**Strategic Analysis for Sonic Records**

Sonic Records is a critical player in the music recording and production industry. The organization has experienced difficulties and emerged victorious having been on the market for thirty years. Its main strengths lie in the firmly established relationships that the company has with major record labels. Piracy remains a significant threat to the success of the music industry despite the fact that the government’s intervention has seen a reduction of the same. The industry rules are changing, and the organization has well understood this concept, which led to the establishment of E-Sonic as a subsidiary, which is the primary focus of the paper. In this evaluation, the article provides a strategic analysis of E-Sonic. The specific report presents the challenges that the company faces, initiatives and the overall objectives of E-sonic. It also allows for a better understanding of the organization’s internal capabilities, the business environment and the market challenges that aid in the development of a compensation system that suits the goals of the industry.

The rising market competition in the music industry allows for E-Sonic to form strategic policies that make it fit for the race. The company has further invested in the recruitment of tech-savvy individuals to develop customer-friendly soft wares together with web design. The human resource prioritizes the customer needs by good recruiting talent. The department well understands the need for a compensation system that is in line with the industry goals to retain its customers. Though the declining demand for CDs in the market has contributed to a loss of thirty percent of the company sales, it has opened doors for Sonic Records to open E-Sonic to meet the changing customer needs. Many customers are interested in instant music, which has contributed to a rise in online sales. The global increase in online sales in the music industry is estimated to be more 1 billion USD in the last year. Most of the countries including India and China has also adapted to this new trend. E-Sonic aims at being the best online music producer in the industry while maintaining the relevance of its parent company Sonic Records. For E-Sonic to remain relevant, it has to invest heavily in qualified personnel, extensive market research, and intensive advertising.

**A. Identification of E-Sonic’s industry based on the North American Industrial Classification system (NAICS)**

E-Sonic is a subsidiary of Sonic records that provides online services for downloading music. According to the 2017 North American Industrial Classification System, the company falls under the category of Electronic Shopping and Mail-Order Houses. Its current code is 454110 (www.census.gov). The system keeps revising codes for safety purposes; for instance, the previous code was 454111. The industrial classification system describes how the industry contains those establishments that primarily engage themselves in using non-store means to retail their merchandise. Such methods include social media and catalogs. The industry also comprises of the video and audio content downloading sites for retail sales.

**B. An analysis of E-Sonic external environment**

*i. Industry profile*

Sonic Records has been a leading company in recording and production of music for 30 years. Today, the company boasts of record-breaking revenues of $15billion it made five years ago. Before then, the company has experienced decreasing sales due to increased piracy leading to low demand for CDs. These shifts in the music industry have contributed to a 30 percent decline in the company’s overall revenues. However, the recent boost in sales is attributable to the government’s efforts to protect the music industry from international piracy (‘Company Overview’). The Recording Industry Association of America also filed lawsuits against many individuals participating in the illegal music business. People’s fear of litigation has significantly reduced the illegal download volume. Other reforms in the industry that include the launching of legal sites where individuals can download music have seen a rise in consumer demand. With evolution in technology, consumers are concerned with fast access to music with a selection of their preferred artiste. Sonic Records understands this concept pretty well leading to its opening of a subsidiary called E-Sonic to meet the consumer demand.

*ii. Competition*

The music industry is highly competitive just like any other industry considering the number of firms and the changing trends. Sonic Records Company understands well the changing customer needs, which are easily met by their E-Sonic store that offers online downloadable music. The online platform had a mission of being the world’s leading online music store. Its main competitors include Amazon and iTunes who are already well-established players in the industry. Other forms of competition come from online radio stations such as IHeart and Pandora. With all this competition, E-Sonic needs to adopt a strategy that enables them to compete effectively (Clark, 2013). The company must also develop means to curb the piracy in the industry to maintain Sonic Record’s prominence in the future of music industry.

*iii. Foreign demand*

Although piracy affected the overall industry sales of CDs and DVDs, the foreign demand figures are encouraging. The increased online music stores recorded increased revenues together with increased customer demand for instant music. At some point, the traditional music industry may have thought of the online stores as a killer competitor, but that is not so. The increased revenues from online sales of music were enough to offset the decline in the sale of CDs. Sonic Records should, therefore, take advantage of the increased profitability in the online sector (Clark, 2013) and develop a user-friendly soft wares program that meets the various customer needs. Other countries have already taken advantage of the trends in technology, and online stores contribute to more than half of the total industry sales.

*iv. Long-term industry prospects*

Sonic Records hopes to be the leading online store in the future through its subsidiary, which is E-Sonic. The company opted to retain ownership in a majority of shares from Sonic Records, which it could use later as incentives to its employees. The company intends to make two-thirds of the company sales through the online platform. To achieve this, E-Sonic has already held established relations with the major record labels. The company further anticipates that $157billion out of the $241billion increase in revenue in the music and advertising industry will come from online sources (‘The Music Industry, 2016’). The entire music forecasts that labels will become agencies that will collaborate with artists to produce music. Additionally, streaming has become an interesting component of the music industry. Over the past year, streaming and subscriptions have risen to $1.1 billion, which attributes to a more than half of the increase in revenue (‘The Music Industry, 2016’). Services related to music subscription are on high demand attributing to more than 1 $billion in the entire world. The number of subscribers is also on the rise to approximately 28 million worldwide. The entire music industry is revolutionizing and companies that hope to be successful need to change their techniques to suit the new market for music.

*v. Labor market assessment*

A labor market assessment for Sonic Records Company describes the key market characteristics of labor supply and factors influencing the availability of skilled labor. The changing trends in the music industry require E-Sonic to increase its labor force. Its strategic location in Los Angeles provides an opportunity for them to hire high skilled labor should their salaries be competitive. According to Clark, (2013) the recipe for success in the music industry is relatively simple as it includes a user-friendly interface and robust selection of artists together with intensive marketing techniques. E-Sonic has a lot to do with regarding recruitment if they want to maintain the lead. It needs to hire labor that is highly experienced regarding software development because its management has very little expertise in this field. The company further needs to attract talent that suits the needs of the rising demand for music. E-Sonic needs additional staff in the customer service department. Customers can now have a contact center, which offers solutions to the various problems they experience like spending a lot of money in their subscriptions. Excellent customer service can be a strong selling point for E-Sonic. A well-renowned company, Zappos, has used excellent customer service to maintain a competitive advantage over its competitors in the hoe industry. Similarly, the company’s investment in customer service could provide a strong marketing tool that will give the company a competitive advantage in the industry.

**C. Analysis of internal capabilities**

*i. Functional capabilities*

Sonic Records has managed to stay on top of the game despite the competition in the industry. Over the period of thirty years that the company has been in operation, it has recognized the need to conform to the changing trends in the industry. Regarding this, the company saw the need to form an online platform E-Sonic which operated independently of the parent company. The organization also attributes its continued success to the strong relationships that it has established with record labels both the major ones and the smaller ones. However, the company still needs to invest in IT specialists who will develop user-friendly soft wares that will attract customers. The changing music industry requires that E-Sonic continually comes up with new technologies (Clark, 2013). Unique marketing strategies are also of importance to the company through various campaigns to increase brand awareness.

*ii. Human resource capabilities*

The human resource department at Sonic Records has a role in recruiting employees in the company. Its efficiency in recruitment and training activities contribute to the success of the organization. For E-Sonic to maintain a lead in the market, retention of employees is crucial. The Human resource department must also be very efficient in their operations to recruit talent that attracts the interests of the entire music industry. The compensation systems of the company, therefore, need to be in line with the organizational culture and the interests of the employees.

E-sonic is ambitious and envisages setting itself apart in the industry by ensuring excellent customer and employee satisfaction. Since employee satisfaction directly affects customer satisfaction, E-sonic needs to have excellent internal job structure that ensures that employees are compensated fairly according to their skills, academic competencies, effort, responsibilities and working conditions. In this analysis therefore, I seek to develop an internally consistent compensation system using four jobs offered by E-sonic which include office manager, creative director, director of customer service and artistic relationship manager.

The analysis will consider four jobs offered at E-sonic. The jobs include the office manager, the creative director, the director of customer service and the artistic relationship manager. The basic functions and responsibilities of office manager are coordination and organization of all office activities to ensure that the office runs smoothly and effectively. In an effort to do this, the office manager carries out the following duties(Occupational outlook handbook 2011-2012, 2011).

1. Management of office equipment through use, upkeep and operation monitoring
2. Answering calls, directing calls and taking messages
3. Maintaining files, inventory and database systems
4. Maintaining office budget
5. Office administration through assigning duties to subordinates, preparing schedules and overseeing annual reviews

Office manager are always expected to be highly qualified with at least high school diploma. In addition to this basic academic qualification, they need to have experience in office management and administration.

The creative director is another job offered in E-Sonics and which is considered in this analysis. The primary role of creative director is to encourage members of his team and preventing copywriting of the company works. They do this by *(Occupational outlook handbook 2011-2012*, 2011).

1. Creating support, providing feedback and checking advertisement campaigns for duplication.
2. Managing members of his team including copy writers.
3. Helping and supporting copy writers by providing them with presentations and ideas which they submit to the management.
4. Preparing schedules, assigning duties to his or her team members and administering annual department reviews.

Among other academic qualification, creative director is required to have a high school diploma and a degree in fields such as marketing, or creative field. They also are required to have at least four years of experience in music production or technology based environments.

Director of customer service is another job offered by E-Sonics. The director of customer service is responsible for supervising, controlling and organizing his customer service team and sometimes dealing with the extremely uncooperative customers. He or she does this by carrying out such duties as.

1. Supervising customer service employees
2. Advising his team members on ways to efficiently solve customer problems
3. Preparing schedules, assigning duties to team members and reviewing annual administrative reviews
4. Establishing and implementing goals and policies with assistance of management
5. Planning and actualizing public relations and customer relation campaigns and linking his or her department with the organizations departments.

The minimum qualification for the post is high school diploma but qualifiers are required to be holders of degrees in business related courses or alternatively at least nine years of customer service experience. They additionally should have over four years of experience in customer service industry and over four years of sales management or highly trained in conflict resolution. Lastly, they should possess and elaborate high level of customer service skills.

Lastly, the other job considered in this analysis is the artistic relationship manager. Artistic relationship manager creates relationships with artists and their production companies, maintains those new relations and relations with current artists and production companies, and negotiates royalty deals with artists and production companies. He or she achieves this by carrying out duties including (United States., & United States, 2012).

1. Establishment and maintenance of productive relationships with artists and production companies, growing such relationships and using the established relationships to establish, grow and develop others.
2. Drafting and writing effective and interesting press releases on these artists and production companies
3. Developing information programs and communication strategies with assistance from external agencies
4. Ensuring that promotion and marketing campaigns are compatible with interests of production companies through review and evaluation.

For one to qualify in this position, they should have a high school diploma and a degree in business. They also should possess four year experience in business development and music.

**Job Structures**

From the above job description, it is clear that the responsibilities and academic qualifications put the said members of staff in expert and profession levels. Since the jobs stated above require experience of more than three years and academic qualification of above high school diploma, they all can be said to lie in the professional level. The jobs can be structured as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Job family | Job subfamily | Job category | Possible level | Job title |
| management | administration | support | Level 2 (professional) | Office manager |
|  | marketing | professional | Level 2 (professional) | Director of customer services |
|  | support | support | Level 2 (professional) | Creative director |
|  | Public relations | support | Level 2 (professional) | Artistic relationship manager |

Table 1: job structure

**Point Evaluation Method**

**Benchmark Jobs**

The benchmark jobs include customer care executive, office manager, engineer and market research analyst. These jobs require high level of skill and competencies and respective employees are highly compensated for their skill and competencies, responsibilities attached, job complexities, supervisory roles, and work environments.

**Compensable Factors**

Based on the above benchmark jobs, compensable factors include the following;

1. **Knowledge and skill:** the factor involves evaluation of how mentally and psychologically competent an employee is in relation to the job. It combines academic knowhow, experience, and training. Factor degrees for this factor include:

Level 1: the employee has ability to perform simple tasks and comprehend simple work-related instructions. They are additionally able to operate simple machines for repetitive tasks.

Level 2: employee is able to understand and action simple in a standard routine. They have skills to operate machine that require up to three days of indoctrination. In addition, they have basic writing skills.

Level 3: have basic literacy and arithmetic skills and can independently carry out simple tasks.

Level: are skilled enough to comprehend and action multiple instructions.

Level: able to comprehend and action complex instruction and apply knowledge in various situations of the work environment.

Level 6: has a variety of knowledge and professional discipline. They have perfect mastery of job principles and practices which allow them to apply concepts in the specific work designation.

Level 7: has extensive knowhow and is able to apply principles, theories and concepts to solve problems in work environment.

1. **Responsibility**: this is the degree with which the job needs the holder to be personally responsible for people, assets and other resources in the organization.

Level 1: holder’s work facilitates the work of others in that it helps them accomplish their duties on timely bases.

Level 2: the job affects other’s accuracy, acceptability and reliability.

Level 3: the work affects the products design, program and systems.

Level 4: the work affects wide range of organization resources and products.

Level 5: the job affects major decisions of the organization including planning, operations and development among others.

1. **Complexity**: the factor measures the amount of information and employee uses in the job and the information they need to collect.

Level 1: job requires simple information that can be observed from routine operations.

Level 2: procedures and information are related and can be obtained from available sources through close observation and examination.

Level 3: the work involves varied processes and paraprofessional fields and information is obtained from research and investigation.

Level 4: the work is professional and activities are nonstandard and unusual and information is developed.

Level 5: work involves broad range of activities and information is obtained through multifaceted processes.

1. **Supervisory responsibility:** the factor evaluates authority the employee exercises over others including firing, hiring, discipline and rewarding.

Level 1: the work does not include any supervisory responsibility

Level 2: The employee helps in instructing others but he does not have official capacity.

Level 3: the work officially directs others and instructs them.

Level 4: the employee assigns, directs and evaluates others in the same unit.

Level 5: involved in directing employees in more than one unit.

Level 6: directs and has authority over several units in an agency or department.

Knowledge and skill are the important factors and therefore carries the weight of 40%. Responsibility is the second and therefore carries the weight of 25%. Complexity is third and therefore carries the weight of 20%. A supervisory responsibility is last and therefore carries the weight of 15%.

**Point Values for the Factors**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| factor | weight | Level1 | Level 2 | Level 3 | Level 4 | Level 5 | Level 6 | Level 7 |
| Knowledge and skills | 40% | 255 | 295 | 340 | 390 | 450 | 520 | 620 |
| responsibilities | 25% | 200 | 300 | 350 | 400 | 460 |  |  |
| complexity | 20% | 170 | 195 | 225 | 260 | 300 |  |  |
| Supervisory responsibility | 15% | 0 | 50 | 90 | 150 | 175 | 200 |  |
|  |  |  |  |  |  |  |  |  |

Table 2: factor rankings and points

**Job Ratings Using Factor Method**

Office manager: 390+ 460+ 225+ 150

Total points = 1225

Creative director: 450+ 400+ 350 + 260

Total points = 1460

Director of customer service: 450 + 460 + 300+ 150

Total points: 1360

Artistic relationship manager: 520+ 400+ 300+ 150

Total: 1370

Based on the job description listed above for each job and weighted points, creative director is the top-ranking job followed by artistic relationship manager, then director of customer service and lastly office manager.

References

Clark, Dorie. How To Stay Relevant In A Changing Business Environment - Forbes. 9 June 2013,

www.forbes.com/.../how-to-stay-relevant-in-a-changing-business-environment.

“Company Overview for SONIC WAX RECORDS LTD (10499835).” SONIC WAX RECORDS LTD –

 Overview (Free Company Information from Companies House),

 beta.companieshouse.gov.uk/company/10499835.

North American Industry Classification System ... - Census Bureau.

 [www.census.gov/eos/www/naics/](http://www.census.gov/eos/www/naics/).

*Occupational outlook handbook 2011-2012*. (2011).

 United States, & United States. (2012). *Occupational outlook handbook*.

The Music Industry Is Finally Making Money on Streaming - Bloomberg. 19 Sept. 2016,

 www.bloomberg.com/.../spotify-apple-drive-u-s-music-industry-s-8-first-half-g.