CORNERSTONE CONSULTING

Situation Analysis

Sakura Music and the Effects of Content Piracy

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5/19/2011

Comment [C1]: Provide a similar cover page.

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Situation Analysis

Cornerstone Consulting was tasked with examining the issue of content piracy and its effects on Sakura Music. Content piracy has been costly to both the company and the industry. Sakura Music has been well positioned to mitigate the financial losses due to the issue. This has afforded the company the ability to adopt new business models: subscriptions and cloud services through the Sakura Network. Competitors have also been adapting to the issue by similar models for the distribution of digital content. Given our competitors responses to the issue Sakura must focus on its network strategy. Content piracy has been the result of changing consumer behavior based on a poor value proposition by Sakura Music and its competitors.

Cornerstone Consulting recommends three strategies to mitigate the effects of content piracy:

1. Focus on enhancing network integration.
2. Create partnerships to distribute content.
3. Develop cloud content distribution system.

Company and Industry Analysis

Sakura Music is well positioned within the industry as it is buoyed by parent company, Sakura Corporation. Sakura Music, as a key part of its strategy of enhancing the customer experience when using its networked devices. The company's value proposition, the Sakura Experience, is dependent on its ability to sell digital content. Content piracy is an industry-wide problem that has cost Sakura Music $81 million in lost revenue in 2010 (Smith, 2010). Losses due to content piracy have been unsustainable. Sakura has joined its industry association, the RIAA, in efforts to curb the problem through litigation: this strategy has failed (Smith). Companies are now seeking new business models to increase revenue by embracing digital content distribution through subscription services, and cloud storage.

Sakura Music is Tightly Coupled With Electronic Business

According to Steve Johnston (2011), "Sakura Music accounts for 17% of total revenues generated by the Sakura Corporation" (p. 1). Sakura Music has been key to its parent company's strategy of network integration. Since the redevelopment of its mission in 1997, Sakura Corporation has focused its efforts in distributing digital content on Sakura networked devices: televisions, stereos, CD players, DVD players, and MP3 players. "Sakura's electronics manufacturing business has developed products with deep level of network integration to provide consumers with the Sakura Experience--a unique selling proposition that pushes for an experience that can only be found on Sakura electronic products" (p.2). Any declines in its music business will directly affect its ability to deliver on this proposition.

Losses Due to Content Piracy is Unsustainable

Content piracy accounts for growing losses; as a result CDs are no longer a viable format. Content piracy cost Sakura $81 million in lost revenue in 2010 (Thomas & Smith, 2011). Over the last 10 years Sakura has averaged a 4% drop per year in CD sales, and the effects of these losses are

Comment [C2]: **Level 1 Headings** - This is an example of a level 1 heading: center justified, bold, and title case. It is also called the main heading.

Comment [C3]: **Introductory Headings** - Below the main heading you should include an introduction. Notice how there is no heading labeled introduction.

Why do we do this? Introductions are subordinate to the closest heading. As such, the introduction for the situation analysis is placed below the situation analysis heading.

Comment [C4]: **Introduction** - An introduction gives the reader context through the use of a bottom-line, purpose, and a summary of key points.

Why do we do this? We want to give the reader a summary of key information found in the report. This allows for quick review, an important feature for executive level readers.

Comment [C5]: **Level 1 Headings** - This is an example of a level 1 heading: center justified, bold, and title case. It is also called the main heading. I used level 1 for each major section: Company and Industry Analysis, Competitive Analysis, SWOT ...

Comment [C6]: **Emphasizing Headings** - Notice how the heading is larger than the body copy. It is a best-practice to size the major headings of your report 2pts. larger than the body copy of your ...

Comment [C7]: **Citation: Paraphrasing/Summary** - According to OWL at Purdue: If you are paraphrasing an idea from another work, you only have to make reference t ...

Comment [C8]: **Citation: Paraphrase/Summary** - According to APA: When citing a paraphrase after the original sentence, just use the last name of the author.

Comment [C9]: **Level 2 Heading** - This is an example of a level 2 heading: left justified, bold, and title case.

...

Comment [C10]: **Citation: Introducing a Source** - The phrase "according to" denotes an expert source.

Comment [C11]: **Citation: Direct Quote** - When citing a direct quote always provide: name, year, page. Remember, **when in doubt,** it is acceptable ...

Comment [C12]: **Citation: Direct Quote** - If you have another quote that is unbroken by another citation, all you need to provide is the page numb ...

Comment [C13]: **Descriptive Headings** - Notice the author used descriptive headings. Descriptive headings are 4-7 word phrases that act as headlines for sections of the report. ...

Comment [C14]: **Citation: Multiple Authors** - Two authors (Thomas & Smith, 2011)
Three to Five Authors (Thomas, Smith, & Barney, 2011) ...

mounting with a projected 6% decrease in 2011 (Thomas & Smith). At this rate, Sakura can assume that the CD format will no longer be viable when compared to digital downloads. This is demonstrated by a Bain analysis of industry turnover shown below, in Figure 1.

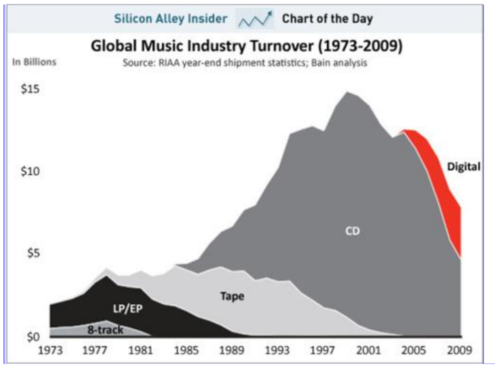

Figure 1. Global Music Industry Turnover**.** Adapted [or Reprinted] from "Title of Article," by J. Author, year, *Title of Journal, volume,* p. xx. Copyright year by the Name of Copyright Holder. Adapted [or Reprinted] with permission.

According to this analysis, the CD format has grown exponentially since its introduction in 1982; however, since 1999 (the year that peer-to-peer networks became prevalent) CD sales have declined sharply. The format should have been replaced by digital music--similar to format changes in the past--but unexpectedly, digital sales have struggled.

Litigation Efforts to Curb Content Piracy Has Failed

The music industry has depended heavily on litigation to stop content piracy. The Recording Industry Association of America (RIAA) has acted, in the interest of its members, to pursue a strategy of litigation against pirates. Even with support of copyright laws inspired by the agreement set forth by the 1971 Universal Copyright Convention, content piracy has continued to increase worldwide (RIAA, 2011).

Sakura Music's trade association, the RIAA, has sought to mitigate industry losses by suing individual users of P2P software, P2P networks/hosts, and Internet service providers (ISPs). However, with all of their efforts these strategies have failed to recover even a fraction of the $3.1 billion in annual losses due to content piracy (Smith, 2011, p. 10). Moreover, this strategy has generated negative publicity, and has the potential to erode goodwill with the consumer (p.14). As a result, the RIAA has, instead, tried to sue P2P networks/hosts to no avail. This has been due in large part to the advent of BitTorrent P2P protocols. The final litigation strategy has been to seek remedy through litigation with the ISPs--litigation that is being vigorously defended. It is important to note that this strategy inherently rife conflicts of interest due to several RIAA members, who also have holdings in the telecommunications industry.

Comment [C15]: **Introducing a Figure** - Notice how this paragraph introduces Figure 1.

Why do we do this? We introduce figures in order to provide the reader with context.

Comment [C16]: **What is a figure?** Figures are any images: graphs, charts, and photos.

Comment [C17]: **Labeling a Figure** - This label has been adapted from APA. Notice the citation.

Why do we do this? APA requires the use of the following citation style to be included below each figure:

Figure 1. Global Music Industry Turnover. Adapted [or Reprinted] from "Title of Article," by J. Author, year, *Title of Journal, volume,* p. xx. Copyright year by the Name of Copyright Holder. Adapted [or Reprinted] with permission.

Note: In APA figures are often placed in the appendix of the document. In business writing, we often add figures to give the reader a visual representation of what it is being described in-text.

Comment [C18]: **Using an Emdash** - Notice how the emdash separates a thought within the sentence.

Why do we do this? We use an emdash to add an addition thought within a sentence**.**

Comment [C19]: **Descriptive Headings** - Notice how the heading supports the main idea of the section and/or paragraph.

Why do we do this? To support your content and to allow the reader to skim the document.

Industry Moving to Subscriptions, and Cloud Services

The music industry has started to move beyond litigation by attempting to develop a viable model for digital content distribution. Music distributors and content aggregators have presented the industry with several models for distributing content. Subscription services such as Rapture, and Audiocity have subscription levels that now reach 24.6 million subscribers (DataSearch, 2011a). Projected growth is expected to exceed 12 million new subscribers by 2015 (Alverez, 2011). The growth of these subscription services has been attributed to the expansion of both home broadband access and wireless communications. Consumers now have the means to access streaming content in most geographic locations (Alverez). Growth will continue as these companies continue to push for increased access to music catalogs.

Streaming subscription services have the potential to be supplanted by cloud services. Leading online retailer Arragon has just launched its own Cloud distribution service. Arragon allows customers to purchase physical media (CDs, LPs, EPs, and Single) while also allowing them to download a digital copy of the content instantly. Moreover, Arragon provides users with 5 Gb of storage space for this digital content. The customer can then access the digital content through an application on their computer or phone. This model hybridizes the experience of buying physical and digital products. Arragon recently reported 5.5 million users of its cloud based application (Alverez, 2011). The sudden popularity highlighted a key limitation of this technology. One month after launch, Arragon's cloud service suddenly became disabled, preventing customer access to their content for over 48 hours (Alverez).

Sakura Must Adapt to a Changing Industry

The issue of content piracy has affected the entire industry. Companies are now moving away from the RIAA's strategy of litigation to instead leverage new revenue streams from subscription and cloud services. Our competitors are moving to these new business models. For Sakura Music to maintain its competitive position, it is important to compare our current efforts to fight piracy with that of our two closest competitors: Galactic Music Group, and Winner Music. In the next section, a competitive analysis is provided that will compare our competition's efforts at mitigating content piracy.

Competitive Analysis

The competitive position of Sakura Music parallels Galactic Music Group and Winner Music. Each company has leveraged the strengths of the parent company to develop new revenue streams; Galactic Music Group is solely focused on licensing of its content. The company currently has adopted a strategy of monetizing its content through advertising revenue generated through services such as MeTube and Kulu. Winner Music has used the businesses of Cronos-Winner Corporation as a primary channel for its digital content. Cronos-Winner uses its position as an ISP to excise fees on the use of bandwidth on its network. Winner Music been a bad actor within the music industry by attempting to protect its parent company from the RIAA's litigation strategy.

Comment [C20]: **Typography of Headings** - For headings, it is best to use a sans-serif (meaning: without serif in French) fonts such as Arial and Calibri.

Why do we do this? We use a sans-serif font for headings because it is clean and distinct. We use sans-serif fonts for short amounts of text.

Comment [C21]: **Typography of Body Copy** - For body copy, it is best is best to use a serif font such as Cambria, Times New Roman, and Courier. It is best to use serif fonts for body copy because, if you notice, each letter has a foot (also called a serif).

Why do we do this? Serifs allow the eye to scan from left to right. Serif fonts make documents easier to read.

Comment [C22]: **Citation: Organizational author** - If there is no individual author, it is acceptable to cite the organization that issued the report.

Comment [C23]: **Layout: Block Style** - Notice how the paragraph is not indented. This is called a block format.

Why do we do this? Most if not all business communication separate paragraphs through spacing. Visually, when used with chunked paragraphs it is easier to read (particularly, if the document is a computer file or web page).

Note: For scientific and academic reports you should indent your paragraphs.

Comment [C24]: **Headings: Title Case** - Always capitalize nouns, pronouns, adjectives, and adverbs. Do not capitalize articles (a, an, the), prepositions, and conjunctions.

Comment [C25]: **Descriptive Headings** - Notice how the heading of the next action, conclusion, and/or transition makes a statement or a command.

Why do we do this? A heading for the action step, conclusion, and transition should move the reader along (to take action, to make a conclusion, or to read the next section). In this example, the author provided a next action.

Comment [C26]: **Transitions** - Notice the transition statement.

Why do we do this? We use transitions to guide the reader, so that they know what to expect. We want to keep the narrative going by foreshadowing the next section.

Comment [C27]: **Level 1 Heading** - This is an example of a level 1 heading: center justified, bold, and title case. It is also called the main heading. We use level 1 headings for each major section: Company and Industry Analysis, Competitive Analysis, SWOT Analysis, and Market Analysis.

Galactic Music Group Too Dependent on Telecommunication Companies

Galactic Music Group a division of the Galactic Corporation (Galactic), has been heavily exposed to losses. Galactic Music currently accounts for 23% the Galactic Corporation's revenue (DataSearch, 2011b). Furthermore, Galactic's business is solely based on revenue from the licensing and distribution of content: music, movies, and television. Galactic Music Group does not have assets in the telecommunications industry; as such, it is dependent on telecommunications companies to disseminate and monetize its content to consumers. Content piracy has affected nearly every aspect of its core business; the losses from this issue are mounting. Galactic is currently unable to mitigate its losses in music by spreading the risk to its other businesses. However, Galactic has been proactive in generating more revenue from the licensing of its content.

Licensing could prove to be a viable solution. Galactic has partnered with the Yoggle Corporation in an attempt to monetize content streamed with Yoggle's web-services: MeTube, Piccasso, and Yoogle TV. This partnership has already yielded a new form of revenue that is projected to exceed $200 million by 2015 (Johnson, et al., 2011). Additionally, Galactic has begun to receive advertising revenue from content streamed on Kulu service. Kulu provides users with access to television and movies streamed via the Internet. Earnings from Kulu is projected to provide Galactic with over $60 million per year in increased revenue (Johnson, et. al.).

Winner Music's Parent Company Controls Internet Services

Winner Music benefits from its parent company's holdings, which provides a competitive advantage in the distribution of digital content. Winner-Cronos currently mitigates the effects of content piracy by excising a premium fee for the use of its network's bandwidth. Winner Music is a subsidiary Cronos-Winner Corporation, whose holdings also includes Cronos Cable-Vision, American Online, Cronos-Vita Publishing, and Cronos Pictures. Cronos-Winner has a key advantage in its control of 32% share of the U.S. cable market; the company has been able to use this business to expand its broadband Internet services ("Cronos-Winner Expanding," 2011). Currently, Cronos-Winner holds a 24% share of Internet services market (Peters, n.d.).

Winner Music by extension of its parent company has been a poor actor within the music industry. Cronos-Winner generate most its revenue in the telecommunications industry--an industry that is in direct conflict with the litigation strategy of the RIAA. This conflict of interest has been a major factor in the RIAA's limited success in seeking legal remedy from ISP's such as Cronos Cable-Vision, and American Online. As such, Winner Music's strategy has been doing little to deal with the effect of content piracy on the industry as a whole.

Sukura Should Examine New Distribution Models

Sakura Music does have a few competitive disadvantages: licensing and distribution of content. Galactic Music Group's strong catalogue content that has the potential to generate considerable revenue via licensing agreements with subscription services. Winner Music's access to the Cronos-Winner's telecommunications business, secures a built-in digital content distribution network. In the next section, a SWOT analysis of Sakura Music ability to mitigate the issue of content piracy.

Comment [C28]: **Citation: Same author, same year** - When citing multiple reports from the same author, same year label the data using an sequential letter. In this case, the first article was cited as (Datasearch, 2011a), thus you would cite the second article as (Datasearch, 2011b).

Why do we do this? To index multiple articles by the same author in the same year.

Comment [C29]: **Citation: Five or more authors** - This citation is used when the source is written by five or more authors.

Why do we do this? Et al. is Latin meaning: and others. We use this cite because listing five authors takes up too much space on the page.

Comment [C30]: **Citation: Paraphrasing/Summary** - Remember, paraphrased sentences after the original unbroken cite requires you to provide at minimum the authors name. However, when in doubt it is acceptable to fall back on (author, date, year).

Comment [C31]: **Citation: Unknown author** - This is an example of a citation that has no author. For sources without an author, you must cite the first three words of the title in quotations. Use title case.

Why do we do this? You have a responsibility to provide the reader with as much information regarding the source as possible: name, date, page. You need to make it easy for the reader to find the original source.

Comment [C32]: **Citation: Unknown date** - Sometimes source are undated. For sources without a date use n.d. (no date) in the place of the date.

SWOT Analysis

Sakura Music is well positioned to mitigate the effects of content piracy. As a division of the Sakura Corporation losses can be mitigated as the company develops a strategy to deal with the issue. One such strategy uses the Sakura Network. This has presented the company with an opportunity to distribute content through the Sakura Network's ecosystem of devices. It is important to note that Sakura Corporation must develop a plan to deal with its poor reputation for security, before the company can fully exploit this opportunity.

Strengths

Sakura Music's strengths give the company a unique advantage in the music industry, particularly in dealing with the issue of content piracy. As a subsidiary of a conglomerate, the business has been hedged against the contracting music market. Sakura Music has been spared this contraction as it is now an integral part of the networking strategy of its parent company.

Conglomerate businesses mitigate losses. Sakura Corporation is an international conglomerate with businesses in several industries: electronics, semi-conductors, networking, and entertainment (Sakura, 2011). The strength of Sakura's conglomeration of businesses is that it can hedge underperforming industries. Understanding that industry losses are cyclical, Sakura Corporation has been able to maintain a strong financial position overall. The company has averaged 3% growth for the last 20 years (Sakura). Losses due to content piracy have been largely absorbed by the company. This gives Sakura a distinct advantage over its competition and it explores new models for improving its music business.

Networking strategy affords control of content. Sakura Corporation has maintained a business strategy of network integration. It has been a goal to network each product. This has allowed Sakura to push digital content to its digital subscription devices. The Sukura Network has been the hub for the distribution of content between devices. 77 million users currently use the network to access Sakura's exclusive content (Sakura). Sakura has the potential to expand this content distribution business to challenge the highly success Orange Corporation's e-Tunes network. Much like Orange's model, Sakura can create a unique product ecosystem that provides a high-level of control over the distribution of content (Sakura). As a result, Sakura has the potential to increase revenues by monetizing content via its network.

Weaknesses

Before Sakura Corporation can enact its networking strategy, it must become a more nimble company: it has been too slow in exploiting this opportunity. Moreover, its slow reaction has exacerbated crises such as the recent cyber-attacks on its Sakura Network. As a result, the network has a poor reputation for security.

Slow to react to the changing business environment. Sakura Corporation is an electronics company; its core competencies lay in the manufacture of electronic devices. Electronics represents 57% of the total revenue generated by the company ("Sakura Takes Lead," n.d.). This has been detrimental to its entertainment businesses. Sakura has been slow adopt new business models in

Comment [C33]: **Layout: Single spacing** - Notice how this report is single spaced.

Why do we do this? Most academic reports are double spaced. When using double spacing you should indent (this helps the reader interpret breaks between paragraphs). In business writing, we use the block style because the text is single spaced and chunked (a space before and after the paragraph).

Comment [C34]: **Layout: Block style** - Notice how we have not used indents in this document?

Why do we do this? There are three styles in business writing:
1. Indented
2. Block
3. Modified Block

Indented style is the traditional style; however, many organizations are moving away from indented and adopting block style. Block style is considered to be a visually cleaner style. We have moved to the block style with the prevalence of digital media: email, reports, memos, web-pages (any digital communication artifact). **Block style is easier to read on the computer screen.**

Comment [C35]: **Level 3 Headings** - This is an example of a level 3 heading: left justified, bold, sentence case w/period. **Notice how the text begins after the heading.**

Why do we do this? A level 3 heading further subordinates your ideas. **Most undergraduate reports do not use a third level of headings.**

Academic vs. Business Writing
In pure APA and/or academic documents, you must indent level 3 headings.

Comment [C36]: **Citation: No author, no date** - This is an example of a citation with no author and no date.

Warning: Use this cite with extreme caution. My advice is that you avoid citing sources without at least two of the three citation criteria: author, date, year. A title can be substituted for the author.

order to adapt to changing business environment brought on by content piracy. For example: Sakura has been slow to exploit the opportunity to expand its Sakura Network business ("Sakura Takes Lead").

Sakura Network has a poor reputation. The Sakura Network has experienced a series of crippling cyber-attacks. As a result of the attack, the Network was shut down for two-weeks. This attack cost Sakura over $50 million in lost revenue ("Sakura Takes Lead"). Moreover, the attack exposed customers personal information to theft. This lack of security has forced to submit to several inquiries by several governmental organization. As a result, it was found that Sakura was using outdated network security software. The whole event has negatively affected the company's reputation; Media Source predicts that this event could cost the company $550 million in lost subscriptions (Media Source, 2011). With Sakura's strategy of networking its devices, this weakness could cripple its growth.

Opportunities

The Sakura Network could give Sakura Music a strong competitive advantage. Networking devices have proven to be an exceptional new content distribution strategy. Our network could be used to distribute content through cloud computing accessible through our electronic devices. Moreover, Sakura Music could hybridize physical and digital content to increase album sales.

Sakura Network has potential to expand content distribution

The Sakura Network has a strong potential for growth by linking all of Sakura Corporation's devices into onto a single networked ecosystem. The network could become a viable channel for the sale of both Sakura range of entertainment offerings: music, movies, and television. Moreover, the company can become an attractive channel for the sale of our competitors content. We could ultimately model our network and device ecosystem on that of Orange Corporation's e-Tunes service. Leveraging its strong electronic device products (TV, DVD players, CD players, and MP3) could give Sakura a competitive advantage; Orange Corporation has yet to develop a successful model for streaming content via television. All Sakura televisions are manufactured, with web-enabled capabilities, to access the Sakura Network.

Exploit second mover advantage in cloud distributed content market. Arragon has taken first-mover advantage in the cloud distributed content. The company has invested considerable capital ($66 million) in developing a model for distributed content, which has hybridized digital and physical album sales (MediaSearch, 2011). Arragon has proven that this market presents an opportunity to enhance our product value proposition. This model has the potential to increase album sales, a key driver of Sakura Music's revenues.

Threats

Sakura must complete the self-imposed upgrades on its network. Failure to complete these upgrades could result in additional costly upgrades as a result of governmental inquires. Sakura Corporation's network strategy is heavily dependent on these upgrades. There are new entrants into the network-enabled devices market poised to compete in the market.

Inquires could force regulation of network. Governmental inquires could prove to be costly in both monetary and regulatory terms. As a result of the breach, Sakura has had to make an upgrade to its network security. This upgrade has been projected to cost $40 million (Wieters, 2011). Failure to complete the security upgrades could bring continued inquires by governmental agencies; furthermore, these inquires could result in heavy-handed regulation, which could force the company to make additional costly investments in its network security (Wieters).

New entrants into network-enabled devices market. Orange Corporation and Yoggle have both been developing new network-enabled devices for streaming content. While these companies do not pose direct competition to Sakura Music, these companies are a direct threat to our parent company. Yoggle has already partnered with Galactic Music Group for the licensing and distribution of content. While Winner Music has not yet been approached to create a partnership, there is a high probability given its need to expand its revenue stream as a result of the upfront costs advancing artists royalties through global licensing deals (Tufano, 2010).

Sakura Must Focus on Network Strategy

Sakura Corporation has made a large investment into its network and with good reason, it could be used to change how it generates revenue from its music business. Currently, Sakura must make considerable security upgrades to its network to improve its reputation and fend off regulators. With the threat of new entrants into the network-enabled devices market, Sakura Corporation, will have to focus on fending off the competition while proving that its capable of influencing consumer behavior. In the next section, a market analysis has been conducted to examine why the consumers are opting to pirate digital content.

Market Analysis

While content piracy has caused an overall contraction of the market, it has bolstered Sakura Music overall position. Sakura is now third in a market that is projected to level off in the next two-years. The contraction of the market is attributed the consumers perception of value and piracy. The current pricing structure in the music market is too high. As a consequence, consumers have turned to file sharing, which has become ubiquitous. Consumers have become so used to sharing music that it is no longer considered, in their minds, to be piracy.

Content Piracy Bolstered Sakura Music's Market Position

As one of the Big Three music companies, Sakura Music is currently third in the music market. Sakura Music has been in the third position in the market since 2003; it was able to capture this position after the bankruptcy of several music labels: IME Music, and Pit Records. These bankruptcies were a direct result of the rapid growth of content piracy in the last decade. Market leader and main competitor Galactic Music Group bolstered its market position through the acquisition of these companies in bankruptcy. The company nearly doubled its product offerings and as a grew to hold 39% of the music market (Market Reporter, 2011).

Market is Contracting Due to Content Piracy

In the last four years, content piracy has contributed to 12% contraction in the overall size of the music market (RIAA, 2011).

Table 1. Percent change of market size from 2008 - 2011

Year	Market Size (percent change)
2011	- 2%
2010	- 4%
2009	- 3%
2008	- 3%

Note. Market Data. Adapted [or Reprinted] from "Title of Article," by F. M. Author and C. D. Author, year, *Title, volume,* p. xx. Copyright year by the Name of Copyright Holder. Adapted [or Reprinted] with permission.

Table 1 shows the percent change in the overall size of the market. The market contraction from the last four years is slowing. According to Mark Sayken (2010), the music market is projected to level off by 2012. Sayken projects the music market to expand once there is wide-spread adoption of digital content distribution models.

Digital Content Changing Consumer Perception of Value and Piracy

The music market has contracted for several reasons:

- Pricing structure of digital content undermines perceived value.
- Consumers are accustomed to shared content.
- P2P software has become ubiquitous.

The current pricing structure of digital content is currently priced higher than the product's perceived value. Consumers have been unwilling to purchase digital content due to a high list-price. The average standard list-price (SLP) for a digital long play album (LP) averages to $9.99. This pricing structure values digital content two dollars below the standard list-price for physical LP compact discs sold at major music retailers such as Good Buy, Dart, Wally-Mart, and FYI ("Standard List-price," 2011). While the price difference is 20% consumers do not receive a physical product. According the 2011 Media Standard Report, which measured the perception of value of digital content to prerecorded media, 71% of respondents indicated a high willingness to purchase digital LPs for an SLP price ranging between $6.00 - $8.00 (Media Standard, 2011, p. 2).

Consumers have become accustomed to searching, retrieving, and sharing digital content through peer-to-peer (P2P) networks. Consumers have become so accustomed to sharing digital files that the act of unauthorized transfer is not considered to be piracy. A study conducted by the National Recording Institute (NRI) found that consumers are eight times more likely to share digital music and movies than software, due to the perception that these forms of content are not considered to be tangible products (2010). Moreover, consumers perceived software, even without a physical medium, to be a more tangible product (NRI).

Comment [C37]: **Labeling Tables** - In APA we place the label above the table.

Why do we do this? This is simply a convention held by APA. The only difference is that the author made a typographic choice to use bold instead of italics to highlight the table description.

Comment [C38]: **Citing a Table** - In APA, cite your tables using a note.

Comment [C39]: **Lists** - Always keep your lists parallel. In other words, keep them consistent (words, phases, and sentences) and begin with similar parts of speech (Nouns, verbs etc).

Do not mix and match words, phrases, and sentences in a list. If you use a sentence, then all points must be a sentence.

Why do we do this? To give the reader a predictable structure; to allow for ease of comprehension.

Comment [C40]: Bulleted List - Use this format highlight key information and to guide the reader through the document. **Remember: Bulleted lists do not assign an order of importance** to the points (in other words bulleted points are equal in importance).

Why do we do this? To allow the reader to quickly scan key points; to provide a guide that assigns relevance to key points.

Comment [C41]: **Citation** - Notice how the author is mentioned. Next, look at the date at the end of the sentence. This format is not often used but it is acceptable for citations. Remember: When in doubt cite the author, date, and page.

Now that consumers have become accustomed to file-sharing, P2P networks have become ubiquitous. Since the introduction of Napster in 1999, P2P software has flourished due to a thriving community of open source software developers (Jenkins, 2005). These P2P developers have become decentralized, thus making it difficult for companies to pursue litigation. Additionally, these developers have made improvements on the software, allowing for the rapid delivery of digital content. One such improvement was the development of the BitTorrent P2P protocol, which "accounts for between 27% - 55% of all Internet traffic" ("BitTorrent Protocols Destroy," 2011, para. 2). The BitTorrent P2P protocol allows for rapid distribution through a distributive hosting model that sources content on multiple servers, thus lowering the bandwidth required distribute content. This makes finding the source of illegal content difficult.

Comment [C42]: Citation: Websites - When citing websites you must cite the paragraph instead of the page number. Just simply count down the page and approximate its location of the reader.

Why do we do this? Web pages are standalone files without page numbers. Content on a web page is delineated by paragraphs.

Sakura Music Must Change Its Value Proposition

The contraction of the music market is due to changes in consumer behavior. The music industry has made a poor value proposition determining prices to the music market. Albums are priced too high and consumers are unwilling to pay for an intangible digital product. In the next section, a set of recommendations has been provided that addresses Sakura Music's current value proposition.

Recommendations

After analyzing the issue of content piracy, Cornerstone Consulting recommends three strategies to increasing the value proposition of Sakura Music's digital content :

1. Focus on enhancing network integration.
2. Create partnerships to distribute content.
3. Develop cloud content distribution system.

Comment [C43]: **Numbered List** - Use this format to assign an order of importance to your list.

Why do we do this? Sometimes it is important order information by importance, particularly, when making recommendations. Think of a numbered list as a sequential guide.

Focus on Enhancing Network Integration

Cornerstone Consulting recommends continued investment in the integration of network devices. Sakura Corporation's focus as an electronic devices manufacturer is a key strength. By providing expanding its offering of networked devices, Sakura can push to increase its presence in the music market through the Sakura Network. There is ample evidence showing that a focus on a tightly integrated networked ecosystem could drive sales. Orange Corporation has a commanding lead in the distribution of digital content through its e-Tunes service and its line of networked devices: e-Pod, e-Pad, and e-Phone.

Sakura currently offers a full line of networked devices. This presents Sakura Music with the opportunity to increase the visibility of its artists by offering consumers a unique value proposition: exclusive content through the Sakura Network. Moreover, the Sakura Network could be used to distribute our competitor's content using a fee-based system established by the Orange Corporation.

Create Partnerships to Distribute Content

Cornerstone Consulting recommends partnerships to distribute Sakura Music content via competing digital distribution networks. Network-enabled devices market is expected grow significantly. While Orange and Yoggle have the potential to place considerable competitive pressure on the Sakura Corporation, distribution partnerships should be established to access their combined 124 million users (Smith, 2010). Sakura Music should by all means make its content accessible through as many channels as possible. In return, Sakura Corporation has the potential to integrate Orange and Yoggle software and network service applications into its own devices.

Develop Cloud Content Distribution System

Cornerstone Consulting recommends the development of a cloud content distribution system. Arragon has proven that this model could work. Through cloud distribution, Sakura could hybridize digital and physical products. Physical albums could be sold at retailers with a digital album store on a cloud server that provides customers with exclusive content. Sakura Music could expand into merchandising by offering digital downloads with other physical products: apparel, concert tickets, and even Sakura's line of digital devices.

References

Isquith, J. (2011, February 23). The music industry should heed the words of Bob Dylan. Retrieved from http://www.billboard.biz/bbbiz/industry/record-labels/jack-isquith-guest-post-the-music-industry-1005044662.story

Comment [C44]: Notice how this section is titled references. Use a level 1 heading.

Why do we do this? APA titles its bibliography as references. We use a level 1 heading because references are distinct from the body of the document.

Comment [C45]: For additional help with reference citations visit: http://owl.english.purdue.edu/owl/resource/560/07/

Comment [C46]: Additional note on references:
- List your sources in alphabetical order using the last name of the primary author.
- Do not bullet your sources.
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