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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 - Evaluation of Organisations 400 words - 25%

## 2.1.1 - 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)

## 2.2.2 - HMV

HMV is a British retail company who specialises in selling music, film, games and technology products, with over 120 stores around the UK. Started in 1921 in London offering goods from sheet music, gramophones and all the way up to digital downloads. HMV had a rise in sales when the video format DVD was launched, boosting their growth and expanding to “200 UK stores in 2004” HMV (2019).

# 3 - Porters Five Forces

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

|  |  |  |
| --- | --- | --- |
| Force | 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. As this report has already shown the decline in physical sales. |

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.

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| Force | Spotify | HMV |
| Threat of substitute | There are a few substitutes for Spotify, with 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 Music. | 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 who offer free and subscription services. While CD sales are dropping it’s interesting to note that vinyl sales have been increasing as stated by Butler (2018). |

3 - The bargaining power of buyers is when the consumer is easily able to switch to a different retailer/service provider as pointed out by Riesewijk (2017).

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| --- | --- | --- |
| Force | Spotify | HMV |
| Bargaining power of buyers | The bargaining power of buyers with Spotify, is mainly their alternatives. The user could easily create an account with another ‘free’ alternative and continue to listen to their favourite music. There is also the exception of music lovers listening to internet radio and have illegal downloads which is always difficult to compete with. | 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. All just needing either a Facebook or Google account, which will allow them to use a single sign in and be set up in seconds. There are also other stores who compete with HMV as they could also sell products as a lower price. |

4 – The bargaining power of suppliers is the relationship between a service provider and the suppliers. For both examples their relationships would rely on the artists, more so for Spotify as they want to get exclusive deals and get as much music on their platform as possible.

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| --- | --- | --- |
| Force | 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.

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| --- | --- | --- |
| Force | 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). With rivalry there always creates competitive pricing and whilst Apple Music might offer a great deal, Spotify is free to enter and has adverts. | 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, but any other shop which has a music or DVD section. For example, ASDA, TESCO, Small local shops would all have a music collection and could even have cheaper deals with how big some of these companies are. |

## 4 – VRIO

Sustainable Competitive Advantage

VRIO is a resource analysis which looks at the business internally, the VRIO model was introduced back in xxxx and was created by a man called Jay Barney

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| --- | --- | --- |
| VRIO | Spotify | HMV |
| Value |  |  |
| Rarity |  |  |
| Inimitability |  |  |
| Non-Substitutability |  |  |

|  |  |  |
| --- | --- | --- |
| Evaluation | Spotify | HMV |
| News |  |  |
| Reviews |  |  |
| Stake Holders |  |  |
| Share Holders |  |  |

News reports – Reviews – Stake Holders – Shareholders?

VRIO7

## 5 - 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 |

# 6 - Conclusion 150 words - 10%

# 7 – References

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# 5 – Appendix

## 5.1 – Appendix 1



(<https://ycharts.com/companies/AAPL/market_cap>)