

ELECTRIC AND MUSICAL INDUSTRIES (EMI)

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Abstract—When the Columbia Graphophone Company fused with the Gramophone Company, EMI was created. EMI is a record label that is focused on recording and publishing music. Primary sources of income come from music recorded on CD, DVD, tape, and the licensing of its catalog worldwide. Its roster includes names such as Stevie wonder, the Jackson five, Spice girls etc.

EMI has had some issues as well in its journey to the top; a loss of about £1.75 billion and in the clutches of the bankers. We shall be looking in to some challenges faced by EMI. A detailed study in to the micro, macro and SWOT analyses of the company will be carried out in this paper.

Strategies such as reducing the cost for the MSRP or spend more on promotions and advertising may increase profits. To enhance performance, EMI would have to introduce new initiatives, processes, and actions. It could definitely use a differentiation strategy where the focus would be on producing unique merchandise for its customers.

To be effective EMI will have to be SMART (Specific, Measurable, Agreed, Realistic, Time specific). In order to ensure a progressive future, the company will have to understand the customer and be equipped to look at various other marketing channels.

Keywords — <i>Music industry, strategy, marketing, EMI.</i>
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Main document - **ELECTRIC AND MUSICAL INDUSTRIES (EMI)**

Introduction

What is EMI?

EMI or Electric and Music Industries became one of the world's major music organizations in 1897. It is a record label that is focused on recording and publishing music and is represented in 50 countries worldwide. The company is comprised of EMI Records, Angel Music Group, Parlophone Astralwerks, Capitol, Blue Note jazz, EMI Classics, EMI Records Nashville, Manhattan and Virgin Records and several imprints and related labels.
<http://www.emimusic.co.uk/04/aboutEMIMusicUK.htm>,
<http://www.emimusic.com/about/>.

Its two primary sources of income come from music recorded on CD, DVD, tape, and the licensing of its catalog worldwide.

<http://www.emimusic.co.uk/04/aboutEMIMusicUK.htm>. In 2000, EMI Liberty was launched and brought a large number of new artists and projects on board.
<http://www.emimusic.co.uk/04/aboutEMIMusicUK.htm>. It also generates income from "non-recorded music", including clothing and commodities. The world's second largest music **commodities** group, Loudclothing.com, known for the distribution of T-shirts for brands, has been acquired by EMI (The MT Interview: Elio Leoni-Sceti of EMI Music 2010).

History

1887-1929

EMI's history dates back to 1897, when The Gramophone Company was established in London. Artists like Sopranos, Adelina Patti and Nellie Melba constituted its roster. The business operated across Europe, Middle East, Russia, India, Australia, China and parts of Africa. Presently the Gramophone Company functions as the brand name Deutsche Grammophon.

<http://www.emimusic.com/about/history/>

1930-1959

When the Columbia Graphophone Company fused with the Gramophone Company, EMI was created. Electric. Columbia ended its agreement with EMI in 1952. In 1955, EMI bought Capitol Records, which was one of the leading US record companies at that time. <http://www.emimusic.com/about/history/>.

1960-1979

EMI began to market and distribute Motown releases outside the USA following the agreement of a license deal with Tamla Motown. The roster during this period was remarkable including Stevie Wonder, the Jackson Five and The Temptations.
<http://www.emimusic.com/about/history/> In 1976, EMI obtained a major presence in film music when it acquired the Screen Gems and Colgems libraries.
<http://www.emimusic.com/about/history/>

1980-2010

In 1992, the company purchased the largest independent music organization on the planet - Virgin Music. In the same decade, the business brought onboard the Spice Girls and Robbie Williams.
<http://www.emimusic.com/about/history/>. In 2006, it attained full ownership of the Japanese label, Toshiba-EMI, which now operates as EMI Music Japan. The following year, the sound quality of its music improved drastically without using the digital rights management (DRM) software, making EMI the first major music company to do so. In August 2007,

Terra Firma took control of the EMI and its shares were delisted from the London Stock Exchange in the following month. In turn, EMI became foremost the lone privately owned music organization in the world.

<http://www.emimusic.com/about/history/>

a. Environmental scanning and its significance to marketers

Environmental Scanning

"It is the action of acquiring and using data about events, actions, trends, and associations in a company's exterior atmosphere, the understanding of which would support marketers to charter the company's future pathway." (Aguilar 1967; Chun Wei Choo 2001) Scanning is a mode to identify opportunities and threats, improve short-term and long-term planning and in return gain competitive advantage (Chun Wei Choo 2001). <http://www.businessdictionary.com/definition/environmental-scanning.html>

External Sources of Information (CPS Human Resource Services 2007)

1. Educational for e.g. University, college, ethnicity of students.
2. Political/ Governmental for e.g. Trends in lawsuits and court proceedings, employment regulations, amendments in rules and policies, requiring certification for a new business.
3. Geographical for e.g. Migration patterns
4. Technological for e.g. emerging trends in automation and new technology. (CPS Human Resource Services 2007).

Current Issues of EMI

In February 2010, EMI suffered a tremendous loss of about £1.75 billion and was in the clutches of the bankers. With the ongoing rush in free of charge internet downloading, EMI was a company struggling for survival (The MT Interview: Elio Leoni-Sceti of EMI Music 2010). Harmful rumours and tales of EMI have alleged profligacy made acquiring clients extremely difficult. Team spirit was low and job cuts subsequently followed. The great challenge for EMI in the present times would be to make money from downloading. Large investments in technology will be required in order to bring about growth in their digital revenue.

Challenges EMI Faces (The MT Interview: Elio Leoni-Sceti of EMI Music 2010)

1. Bringing in more investors
2. Convincing staff and artists to create a bond with the brand
3. Employing of imaginative and talented administrative faculty into EMI
4. Generating income through digital downloading

<http://www.managementtoday.co.uk/news/985298/the-mt-interview-elio-leoni-sceti-emi-music/>

Competition of EMI

The World market shares in 2002 (International Federation of the Phonographic Industry) were:

EMI - 12%

Others - 26.9%

Universal Music - 24.6%

Sony Music - 14.8%

Warner Music - 11.9%

BMG - 9.8% (Nguyen-Khac 2003)

The Customers

The customers of EMI are those who purchase their CDs and legally download music off the Internet through their company portal. EMI's consumer group are also those who buy merchandise (t-shirts, mugs etc). The artists and the shareholders can also be considered as customers or clients as the company's finances depend largely on them.

b. Micro, Macro, and SWOT analyses for EMI

The Micro Environment:

Micro or endogenous factors that affect EMI are:

- The artists or other music firms that it deals with on a standard basis
- Distributors: the challenge for EMI is to get music stores to stock their merchandise; for which they have to offer appropriate incentives. Competitive advantage can be achieved by using other channels of distribution. The Internet offers a world of opportunities and selling directly online could further reduce costs.
- Competitors: EMI has fierce competition within the music industry and will need to provide excellent customer service.
- Customers: It needs to monitor its customers' needs and attempt to address these. Offering appropriate deals and recommending other products that would be of interest to online shoppers are a few ways to build a bond with their customers. EMI needs to retain its customers by providing them with better value for their money as today's customers have easy access to the Internet where other deals can be found very rapidly.
- Employees
- Stakeholders

All the micro factors are immediately concerned with the actions of a company and are affected by the same. They, thus, play a significant role in the achievement and performance of any organization. (Gillespie 2007).

The Macro Environment

This consists of factors which are external to the direct control of the company.

PESTEL analysis (Gillespie 2007) factors that affect EMI are:

- *Political factors:*

- Government policies that intervene with the economy.

- Government products and services which EMI could take advantage of.

- Financial support from the government to organizations

- Government priorities in supporting firms

- Political judgments can affect the EMI group in several ways for example the quality of financial infrastructure and the learning ladder of the employees.

- *Economic factors:*

- Borrowing from creditors may be expensive when interest rates are high.

- Costs would increase when a nation is hit by inflation and this may lead to higher wage demands from employees.

- *Social factors*

Social trends can affect the availability of employees and the demand for a company's products. The UK's population is ageing and living longer, as a result of which EMI has to bear more pension payments for longer. This aging group of employees brings its own set of challenges, for example, increased demand for sheltered housing.

- *Technological factors*

The growth of digital knowledge and machinery has affected the music industry greatly. Simultaneously, four distinct technologies are revolutionizing the industry. These are

1. Hardware: e.g. PDAs, Memory card formats etc.

2. Developing Software for Customers: e.g., Player formats of digital data, Compression technology, security and encryption solutions

3. Networking and Peer-to-Peer Technology: e.g. Kazaa, Napster etc.(Haes 2001)

4. Access and Transportation Technology: e.g., Broadband Internet and cellular phone telecommunication. Another significant feature is the growing internet access with transmission of larger range of bandwidths. (Zhang; Nguyen-Khac 2003).

- *Environmental factors*

Demand patterns of EMI are being affected as trends have shifted to the usage of more environmentally friendly products.

- *Legal factors*

Laws concerning the recycling of products, age discrimination, hikes in minimum wages and disability discrimination legislations all affect EMI (Gillespie 2007).

SWOT

Strengths, Weaknesses, Opportunities and Threats (SWOT) is a device used for appraising a business and its surroundings. It is a base for developing a plan and assists traders to turn the spotlight on major concerns.

http://www.marketingteacher.com/Lessons/lesson_swot.htm

Strengths:

Their chief businesses are located in Europe, Asia, Australia, Japan, North America, Latin America, UK, and Ireland. The company can attain a strong hold in the future with its immense possessions and powerful market share. The brand name 'EMI' enables the business to draw the finest employees and singers in its catalogue. The company has a roster of over 1200 talented artists and it releases over a thousand albums every year. (Rizal 2008).

Weaknesses

Amongst the five foremost music names, EMI has consistently been rock bottom in the US market share. It does not have a conglomerate backing; which means it has to produce its personal funds without any external aid. It also has a decreasing market share worldwide.

Opportunities

One channel of EMI's success could be through joint endeavours with large successful companies including Yahoo! and Apple Computer (i tunes). Liberalization of M&A in the music business may enhance the company's prospects to purchase or fuse with other music companies. Focusing on growing markets such as those of Asia and Japan may provide further opportunities for EMI.

Threats

The company is quite vulnerable to recession and inflation worldwide as well as changes in exchange and interest rates, all of which hinder the growth potential for recorded music. A consequence of this is decrease in profits and revenues. In 2002, the industry lost \$700 million in sales due to illegal file sharing. Competitors are a major threat to EMI and EMI will have to anticipate, monitor and deal with their actions in order to retain its competitive position.

Alternative Strategy

Alternative options for EMI could include reducing the cost for the MSRP (manufacturer's suggested retail list price), generating an Internet based innovative market, and centering its attention on other prospective areas such as Japan and Asia. EMI could

spend more on promotions and advertising; however, this involves large investments and also talented famous artists cannot be bagged cheaply.

Another option for EMI could involve following the UMG pricing strategy, which involved reducing retail prices and abolishing discounts. With the cost cuts, the organisation may achieve loyalty from consumers, but this may lead to increased demands from retailers. By adopting UMG's strategy, EMI can potentially better compete with its competitors particularly UMG.

Collaborating with various internationally renowned internet-based organizations for example Amazon, Yahoo iTunes, E Bay, etc. would be an extremely beneficial strategy (Rizal 2008). In doing so, they would increase their coverage without having to boost their own man power and decrease the cost of distribution. Taking the UK market into consideration, suggestions for the marketing strategy that EMI should implement to ensure development in the future What is Marketing Strategy?

Strategy is a configuration of resources for the long term. It involves positioning a business within the division it functions in and is about gaining competitive advantage.

(Johnson and Scholes) term Strategy as:

“The path and prospect of an organization over a long period: This achieves a benefit for the organization through its design of assets inside a testing surrounding, to meet up with the requirements of bazaars and to fulfill stakeholder expectations”

A strategy will usually:

- absorb fairly huge sums of a capital
- be quite complicated to undo
- be relatively high risk.

An example of this is Ansoff's Growth Matrix strategy as depicted in Table 1. This method enables a company to make decisions regarding its manufactured goods and its market growth strategy. It implies that a business tries to develop based on whether it sells **existing or novel** products in **new or current** markets. The result derived from this matrix is a sequence of growth strategies that set the foundation for the company's marketing strategy (H. Igor Ansoff).

Table 1 Ansoff's method of analyzing strategies

Present markets	Market diffusion	Novel product development
Fresh markets	Market maturity	Diversification

What is the most appropriate marketing strategy that EMI can incorporate, which would guarantee productive expansion in the future?

To enhance performance, EMI would have to introduce new initiatives, processes and actions. These changes would be difficult and time-consuming but such a long-term move towards investment is imperative to build a flourishing sustainable business.

EMI will have to focus much more on artist services (management, agencies, e-commerce) if it has to be less dependable on revenues resulting from their resources (compositions and sound recordings). EMI would need to acquire “licensing, touring, and other revenue streams”. The company's future growth would largely depend on bundled subscription tactics, gaming, sponsorships, mobile, advertising, multi-rights artist contracts, merchandise and touring revenue (Glenn 2009). The company would need to accept new and upcoming technology which it has by joining Nokia's Comes With Music service (EMI Joins Comes With Music 2008).

The most important aspect following EMI's huge losses was persistent poor operational performance, in addition to reduced maintenance of accounting factors, such as balance sheets, and the requirement to mark assets and liabilities to fair values. Cost cuts would help reduce the company's losses, but they also appear to cost EMI's market share. ([Wall Street Journal](#))(Monday Business Links 2009). A permanent reduction in distribution workforce would have considerable cost savings.

Since 2005 [Warner Music Group has had an arrangement with EMI to distribute and market its products into North Africa, India, and the Middle East](#). EMI could further this arrangement into Southeast Asia to broaden its horizons. (The Next Step: Changing Distribution 2008).

EMI Germany created a data storehouse based on Sybase IQ that replicates all operational data on a daily basis. This is executed on a high-availability hardware system made by IBM. With this technology, EMI is able to analyze about 50,000 sales transactions from five different countries on a daily basis (Giesenow).

The Key Benefits of this are (Giesenow):

- 250 million records can be accessed at any given time.
- Simplifies multiple questions, to a single query.
- Performance is not compromised when answering queries and integrating new users.
- The response time is reduced.

EMI will have to produce more companies like ‘EMI Germany’, especially in countries like the USA, Canada etc. if it wants to hold premium shares in the music industry.

Generic Strategies

EMI could also use Porter's strategies (as outlined in Table 2) although the overall cost leadership strategy would not suffice here as it would have to compete with the other giants of the music industry and would therefore not be applicable. It could definitely use a differentiation strategy where the focus would be on producing unique merchandise for its customers. Focusing on a particular segment or region would bear fruitful results. EMI would not want to combine all of Porter's strategies as that could lead to stagnation in the middle (John Dawes and Byron Sharp 1996). It should look in to producing rising stars which would prospectively turn into cash cows.

Table 2 Porter's Generic Strategies (Porter Michael E)

Target scope	Advantage	
	Low cost	Product uniqueness
Broad segment	Cost leadership strategy	Differentiation strategy
Narrow segment	Focus strategy (Low cost)	Focus strategy (Differentiation)

SMART

To be effective EMI will have to be **SMART**:

- **Specific**: defining the focus (profits, growth, market share and cash flow)
- **Measurable**: enabling a target to be set and analyzed
- **Agreed**: the individuals setting the target and the ones achieving it should be of the same opinion.
- **Realistic**: to ensure it is achievable
- **Time specific** - the target should be achieved within a clear time frame.

In order to use SWOT as their strategy, EMI would need to mix its strengths and opportunities to execute the plan profitably (Gillespie 2007). The company will have to recognize their precise strengths, weaknesses and threats and judge these based on their respective importance. Using their strengths, the company could exploit the opportunities that exist but should also make sure that they shield themselves from their own weaknesses.

Finally, in order to ensure a progressive future, EMI will have to understand the customer and be equipped to look at various other marketing channels.

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FOOTNOTES

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