

### SWOT Analysis: Sirius XM Satellite Radio

Sirius XM satellite radio's strengths are its strong market position, increasing profits, breadth of platforms, and quality of content. Sirius XM faces virtually no competition from other satellite radio providers since the merger between Sirius satellite radio and XM satellite radio in 2007. There is little threat from new entrants as the barriers to entering the market are extremely high. Little competition from intra-industry competitors and potential new entrants gives Sirius XM an extremely strong market position within the radio industry. We see this as Sirius XM is the largest radio broadcaster by revenue, and has a larger consumer base than many cable providers. Sirius XM has been gaining market share in the non-satellite radio streaming market, and is expected to continue dominating the satellite radio market. Sirius XM offers its subscription service on multiple platforms. Most new cars have Sirius XM installed and customers are encouraged to use the service, Sirius XM has its own website that customers can use, and there are apps on most mobile platforms that customers can listen to the radio on. More platforms consumers can listen to Sirius XM on increases the size of the consumer base which creates more revenue generating opportunities for Sirius. Many competitors, like Pandora radio or Clear Channel, have only one platform to distribute their content and generate revenue. Having multiple platforms allows Sirius to make money on content that was created once at many different consumer access points. While Sirius XM lost money for many years initially, they have been making money consistently and are seeing increasing profits. In 2009 the company lost over 538 million dollars, but finally made profits of 43 million in 2010 and 427 million in 2011. Sirius learned to manage costs efficiently which can be leveraged to fund future growth, greater customer acquisition, and improving their market position. Sirius XM's biggest strength is their differentiation of their content; they are constantly

adding new channels to accommodate their increasing consumer base. Offering potential customers a greater deal of channels than what is available from traditional radio sources is what really helped Sirius XM gain customers. One case where this dramatically helped Sirius XM was sports radio. Many customers subscribed because they found the quality of Sirius XM's sports radio greater than that of traditional AM/FM radio. The final potential strength Sirius XM has is their business model based on subscriptions. Some customers prefer paying a subscription fee to avoid advertisements, giving Sirius XM an advantage over traditional radio. However, other customers disagree with this business model so we can't claim it to be a distinct advantage.

Sirius XM's biggest weakness is their dependence on auto sales to increase their consumer base. Most of Sirius XM's subscriber growth has come from sales of automobiles with factory installed satellite receivers, as retail sales of satellite receivers and mobile and web usage has dwindled in recent years. While auto sales have overcome dwindling retail sales they are subject to factors out of Sirius XM's control; such as consumer confidence, access to credit, and fuel costs. Wage growth hasn't kept up with cost increases, i.e. real wage growth is still down from the 2008 recession (find quote), which means customers are reliant on credit to finance the purchase of automobiles. If the Federal Reserve raises interest rates this could cause auto sales to crash which would drastically harm Sirius XM's ability to increase their subscriber base since they have struggled to acquire consumers on other platforms. A lesser weakness in Sirius XM's business model is the cost of maintaining and expanding content, and following government regulations. Research and Development costs are significantly higher for Sirius than for traditional AM/FM radio stations, and the cost of following government regulations means profit margins are still relatively thin despite Sirius XM's excellent cost management.

Sirius XM has many opportunities for future growth if they attack the expanding online radio market, expand into new geographical markets, provide content catering to expanding demographics in the U.S. market, and create new partnerships both with auto dealers and companies in other industries. The market for online radio streaming services is expanding as people are increasingly using services like Pandora radio, Spotify, and listening to podcasts. Sirius XM's subscription model works well in the automobile radio market, since the breadth of content they offer gives them the advantage needed to charge a subscription fee. This doesn't work in the online market as consumers have access to a breadth of free content unmatched by Sirius XM. To compete in this market Sirius should offer free access to content to attract customers, but advertise on their web and mobile platforms. Sirius XM focuses their business operations in North America and should look to expand into new geographical regions. European countries are relatively wealthy, and while many countries are shrinking their economies due to austerity policies Sirius XM should be able to make a solid profit in the region. In developing regions there is less money to make and Sirius XM would likely need to alter their business model as most people can't afford a subscription. It wouldn't make sense to expand into these regions. Latinos are the fastest growing demographic in the U.S., and Sirius XM is making an effort to attract them as subscribers. They leased four channels from National Latino Broadcasting and launched Sirius XM Latino in 2011, offering a number of Spanish language channels including sports, news, and politics. If Sirius is successful in attracting Latino customers they will increase their consumer base and market share significantly. The majority of Sirius XM's subscribers come from new automobile sales, and the company should pursue partnerships with all automobile companies.

The biggest threats Sirius XM faces are competition, oppressive government regulations, and Sirius XM faces great competition for listeners, advertisers, and radio host

personalities. Sirius competes with traditional AM/FM radio stations, high definition radio stations, and internet streaming services. Competing for the same radio host personalities, listeners, and advertisers which increases the cost of providing content, lowers the revenue and in turn profit that Sirius XM makes. The satellite radio industry is heavily regulated, both by the FCC in America and by the governments in countries Sirius XM wants to expand into. Expanding into markets outside the U.S. requires Sirius XM to get export licenses from the U.S. government and import licenses from the countries where they're trying to expand. Complying with all these rules and regulations is costly and makes it difficult for satellite radio providers to stave off competitors and gain traction in new markets. Changes in regulations may negatively affect Sirius XM's financial condition. The biggest threat Sirius XM faces are the weak economic factors in America. Real household income has been growing slowly since the latest recession started in 2008 and many people live paycheck to paycheck. The majority of jobs created in the past decade have been low paying with little benefits. Interest rates provided by the fed have been extremely low and raising them could cause a credit crunch which reduce the number of cars being purchased. People would likely look to carpooling which would reduce Sirius XM's subscriber base dramatically. Sirius XM's biggest weakness is their reliance on obtaining subscribers through car sales, and struggles to gain traction in other parts of the radio market leave them vulnerable to economic downturns.