

Sony music entertainment swot analysis



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Sony Music Entertainment

Sony Music Entertainment, also known as Sony Music is controlled by Sony Corporation of America. Sony Music is one of the biggest four record companies, ranked as the second biggest global record music companies. Sony has managed to reach at the level of being one the biggest music companies in the world and remain at this stage. Sony Music has collaborated with numerous of artists and others more to come.

Sony Music Entertainment contains the music labels: Columbia, Columbia Nashville, Epic, Jive, RCA, Legacy Recordings, Victor Records, Masterworks, Arista, Arista Nashville, Bluebird Jazz, BNA Records Label, Burgundy Records, J Records, LaFace Records, Provident Label Group, U. S Latin, Verity Records and Windham Hill.

Porter's five forces

Porter's five forces are the rivalry among competitors, the threat of potential entry, the bargaining power of suppliers, the bargaining powers of buyers and the threat of substitutes.

The most competitive force between Porter's five forces is the rivalry between producers and sellers in the music industry. The music record industry constitutes 4 significant segments:

* Major recording studios: Major companies are firms that have large numbers of artists under contracts with different types of music, such as hip-hop, rock, jazz, country, etc. Major companies may be EMI, Sony Music, Columbia and work internationally.

- * Independent labels: Independent labels are companies that have fewer artists under contracts, recording one or two music styles and mostly work regionally.
- * Micro labels: Micro labels have an amount of about 10 artists and focus on a particular music style.
- * Vanity labels: Vanity labels are companies that focus on independent artists. It is the last segment of the music industry that struggles to become one of the other segments.

Rivalry among competitors

Sony Music has 3 biggest competitors: EMI, Warner Music Group and Universal Music Group. The competition of these four companies depends on the popularity of the artist and their songs. On this case, if the artist is very popular and promises reassured sales, then the price doesn't play a significant role. On the other hand, if the artists are not known enough then the price is at the same stage of importance as the competition. Furthermore, the rivalry between the competitors is affected by the advertisement and promotion of the songs. There are a large number of competitors that are similar in size, consumer offerings, market and growth.

Threat of potential entry

The threat of is the weakest force. Even if a new music recording company enters the market, it's very difficult to reach the levels of the existing company. In the music industry there are millions of music record firms globally but still the top four remain unbeatable.

Bargaining power of suppliers

The power of suppliers depends on the popularity of artists. Sony specializes on already famous artists, therefore is difficult to compete, except the other three big organizations.

Bargaining power of Buyers

* In August 2005 Sony Music was accounted as 32.8% out of 71.7% of retail music sales. (http://en.wikipedia.org/wiki/Music_industry)

* Due to economic crisis, people have difficulties on buying CD's

Threat of substitutes

People prefer listening songs through Internet (YouTube), on radio, on TV channels and other rather than buying the CD. Internet has become a substitute of CD records, through piracy and downloads. This is very an important matter in music record industry, even if they try to fight it, there will always be this competition.

SWOT**Strengths**

- The second biggest major music company
- Globally known and recognized
- A portfolio of successful artists
- An organized and clear website
- Channels of distribution: radio, TV, Internet, music record shops

Weaknesses

- Global music piracy (it's the biggest issue that worries all music record companies)

Opportunities

- Future successful CD releases with existing artists
- Releasing MP3 songs

Threats

- The music pirates will drive music record companies to a decrease of their sales
- Nowadays, music is fashion-obsessed. A wrong selection of an album release may result badly to the company
- Physical sales are decreasing due to digital music. People are more attracted to download a song rather than buy the whole album.
- The music record industry has lost £180m last year in UK. The 95% of music on the Internet is downloaded illegally. (IFPI)

Conclusion

According to statistics, Sony Music Entertainment is one of the most successful companies in the music record industry. Despite the music piracy that arises in the present time, Sony Music strives to handle this matter legally and commercially by persuading the people especially young to stop and avoid piracy. This is a big threat to the music record industry and it has to be dealt with strategic manner. Companies such as iTunes (Apple) have reduced music piracy, since in order to download a song it has to be bought first. In order to stop this crime, so that the music record companies can function properly and get back on their feet with their sales increasing, some services (Kazaa, Limewire, Bearshare) has to be shut down. The 45% of users of such services has dropped after all US and international legal actions have taken place.

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