UNIVERSITE PARIS 1 PANTHEON – SORBONNE

UFR 06 / SGEL

LICENCE D'ECONOMIE ET GESTION D'ENTREPRISE

PARTIEL D'ANGLAIS APPLIQUE A LA GESTION, Semestre 4

Enseignant : JT PINDI — 6th May 2011

Maître de Conférences — Duration : 2 hours

Instructions : No documents allowed. Write your answers on the official sheets provided.

PART ONE

Read the text below and address the ensuing vocabulary exercises and comprehension questions

The Music industry : A case study

The recorded-music business illustrates the principles behind *product-offering architecture* and how the optimal offering changes based on technology, consumer demand and competition. In the mid-2000s, music publishers faced serious business issues about whether to make their songs available online as well as through physical media such as CDs, and also whether to make songs available online individually, in bundles or both. Technological change – the emergence of the Internet, increased broadband penetration and capacity, and increased piracy through illegal downloads- had dramatically changed the costs and benefits of their established product line.

During the 1950s, popular songs had been sold as singles, mainly on 45 – rpm records. Singles dominated the market until the Beatles released « Sergeant Pepper's lonely Hearts Club Band » as an album in 1967. Since then, popular music has been distributed primarily as collections of songs, usually 10 to 20. The publishers and artists selected the best songs for the album ; songs that did not make the cut were either held for the next album or not distributed at all.

The all-in-one offering was efficient for several reasons. The cost of pressing and distributing recordings was fixed, and releasing singles and smaller collections would have required *retailers* to stock more products. Albums allowed music publishers to generate additional revenues from people who really just wanted one or two songs and who would buy them that way if they could. The business question was whether the net incremental revenues of releasing different versions of an album, with different numbers and selections of songs, would outweigh the incremental costs of producing and selling them. For more than 35 years, music publishers believed the answer was no.

The internet and related phenomena (including the spread of fast broadband and Apple Inc.'s immensely popular iPod-iTunes combo) changed both the cost and demand sides of the equation. On the cost side, the Internet made it cheaper to distribute individual songs. On the demand side, as downloading music has become easier, people are more eager to do it.

Identifying the optimal product architecture for the new digital era, however, requires a thorough analysis of demand and costs. The fact that it is possible to make individual songs available digitally does not necessarily mean that music publishers should not offer digital bundles. Some people may still prefer having someone aggregate content because it is easier and less time intensive than doing it themselves. Moreover, music publishers may be able to realize higher profits by using bundles *to segment* consumer demand. However, there is also the chance that the internet will *disintermediate* the role music publishers have played in choosing song lists. –Rather than looking to music publishers, consumers may be just as happy to let other experts recommend bundles. What's more, the increased popularity of iPods and other digital music devices may draw people away from whole CDs and playlists to selecting from massive libraries of songs.

One can determine the relative importance of these offsetting effects by using standard statitistical survey techniques such as conditional logic or conjoint analysis studies, in which individuals are presented with alternative choices at various prices and are asked to express their preferences. This methodology will help companies find the optimal bundling strategies based on consumer demand.

From the music industry's standpoint, the two other major considerations are piracy and *cannibalization.* Music publishers were attracted to digital downloading based on the hope that more legal downloads of individual songs would reduce the demand of illegal ones, even though digital downloads result in less demand for physically distributed recorded music. The additional profits from reduced piracy are greater than the lost profits from cannibalization of physical media.

Music publishers will eventually face the same decision for CDs and audiotapes as they did for prior music formats. As new distribution mechanisms become more popular, music publishers and other content providers will need to compare the cost of making a format available against the incremental revenue it is expected to bring in.

(from D.S. Evans & K.L. Webster : *Designing the Right Product Offerings* in MIT Sloan Management Review, Fall 2007)

A. Vocabulary

I. *Define* or *explain* the following words and expressions in their context. **(2.5 points)**

1. product-offering architecture : paragraph 1, line 1
2. retailers : paragraph 3, line 3
3. to segment : paragraph 5, line 6
4. (to) disintermediate : paragraph 5, line 7
5. cannibalization : paragraph 7, line 2

II. Find the *synonyms* (=equivalents) of the following words and expressions in the text. Give the text reference . **(1.25 points)**

1. illegal downloads : paragraph 1, line 7
2. all-in-one offering : paragraph 3, line 1
3. individual songs : paragraph 4, line 3
4. digitally : paragraph 5, line 3
5. additional (profits) : paragraph 7, line 5

III. What do the following acronyms and abbreviations used in the text stand for ? **(1.25 points)**

1. CDs : paragraph 1, line 5
2. rpm : paragraph 2, line 1
3. Inc. : paragraph 4, line 2
4. i- (as in iPod or iTunes): paragraph 4, line 2
5. combo : paragraph 4, line 2

B. Comprehension (5 points)

According to the text above, are the following statements **TRUE (T)** or **FALSE (F)** ? Say why, using your own words or quoting the relevant excerpt from the text**.** Give the text reference to back up your argument , if necessary.

1. Six years ago, the issue music publishers faced was to consider if they had to distribute their products through the internet**.** **T/F**

2. The physical media used for selling music in the twentieth century were CDs. **T/F**

3. Consumers did not have any say in the choice of music bundles offered to them in the traditional music marketplace. **T/F**

4.With their offering in bundles, music publishers achieved economies of scale in the traditional music marketplace **.** **T/F**

5.The spread of fast Broadband has brought nothing else but benefits to the music industry. **T/F**

6. The internet has increased demand for music. **T/F**

7. The role played by music publishers in the choice of songs for digital albums is as big as ever**.** **T/F**

8. The best music offering can only be achieved if consumers are involved in some way in the selection of songs for digital albums. **T/F**

9. The biggest problem faced by music publishers in the digital era is piracy**.** **T/F**

10. The choice of a new music offering architecture should be driven by a good cost/benefit analysis. **T/F**

Part Two : Grammar (5 points)

Rewrite the underlined parts of the following sentences to form new sentences which include ***may*** or ***might*** and a <u>***negative form***</u> if necessary. Retain the original meaning.

1. <u>It is possible that stock levels will</u> rise in the final quarter of the year.
2. <u>I don't know if we</u> have any Superfix in stock.
3. <u>We are considering changing</u> to a just-in-time method of procurement.
4. <u>It is possible that we will</u> need to increase the quantity we hold in stock but <u>there is a slight possibility that our present suppliers will</u> not be able to meet our needs.
5. If the quality is not good enough <u>it is possible that we will</u> change our suppliers.
6. <u>Is it okay</u> if I check stock levels today instead of tomorrow ?
7. If you check stock levels today instead of tomorrow <u>there is a slight possibility that you will</u> get inaccurate information for the month.
8. <u>It is possible that we are already</u> using that supplier.
9. <u>It is still possible that we will</u> manage to reduce overheads if we relocate.

Part Three : Writing (5 points)

In a minimum of 120 and a maximum of 150 words, assess the way(s) in which the music publishers can re-consider their marketing mix in order to respond more adequately to the needs of consumers in the present digital era.

Key to answers and guidelines for marking

Part One :

A. Vocabulary (a total of 5 points)

I. Definitions (2.5 points)

1. *product offering architecture* : the format in which music as a product is distributed (sold) to consumers, i.e as individual songs (=singles), bundles (=albums) or both.
2. *Retailers* : people or firms involved in the activity of selling goods and services in small units directly to the final consumer. Music shops or supermarkets for example are retailers.
3. *To segment* ; to classify customers or potential customers into groups of people sharing common characteristics. An example of a music market segment would be consumers of classical music.
4. *To disintermediate* : to by-pass the traditional distribution channel intermediaries such as wholesalers or retailers. In this case, the fact for a consumer to download music directly from an artist's or a publisher's website.
5. *Cannibalization* : a situation where a new brand gains sales at the expense of another of the company's brands. In this context, the situation in which digital music downloads are driving physical media such as CDs out of the market.

Marking

0.5 point for a good and well written answer. **0.25 point** for a good but poorly written answer. Nothing to be awarded otherwise.

II. Synonyms (1.25 points)

1. illegal donwloads= piracy (paragraph 1, line 7)
2. all-in-one offering= album (paragraph 2, line 3)
3. individual songs= singles (paragraph 2, line 2)
4. digitally= online (paragraph 1, line 4)
5. additional (profits)= incremental (revenues) (paragraph 3, line 6)

Marking

0.25 point for a good answer. Nothing to be awarded otherwise.

III. Acronyms and abbreviations (1.25 points)

1. CDs = Compact Disks
2. rpm= rotations per minute
3. Inc.= Incorporated
4. I= Internet

5. <u>combo</u>= combination (of a media player and a hard disk)

<u>Marking</u>

<u>0.25 point</u> for a good answer. Nothing to be awarded otherwise.

N.B. : « *incorporation* » for *<u>Inc.</u>* is a wrong answer.

B . Comprehension (5 points)

<u>Answers</u>

1. **False.** They had to consider whether they to distribute their poducts through both physical media such as CDs and through the Internet. (paragraph 1, lines 4-5)
2. **False.** The physical media used for selling music were not only CDs but also records, audio (and video) tapes. (See paragraphs 1&2, and the last paragraph, line 1)
3. **True.** Music publishers and artists were the ones who selected the songs they deemed best for albums. (paragraph 2, line 4)
4. **True.** The all-in-one offering generated additional revenues for music publishers because the production and distribution costs were the same for singles and albums while storage costs were higher. Additionally, consumers felt they had to buy albums anyway even if they only liked a couple of songs in them. (paragraph 3)
5. **False.** The spread of fast Broadband has brought both advantages and disadvantages to music publishers.
6. **True**. As downloading music has become easier, people are more eager to do it. (paragraph 4, line 4)
7. **False.** Their role is dwindling, to the benefit of digital music libraries such as iTunes. (See paragraph 5, last sentence)
8. **True.** With the use of standard statistical Survey techniques, companies should be able to find the optimal bundling strategies based on consumer demand. (paragraph 5, last line)
9. **False**. Piracy is one of the two major problems faced by music publishers in the digital era. The other is cannibalization. (paragraph 7, line 2)
10. **True.** Music publishers and other content providers will need to compare the cost of making a format available against the incremental revenue it is expected to bring in . (last paragraph, last line)

<u>Marking</u>

<u>0.25 point</u> for each correct **True** or **False**. Another **<u>0.25 point</u>** for each correct justification. The justification <u>is not to be marked</u> if the first part of the answer **T/F**, is not correct.

Part Two : Grammar (5 points)

<u>Answers</u>

1. Stock levels *may* rise in the final quarter of the year.
2. We *may not* have any Superfix in stock.
3. We *may/might* change to a just-in-time method of procurement.
4. We *may* need to increase the quantity we hold in stock but our present suppliers *might not* be able to meet our needs.
5. If the quality is not good enough we *may/might* change our suppliers.
6. *May* I check stock levels today instead of tomorrow ?
7. If you check stock levels today instead of tomorrow you *might* get inaccurate information for the month.
8. We *may* already be using that supplier.
9. We *may/might* reduce overheads if we relocate.

<u>Marking</u>

<u>0.5 point</u> for a good answer. Nothing to be awarded otherwise.

<u>N.B.</u> : a) *May* and *might* can only be used interchangeably, where indicated.

b) There are 2 answers to check in sentence 4, which is then worth 1 point.

Part Three : Writing (a total of 5 points)

<u>Marking</u>

- **<u>1 point</u>** to be sytematically awarded for adequate length (120 words minimum, 150 words maximum as counted by the student. Count yourself, if in doubt).
- **<u>Nothing (0)</u>** to be awarded if the essay length is inadequate or excessive.
- **<u>0.5 point</u>** for any proposed idea(s) on the Product element of the marketing mix.
- **<u>0.5 point</u>** for any proposed idea(s) on the Price element of the marketing mix.
- **<u>0.5 point</u>** for any proposed idea(s) on the Place element bof the marketing mix.
- **<u>O.5 point</u>** for any proposed idea(s) on the Promotion element of the marketing mix.
- **<u>Up to 0.5 point</u>** for satisfactory sentence construction.
- **<u>Up to O.5 point</u>** for satisfactory lexical choices.
- **<u>Up to 0.5 point</u>** for a satisfactory use of link words.
- **<u>Up to 0.5 point</u>** for writing coherently.
