

# Pestle analysis of hmv

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PESTLE Analysis of HMV HMV is a renowned retailer of computer games, video, music and related products and has been operating in the UK market for over 90 years (HMV 2012). But the firm faces serious challenges in business even issuing profit warnings as its customers move to online purchasing of DVDs and CDs where 55% of all video and music sell (Office for National Statistics 2011). HMV could perhaps be adapting to this new environment late.

#### Political and legal factors

The political environment in the UK is known to be run under a constitutional monarchy (Parliamentary Office of Science and Technology 2004).

Nonetheless, the 2008 crisis caused this to change in May 2010. In addition, the heavy debt on UK has caused the British government to instil much nationalisation aimed at supporting its economy. The British government has indicated a lot of support for the fight against piracy. The Digital Economic Act 2010 has propagated the pursuance and arrest of persistent offenders with music labels and movie companies tracking illegal downloads from peer to peer networks using IP addresses.

#### Economic and environmental factors

Despite the negative impact of the financial crisis, the UK remains the third biggest European economy (Central Intelligence Agency 2011). Its inflation and public debt grew from 3.3% to 2.2% and 68.2% to 76.5% respectively. With a GDP of USD 2.259 trillion in 2010, the unemployment rate also grew from 7.6% in 2009 to 7.9% in 2010. The country ranked 9th in 2010 in terms of purchasing parity which had increased from USD 2.268 trillion to 2.154 trillion to 2.189 trillion from 2008 through 2009 and 2010 respectively.

The British government's Environmental Protection Act 1990 cited by the Parliamentary Office of Science and Technology (2004) prohibits the firm from polluting the environment.

#### Socio-cultural factors

The social analysis of the UK ranks it 22nd globally in population having 62, 689, 362 people as of July 2011, with the median age being 40 (Office for National Statistics 2011). The literacy level stands at 99% with urbanization being at 80% as of 2010. The British are known to be conscious of their benefit in purchases including quality, price, environment and brand. The country has musicians and bands in traditional and contemporary music.

#### Technological factors

Expenditure on research and development in the UK stood at €29. 824 billion, which represents 1. 84% of its GDP (Office for National Statistics 2011). There have been indications that the digital infrastructure in the country does not suffice in speed and penetration and therefore need to be improved (British Council for Science and Technology, 2010). Though the technological environment would be characterised by the volatile product lifetime, some technological products like tablets, androids and MP3 players have transformed the entertainment industry significantly, redefining the use of music, news and games in a consumer, pegged on greater accessibility and mobility.

#### Competition

Being one of HMV's strategic business units, music comprises one of the greatest contributors to the firm's profitability. Serving about 80% of the UK retail market in music, it has been considered the market leader though its

sales continue to decline annually. Among its rivals in music downloads include Amazon, iTunes, Play. com and Virgin. com. The competitors in video games include Game stop, game station and virgin megastore among others.

## References

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