



## **SWOT, PESTEL, Porter's 5 Forces and Value Chain**

### **Company Overview**

Bloomberg L.P is a business news corporation based in the United States of America. The company headquarters are located in Midtown Manhattan, New York City. It was founded by Michael Bloomberg in 1982 with his business partners Duncan MacMillan, Merrill Lynch and Thomas Secunda (Bloomberg, 2010). The company runs a business news agency, radio station, website and a business TV channel and prints a business newspaper named *Businessweek*. It provides financial services, asset management services and stock exchange updates to its subscribers, viewers and associated financial institutes. It holds around one third of the international financial data market. Bloomberg is a private company and does not show its profit and revenue statement publically. However, in 2009, Bloomberg L.P received \$6.25 billion revenue from this \$16 billion financial industry (*The New York Times*, 2009).

Since the 1990s, Bloomberg has secured a strong position in Wall Street due to its fast and authentic messaging services informing investors about the securities' prices and market trends. The Wall Street investment gurus consider Bloomberg's stock market graphs before investing in any portfolio or long-term financial products. The company generates more than 85 per cent of its revenues from in-depth financial analysis articles, for which it charges \$20,000 per year from its subscriptions (*The New York Times*, 2009). Its total number of subscribers is 310,000 worldwide. Furthermore, its total number of employees is 15,000 in 192 different locations, making it one of the largest privately owned companies in the US (Bloomberg Press Room, 2012). It keeps updating its services, adds more services in its portfolio to better maintain its market position and attracts more customers to extend business (Roberts, 2012).

## PESTEL Analysis

PESTEL (Political, Economic, Social, Technological, Environmental and Legal) analysis is a business measurement tool that is used to assess the position and market growth of any organisation (Chapman, 2010). It is also known as PEST or PESTLE analysis and helps in understanding the relevant opportunities and risks of business expansion. It helps in reducing the risks associated with an unfamiliar environment while working on organisational plans (PESTEL Analysis, 2012).



### *Political*

In terms of political journalism, Bloomberg introduced a sophisticated and comprehensive web-based service last year to provide information about political activities. The people whose decisions are linked to the Federal Government policies can get updated data, analytical information and news arranged by its highly professional editorial board, including regulatory professionals, industry players, economists and political journalists. (BGov, 2012). The new venture provides detailed information about governments and their political manoeuvres. It serves as an accountability forum for governmental action by providing details based on relations among politicians, corporations and law-makers. The website is helping in determining the impact of political steps over business activities (Enda, 2011).

### *Economical*

Bloomberg has suffered from some significant losses due to the financial crisis, but the company has managed this tactfully. It had a decline in its terminal subscriptions by 3,500 when Lehman Brothers was liquidated in the financial crisis 2008 (Ahmed and Proress, 2012).

MF Global, one of the largest brokerage firms, filed bankruptcy in October 2011. Due to this, Bloomberg lost almost 600 subscriptions to its computer terminals. The sales target for Bloomberg employees declined by 12 per cent that year (Ahmed and Protes, 2012).

Despite the financial crisis, Bloomberg L.P remained profitable. In 2006, the operating margin remained 30 per cent higher than revenues. Bloomberg led not only Apple, but also its strong competitors like Dow Jones, Reuters and the Thomson Financial Unit, which remained at an operating margin of 20 per cent (Loomis, 2007).

### ***Social***

Bloomberg understands the need of social relations with the stakeholders and to communicate with them, a new social policy was introduced in 2011. The new social policy purposes to the editors, reporters and journalists to use social networking websites such as Twitter. By using this website, Bloomberg can access millions of readers with cost efficiency. The company realises that by using social media the message can be communicated well (Emedia Vitals, 2011).

### ***Technological***

Bloomberg introduced the latest technology at the beginning of this year named BLPAPI. It provides access to the global market data to more than 100,000 professionals daily in the financial services market. The technology not only serves the professional subscribers to Bloomberg services, but also non-Bloomberg customers, vendors or suppliers and software developers to benefit from market data. This technology can be obtained from the company website under free-use licence. This innovatory technological advancement provides cost effective, unrestricted, accurate and timely information. BLPAPI is compatible with famous programming languages and OS like C, C++, NET.COM, Java and Perl (Bloomberg Press Room, 2012).

### *Environmental*

Bloomberg is aware of the importance of the environmental impact on the planet and aimed to minimise the adversities of pollution. Michael Bloomberg believes that the traditional sources of pollution, such as coal and oil, should be replaced by environment friendly products. To build more parks and discouraging private car usage is high among significant priorities (Anonymous, 2012). He has donated \$2.4 billion so far to various organisations. Bloomberg philanthropists are working on key areas such as education, the arts, the environment, government activities and public health. Michael Bloomberg, being the Chairman of the C40 Cities Climate Leadership Group, in collaboration with the globally largest cities, is working to introduce climate mitigation programs. The purpose is to mitigate gas emissions to avoid the deleterious effects for a green environment. Another investment is made in the Sierra Club's Beyond Coal Campaign to reduce the US major polluting coal plants by one third by 2020 (Michael Bloomberg, 2012).

### *Legal*

Bloomberg L.P is also bound to abide by the legal requirements of that particular estate or country. As this company is based in the United States, it is more affected by the change of legal requirement of this country. In recent years, the United States government have made many changes in their legal and taxation reforms to control the business environment and competition. Healthcare allowance, employee dividend funds, taxation and other regulating and business operating requirements have changed the nature of working in the country (Liebman, Sonnie and Bojilova, 2012). However, as it is an international company, it has to spend a huge amount of money to keep its data secured and sources protected. In every country where it is working, has to comply with the legal requirements of doing business and register the copyright patents. The company also needs to make heavy investments in Asian markets to build a proper legal structure of doing business.

## Porter's Five Forces

In simpler terms, Porter's Five Forces is a tool to judge the stronger areas of a business. It helps in judging the strength of the business in terms of a competitive situation and the strength of the position it intends to move into. This analysis helps in improving the weaknesses, preventing wrong actions and highlights how to get the benefits from the strengths of the business (Mind Tools, 2012).



### *Level of Competition*

The level of competition is very high in the business news world. There is a huge network of business news companies that are working in the market. Bloomberg's main competitors are Dow Jones FX, Google/Yahoo finance, Reuters, *The Financial Times* and the *Wall Street Journal*. For its services related to Radio and TV, CNBC is a strong competitor (Roy, 2011).

### *Threat of Substitutes*

The investors have to rely on the financial news and no investment decision can be taken without any reliable information source. It reduces the chances of any substitutes for this sort of information. However, specific requirements by the clients may bring Reuters, FactSet Research System and News Corporation's Dow Jones as stronger substitutes or competitors for Bloomberg (Ahmed and Protes, 2012).

CNBC is a strong competitor of Bloomberg TV transmissions (Roy, 2011) and can offer better services than Bloomberg. However, it is noteworthy that recently a former CNBC anchor Nicole Lapin has joined Bloomberg TV. One of the strongest reasons

could be the high technology usage of Bloomberg, which makes it a strong part of the company with fewer sophisticated competitors in the market (LaRoche, 2012).

### ***Threat of New Entrants***

It is not easy to make an entry in the financial news market due to many requirements. A heavy financial investment is needed to make a secured start. In the beginning, the investors or dealers may not rely on a new business information company. This gives Bloomberg a chance to retain its strong position in the market.

Bloomberg has a large number of stakeholders, among which customers constitute a major part. The customers loyal to Bloomberg would feel reluctant to risk their financial decisions based on information from a new entrant (Simister, 2008).

### ***Supplier Power***

In the case of a financial news firm, the supplier side could include journalists, professional experts and analysts. Just one of Bloomberg's media products, Bloomberg News, enjoys a worldwide network of almost 500 journalists who are engaged in producing more than 3,000 business stories each day. These are written in five different languages from more than 50 news bureaus across the globe. The bargaining power of suppliers could be low because working with Bloomberg is ideal for any analyst and a much sought after post, so this may not give him an undue power to bargain with the company (Funding Universe, 2012).

### ***Buyer Power***

The buying power of customers or buyers is higher. Globally, there are almost 314,000 installations also known as the Bloomberg or terminals (Ahmed and Protes, 2012). Their customers pay a very handsome amount of more than \$1500 a month, which increases the influence and bargaining power of company's customers

(Loomis, 2007). Thus, the company may find it difficult to avoid a major contribution of its customers to the company.

Their customers can make a switch to another company to be in touch with financial news. The investors would not prefer to lose their money at any cost; therefore, the presence of other competitors like Dow Jones & Company Inc., Interactive Data Corporation and Thomson Reuters Corporation in the market can easily attract the customer (Hoovers, 2012).

### SWOT Analysis

SWOT analysis is imperative for effective utilisation of a company's intellectual and financial assets. This model gives an overall market analysis and highlights the current position of the company with its adopted strategic approach. It leads to the optimum level of production or services by using



scarce resources. In other words, this model reveals a firm's intrinsic and extrinsic market position in national and international companies (K. Valentin, 2005).

#### ***Strengths***

Bloomberg L.P. has been providing financial and stock exchange information services for more than 30 years. Its in-depth, accurate and authentic financial analysis means readers and investors rarely consider other service providers.

It has a huge market share in the financial industry; according to a report by *The New York Times* (2009), Bloomberg L.P controls around \$6.25 billion out of a \$16 billion global market.

Besides services, Bloomberg L.P. has a very good in-house environment for its employees. As a result, employees from its competitors come and join this

professional company (Clifford and Creswell, 2009). It attracts professional and highly qualified experts from competing firms.

It has a highly advanced telecommunication service that has never failed, even in times of crisis. For example, at the time of Hurricane Sandy in New York in 2012, the company never disappointed its subscribers and still managed to deliver full updates of financial market and stock companies. Its “Bloomberg Anywhere” service, gives full access to the news and financial data to its clients at any time (Bloomberg, 2012).

Its worldwide news coverage and more than 0.3 million subscribers make it more accessible and a market changing media corporation. It has more than 2,300 professional news and stock exchange market analysts and 15,000 experts around the world that cover the business news in 72 countries (Bloomberg, 2011, Bloomberg Press Room, 2012).

Bloomberg L.P offers exceptional content and data analysis services in collaboration with companies like The Bureau of National Affairs, Inc. (BNA), which helps it to deliver better financial services by using advanced technical capacity (Bloomberg, 2011).

### ***Weaknesses***

In 2009, Bloomberg ceased the publication of *SmallBiz* magazine and purchased the license of publishing *Businessweek* from McGraw-Hill. The company was thinking about increasing the quality of published material. However, many analysts think that this business magazine is being run on losses by the company (Mickey, 2009).

Bloomberg L.P’s market coverage in relation to financial services is very limited; it mostly targets investment companies in the West only. Despite a rise in the Asian markets, the company pays less attention towards them. In these countries, companies are making huge profits and local and foreign investors are putting money into investments. However, Bloomberg L.P has not announced any official operations in these markets.



Bloomberg L.P provides services and analysis in the English language only. It can increase its target customers and number of subscribers globally by providing services in Asian and European languages.

### ***Opportunities***

Recently, Bloomberg L.P launched an iPad app for customers using smartphones, tablets and eBooks to get information about financial markets. Although the company has made a big step forward in this area, more markets can be captured if it launches the same app for other operating systems such as Android, Microsoft and Linux (Businesswire, 2012).

Bloomberg L.P has planned to move to those leading industrial countries where it can make more profit by getting more service subscribers. Some emerging economies like India and China are still enjoying bright economic growth while most European countries and America are striving to come out of the economic crisis (Mwangaguhunga, 2011).

Like the Time and Forbes business magazines, Bloomberg L.P should also publish lists of world's biggest companies and influential business personalities to attract those readers who are interested to read and know about such things. Bloomberg can use its resources to collect data and publish it on its website (Mwangaguhunga, 2011).

### ***Threats***

Bloomberg L.P business has been affected by the financial and economic slowdown. Market fluctuation affects the income of the investors, resulting in lower income for the company.

There is a race to provide fast and high quality services at a low price. Since competition is increasing and different business and financial magazines and TV channels are extensively marketing their products and services, more and more competitive service rates are being offered in the market.

As Bloomberg L.P. is less focused on emerging Asian markets, this gives their competitors a chance to expand their operations in those areas. This could be a threat in the long run for Bloomberg (Mwangaguhunga, 2011).

### **Value Chain Analysis**

Value chain analysis involves reviewing all those activities in a company that independently adds value to a product or service before going to the final user or purchaser. Different companies follow different steps and modes for better value addition business operations (Dess et al, 2004).

As far as Bloomberg L.P is concerned, it has different value chain model for its different business groups.

#### ***Inbound Logistics***

Bloomberg L.P Media Corporate has a very professional and advanced inbound logistic system. Departments from all over the world are interconnected so that erroneous duplicated facts and figures cannot be published. This whole company employs more than 2,300 professionals and experts in 72 countries to collect, compile, formulate and analyse the market facts (Bloomberg Press Room, 2012). However, there is a need for improvement to minimise the communication gaps between employees working in 192 locations (Bloomberg Press Room, 2012).

#### ***Operations***

Bloomberg L.P has a proper system of devolving responsibility to the right person at the right time. Its complete formulation of the hierarchy system helps it to manage every single step of its business operations. A strong interconnecting system makes its operations smooth. A news agency has to publish its material before any other

competitor. However, quality and authenticity should also be maintained. This company monitors and polishes its operations keenly so that their subscribers are never uninformed or misinformed.

### ***Outbound Logistics***

After dissimilation, the next step to generate revenue for the company is the outbound logistics. The challenge for this media corporation is to disclose the information and keep subscribers and customers up-to-date. It has to inform investors about the market situation as it happens, and do so before any competitor, so investors can make the best decisions.

### ***Marketing and Sales***

In fact, the online or publications of daily business updates and quality news are the modes of marketing for Bloomberg L.P. However, it does have marketing and sales departments that always focus on promoting company services and generating subscribers. Currently, it has more than 0.3 million subscribers globally and 4.1 million visitors to Bloomberg *Businessweek* (Bloomberg Press Room, 2012). However, it is hoped that with the launch of the Bloomberg mobile app, more people will use the services of the company because the financial data and market analysis would be easier to access (Financial Post, 2012).

### ***Service***

Bloomberg Corporation services are up to the mark. Even if there is a natural disaster or political instability, the services of the Bloomberg L.P are never hindered. Its motto is to inform its reader about every business or market fluctuation at any cost. During Hurricane Sandy in New York, the company never stopped its service even though many cities were in a total blackout (Bloomberg, 2012).

## **Conclusion**

Bloomberg L.P started its business in 1982 and in a very short time period it secured a very strong position in the financial market. The company, with its vast array of products and services, has become one of the most highly reliable and efficient investment and financial information companies. With its distinguished strengths and opportunities, it has many remarkable achievements. Natural disasters and economic downturns may affect the working of the company; therefore, the company is required to mitigate any potential threats and address its weaknesses timely. The company is focused at increasing its network with customers and other business entities and that has improved its value addition process and profit growth.

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