Electronic consumer industry: under the yoke of competition

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7/10/2003

Sony has suffered the consequences of a bad economic situation and a particularly hard business environment. The manufacturers in this industry find themselves in a dynamic of continuous innovation, tough competition and increasing pressure on prices. Not even strong brands like Sony can afford to keep up the initial high prices for very long, something that has become worse with the entry of low cost producers from less developed countries.

Sony, as most of its competitors have already done, is looking for an improvement in its margins though the rationalisation of its production processes – a rise in the outsourcing and licensing of non-strategic products and the reduction in the number of components and suppliers (from 4,700 to 1,000) , the restructuring of indirect activities and other measures of cost-reduction that involve the polemic mass dismissals.

At the same time, the manufacturers of electronic consumer goods are focusing on strategic products, especially those with more added value. Sony’s transformation plan is moving along these lines and in the mature categories like audio systems and analogical video players, Sony is betting on the development of strategic categories, in some cases through agreements with leading companies, like Samsung (flat TV screens) or NTTDoCoMo (integration of the FeliCa electronic identity card with mobile phones).

Besides that, the company is trying to grow through the increasing demand of the integration of the different electronic consumer products. This has led to convergence strategies that will enable it to bring two of the product lines that it considers basic closer together: Home products (TV, DVD, PlayStation...) and mobile products (cameras, mobile phones, PDAs,...), creating a common platform for new generation digital equipment. One of the key points of this convergence strategy is the consolidation of the semi-conductor business, the “heart” of digital electronic consumer goods, for which it will set up a specific company.
The measures announced by the company go beyond a mere restructuring and are focused on the recovery of its competitive advantages in the electronic consumer goods sector. The direction is good but, will it be enough to stay at the top of technological development? The fast dynamics of this market will allow us to make out the future of the company very soon.