

Bmg case study

Education



CASE STUDY IV

Which geographic market areas should be chosen for closer analysis?

Introduction

BertelsmannMusicGroup, (BMG), is the global music division of Bertelsmann AG, a transnational media corporation founded in 1835, based in Gutersloh, Germany. Its headquarters are located in New York. BMG, established in 1987, is now one of the world's biggest music companies with more than 200 record labels in 42 countries. It is also home to one of the industry's foremost music distribution companies and one of the world's largest music publishing companies. Nowadays digital platforms account for around 20% of recorded music sales, up from 15% in 2007. Recorded music is facing the so-called online and mobile revolution, generating more revenue in percentage terms through digital platforms than newspaper, magazine, and film industries combined. Assessment of potential market After this brief analysis of the global music market it is now time to decide which geographic areas, and specific countries, would be right to expand BMG's business. I will, therefore, analyze these three countries: Brazil, China, and India.

Foreign direct investment rose in the fiscal year ended March 31 2007 to about \$16 billion from just \$5. 5 billion a year earlier. There is a continuous growth in per capita income; India's per capita income is expected to reach 1000 dollars by the end of 2007-08 from 797 dollars in 2006-07. This will lead to higher buying power in the hands of Indian consumers.

Social Factors: India is the second-most populous nation in the world with an approximate population of over 1. 1billion people. This population is divided
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into the following age structure: 0-14 years – 31. %, 15-64 years – 63. 1% and 65 years and above – 5. 1%.

Technological Factors: Internet adoption continues to grow in India as well as the telecom market. According to the Internet & Mobile Association of India (IAMAI), the low cost of broadband has helped increase Internet usage (3. 7% of the population in 2007). E-commerce and high demand for . in domain registrations are also factors for the increase in online users. Moreover, sweeping reforms introduced by successive Indian governments over the last decade have dramatically changed the nature of telecommunications in the country.

The mobile sector has grown more than tenfold from 2001 to around 60 million subscribers by mid-2005.

Music market characteristic Brazil: Sales tax 15% / 18%; import tax 16%. 75% of the market share is made by the domestic repertoire. The market is characterized by many small independent record companies. Commercial piracy is still a huge problem in South America, reaching levels above 50% in every country. India: Sales tax 4% /12. 5%; import tax 17. 3%. Size of the music industry estimate at USD 149 million. On a conservative basis, the music industry has been pegged to grow at 3% over the next five years. Till 1990, the music industry was completely dominated by film and devotional music. With the advent of satellite television and increasing consumer exposure to non-film albums and remixes have gained popularity recently. In the non-film category devotional music produced by smaller and local companies is the most popular. The Indian music industry is quite unique

compared to those in other countries as it is virtually dependent on new. Hindi (Bollywood) films for the lion's share (40%) of its revenues.

In the film-centric Indian Music industry, there is virtually no loyalty for labels among the segment that buys only film music. China: Sales tax 17%; import tax 17%. It is characterized by an undeveloped piracy-dominated physical market and a rapidly-developing wireless environment. Mobile music is already far advanced. For the international record companies operating in China, sales of music via mobile phones already accounts for about 15% of industry revenues. There are five legitimate digital music services in China and we forecast there will be many more setting up in the next few years. In the past two years, the volume of music made available online has increased more than six-fold to more than two million songs. Illegal sales of music are China is valued by IFPI at around US\$400 million. Market Attractiveness Scaling Grid Relative Competitive Strength Scaling Grid

C = China B = Brazil I = India Market Attractiveness/Competitive Strength Matrix

References

1. <http://www.indianmi.org/http://www.ifpi.org/> Hollensen, S. (2007), Global Marketing 4th Edition. UK: Pearson Education Limited