

# Sky company analysis: swot and pest



British Sky Broadcasting Group (BSkyB) is one of the leading pay television broadcast service providers in the UK and Ireland founded in 1989. They market their program through various channels . They are not only TV broadcasters but also provides telephony and broadband services to their customers . Sky mainly operates in UK and Ireland which has a total number employees around 16000 according to their website. BskyB offers their own as well as third party channels to their viewers in which national channels and three of its own channels are available for free to their subscribers .

### **Sky's market position**

Sky is always in intense competition market . It has a tough competition in almost every area their service which they provide which can from entertainment to communication . In both UK and Ireland mostly viewers have the free access of channels like BBC1 , ITV1 , Channel 4/5 which is currently available to about 75 percent of homes in UK. The good point for BskyB is that the free view analog channels will be decreasing each year so people will have to buy service from any broadcaster . As BskyB offers these channels for free , many customers will be attracted to it for this reason aswell . Currently virgin media is the biggest competitor in the broadcasting industry following by tiscally , BT , UPC which are their competitors in the broadband. As a big competition in the market it could also put some pricing pressre on the industry which will effect its shareholders .

In the credit-crunch/tough economic situation, customers get price sensitive; hence, consider businesses that satisfy their needs at a lower cost. This is one of the competitive edge of Sky to attract customers offering them quality of services at cheaper price. For the last 5 years there has been a

vast increase of customers in the industry and the current customers are willing to buy more packages which are offered as low as £1 per package . There have been a good response of customers towards Sky+HD where the customers growth was doubled in year 2009 to 1.3 million customers . Sky Remains to be the fastest growing industry for Broadcasting , broadband and phone service in UK.

Sky is a diverse and competent business among its competitors like virgin, providing its a value added services such as High-Definition channels and the recently introduced 3-D channels. The firm is 35% stakeholder in Chelsea Digital media, MUTV that expand the market share of the Chelsea and Manchester United fans. Moreover, the firm is the owner and sole distributor in the news channels that are broadcasted over their own satellites; and offers competent internet packages to its customers over its competitors. It is hard for the new competitors to enter the market, where BSkyB has placed so many entry barriers in the way. According to dailymail news Virgin media has already loosed more then 70k customers in early 2007.

There are many channels which have been contracted to Sky. For instance, sky-Anytime is a mobile application that provides access to Sky-News, movies and sports at anytime from mobile-phone. Moreover, BskyB has win contract with some sports leagues like Priemier league broadcasting until year 2012. Therefore, the firm leaves its rivalry with fewer choices of bargaining in the industry to expand their business.

In this technology revolutionary era, businesses face new challenges of Change. For instance, if Internet goes wireless i. e. no physical cables are

needed for the backbones and WAN, the chances are that the business can face tough change which might be the strength of its rivalry. For instance, some of the websites like motionempire. come, musicnmovies. com offer movies to its viewers without any cost/registration and without their geographic location. Where Sky customers have to pay for their favourite movie; therefore in tough economic times, consumers can switch to these online free movies services, shrinking the firm's revenue.

## **Sky business and competitive environment.**

### **SWOT ANALYSIS OF SKY**

Sky is one of the largest television broadcaster here in UK and Ireland which not only provide us with TV channels but so many other things . It provide channels which are entertainment and provide some learning and information as well. These channels are based in their groups , i. e all the channels are in packages , depending on the users need , sky provide different channels for different communities. It has Basic channels which are mostly free , premium channels which one has to pay per month , they also have some movie channels or pay per view channels , betting channels and games etc. The sky basic channels are mostly the channels which are offered free for the customers but the sky premium offers sky movies , sports and other 10 sky movie channels depending on the users taste and choice. It also have telephone connected to its receiver for a pay per view channels if one likes to watch their favourite block buster movie , they can pay the amount through their telephone line.

In 2007 Sky has a total of 8, 888, 000 pay-TV customers in the UK and Ireland, keeping it on track to hit 10 million by 2010 compare to 2009 which <https://assignbuster.com/sky-company-analysis-swot-and-pest/>

was more than 9 million. The annual growth rate of Sky is 5% during 2007 to 2009 in which nearly half a million customers subscribed in 2009, which was the highest figure since last 5 years. Sky will spend a large amount of money on advertisements and new deals which will include some new HD channels and much more which will boost up its subscribers even more. They are also focused on products like SKY-HD box and new internet modems to improve its quality which can provide better performance for its customers in recent times. Sky reported that the annual net customer additions were 462,000, which were the highest ever figure. The adjusted group revenue for year 2009 was 5,323 million as compared to 2008 which was 4,952 million, which grows 7% every year.

#### Adjusted Group revenue

As Sky is mostly based in UK, although it is in Ireland and some other countries as well, but its growth mostly depends on UK's market and economy. Due to the credit crunch, the UK economy is experiencing a slowdown since last few years, which can damage the growth of the company. The GDP growth rate for UK before 2008 was 2.6% but due to the bad economy, it declined to 0.7% in 2008-09, and there is a risk that it might decrease more. As the media industry mostly depends on advertisements, the recession has affected this sector more here in UK. According to Sky, there is a fall of 6% in advertisements every year since 2008, and there is a further more risk for coming years. Sky has also reported the net debt of 2744 million in 2009 and 2446 million in 2008. This will increase their interest rates further more up to 196 million in 2009 and 180 million in 2008. It has also reported a deficit in shareholders in year 2008-09. If the

shareholders didn't invest enough in the company it can face many losses and will find hard to compete its competitors in the market.

There is a an intensive competition for BskyB in market at the moement . In both UK and Ireland most of the customers are using the analogue channels which are broadcasted for free which includes BBC , ITV , Channel 4/5 etc in UK and Ireland.

Intense competition BskyB faces intense competition in each of the markets it operates. . In both the UK and Ireland, the television channels and other audio-visual service providers with the largest audience shares are traditionally analogue terrestrial channels, which are broadcast free-to-air and they get nothing on their advertisements. Sky have a competition with other groups like Virgin Media , BT , Tiscally , UPC etc which could bring pricing pressure for the company. The main problem in Sky talk is that it totally relies on BT telecommunication service.

The future for the sky is to launch 3D version for some sports channels which can be upgraded to entertainment later . The experience is just like a normal 3D cinema , depends on the TV company , the good television company will provide with a good quality of 3D which will help SKY to get more customers through time . According to the Sky report the HD enabled TV in European households are expected to reach 116 million by year 2010 and 170 in 2013 if we compare it to year 2009 january it was 59 million only and according to 3d-vision. biz the 3DTV shipments will reach upto 46 million in 2013. Sky is currently offering various HD channels which includes sports , movie and many entertainments channels . The sky subscribers for SKY HD box was

around 1.3 million in year 2009 which was much better than its competitors. As the future is for HDTV and 3D now, Sky is doing its best to provide as many HD channels as possible to attract more customers and generating incremental revenue for the industry.

Sky is investing their money in all categories of channels, in 2008 they signed an agreement with UNIVERSAL MUSIC GROUP to launch a new music digital channel. They have also launched Sky Player TV which enables online TV servicing for those who want to watch online. Sky has also created a SKY+ application for iPhone which will enable Sky+ and SkyHD users to set recording of their favourite programs and view the list of channels and upcoming programs in it while they are away. In 2009 Sky partnered with Microsoft and made an agreement to launch Sky Player in XBOX so that the XBOX customers can watch Sky TV through internet on their consoles. In the year 2009 Sky won 5 packages for the Premier League. According to Sky report it will show 115 live Premier League matches each year from 2010 to 2013. In addition Sky has also won a PGA European Tour of gold for 2012. In 2008 Sky and Virgin Media have also signed a new contract to show each other's basic channels on their network which will run until 2012. This will help to increase in more customers of both sides.

### **PEST Analysis of Sky:**

Changes in regulations relating to one or more of licensing requirements, access requirements, programming transmission and spectrum specifications, consumer protection, taxation, or other aspects of the group's business, or that of any of the group's competitors, could have a material adverse effect on the group's business. It is also not certain that group will

succeed in obtaining all requisite approvals and licenses in the future for its operations.

Political: Sky is subject to regulation in UK and all European union . All the broadcasting , telecommunication , wireless etc in UK are handled by and independent company called Ofcom . The broadcasting act 1990 lays many restrictions on those who are permitted to have ofcome license. If a company do anything against the licence agreement could end up in revocation of their licence. Ofcom may apply rules in future which can make it hard for BskyB to be on top as they want to give a way to its competitors aswell . Some changes in future by the governemtn could result in loss for BskyB and may make it hard for them to compete effectively in the market.

Environmental: BskyB support the earth day in april and world environment day in june to protect the environment . They also make sure that none of its employe breaks law which can effect the reputation of their company.

Moreover, the UK economy is experiencing a slowdown in recent periods. According to IMF, the real GDP growth rate for the UK declined from 2. 6% in 2007 to 0. 7% in 2008. Against the background of the global economic slowdown, IMF has recently lowered its projections for the UK growth in 2009. According to BskyB the media sector in UK will perform the worst in 2009 as it will fall by 6% . As the company is mostly in UK and most of its profit is from here , it could effect the companys income if the economy didn't do well in coming years. High consumer spending and low interest rate will encourage the company for new technology + will offer its product much cheaper to the customers .



Social: Sky is a major player in providing cultural life including English national opera, English national ballet etc and sporting life for its viewers who support large sports organisations which includes Olympic, Paralympic gold etc. It also supports different Charity organisations around the world such as charity Global Action Plan for which they aim to raise £1 million in the coming 3 years. Sky staff do different types of free of charge works which could help in raising different types of charities.

Technological: Sky in the broadcasting industry has one of the advanced products if it is compared with its competitors. It was one of the first company in UK to offer HD. Sky is taking advantage of the new technology such as, with mobile phones getting common in everyday use; hence, the firm has launched Sky-Anytime package where customers can access movies, news and sports anytime from their mobile phones. Moreover, recently the firm has launched Sky 3-D, where viewers will enjoy 3-D programmes at home

## **Conclusion**

Both Pest and Swot analysis can help BskyB to plan for future and to reach its goal. It basically gives a right direction for future. Different factors can affect most of the decisions which will be made by BskyB in future which mostly are shown in these two analysis. In future if BskyB is offering a new product, so the PEST and SWOT analysis will help in taking it on a right direction and help in minimizing the cost and price and maximizing the product success.