

Macro environment of the camera industry in japan



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Technologies that makes dreams come true, make the impossible possible, and sustain the global environment and society. Digital camera industry is not an exception of this involvement that makes life become more meaningful by saving unforgettable memories through wonderful pictures. However, like any industry, digital camera industry is getting more competitive nowadays with the new entrants. The purpose of this report is to analysis the macro – environment of the digital camera industry as well as the forces driving industry competition. Moreover, through the opportunities and threats facing firms in the industry, some recommendations will be presented

Macro-environment of the camera industry in Japan

Social- Culture

Japan is the seventh most populous country in the world after the People's Republic of China, India, America, Indonesia, Brazil and Russia. According to the Ministry of Internal Affairs of Japan, the population of Japan in 2009 is 127, 430, 000. Tokyo is the capital of Japan and it is the most populous city with an average density of 13 thousand people per square kilometers. 79% Japanese live in urban that make Japan become one of the countries with high rates of urban population in the world. Because industries and services play important role in Japanese economy and this sectors are concentrated in the Tokyo area.

Japanese people have very special characteristics, perhaps because these traits, the Japanese have turned poor resource and harsh climate country into a powerful country. They are constantly monitoring the changes of the world, evaluating the effects of the ongoing trend for Japan. Once they

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identify the main trend, they are willing to accept study and learn to catch the trend. Collective work spirit is remarkable characteristic elements that are not found in other oriental countries. In work, people often dismiss what I had to promote the general; to find out the harmony between themselves and other members of the group. The company can compete fiercely with each other but depend on circumstances and the specific cases they can also work together to achieve common goals. For example, two Japanese camera company can compete with each other in the country but overseas as the two companies can work together to defeat with a third country of foreigners. Because of the cooperation, today Japanese camera industry has the highest position in the world. Some characteristics of the Japanese tradition has made positive contributions to the success of a company, the development process of Japanese modernization and have a direct impact to the realities of economic management.

Technology

Japan is a leading nation of the world in the areas of scientific research, technology and machinery, medical research. Nearly 700, 000 researchers' share of budget 130 billion US dollar research and development; ranks third in the world. The important contribution of technological innovation in Japan is in the fields of electronics, automobiles, machinery, industrial robotics, optics, chemicals, semiconductors and metals.

Japan leads the world in science robot and also the largest automotive manufacturers in the world and is home to 6 out of 15 automobile manufacturers in the world as well as 7 out of 20 largest manufacturers of semiconductors.

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Precision machinery industry of Japan is famous for watches and cameras. Before World War II, the quality of Japanese camera is poor. However, in the 50s, the manufacturers have improved their product quality to international standards, expanding production and occupy a significant market share of world markets. The label “ Made in Japan” became associated with cutting-edge technology and top quality. Japan went on to become the world leader in camera technology and sales, snuffing out most German and United State makers. The Japanese camera maker’s competitors were no longer German or American. Japan produced many cameras with 17, 660, 000 units in 1991. Currently Japan is the world’s leading camera manufacturers. The camera industry depends heavily on exports to Japan; Japanese digital camera should face the increasing competition of industrialized countries. In 2009, sales of compact cameras in Japan has fallen 5% over two years ago because most households in this country already own at least one camera. Meanwhile, global sales of compacts also reduced the same number from other camera manufacturers. Camera makers have to study to equip the unique features for the new camera in order to stimulate demand.

Economy

Japan was very poor in natural resources except timber and seafood, while the population is too large, raw materials are very much demand in this country and mainly depend on import. Main import partners of Japan are China 21%, United State 12. 7%, Saudi Arabia 5. 5%, UAE 4. 9%, Australia 4. 7%, Korea 4. 7% and Indonesia 4%. The economy is dependent on import so the changes of the world economy also have strong impact on Japan. For

example, the changes in the price of oil have a similar impact upon multiple industries, from packing and automobiles to hospitality and shipping.

Japan's economy was devastated during the war, but with the appropriate policy, it had rapidly recovered (1945-1954) and developed into high levels (1955-1973). Since 1974 until now, the growth was slowed down, the significant decreased in the 1990 period as a result of excessive investment during the late 1980s but Japan continued to be a third largest economy in the world after United State and China according to the World Bank.

At the beginning of 2010, although Japan's economy still exist some problems such as deflation but domestic production has stabilized again. The first reason is Japan's exports to China and Asia increased, while its exports to the United State and Europe towards constancy. The second factor is the effect of economic support measures by the Government of Japan has begun to be effective. As predicted by economic experts, GDP of Japan will increase 1% in 2010. The recovery of the economy has important implications to the purchasing power of consumers as well as the development of the company.

Environment

Business environment includes both specific and general forces. To do research on business environment helps the business leaders active in all situations may occur in the operation of its business, then finding out the policies and measures adjusted accordingly.

The Japanese appreciate the work hard over everything. They have a strong connection to entrepreneurs than with their family and put all effort to the success of the organization. Competition and cooperation agreements are <https://assignbuster.com/macro-environment-of-the-camera-industry-in-japan/>

parallel enhanced. To resolve the conflict of interests, standards, guidelines, Japanese business people often try to discuss to find optimal solutions to avoid conflicts caused confrontation. Japanese management style is one of the main causes of the businesses success in Japan.

Political

The politics of Japan is conducted in a framework of a parliamentary representative democratic monarchy where Prime Minister of Japan is the head of government. Japanese politics uses a multi-party system. Executive power is exercised by the government. Legislative power is vested in the Diet, with the House of Representatives and the House of Councilors. The Judiciary system of Japan is an independent entity.

While the global economy remains many unstable factors due to debt crisis by European, Japanese economy has not recovered. In June 2010, Prime Minister of Japan Mr. Yukio Hatayama announced his resignation and Mr. Naoto Kan became new Japan's Prime Minister approved the appointment of the Japanese parliament; once again the political changes have seriously affected the economy of Japan. The bill for climate change policy, disputed bill and global postal reform bills are closely related to the economy but have not been passed. Political instability and policy with unreliable has significantly influenced the activities of the company.

Task environment of the camera industry in Japan

Michael Porter's "Five forces" was used to scan digital camera industry. The five forces are threat of new entrants, rivalry among existing firms, and threat of substitute products or services, bargaining power of buyers,

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bargaining power of suppliers. The stronger each of these forces, the more limited companies are in their ability to raise prices and earn greater profits. Although Porter mentions only five forces, a sixth – other stakeholder – is added here to reflect the power of camera and imaging product associate.

Bargaining Power of Buyers

Camera and imaging product associate

Industry Competitor

Rivalry Among Existing Firms

Threat of Substitute Products

Threat of New Entrants

Bargaining Power of Suppliers

Suppliers

Buyers

Potential Entrants

Substitutes

Relative Power of Associate

Figure 2. 1 Forces Driving Industry Competition

Source: Techniques for Analyzing Industries and Competitor by Michael E. Porter.

Threat of new entrants

The threat of new entrants in digital camera industry is low. Technology is very important because companies in camera industry always keep up with the latest trend and technology. It is difficult for new companies to enter the

industry and compete with larger companies such as Canon, Nikon and Sony. Although with the rise of technology and the growing demand of consumers, the industry is very popular and profitable for the companies who have access to technology and capital. To enter into digital camera industry, it requires high capital to invest on technology, marketing and distribution. New entrants in the industry spend a lot of time and money on building brand and raising customer knowledge. The barriers to entry industry are high but they are declining by the time. The new technology makes the cost of camera is declining. Moreover, the development of internet and the growing of many distribution channels, companies can provide product around the world. The barrier to entry into the industry is high depending on the economic condition. If the economy is good and consumers have more money to buy camera, it is better for company. If the economy is in recession, there is a high barrier. The differentiation of product also is high barrier for new entrants. To compete with existing companies in the industry, new entrants have to differentiate and specialize their products that can be very costly.

Threat of rivalries

The threat of rivalry in digital camera industry is very high. There are 28 camera makers in Japan with main rivalries such as Canon and Nikon – are considered the top two manufactures cameras, Sony, Pentax, Panasonic, Olympus. There is high intensity and constant competition in the camera industry, and the main competitors launched new products very often. If company does not come up with trends and new products, it will lose market share and profit. When Olympus introduced the 14-megapixel Stylus-7040 at

CES, with a 7x wide zoom, Sony and Panasonic introduced super wide zoom camera with strong features, such as Wifi, GPS and screen tough to compete with Stylus – 7040. In digital camera industry, there is low product differentiation; customers can freely choose the product which is low price. Moreover, buyers can easy to switch from one competitor's products to another, industry rivalry increases. Furthermore, the digital camera industry is reaching saturation with sales declining global from 2008 to present. Companies in the digital camera are fierce competition to remain the market share.

Threat of substitutes

The threat of substitute in digital camera is low. There are two major substitutes. The first one is film camera and the second one is cell phone camera. It seems that film cameras are losing popularity because of outdate technology. Film camera is not as convenient and handy as digital camera. Users must wait to have pictures processed and developed before they can look at them. It is also expensive having the pictures processed and developed. In addition, when users use film, they must have everything on their roll of film, be it good or badly taken, printed out. Users do not have the flexibility to scroll through and delete bad pictures on the spot as they do when they use digital cameras. Many cell phone makers add camera function in cell phone. The first camera cell phone introduced commercially was the J-SH04 in Japan by J-Phone (now called SoftBank Mobile) and the Sharp Corporation in November 2000. The J-SH04 had a 110. 000 pixel resolution (0. 1 megapixels), the quality of photo is not good. Although, the image quality of cell phone camera is improved over the time by adding more

megapixels (The Sony Ericsson Satio which has 12. 1 megapixels, is currently regarded as the best camera phone in the world) but it is suitable for amateurs. Moreover, users do not like cell phone camera because it does not provides storage as digital camera.

Bargaining power of buyers

The threat of buyers is very huge. The customer is the most important factor in the buying process. They decide where to buy the product and how much they want to pay for it. Digital camera product is created from wants, not needs; therefore customer does not have to buy the product to survive. They can choose what to buy and from what company. Therefore, it is important for the companies to create value and set a price that customer is willing to pay for. In digital camera industry, there are many products with different prices, different features. Customers can easy choose the features they need. Low switching cost of point and shoot markets and little product differentiation allows buyers to pick the lowest cost option. Furthermore, in recession economic, the buyers are not earning so much, they may be sensitive to cost and look for the lowest possible cost and the highest possible quality of product. Nowadays, internet helps buyers have more information about the product and buyers can buy online. It makes the bargaining power of buyer is increased. Since there are many buyers in the industry, there is not a large threat but companies have to keep customer in mind and listen to the need of customer. Company wants to survive and develop, they have to produce what customer need, not produce what they have.

Bargaining power of suppliers

The threat of supplier is low. Inputs of digital camera are software, lens, battery, RAM, flash storage card, and so on. These products are standard so that suppliers do not have much bargaining power. Building good relationship with suppliers is very important with electronic companies. If they buy in bulk and have good partnership, they can reduce their costs. Many suppliers work on integration to drive down cost. If suppliers create a good that is very new and unique, they can choose to supply for companies that provide the best price. Internet impact is mixed. Buyers can find alternative suppliers and compare prices more easily and reducing power of suppliers. In digital camera industry there are many suppliers, they are more and more force to cut their price when their customer can go to other suppliers who may offer the lowest cost. Suppliers are also starting lose power because more and more are starting to produce their own products and components in-house. For example, Canon manufacturing fabricates all chip and designs.

Power of camera and imaging product associate

Camera and imaging product associate (CIPA) has medium effect on digital camera industry in Japan. The purpose of CIPA is to facilitate the further growth of its members who are engaged in the development, production digital cameras by dealing with problems of the industry, such as environmental problems, inadequate compatibility or interoperability between products, and the maintenance of fair market competition, and by promoting research and information exchange. Companies in this associate have to comply with CIPA standards such as standard procedure of

measuring digital still camera battery consumption, resolution measurement methods for digital cameras, sensitive of digital cameras. Moreover, CIPA supplies information about products and company for consumers so that they can easily choose what product they want.

Strategic group

Mapping of the key strategic groups in the industry

A strategic group is a set of business units or firms that “pursue similar strategies with similar resources”. Categorizing firms in any one industry into a set strategic group is very useful as a way of better understanding the competitive environment. Research shows that some strategic groups in the same industry are more profitable than others. Because a corporation’s structure and culture tend to reflect the kinds of strategies it follows, companies or business units belonging to a particular strategic group within the same industry tend to be strong rivals and tend to be more similar to each other than to competitors in other strategic group within the same industry.

Strategic group in Japanese camera industry can be mapped by plotting the market positions of industry competitors on a two-dimension graph, using two strategic variables as the vertical and horizontal axes. It can be said that there are many criteria to map camera firms into strategic group these are price, photo quality, diversification of products, function of product, extra – equipment and so on. Price and diversification will be chose for vertical and horizontal axes respectively to map camera firms into strategic groups that will be presented as follows.

Figure 3. 1: Mapping strategic group in the Japan digital camera industry

Diversification of products

Diversified

Few

High

Low

Price

Canon, Sony, Nikon

Samsung, Panasonic, Olympus

Fuji Film, Ricoh, Kodak, Toshiba, Casio

Pentax, Kingcom

As can be seen there are four strategic groups in the camera market. In low price and few types of products we have Pentax and Kingcom. There are Fuji Film, Ricoh, Kodak, Toshiba, and Casio in the strategic group with a bit low price and several types of products. Samsung, Panasonic, and Olympus are mapped in group with average price and a bit diversified of products. High price and diversified of products include Canon, Sony, and Nikon.

From the map above, a strategic type which is a category of firms based on a common strategic orientation and a combination of structure, culture, and

processes consistent with that strategy, can be set up. Obviously, Pentax and Kingcom are defenders because these companies with limited types of products focusing on improving the efficiency of their existing operations. This cost orientation makes them unlikely to innovate in new areas.

Prospectors are Canon and Nikon with fairly broad product lines that focus on product innovation and market opportunities. Analyzer is Sony that operates in at least two different product market areas, one stable and one variable. In the Cyber-shot DSC – the stable area, efficiency is emphasized. On the other hand, in Alpha DSLR, innovation is emphasized. Lastly, reactors are Samsung, Olympus, and Panasonic that their responses to the environmental pressures tend to be piecemeal strategic changes.

Analysis of the competitors in a main strategic group

Like any industry, firms in camera industry have to face with an ever-increasing level of environment uncertainty. Although companies are in the same strategic groups however they only have similar partly strategies such as structure or culture. They still have their own missions, objectives, and strategies. Therefore, in a strategic group, there is still competition among firms. This industry matrix below provides key success factors that are variables and can significant affect the overall competitive position of companies in camera industry.

According to Takasi Kondo (Vice President Digital Imaging Sony Europe), in the DSLR business segment, Canon and Nikon hold the first and the second place while Sony captures the third position. Obviously, in camera industry, the competition among Canon, Sony, and Nikon is quite fierce. Each firm

uses absolutely their own competitive advantages along with wise strategies about products, price as well as customer services in order to improve customer satisfaction, increase the market shares, and capture higher market position.

As can be seen from the data above, Canon has high rating on diversification of products based on applying new technology. Canon has been focusing on manufacturing 3 series of camera these include EOS, Powershot, and Ixus. Undoubtedly, Canon's strategy is diversifying its series of products. Each series has its own different characteristics that satisfy customer requirement. For EOS series are backed by over 70 years of lens innovation, allow to upgrade the equipment to match photographic progress. There is a suitable DSLR body for any user, over 60 lenses and a wide selection of accessories for every conceivable photographic situation. Powershot series is specially designed to be an affordable yet powerful compact camera. The last series is Ixus which is designed for the fashion-forward, fashionable appearance. Therefore choosing the IXUS is the best suits for discerning needs.

Moreover, Canon has been developed new products which delivered significant additional customer benefits to better meet customer needs. When customers require stylish of camera is thin, small, and light, thus Canon embedded in all new models of IXUS and PowerShot digital cameras. Becoming successful leader of imaging solution, Canon meets customer expectation with their characteristics. Canon products correspondence with everyone, yet still more products in future evolved in design and color to suit consumers' modern lifestyle.

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Sony seems to be the great competitor with Canon in diversification of products. Currently, Sony focuses in 3 series Alpha DSLR, Cyber-shot DSC, Mavica MVC. The improvement in Alpha DSLR series is the Sony's diversification strategy to compete with Canon's EOS series. Sony continues to upgrade the function by applying the latest imaging technology in the new generation of product. Two new DSLR bodies have been introduced to consumers recently, they are intended to help Sony to become the number two or even number one in the market (Kondo, 2009). It can be said that Sony is using differentiation strategy when they design, produce the unique features for the new camera bodies which will be launched and the new flagship will be likely to have a full format sensor and will use CF cards for memory. This strategy creates the competitive advantages for Sony products from others competitors' ones.

Besides Canon and Sony products, Nikon still contributes into group competition with Digital SLR cameras. Nikon Digital SLRs combine the latest in technology with ease of use to produce incredible digital images. Compared the features, explore the benefits, and delve into the details and specs. Nikon turns ideas into images with a Digital SLR. To conclude, three firms Canon, Sony, and Nikon are concentrating on diversification of products, however, each company is performing its strategy differently, and it is obvious that they are doing well in order to meet various customer's requirement.

The second criterion to map Canon, Sony, and Nikon into a strategic group is price. Currently, three firms supply to consumers with reasonable level of price. Sony seems pretty aggressive in their pricing. Many experts assess <https://assignbuster.com/macro-environment-of-the-camera-industry-in-japan/>

that Sony will go for the lowest pricing on their cameras. The more XD CAM cameras they get out there the more it expands the commitment to the format and that's good business sense. It makes it very hard for the competitors to claw back market share.

The economic crisis in 2008 affected the world in general and camera manufactures in particular. Unlike many firms try to reduce the price to maintain the market share and attract more customers, Nikon has implemented the price increasing strategy due to the negative inflation between the Japanese yen and other major currencies. The increases seemed forward targeted primarily to lenses, although some camera bodies were also going up as well. Increasing price means that Nikon can earn a reasonable profit and also continue to invest in new products development. This strategy is absolutely right for Nikon in remaining a strong company, consolidating its reputation, producing high quality products, and increases the competitiveness in camera industry.

Opportunities and threats facing firms of the camera industry in Japan

Key opportunities

The digital camera industry in Japan plays a major role in the currently flourishing digital-home-appliance business. Riding a wave of rapid sales growth since 1995, Japanese digital camera manufacturers have demonstrated their strong competitive edge to capture an 80% share of overall global market. The digital camera market has entered its middle age, and with that comes new challenges and new opportunities for Japanese camera makers.

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Kyocera, Olympus and Pentax have been reported as having reduced their scale of production. On the other hand, Canon, Casio, Sony, ect. are growing their market shares and are relentlessly competing for unsaturated international market dominance. Nikon and Canon, both established conventional camera manufacturers, are working to develop the market for advanced digital SLR cameras.

Meanwhile, “ camera-phones” equipped with miniature digital camera modules have become a rapidly expanding market category since 2001. Of the 500 million mobile phones manufactured up to the end of fiscal 2008, some 180 million were camera-phones. Sales have grown dynamically, with the ratio of exports to total sales increasing year-on-year. Japanese companies such as Panasonic, Sony, Sharp and Konica, Minolta, jointly meet 80% of the world demand for the imaging devices and optical modules used in camera-phones, which clearly indicates the formidable competitive advantage of Japanese industry in this field and create a good opportunity for Japanese camera makers to expand their market.

A high rate of technological advancement, supported by vigorous investment in R & D, is one of the leading factors in Japan’s competitiveness and makes the country a key investment destination for camera industry. Japanese companies are basing their R & D functions and manufacturing of high-level products, such as the DSLR camera, domestically. Canon, for example manufactures its DSLR cameras in Japan. Some companies keep digital camera production at home to safeguard intellectual property.

The digital camera market in Japan is already showing some signs of saturation, so Japanese camera manufacturers are putting in more strength into international markets. According to Takatoshi, assistant director of the Industrial Machinery Division at the Ministry of Economy, Trade and Industry (METI), the Japanese strategy has also involved the management of global-supply-chain, which includes factories in China. Other companies have divided roles in the production process between Japan and China. Moving the assembly operations to China is a way to reduce costs. Fujifilm, besides downsizing its domestic operations, decided in 2006 to shift its entire digital camera production to China. Up until now, the company had produced over 70 percent of its digital cameras in China. Establishing a mass production system in China is part of Fujifilm's cost-minimizing structural reform of its electronic-imaging business. By 2008, Taiwan had secured around 41.8 percent of the global DSC market. However, 90 percent of its production was on behalf of Japanese camera makers. Japanese companies are starting to outsource production of low-end models to Taiwan.

According to a new study from InfoTrends (is a market information website), the worldwide digital camera market continues to demonstrate a strong year-over-year unit growth rate. 2006 sales are expected to reach nearly 89 million units, representing a 15% increase over 2005

Threats

The Japanese domestic market for the digital camera will soon reach saturation. Market growth is slowing down and the drop in prices is changing the landscape of digital photography. This presents many challenges for many Japanese companies as they decide where to invest from now. Until <https://assignbuster.com/macro-environment-of-the-camera-industry-in-japan/>

recently, there were rapid advancements in technology, necessitating huge investments for the development of the digital camera. But with too many products available in major retail outlets in Japan, consumers have a hard time selecting a camera.

It is now an era of survival for Japan's precision machinery industry in the DSC sector. "Made in Japan" DSC products could very soon become a thing of the past, as Japanese companies shift production overseas where costs are cheaper. The "hollowing out" of the domestic DSC industry is inevitable. As a result, some Japanese companies have started to withdraw from the market while others are looking at merging technologies, investing in new areas or even creating new types of partnerships.

Increases in pixel number lead to expansion of the market, and it is here that Japanese companies driven by advanced R&D manifest their edge over foreign companies. The imaging devices are supplied mainly by Panasonic and Sony, which constantly promote development of the digital camera market, thereby providing an advantage to Japanese camera manufacturers. However, it is projected that low-end digital cameras will plunge into cost competition rather than technical competition (i. e. larger pixel numbers), printing Japanese companies in a fierce price war against South Korea, Taiwanese and Chinese camera manufacturers. Japanese companies will progressively lose their edge in the low-end digital camera market.

Attractiveness of the camera industry for the present incumbents and potential new entrants

The camera industry in Japan has broadened its focus beyond manufacturing equipment to maintenance and management services as well as creating audio, video, print and digital content. These developments are anticipated to create a variety of new opportunities for the established camera makers and potential new entrants. To encourage further growth, the national and local governments are providing incentives to these companies, creating attractive business environments for domestic potential investors as well as new entrants from abroad.

Although digital cameras are no longer the exclusive preserve of professional photographers or the high-income group. Ever since in the introduction of digital photography in 1990s, the market for digital still cameras has grown rapidly as prices dropped and quality issues got addressed. The worldwide consumer digital camera market is expected to demonstrate an annual growth rate of 6% by volume, increasing from almost 78 million units in 2005 to 104 million units in 2010.

At present, profit margins are estimated to be about 10% to 15% but these are likely to drop as more digital camera makers like Sony enter the market. In addition to Sony, several other digital camera makers have announced plans to produce their own digital SLRs to compete with current market heavyweights Nikon and Canon. Shipments of digital SLR cameras are forecast to climb sharply over the coming years, according to data from IDC. There were about 2.5 million such cameras shipped in 2004 and this will rise to 7.3 million in 2010, the company predicted in mid-2005.

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It is one of the booming sectors and profitable business for the companies who have already e