The Evaluation of e-commerce organisations

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# 1 - Introduction - description 150 10%

This report evaluates the e-commerce strategies of two organisations in the business to consumer music industry. The music industry has several business models which include, streaming, digital downloads and buying physical copies. Streaming services like Spotify which will be explored in this report are online only, whereas stores such as HMV which is also explored in this report have both digital downloads and physical copies through their stores.

# 2 – Main body

## 2.1 - Evaluation of Organisations 400 words - 25%

### Spotify

With the growing size of streaming platforms vs physical, there is only one company that comes to mind, Spotify. Spotify is a music streaming platform who has been around since 2008 Spotify (2019) and is the most popular music streaming service. Figure 1 shows the increase in streaming subscriptions vs physical formats, which is why companies like HMV has suffered due to this shift from traditional sales to streaming services.



(Figure 1 – Sources of music, Mintel 2019)

Whilst there are alternatives to music streaming platforms such as, Amazon Prime Music, Apple Music, Google Play Music, Deezer Premium, Tidal and others, Spotify has been on the top of these lists as being the most used. Below in figure 2 it shows which of the streaming platforms was most used in the last 3 months.



(Figure 2 – Most used paid streaming platform, Mintel 2019)

## HMV

HMV is a british retail company who specialised in selling music, film, games and technology products, with over 120 stores around the UK.

### Porters Five Forces

Whilst there are different methods to analyse a company, such as PESTLE & SWOT. This report will focus on using the Porters Five Forces method. PESTLE focuses on looking at the Political, Economic, Social, Technological, Legal and Environmental. Whilst PESTLE is a good method, it focuses on the “

Porters Five Forces was first introduced in 1979 and is a model which focuses on analysing the industry Riesewijk (2017). The areas of industry Porters focuses on is as follows:

1. The Threat of new entrants
2. The Threat of substitute products
3. The Bargaining power of buyers
4. The Bargaining power of suppliers
5. The Rivalry among existing firms

1 - The threat of new entrants was also described by Masterson *et al.* (2017) “barriers to entry”, which is how easy it is for people to get into the same business as you. With a stronger barrier of entry your company would be more secure in that area.

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| --- | --- | --- |
|  | Spotify | HMV |
| Threat of new entrants | There aren’t many barriers to entry here, but Spotify have built up a strong brand image, with access in 79 countries, have 232 million monthly active users Spotify (2019). | There are low barriers to entry for HMV, as anyone could start up a local music store. But with the rise of Spotify it would not be an ideal choice. |

2 - Threat of substitute is where another competitor can come out with a similar and/or better product/service than the one you’re currently offering.

|  |  |  |
| --- | --- | --- |
|  | Spotify | HMV |
| Threat of substitute | There are a few substitutes for Spotify, with other big brands like Apple Music, Deezer and more. Spotify seems to have a wide selection of artists and claim to have paid their artists €13+ billion (£11.2 billion) in revenue Spotify (2019). Which will enable them to make better deals with artists compared to Apple. | There are many substitutes for HMV from other stores such as local music shops, big brands like ASDA, Tesco, Sainsburys all having a music and film section. There are also the big streaming giants like Spotify and Apple Music who offer free and subscription services. While CD sales are dropping it’s interesting to note that vinyl sales have been increasing Butler (2018). |

3 - The bargaining power of buyers?!

|  |  |  |
| --- | --- | --- |
|  | Spotify | HMV |
| Bargaining power of buyers | The bargaining power of buyers with Spotify, is mainly their alternatives. The customers could also listen to internet radio and have illegal downloads which is always difficult to manage. | There is high bargaining power of buyers for HMV. This is because anyone with a smart phone and an internet connection can stream countless hours of music for free. |

4 – The bargaining power of suppliers?!

|  |  |  |
| --- | --- | --- |
|  | Spotify | HMV |
| Bargaining power of suppliers | For Spotify, the bargaining powers of the suppliers would be that of the artists, making sure they’re fairly being used. If we look at Apple, they were giving away Taylor Swifts album and she wrote them an open letter stating, “Three months is a long time to go unpaid, and it is unfair to ask anyone to work for nothing” - BBC News (2015). | With minimalism becoming more popular, people are more conscious about how much plastic is on their purchases. People won’t want to purchase old style plastic cases for CD’s and would look for alternatives, or even just have it digitally. |

5 – The rivalry among existing firms?!

|  |  |  |
| --- | --- | --- |
|  | Spotify | HMV |
| Rivalry among existing firms | There are a few rivals which like Spotify, are very big and very popular of a brand. Their main competitor would be Apple Music, with a revenue between $65 billion (£50.6 billion) Apple (2019) and a market value of $1 trillion. (Figure 1) | While HMV was a big firm for selling CD’s, they were also slow to adapt in the digital age and quickly. Therefore, their main rivalry is streaming platforms such as Spotify, Apple Music etc. Not only are the streaming services a rival for HMV, n (ASDA, TESCO, Small local shops, streaming) |

## 2.2 - Evaluation of e-commerce 400 words - 25%

## 2.3 - Comparative analysis 400 words - 25%

|  |  |  |
| --- | --- | --- |
| Category | Spotify | HMV |
| Mission | *“To unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by these creators”* |  |
| Vision | “*We envision a cultural platform where professional creators can break free of their medium’s constraints and where everyone can enjoy an immersive artistic experience that enables us to empathize with each other and to feel part of a greater whole.”* |  |
| Life Cycle Stage | Growth | Decline |

# 3 - Conclusion 150 words - 10%

# 4 – References

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# 5 – Appendix

## 5.1 – Appendix 1

