sole trader is 60 € minimum and is the lowest of all the company types. Commandite or open companies cost 240 €, and the forms for limited companies cost about 275 €. (Yrittäjät, 2019b)

There are various ways of acquiring capital for the establishment of a company. These include loans and investments made by the owner and/or others (this depends on the type of company.) Grants and benefits given by the government, such as the startup grants given by the public employment and business services in Finland (TE-palvelut, 2018,) are also a possible source of initial capital.

Different company types will face different forms of taxation. In terms of taxes the most efficient company type depends on not only the tax rate of the company but also the tax rate of the owners. Companies pay tax on their profits, but the taxed amount is not necessarily derived from the profit shown in the accounting of the company because the regulations of taxation and accounting differ from each other. Some forms of revenue are not taxable and some costs are not tax-deductible. (Holopainen, 174)

All business practitioners are required to do accounting. Accounting means the separation and documentation of various incomes, expenses, possessions and debts of a company. The difference between income and expense is the profit or loss of the company. Possessions and debts

are used to determine the financial health and liquidity of the company. Company leaders are responsible for the arrangement of accounting, and there are laws and regulations for doing accounting. Accounting must be done in what is called a "good manner," which basically means with clarity. (Holopainen, 156)

One tool for creating a business model is the Business Model Canvas. The Business Model Canvas is a template made initially by Alexander Osterwalder for developing new business models or documenting existing ones. It is commonly represented as a visual chart comprised of elements that describe a company's or product's infrastructure, offering, customers and finances. Infrastructure elements include: key activities, key resources and partner network. Offering elements include the value propositions of the business. Elements of customers include: customer segments, channels and customer relationships. Lastly the finances elements include cost structure and revenue streams. (Wikipedia, 2019a)

A vinyl record store's value proposition can be to offer customers a selection of records to discover, examine and purchase from. The primary customer segment of the store is the niche market of vinyl enthusiasts. The customer relationship they expect the store to establish with them is one of both personal service and mutual interest in the vinyl format. Channels used to reach the customers include anything that raises awareness of the store, which can include social media and networking at events related to vinyl records or music in general. Key partners of the store are whoever vinyl records, the main key resource, are acquired from as well as potential property renters and royalty collection organizations such as Gramex, who will be discussed further in the interview results' section. The key activities required to fulfil the value proposition of the store are the search and acquirement of vinyl records to be sold. The cost structure is made of the cost of acquiring records for sale, which is the largest and primary source of costs, as well as any potential salaries, rent payments and utility bills. The revenue stream comes from the selling of products, and the amount of revenue gained from the sales of records depends on the quality, rarity and popularity of the records; pricing should be made with good honest intent because word-of-mouth will spread any suspicions of foul play throughout the vinyl community and deter people from becoming customers. In short, the model of the store is to provide a large selection of various records, acquired from various sources, to be further displayed and sold to consumers of vinyl.

### 3 Methodology

The methodology of this thesis employs qualitative methods. Since the core purpose in this thesis is to lay out an easily understandable big picture design of a service it is reasonable to

assume that a combination of examining multiple sources discussing the matter and conducting interviews with key individuals who have prior experience in the field would trump a more numbers-based quantitative approach efficiency-wise.

Most of the information, especially theory related to concept design and business planning, was sourced from articles found online as well as books. Some of the information was also attained by means of netnography. Information gathered from the interviews is supposed to go a step further in detail and acquire knowledge on operating a company selling vinyl records specifically. The goal is to allow the experience of the interviewees to show what to prioritize and tweak in the concept to make it the most effective.

### 3.1 Interviews as a qualitative method

Interviewing is a basic way to gather information. It is a commonly chosen option since it can be done almost everywhere to accumulate detailed information for a wide variety of uses. There are various ways of conducting an interview, ranging from the interviewer simply going through a list of questions one by one to having the interviewee be the primary director of a loose and open conversation. Despite being fundamentally simple to conduct, interviews can be problematic due to the potential for people to have different ways of defining and communicating various subjects. (Hirsjärvi, 11-12)

The goal of an interview is to gather information that is usable for coming to reliable conclusions about a research subject. During the phase in which the interview is being planned researchers must already have an idea about what types of conclusions they might arrive to based on the information they will gather from the interview itself; a proper planning of an interview includes a hypothesis on what results will be arrived at. It is ineffective to begin the planning of an interview by immediately forming a list of questions to ask. Instead of this, a much better approach is to firstly identify and list areas (themes) of interest which the questions will be derived from. (Hirsjärvi, 66)

### 3.2 Netnography as a qualitative method

In their 2018 published paper Heinonen and Medberg describe netnography as an ethnographic research-based approach to studying and understanding consumption-related aspects of customers' lives online. It is a research method that has become more prevalent alongside the growth of the internet and digitalization: "Today, customers are constantly connected to the internet through computers and an array of mobile devices; the younger generations especially share many of their opinions, experiences and everyday activities online. ... The abundance of traces left by customers on various online platforms is valuable data for researchers and managers." In the abstract they state that in practice netnographic research can help

firms with service innovation. Netnography has some advantages over other research methods, such as the “rich and naturalistic” data that accurately depicts the reality of customers, simplicity and the ability to be conducted unobtrusively. However, the quality and legitimacy of the data gathered through means of netnography can be an issue, and it can be difficult to accurately establish the demographics of informants which can render netnography unusable as a method in studies that are sensitive to age, gender etc. As with traditional ethnography, netnography faces limitations in regard to generalizing its findings to customer groups outside the studied online communities. There is also debate about what kind of (how covert) netnography usage is ethical. (Heinonen, 2018)

### 3.3 Interviews of record store owners

Two interviews were conducted for the thesis. The first interviewee was Justin Steele, who was chosen due to me knowing him and his business from a prior encounter. Justin moved to Finland from his native Britain, from where he has prior experience in the record store business because of his employment at a brick-and-mortar shop in London. He has continued selling vinyl records in Finland via his own business Pike Bay Sound that operates online. The interview was conducted at a small bar in Helsinki during an early afternoon and was done in the form of a casual and relaxed conversation over the course of around two hours.

The second interviewee was Mikael Winogradow, who was chosen based on a recommendation by a vinyl fan and musician acquaintance of mine. Mikael is a Finn who has been working primarily by himself at his own record store Blue Vinyl Records in the city of Espoo for a number of years. The interview was done at his store around noon and was similarly to the interview with Justin done in the fashion of a casual conversation. The interview took a little over an hour, during which small amounts of time passed as a couple of customers at the store bought and sold records; interruptions of the interview did not cause any problems in the flow or structure of the interview. The interviews did not adhere to a strict structure as they were done in a casual conversating manner rather than a plain interview, and thus the order of the questions did not necessarily follow that of which they were in on paper.

Based on the priorly mentioned descriptions of the goal and themes of interest in interviews as laid out by Hirsjärvi and co., four themes were identified to derive the interview questions from. The first of these was “the minimum requirements of starting a record shop,” which aimed at finding the absolute necessities that could be primarily used as guidelines for creating the concept in this thesis. The second was “what keeps a record shop running,” which was chosen as way of finding out how record stores operate after the establishment is done. The third theme was “regulations, laws and special aspects,” which was chosen to identify any potential legalities, rules or other aspects not specifically related to the business side of operating a record store. This theme was less extensive but something that had been of interest

and speculation already when the thesis subject was decided. Finally the “current market situation” was chosen to gain a better understanding of the current saturation of the record store business in Finland and the viability of new businesses entering into the market.

The questions related to the minimum requirements of starting a record shop mainly asked about initial capital: how much starting capital is needed and for what purposes? Where can it be acquired from and how did the interviewee fund their own establishment phase? Questions based on the theme of what keeps a record store running focused primarily on both product and customer acquisition: what methods are there to acquire records to sell and who/where are the sources? Are long-term or bulk-buying deals prevalent for this product acquisition? What are the best ways to reach and/or acquire customers? Is it good to limit the product range to specific genres or styles of music? What is the interviewee’s opinion on discounts and how can they be implemented? How important is selling merchandise other than music and where should that merchandise be acquired from? The theme of regulations, laws and special aspects was mainly a general one with no specific questions other than asking if there are any regulations related to copyrights of the music being sold or listened to in the store. Finally the questions related to the current market situation were as follows: based on how many businesses operate currently in the field of selling music, does the interviewee think it is viable to start a new business? Has saturation, especially with digital music and things like music streaming services, made opening a record shop too risky or low-return or is there a niche that provides an opportunity? Is it best to focus on a specific format (vinyl, CD, digital) or to combine them?

### 3.4 Netnography of vinyl record consumers

The Telegram-based chatroom of Entropy ry, a Finnish electronic music cultural association and one of the Student Union of Aalto University’s cultural associations (Entropy, 2019), was followed for netnography purposes from 28<sup>th</sup> October to 3<sup>rd</sup> November. Entropy is a group of mainly university students who are fans of electronic music. The group organises and hosts multiple events each year, primarily focusing on arranging music events. Many members are or have been users of vinyl records for multiple years both as music listeners and disc jockeys. Typical topics discussed in the chatroom include music releases, events and gatherings, overall news and some organisational aspects of the association.

## 4 Results

This chapter contains the results of both the interviews and the netnography. Answers given by both interviewees will be mentioned and discussed in the same order as the questions have

been mentioned in the prior chapter. Please note that all the provided quotations of Mikael Winogradow are translated from Finnish into English by me.

#### 4.1 Interview results

The required starting capital for opening a vinyl record store naturally depends on what type of a location the business entails. Justin estimated that a loan of 30 thousand euros would cover the cost of initial product acquisition as well as a part of the owner's salary in the beginning for a non-physical store, but a brick-and-mortar store would require a much larger loan. Mikael had a slightly differing way of answering in that he only sees the vinyl records, the products being sold, as essential starting capital. He mentions an initial rent deposit usually worth three or six months' rent and furniture purchases, which can be very modest or more substantial depending on the store owner's vision for the interior design, as initial expenses to take into account when renting a property for use as a store, but other than that only records are required.

"I mean records themselves aren't exactly a mainstream thing anymore, so everything is kind of aimed at a small audience anyway. And if I had a couple thousand records, which are kind of aimed at certain niche markets, then I think in terms of stock ... it's a good starting point" (Steele, 2018).

Both interviewees mentioned having a few thousand records as being a good start, though Mikael also points out that 2000 records does not visually stand out as a large amount when they are together in a few shelves. As stated before Justin mentions a bank loan as a source for the starting capital, whereas Mikael remembers applying for a startup grant.

In terms of the vinyl records themselves, both had thousands ready to be put up for sale when they started their business. Justin had second-hand records with most of them being his own, and similarly Mikael had also bought vast amounts of records for himself prior to even thinking about opening a store. Justin has a budget with which he buys brand new records from distributors, but before he only bought records second-hand. According to him the easiest and quickest way to get a large amount of records is paying a blanket fee for somebody's collection. He also states that distributors are very expensive sources for records these days due to margins being much smaller than what they were in the past: "Back in the 90s it didn't use to be [very expensive], like we used to buy from distributors in England: a new single would be like you know, £1.50 or something, and you would sell it for £5. So you would make ... quite a good profit for a record. ... [Now] I deal with British distributors and [it's] like £8.50-£9 for a new record. So then you're selling this single ... for like 12 or 13 pounds - oh, euros actually, sorry! So my margin's much smaller than it would have been ... about 15 years ago or something like that. ... Because it's more expensive to press vinyl now, so the pressing plants charge more" (Steele, 2018).

Mikael operates somewhat differently: he practically only buys second-hand records from people who bring them to be evaluated at his store. This was his plan already in the very beginning, and he had thought that if he sold all of his original records and did not manage to acquire new stock he would close the business. "I don't go around flea markets or anywhere to find records; I've been in a lucky position in terms of having everything being brought here [to my store.] The only exception when I will go somewhere is if someone has a large amount of records - then I will visit their home for a meeting and to make a purchase. If we're talking about hundreds [of records] then they probably won't be brought here, and in that case it's the most convenient to say I will go there instead to check the records and buy them" (Winogradow, 2018).

Most of the records Mikael sells are used records: he seldom contacts distributors or record labels directly for brand new stock. Sometimes labels may sell new stock at a discount price if they have had difficulties getting a specific set of records sold, but still Mikael will only occasionally buy mint stock and also mentions that making space for large amounts of brand new stock can be challenging in his store's setup where there are thousands of records all over with no particular order other than having most of the vinyl grouped according to musical genres, with the occasional misplaced records here and there. "I could probably order new stock as much as I would like to, but it simply hasn't been my thing" (Winogradow, 2018).

According to Justin it is easy nowadays to send a message to distributors or record labels to get in touch with them, although sometimes finding the necessary information can require some research. He says that very large distributors or labels may sometimes demand certain amounts for orders or sales before they are willing to co-operate, whereas smaller ones do not particularly mind how large or small an order is. These days vinyl pressers will often only press a few hundred copies of a certain record, a substantial decrease from the thousands of copies that was more prevalent in the past. Related to this fact, a small record store will not be able to buy the entire stock of a specific pressing if it's a limited edition as the record labels will more than likely not allow it: "A common sort of vinyl pressing now for a 12-inch single is probably like 300-500 [copies.] It used to be like 2000 or something. [If all of the 300-500 records are sold] you have to wait for a repress which may or may not happen. So I think that means that a lot of people now order bigger amounts: ... a new release comes out and they're like 'oh my god, we better get like 10 or 20 of these!' And the distributors, depending on how big you are, might not let you have 10 or 20" (Steele, 2018).

Justin also mentions that demands from distributors for stores to order a certain amount of records per week used to be normal but are no longer. He also states that bigger stores can do bulk buying for better deals and that sometimes at least in the past it was possible to buy very cheap stock and even return a large amount of it if you were unable to sell a certain amount of it during a specific time period. International trips to large warehouses owned by

vinyl distributors are also an option for acquiring very large amounts of records. Justin also notes that when handling new stock there is the benefit of not having to haggle with pricing as the records are in mint condition, while buying and selling second-hand records always includes product grading which is time consuming.

Mikael has similar thoughts although as stated before he operates his business differently. According to him it is simple to get in touch with distributors and labels, and sometimes they will contact him first instead, to make orders. Usually in the beginning they will demand an immediate payment for the entire order, but after a longer period of co-operation together orders can be billed too. Mikael also mentions the large distributors having demands for how many records are ordered monthly, which makes for time consuming research online and elsewhere for what new records are available now or coming up so that those quotas can be met. He says that even today huge amounts of new records are constantly being published, even tens of thousands in a week. Because of this it can be very difficult to stay up to date on what is available. Additionally, very large amounts of those new records must be ordered to satisfy the demand of customers who specifically search for new records; making a partial selection of mint records to order requires specific knowledge on what customers want.

Justin and Mikael agree that when you are running a physical store the location is very important. The importance is especially great for Mikael, whose store operates practically entirely by buying second-hand used records from customers to sell forwards: he had difficulties in choosing a location for his shop originally, because Helsinki used to be oversaturated by vinyl record stores and there were few places available in Espoo with a low enough rent that are central: "You need to be in a place where there ... is pedestrian traffic all the time so that people can see those signs that tell them that you are buying records. If you're located somewhere in the outskirts nobody will pass by. It's difficult!" (Winogradow, 2018) In the beginning Mikael faced competition in Espoo from only one other store which also sold products other than vinyl records, such as video games. At the time of the interview he claimed to be the only record store in Espoo; no large stores such as Levykauppa Äx and Keltainen Jämsänsärkijä exist in Espoo.

Both Mikael and Justin say that now after various stores in Helsinki have closed there is some potential in opening a new one there. Justin points out that even though there are still quite many record stores in Helsinki, a lot of those stores sell general contemporary music. Thus, a store that focuses on a certain genre(s) could be worth considering. He also feels that it takes more time for customers to establish trust in the store when running it only online: "It would be beneficial to have a physical record shop. ... I think they're better ... as a physical store 'cause it's nice to be able to speak to the people that work there and like the whole recommendation [of records] is more personal. ... When I go on a website ... it takes me a while to

gain trust of the website. ... I would think if you create a nice store which is a nice place to hang out in, just a nice place to be in, you will get more returning customers" (Steele, 2018).

Most of Justin's customers are not from Finland due to him operating an online store. Shipping records overseas is a way to acquire more customers, but according to Justin it can be quite expensive to do in Finland and you can never be completely certain what happens to the products after they are shipped. Disagreements on condition-grading or other issues that come up after the product has arrived at the customer's location can be somewhat awkward to handle due to the far-apart locations, logistical chains between them and the necessity to mail the products, while in a physical shop examinations of the products and any replacements or refunds are simple and quick to do. Justin claims that most of the time when a shipped record did not arrive to the customer they never came to pick it up according to the post office.

Mikael agrees with shipping being a way to get more sales, but he enjoys his current modus operandi more: "You will gain more sales of course by mailing: you would have the entirety of Finland and part of the rest of the world [as potential customers,] but I personally like it when people come here to the store. [I don't like it] when people just order records [online,] I send them to unknown people and sit alone here most of the time since the regulars will probably also just sit at home checking what [new records] have arrived. Okay, you could only list part of your records [online] like how usually the newest arrivals are, so that people see what good has showed up. You could list part of [the records] that have been sitting here for a long time, those [methods] exist as well. ... But that requires you to actually do the mailing then. Fine, the post office is quite closeby to me, but it still brings its own hassle due to packing, ... paying and sending, writing down those addresses - that's all work! ... I belong to those people who like it when people come to the store and talk ... while buying or selling records. ... But some [stores do ship records] and that's fine: it's good that that exists because Finland is a country where there are a lot of rural areas without any record stores in the area." (Winogradow, 2018.) He says that even though stores that ship records are great and necessary, it also makes for a situation where the entire globe is at your reach, and thus people might just as well find a record that you sell at another store that is slightly closer to them or less expensive than what you offer. In other words, there is a huge number of sellers online so there is no clear guarantee of shipping products netting you more sales in large amounts.

According to Justin selling records without limiting the available records to certain genres works fine if you have a very large amount of products available, but a non-focused selection makes it difficult for potential customers to know what your style and selection is like. However, Mikael disagrees with this and claims multi-genre selling is the best option in Finland: "In the end this country is so small that if someone opens up a store specifically for heavy

metal or soul music ... it will be difficult [for them.] And many people listen to multiple music genres anyway, everyone isn't buying only heavy metal or only soul. If you go in a record store you can find music to take home from different styles. If you just go to a heavy metal record store then you'll probably find the heavy metal but not anything else from there. In other countries there are many stores that are specified in certain genres or styles, but I believe that in Finland specifically you succeed by having all kinds of music. That way people will come to you, and they can find something other than what they thought they were looking for. ... Of course if somebody wants to they can try a specified approach, that's brave. But if you only have soul music [for sale] then you are going to have to sell quite a lot of soul in a day to get by, and then you would need to get that soul music [in the first place!] ... Soul accounts for the least amount [of music] I have acquired recently, ... so if you don't get anything from the specific chosen genre(s) you're in trouble" (Winogradow, 2018.)

Both agreed that selling at a discount is fine in the correct situation: discounts sales need to be planned for quick results and must not be prolonged. Mikael usually moves products that have been sitting in his shelves for a long time to the discount section in his store to get rid of them, which works quite well as many customers are interested in spending a relatively small amount of money for a quick single record purchase. Justin says that side merchandise is prevalent in physical stores: "We had t-shirts, like loads of t-shirts and books, magazines ... It was really good, 'cause ... they're much cheaper to buy. ... You buy [a t-shirt] for eight euros ... then sell it for 20." (Steele, 2018.) He estimates that ideally 15 % of total revenue would come from the side merchandise. Mikael thinks that side products can work but come with a slight inconvenience due to the space they require. He is aware of stores in Helsinki that offer lots of side merchandise and considers band shirts to be a good option to investigate for side products to sell, although a wide selection of shirts is required.

Justin states that there are no regulations or laws that would stop one from selling music forwards after it is in their possession; no issues arise when the format of the music is the same throughout and no changes are made. However, the laws for selling digital music files are more difficult to adhere to compared to selling physical formats. Taxation can be tricky depending on the country if you are selling and shipping internationally, but in Finland taxation is very standard and quite simple. With a physical store the most important thing to take care of in terms of permits is gaining a permit to play music, whether it is for background music, a listening station or both. Mikael answers similarly by claiming the music permit acquired from Teosto or Gramex (performance rights and royalty collection organizations) is practically the only regulation a record store owner needs to adhere to. He says that the permit is almost the same as e.g. one allowing taxi drivers to play music. Mikael says that Teosto/Gramex quickly get informed about new music stores and will send a bill for the permit just as quickly. The pricing for it depends on the size of the store in terms of square meters with an average price of 25 euros per month, with the billing being done bi-annually.

## 4.2 Netnography results

Please note that all quotations in this section are translated from Finnish into English by me. Vinyl records are especially sought after by collectors. The fact that vinyl is pressed in limited amounts makes for scarcity and rarity that can also be viewed with fascination by consumers. Many collectors look for specific special editions of records as user 'Janne' points out: "... Collecting old records is still worthwhile in my opinion, because the majority of old [music] is not digitalized and you would not be able to otherwise get it." User 'dcom' also agrees: "New pressings are often limited editions which have collectability. ... Personally I am a collector and also very specific about what ends up in my collection." Another user 'Juhani Paasonen' comments: "... My own vinyl shelf ... [consists of] records that I see myself wanting to listen to even after several decades" (Entropy netnography, 2019.)

Some consumers also see physical records as complete works of art as user 'dcom' points out: "There are ... many people who see physical releases, especially albums, as artistic items containing the entire package including the cover artwork, midsections, run-out groove carvings etc. People to whom music is a deep hobby or even a profession and not just the consumption of music." Some disc jockeys may prefer to perform with vinyl records and may even go as far as to consider using them to be an act of honouring traditions (vinyl records are generally trending due in part to their vintage and retro appeal) of the past or a way of earning respect. For example user 'dcom' also says: "The format does not make the music special in any way, but to me personally the role vinyl has had throughout the history of disc jockeying is important" (Entropy netnography, 2019.)

Many vinyl enthusiasts enjoy various sensations that physical records bring with them, as user 'dcom' explains: "To me personally my vinyl collection is (hopefully) the result of my music taste developing over 30 years, and I could not imagine selling any of [my records.] I am from the generation of people to whom the ownership of physical things, touching and using them is important - you don't get the same feeling when browsing digital files. Vinyl is a format that becomes completely unique and its own thing: every scratch, pop, wrinkled cover, fingerprint and memory makes [the records] unique and not just products. When I pull a specific record out of the shelf it always has history connected to it which [comes through] as sounds, pictures, events, people, places." Similarly to this user 'Tiina' states: "... On a personal level it can be important that you own a certain record on vinyl. ... I might say about some song that 'I have this on vinyl' and that mainly means in that situation only that ... 'this song is so important to me that I have found it important to get it as vinyl record" (Entropy netnography, 2019.)

There is also concern about the eco-friendliness of records, as user 'dcom' notes: "As a vinyl enthusiast I have always been bothered by the environmental impact of the material: ... vinyl

is not reusable because of it being worn down during use, the wasted material that is cut from the sides after pressing, the harmful byproducts caused by logistics. ... I have been surprisingly aware of this problem and admit that it has not bothered me as much now that my music purchasing has become primarily digital.”

## 5 Concept example and viability

It was discovered that the market for vinyl records, although being niche compared to the massive overall music market share that streaming services hold, has been and still is growing. The reasons for consumers demanding vinyl even when more simple modern alternatives exist include e.g. interest in the vintage aspects of vinyl records, valuing a physical copy of a record along with its cover and sleeve as works of art and considering records as physical objects more personal than e.g. digital music files. There is definitive demand for vinyl records, and this is what will serve as the basis problem to be solved by the concept.

Because many vinyl enthusiasts look for sensations derived from the physical format, and for the sake of interest and added depth, the designed concept will be that of a physical store instead of a purely online trader. Firstly to be discussed is where to situate the store and what it should include. It is important to consider the location of the store carefully: the easier it is for customers to find or notice the store and the higher the amount of pedestrian traffic is in the area of the store location the better the chances for success are. Different options should be considered so that a good balance between rent pricing and pedestrian activity is found, and one should be prepared to pay an initial rent deposit worth at least three months' worth of rent. A store that is pleasing to visit and which appeals to the eye and shopping habits of the consumer is of course something to strive for, but at its core all a vinyl record store needs are shelves and/or raised tables with boxes to house records and a counter for the cashier. One should avoid improper and messy housing of records both to keep them in good condition and to not deter potential customers. Additionally, a listening station consisting of a record player and audio equipment is strongly recommended to be available so that consumers can listen through records; in Finland a permit for playing music must be paid to Teosto/Gramex. Records should be organised as much as possible with an emphasis on genre and style to make it easier for customers to browse through and find records they want to purchase, and in addition there should be a separate section for both new arrivals and records being sold at a discount. Both the store itself and the products within should be easy to find and navigate to, and creating a comfortable atmosphere within the store is a major benefit.

The records themselves and their acquirement are next for consideration. Vinyl records make up majority of starting capital needed for a record store. Several thousand records should be available to be sold already in the beginning, and thus having a large collection of one's own

available is an advantage. The easiest and cheapest way to acquire large amounts of records is to pay a blanket fee for a collection or other large selection, but naturally this means that many of the records may not be in mint condition. New records can be acquired from distributors quite easily, but this is expensive due to margins being smaller in the modern-day vinyl market and the sheer amount of new records being published can make it difficult to keep track of new arrivals. However, vinyl enthusiasts other than audiophiles who are only collecting sealed mint copies of records are quite lenient when it comes to the condition of a record, and many enjoy the act of finding an interesting second-hand record among many others. It is also possible to let people bring their own records in to be evaluated and bought by the store for further sale. It is to be noted that all second-hand records require grading of their quality, which consumes time and can be a source for price haggling. Selling records can be done with or without focus on specific styles and genres of music. Focusing on specific genres has the benefits of being able to tailor your store further according to a specific style and letting consumers know better what you are offering, but carries problems as well: there needs to be enough demand of the specific genres and there may be periods of time when few new releases in those genres are made. It is simpler and safer to sell records regardless of their musical style or how new they are.

Lastly a couple of additional options will be considered. Many record stores selling records use the internet to their advantage and allow their products to be browsed and bought online. An example of a website where vinyl is traded is Discogs, which was launched in 2000 and ranked 472nd in Alexa's internet traffic rankings in January of 2019 (Wikipedia, 2019b.) A business that operates purely online does not have to pay rent but does need to pay for their web domain and will need to have storage space available for products. Selling records online and shipping them is an easy way to increase sales or can be used as the primary method of business for the store entirely but can also be expensive due to the cost of packaging and the mailing itself. It also lacks some of the personal connection aspects as consumers can simply browse the web for a cheaper or more nearby copy of a record which emphasises it being merely a single copy among many across the globe. Additionally, the potential prevalence of many online traders offering the same product makes it impossible to guarantee large amounts of additional sales. However, shipping records is great for the consumers who lack an actual record store in their area, although shipped records may get lost during the mailing process and may not be of the quality that the consumer expected them to be. An alternative approach to opening a record store is to start as an online trader and expand into a physical location later if it is deemed viable, although there is no guarantee that customer activity will carry over to the physical store.

Side merchandise such as magazines and t-shirts can often be found in physical store locations. They are a way of slightly increasing the product diversity and forming the cultural atmosphere of the store, and they can be sold at a high price relative to the cost of acquiring

them to increase the total revenue of the store a little. But any side merchandise will require its own space in the store, and given that a space of roughly 30cm x 35cm x 40cm is required for storing only around 100 normal 12-inch records a small store may be running out of room if they have thousands of records on display. Shipping records and selling side merchandise both have pros and cons, and although they are worth thinking about they are not essential to operating a record store.

Based on the information acquired the concept for the record store could be as such:

- A physical store situated in an area with high pedestrian traffic.
- A storefront which is easy to identify and portrays the purpose of the store clearly with e.g. a logo, sign and/or a window to show the interior and products.
- Other than the cashier's counter the store should mainly just include the shelves, racks, boxes on tabletops or similar for the records themselves; records require a substantial amount of space, so any side merchandise and additional decorating elements should be implemented sparingly. Records should be easily reachable and browsable and thus should preferably be placed no more than an arm's length away from the edge of an aisle and not below waist-height. A listening station is highly recommended.
- The selection of records should not be limited by musical genres and second-hand records should be accepted to increase the amount of records available. New stock can be acquired either brand-new from distributors or as second-hand items from e.g. customers willing to sell their old vinyl records. Second-hand records will make up most of the traded stock.
- The records will be organised and grouped according to musical genres at least and by additional means if possible. This is to make it easier for customers to potentially find what they are looking for or to discover something new and interesting.
- Separate sections will be reserved for both new arrivals and stock that is being sold at a discount.

The conclusion arrived at based on the information gathered and formulation of the concept is that establishing a record store today is a rather risky operation to participate in. The main reason for this is the condition in which the market is at this point: online streaming and downloading of music accounts for most sales in the modern day, with CDs and vinyl records taking only a very small slice of the overall pie. The convenience of digital formats, with their cheap prices and a nearly non-existent necessity for storage space, makes them the go-to form of music in today's fast-moving internet society.

Another reason for the establishment of a record store being a risky endeavour is that the consumers of the records, who are already a quite niche selection of people in the digitally

dominated market of today, are divided even further based on their music taste, cultural motives etc. Because of this the already slim selection of customers available can become even slimmer as not everyone will want to buy the same styles of music. Add onto this the fact that a new record store will have to break into the market facing older, more grounded and more well-known stores and the difficulties faced by an entrepreneur entering this field are quite problematic.

However, it must also be stated again that the trend of the growth in vinyl sales and consumption is clear globally: vinyl records have not been phased out completely by the ease of CDs or digital formats, and during the 2000s the purchases of vinyl have grown in numbers during multiple years. Because of this it is not completely out of the question for an entrepreneur to enter the record store business, as it is always possible that a well-designed brand with a good understanding of the customer segment(s) being targeted can make a breakthrough and manage to get a foothold amongst the competitors. The internet also helps by providing an online marketplace platform to buy and sell records, thus helping to eliminate the absolute necessity of having to buy or rent a property to act as a physical store to conduct business from. The saturation of record stores in the Helsinki area for example is not as high as what it used to be several years ago, so there may be an opportunity to establish a new one in the present day. Additionally the number of genre-specific stores is relatively small compared to the overall amount of stores, meaning that a correctly identified more specific customer segment may be available to tap into, although this would mean addressing an even smaller portion of an already minor customer segment in the market for music.

To start a record store business is easy if a large enough stock of records is available, but there can be difficulty in gaining momentum to not only move past the initial "valley of death" phase but to grow revenue. Anyone who is planning to establish such a store should be prepared for a long period of both initial struggle and trying to stay at break-even status in terms of profits. Some form of an exit plan should be considered, but naturally commitment is important and should also be expected if one is to start selling a form of product that is considered niche, outdated or similar by most consumers.

## 6 Conclusions

A good way to strengthen the work already done in this thesis would be to conduct interviews with more record stores, with an emphasis on stores that are larger or have been in business for a long time. Those interviews should also include or adjust the existing questions to ones that examine the service and customer interaction aspects of the business more. Another option is to do benchmarking or mystery shopping at record stores to find out how they operate.

The opinions concerning vinyl records as products and the stores that sell them of the consumers of vinyl should also be researched in more detail to provide a better image of what the consumers need or want to be solved; additional netnography or a quantitative study are options for further increasing the understanding of the consumers' needs.

Further studies and designs should focus on creating a more detailed service design for a record store. The designs should be especially concerned with the user experience and should touch subjects such as: servicescape (the impact of the physical environment of a service on the customer,) customer pathing and long-term customer acquisition. Servicescape is especially interesting as a tool: perhaps a unique, colourful and possibly extravagant interior design with interesting but functional shelving solutions would provide a more special experience in a physical store and thus attract more customers.

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