

Sirius XM Five Forces Analysis

Posted on October 31, 2018

Introduction

Sirius XM belongs to a Satellite Radio company. The original companies were the XM Satellite Radio developed in 2002 and Sirius Satellite Radio developed in 2001. SiriusXM reported approximately 23.9 million subscribers at the end of 2012. Both XM and Sirius companies recruit a subscription-based user generation and business model in order to produce profits/benefits. The XM and Sirius did not assume to cover the great startup budgets and become commercial until obtaining at least 8-10 million users/subscribers. Therefore, both companies decided to merge with the hope of overwhelming economic and commercial challenges in 2008^[1]. In order to maintain the strength and influence of competitive pressure as well as profitability, the company of Sirius XM uses five forces analysis in order to analyze and evaluate the competitive position and strength of the business organization.

Sirius XM Five Forces Analysis

Sirius XM Company follows the framework of Porter's five forces in order to build a strong strategic position in the field of broadcasting as well as discover moneymaking opportunities. According to Sirius XM thought that the theory of Porter's five forces determines the attractiveness of the market as well as the competitive intensity. The company revolves around the five forces competitive method for industry, the names of five forces are as below as well as shown in the Figure 1.

1. Threat of New Entrants
2. Threat of Alternative Services
3. Bargaining Power of Suppliers
4. Bargaining Power of Buyers
5. Rivalry among the Existing Competitors

Figure 1 Sirius XM Five Forces Analysis

We discussed Sirius XM's five forces^[2] step by step in order to develop a strong strategic position in the field of broadcasting as below.

1. Threat of New Entrants

Sirius XM faces minimum challenges from new entrants due to monopolistic feature. This company may give a big target to an upcoming firms to progress in the market and industry. Besides, the radio

satellite firm is distinguish by intense obstacles to entry due to the challenges and additional cost of maintaining up all the requirements related to infrastructure (Thompson, 2015). So, Sirius XM has to cope all the problems and develop effective obstacles/challenges to protect its competitive edge².

2. Threat of Alternative Services

When a new firms build any new service which satisfy a needs of customer in an attractive manner, then the probability of industry suffers e.g., Google Drive and Dropbox are the alternative to hard drives. The risk of an alternative product is huge if it provides a unique products from current offering products of the market and industry².

Suppose there are a lot music applications like Apple Music, Pandora, and Spotify. These applications can be retrieved through Bluetooth or aux port. These application do not have sufficient verities and capabilities that Sirius XM has. So, if any customer wants to listen only music then he would be likely to download others application than he would be to use Sirius XM.

3. Bargaining Power of Suppliers

Sirius XM offers a lot of services like talk and entertainment, sports, music, news, information, and programming. Company must have an authorization/approval from what and who they program and that shows an important role in their bargaining powers. The talent of top stations like Martha Stewart are very costly¹. Furthermore, they have more leverage than Sirius XM.

Thompson, A. A. (2015). Sirius XM Satellite Radio, Inc., in 2014: On Track to Succeed After a Near-Death Experience? In C. 4. Tuscaloosa: The University of Alabama, p.28.

4. Bargaining Power of Buyers

Customers are often demanding much more, they desire to purchase a best product in the least price as attainable/achievable. Sirius XM builds a large base of customers because if buyers can readily switch between sellers who sells the same products. So, it is comfortable for the customers to shift from one supplier to another, e.g., if a customer was unsatisfied with the services of a Sirius XM then either they could easily switch to Pandora or Spotify for a least price or they just withdraw their association and listen to FM radio for no price.

5. Rivalry among the Existing Competitors

Sirius XM is the only one who offers satellite radio services within the industry. So, it means that there

is a minimum competition or, we say, no competition in the firm that would rival the Sirius XM Company.

The biggest source of competition from the songs-related applications, e.g., Pandora and Spotify, for the least charges and even more they feel more comfortable and even more, they feel more comfortable paying nothing for [talk shows and radio](#) stations.

Strategic Group Map of the Industry

The Sirius XM Company has maintained a good place in the strategic group industrial map. In the market and the industry, there are only a few competitors who threaten the company of Sirius XM in the upcoming period but not in the present period¹.

Thompson, A. A. (2015). Sirius XM Satellite Radio, Inc., in 2014: On Track to Succeed After a Near-Death Experience? In C. 4. Tuscaloosa: The University of Alabama, p.281.

In the strategic industrial map, we have considered the different competitors, including Westwood One, iHeart Communication and Cumulus Media. The company of Sirius XM maintains a top-level position in the strategic industrial map, as shown in Figure 2.

Figure 2 Strategic Group Map of the Industry

When we see the strategic industrial map, it is visible that the company of Sirius XM maintained an excellent place due to the highest geographical coverage as well as the best quality of service at a significantly good amount. iHeart Communication maintained a same but low place over Sirius XM Company because of covering few geographical places as well as lags in both prices and quality of service.

Is Sirius XM well positioned on the map?

In my opinion, Sirius XM has maintained a good position on the strategic map, especially in the broadcasting field. The industry is appropriate to fascinate the capable new entrants because of the toughest competition that exists among the current industrial sellers. However, there is a huge amount of obtainable alternatives to the potential buyers, which encourages the development of a strong alternative market in other industries. The broadcasting industry has been verified to possess a profitable, great, and strong industry for joining^[3].

Key Success Factors of Sirius XM

There are a lot of successful factors involved in the Sirius XM broadcasting company. Firstly, Sirius XM builds brand awareness and stimulates users' demand for broadcasting services. Secondly, Sirius XM recruits new customers and fasts the size of the company user base in order to produce profits/benefits. Thirdly, this company guarantees a free sample for three months. The sample-based strategy makes capable users practice the services before creating their desired subscription. Fourthly, Sirius Company used the strategy of commercial-free programming as a marketable strategy for their products as well and they maintain a catalog of success factors behind the broadcasting industry. Lastly, the usage of smartphone broadband has contributed to growth in the amount of users of the broadcasting services presented by the firms in the industry like Sirius XM. Smartphone users are very likely to subscribe to and download applications related to broadcasting to the currently available services from more firms in the industry. Furthermore, other successful factors consist of minimizing long-term debts, taking benefits of the short-term debts, enhancing the flow of the cash from the company's operations, achieving the company on a powerful economic footing, improving purchasing power of the population where users can afford when the most advance and complicated devices in order to retrieve the broadcasting services as well as growing demand for entertainment and information services¹.

Conclusion

Sirius XM broadcasting company was the product of a merger of Sirius and XM Satellite Radio. It is one of the leading broadcasting companies in South and Western Europe. In order to maintain the strength of the commercial organization and strong competitive position, Sirius XM uses the five forces analysis model. Sirius XM Company has maintained an excellent place in the strategic group industrial due to the brand awareness, fast growing size of the company user's benefits, as well as adopted the strategy of commercial-free based programming as a marketable strategy.

References

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1. Thompson, A. A. (2015). Sirius XM Satellite Radio, Inc., in 2014: On Track to Succeed After a Near-Death Experience? In C. 4. Tuscaloosa: The University of Alabama, p.279. ↑

2. <https://fernfortuniversity.com/term-papers/porter5/analysis/3149-sirius-xm-holdings-inc-.php> ↑
3. ³Grimm, C. M., Lee, H., & Smith, K. G. (2006). *Strategy as action: Competitive dynamics and competitive advantage*. Oxford University Press, p.6.1 Thompson, A. A. (2015). Sirius XM Satellite Radio, Inc., in 2014: On Track to Succeed After a Near-Death Experience? In C. 4. Tuscaloosa: The University of Alabama, p.284. ↑