

# Market environment of hmv and business overview



HMV was first recognized in July, 1921 through its revolutionary record store in London's Oxford Street, and famous universal for its symbolic 'dog-and-gramophone' trademark, featuring 'Nipper', ninety years on leisure brand. HMV enables its customers to get even closer to the music and artists, games and films, they love whether in their homes or at work.

HMV offers a specialist and miscellaneous range of services, products and experiences that give unrivalled access to today's trendy culture through a number of harmonizing channels:

280 stores around the Ireland and UK, presenting a complete selection of music, film, games and also books across all genres and platforms, a broad and rising range of technology devices and accessories; as well as artist merchandising and t-shirts, licensed products and fashion clothing ranges stimulated by music and film housed within HMV's newly-launched 'Studio' sub brand.

Free home delivery on online store at [www. hmv. com](http://www.hmv.com).

Strategic brand partnerships, including Orange Mobile in-store concessions in over 25 stores.

Gamer base pay-to-play online gaming in over 50 HMV stores in store.

Entertainment and live music from first to last the sale of event tickets via online and in store.

There is HMV Curzon cinema collaboration with Curzon Artificial Eye in Wimbledon, London to be roll out to up to a additional 20 HMV Group sites in the next five years.

There is an access to contents and artists from first to last record film studio relationships and artist management, this also includes MAMA-Owned Super Vision management.

HMV is part of HMV Group plc, which also operates the entertainment chain and Fop music in the UK, HMV stores in Canada, Hong Kong and Singapore and Waterston's bookstores in the UK and Ireland.

### **Internal and external marketing environment:**

The external environment is referred to as the macro-environment. This includes the broad environmental factors which will affect organisations at various levels. It is important to consider the potential impact of the external factors on the individual organisations (Johnson et al, 2006, P65).

### **Pestle:**

#### **Political:**

Government policies may promote rivalry war through telecom liberalization, electronic commerce promotions and legislations (Held et al., 1999). There may be far above the ground government investment in national ICT infrastructures (DTI, 2002). HMV can be faster, better and more consistent through more convenient internet access for national users. More affordable internet access and increase in internet users may leads to rapid expansion into new markets.

**Economic:**

In UK High interest rates can slow down the consumer spending. The credit squeeze and the housing slump has reduced consumer spending in the USA. Consumer spending is increasing in India and China because of sky-scraping economic growth in both countries. (The Times online, 2008)

Internet retailing has seen tremendous growth between 2006 and 2011 with sales rising over 100%. This growth is fuelled by the number of online households in the UK, which has increased by 85% since 2006. (Euro monitors International from national statistics).

By 2011, 617 million households from all over the world have an annual disposable income exceeding US\$5, 000. 143 million of these will be in Asia Pacific this will be second to Western Europe with 185 million. (Euro monitors International from national statistics). HMV may consider entering BRIC market. There can be more potential customers for HMV.

**Social:**

There is an increase in online social networking now days (E-Marketer online, 2008). Product category risk and financial risk decrease in online shopping (Sorce et al, 2005). Growth of internet from 2002 to 2007 is 244. 7%. 18. 9% of world population use the internet (Internet World Stats, 2007) Marketing needs to take advantage of this new social networking channel. There can be need to consider overcoming risks to increase users. This will results the opportunity to increase market share.

**Technological:**

There is an increase in broadcasting, information and telecommunications technologies for internet access. Rapid development of high-speed network services (e. g. broadband) increases usability of media-rich Applications.

There is an increased frequency of use and sources (e. g. mobile devices, TV etc) for internet access by online shoppers. Media rich contents are easily made available to online shoppers.

**Environmental:**

There is an increasing awareness of global warming and pollution among the people. People are becoming more conscious about the healthy environment. To attract consumers there are changing business methods and environment to become more “ green” i. e. with postage and packaging.

**Legal:**

There are no uniform regulations which are governing electronic commerce covering all the countries e. g. HMV has to act according to the environment of national and international regulations to survive as an international firm.

**Summary of PESTEL:**

Political, economic, social, technological progress shows an increasing and attractive market to be exploited by HMV. The BRIC markets have shown outstanding growth. The intensive use of internet as a societal networking channel has formed new opportunities to be exploited. In addition, as environmental awareness increases globally (Stern et al, 2006) it is important that HMV's strategy should carry environmentally welcoming

activities. The global nature of HMV's activities also suggests that strategies developed should fulfil the different legal obligations globally.

## **Competitor:**

The following are the competitor of the HMV:

Amazon

Woolworths group plc

Asda group limited

Virgin books limited

Borders limited

Tesco

Play. com

ITunes

## **Swot analysis**

### **Strengths:**

Two retail brand:

Market leading company music, DVD and books:

Largest range of stores on high street

Waterstone's is UK's largest bookseller on high street

Operations in seven countries

Connection in film industry

Prime store location

Good online and offline customer

### **Weaknesses:**

Slow to react to change

Little understanding of consumer trends and behaviour

Lacked direction and leadership in the past and during recent market structure change

Excessive reliance on promotional pricing to stimulate sales

Inadequate sales of digital music players

No current customer radar

### **Opportunities:**

Online social networking

Loyalty card scheme

internet

Online digital downloads

Digital products

E-books

Mobile phone digital media link

### **Threats:**

less control over illegal downloads

declining physical music purchases

online and digital media providers are taking the larger share of the market

supermarkets

packaging

Illegal downloads affecting the purchase of both online digital and physical media

### **Smart objectives:**

The company needs to put front the required objectives and aims for the products or services they plan to launch in the market. Objectives are very important as they set the goals of the company specifically over a certain period of time and helps in motivating the employees of the company in order to achieve the set goals.

A simple acronym used to set objectives is called SMART objectives.

S (specific):

Validating the results of the marketing audit and swot analysis, it is clearly known that the objectives are specified for increasing the growth of HMV for

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profit maximization and achieving popularity for our brand among the people. A wide range of products should be launched with better services and quality to attract more customers and create a powerful image as not just being a music store but an organization satisfying all the entertainment needs, which results in a whole new experience for the customers and eventually help achieve the objective of the company as well. And also helps recover the setbacks occurred for the company in the past such as the shutdown of 63 stores in December 2010 in the UK.

M (measurable):

The set objectives of the company if implemented accordingly, it is expected to achieve a growth in sales rate of up to 22% in the UK and have a net profit margin increased up to 6 to 8% by the end of the financial year 2012-2013, and be the top high street store in the current market. It is also expected to increase the number of stores by 2 to 3 per year which is a great step towards business expansion.

A (achievable):

The objectives suggested are clearly done after a research on the company with a detailed marketing audit and SWOT analysis to know the background information about the company. The results can be achieved with a proper implementation of the specified objectives.

R (realistic):

It is very important to know that the specified objectives are realistic for the company to achieve. To reach the set goals it is very important for the <https://assignbuster.com/market-environment-of-hmv-and-business-overview/>

company to have all the required resources such as Man power, Technological resources, financial resources and the required raw materials. According to the data acquired in the research shows the company have the required resource which makes the goals realistic. But however it is suggested to keep the technology up to date in order to achieve maximum efficiency.

T (time):

Time is a very important factor when it comes to achieving the set targets by the company. The specified objectives are being suggested in order to obtain increase in profits without fail. According to the statistical information available from the background research on the company and the available resources, the targets are to be achieved in a period of 2 years which is by the end of the financial year 2012- 2013, depending on the implementation of the plans and proper management of the resources.

### **Segmentation, targeting and positioning (STP):**

Segmentation targeting and positioning (STP) is very important for every company and organization in order to find out the situation where company or organization is standing. Some companies are not very good in segmentation process as a result those companies could not divide the market into different parts or fields and this makes customer dissatisfy, because customer need proper distribution , for example young generations will like pop and fast songs , old people will like slow songs. Every customer has different needs and different taste, so by considering their different

needs and taste the market should be divided into small segments in order to full fill customers need and satisfaction.

HMV is a valuable and big company in UK which has 280 stores. In 1921 it was formed, and now a days it is successful only because it does proper segmentation, targeted their customers confidently and positioned its product in a competitive market perfectly. Its plan is to make new customers and make more strong relation with existing customers. HMV has different segments, they are selling TV comedies , DVD, s CD, s Blu-ray, music , movies, tickets, mp3 etc. They have all these things in different variety for example, they are keeping old and new all movies, remix, pop new and old songs. They are selling Nintendo DSI in order to get a children's attraction, definitely if they are getting children attraction, children's will buy more Nintendo DSI, s and more profit they will make. So this all is happening because they are getting everyone's attraction by providing them entertainment and they are providing entertainment by doing proper segmentation . One more important segment HMV can make and named it as HMV online activities . In this section there will be a option of watching new movies games, listening new music and people can also download them at very flexible and cheap rate. The quality of movies, games and music will be provided same as it is available on original CD, s and DVD, s.

As HMV is good in market segmentation, it is also playing good role in targeting. According to the segmentation hmv should target the people who are unable to buy a product or can't afford the prices. In the recent the sales of hmv fall due to customers tends towards the free online downloadable movies, music, and games websites for example torrentz etc...So this

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segment target the gamers, and who don't want to pay for the dvds and music cds and those people who can't wait for the home deliveries and specially go to the store to buy a products. They can target different genders and ages of people from different areas by trying to give great offers which attract customers to watch their favourites at home. They can improve the way they targeting by advertising more, if more they do advertisement for example on buses , cabs, tube station , bus stops, the more people will be aware of their current offers and products, and more will be attracted, by doing this they can target more media. One more thing is that if they more targeted games rather than movies and music they can attract the gamers more towards them, because now a day's music and movies are easily available free on internet and can easily be downloaded, this damages the business of HMV

There is already discussed in segmentation and targeting part of hmv that they are making a new segment of giving online options to their customers. As hmv has launched a new segment on its called hmv online, now they have to tell the maximum number of people about that segmentation. Hmv will tell about new segment to their customers by doing advertising in different areas for example on bus stops, tube stations trams, buses and cabs. They also advertise by using print and satellite media. One more thing is important in advertising new segment is that the advertisement should be attractive which attract customer towards hmv, in advertisement they will write that they are giving cheap rates to download movies games and music than any other website in U. K. they will also advertise this on top websites which are most visited by the people living in U. K.

## **Proposal of 7Ps:**

Following are the 7ps:

Product

Price

Promotion

Place

People

Processes

Physical evidence

Product:

As our product is intangible we will provide good quality results of movies, music, games etc... On the internet. The product is especially for the people who can't afford the price of the product or who don't have time to go to the store or can't wait for the home deliveries. On the internet they can find the movie easily by categories i. e. old movies, yearly movie, action movies. If we look our competitor for example torrentz their product is not intangible.

Price:

Price is the factor which affects the buyer if the customer getting the low price from another competitor so buyer will be attracted automatically . as our competitor charging nothing for poor quality and they charging high

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rates for the high quality movies, music and games. Hmv is giving online options and giving the normal rates for good quality products. This makes customer happy because hmv is giving good quality for every product by giving at cheap rate. hmv will give the monthly subscription so that hmv customers can access to the unlimited movies in a moth.

#### Promotion:

As hmv is introducing a new segment named as hmv online, there is a chance of failure of this segment if hmv didn, t give any offer or introduce it perfectly in market because there are too many competitors in market. Hmv will give good price for their customers and and also discount vouchers in order to achieve the main goal of this segment which hmv targeted when they were making that segment.

#### Place:

Hmv will provide the online platform to access the online movies, music and games on the internet . place is the factor which focus on the number of people . internet is very easily accessible by every person of the world. Customer can easily come to internet to watch movies and download game and play online.

#### People:

People will get more aware from hmv online after getting promotion, production, place and price it will affect on people to get in. hmv will focus on the people who can't wait for the home deliveries and don't have enough money to buy the movie, music and games from the shop. hmv will

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especially focus on the young generation who loves to play online game, downloads games, many educational games and movies.

Process:

Hmv will upload a high quality movies, latest movies as soon as it release in the market so people are able to watch earlier then our competitors. AS customer will buy music or download movies, games from website hmv will give them very flexible to pay their bills. And the payment will be so secure. hmv will give contract to some web engineers to make the payment methods secure.

Physical evidence:

Our product is intangible so customer access to the product via internet. so there is no physical evidence.

### **Control and evaluation:**

HMV is introducing a new segment, this means they have to face many competitors in the market which will try to fail the new segment of hmv. But hmv will compete its competitors by giving low prices and good offers to make a growth of new segment. In start hmv will put smart margin on this segment of company, no matter if hmv is getting less profit in start because first they want to mature the segment. After maturation of segment hmv will put normal margin on its product in this segmentation. There will be a monthly evaluation which company will do in order to get know that how much profit they are getting. There will be a proper check and balance about how much they are spending on advertisement and other things. Now a days

as we know there are so many viruses which can attack on computer and all data of hmv customers can be lost so in order to minimize that factor of risk hmv will have special technicians for that segment which will detect any type of virus and fix it on time, or if there will be any other technical problem technicians will solve them. As there is high risk of money theft on web and hmv will have a big online business, hmv will contract with highly trusted security company such as rappord company which is one of the famous security company which minimizes the risk of online money theft threat. By keeping an eye on all of the factors we discuss in this report hopefully hmv will be successful in launching new segment.