

Sony case study

Business



Reasons for suffering wearout 1) The internal culture and core rigidities of Sony ? In their own success, Sony created a problem for themselves - resisting changing, and failing to recognize that changes were happening rapidly. All core competencies have the potential to become core rigidities (??). Core rigidities inhibit Sony's ability to access and develop new capabilities, and it prevents Sony from responding appropriately to changes, in particular the rapid changes in technology, thus losing their competitiveness.

? The culture for Sony appears to be product focused rather than market focused.

The Co. is resistant to change and has been too comfortable with past success, resulting in complacency(??). Sony has benefited from large margins on its consumer electronic products; however, these are increasingly being threatened. Strategic myopia and inflexibility on the part of the firm's manager strangle (??) the firm's ability to grow and adapt to competitive threats through innovation.

For example, customers' buying motives have changed and Sony did not respond that Sony has no equivalent of Apple iPod, and the company failed to capitalize on the demand for flat screen televisions 2) Competition Sony is losing market share with the rest of competitors (Samsung, Matsushita and LG) are maintaining and growth the market share. ? However, Sony must know where the real threat is coming from - Samsung, Apple and Microsoft.

Sony has not equivalent of the Apple iPod, which is having a major impact on the personal stereo market. Samsung is ready for the presentation of its new

3D TV, however, Sony is lagging behind its competitors in launching new products and technologies. 3) Positioning ? Sony used to be a powerful force in consumer electronics.

However, business diversification into movies, music and financial services finds it difficult to move with the times. The purpose of diversifying into other business is to complement the current core business. Sony may lose sight of its core business and their unique competitive advantage when extending over many other industries.

? Doubtful positioning: Sony is claiming benefit that customers will doubt that the brand can actually deliver, such as the Sony Ericsson phone and moving into LCD televisions. In addition, Sony is seen as difficult to develop technologically superior products. ? 2. Strategy Recommendations Generally speaking, Sony need to realize value migration that focuses on the task of discerning what customer needs are and then developing a new product or adapting an old product that will meet those needs. This approach makes it possible to anticipate changes in the needs and wants of customers and be prepared to meet those needs as they arise.

In the process, the company is able to shift or migrate to a new way of doing business.

This way, it is possible to stay ahead of competitors, and sometimes seizing first mover advantage and creating a presence before other begin to notice a newly developing business opportunities. 1) Business level strategy Porter's Generic Strategies are being used to illustrate what is Sony's competitive stance and its positioning in consumer's mind. ? Differentiation Strategy

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Though issues exist in Sony, the company still has several core competencies in the value chain which they could utilize to further gain competitive advantage over its competitors. One core competency is their supply chain management, which links to their ability to maintain a steady stream of high quality materials coming in for production because of their long-term good standing with their material suppliers.

The highly coordinated logistics system handled by outsourced firms also form part of their core competencies, leading to excellent inventory management and always on schedule production activities. ? Another core competency is their ability at operation - the moving assembly line. They are able to get ahead of the competitors manufacturing process. Moreover, Sony's has competitive technological advantage over emerging IT firms that are moving into the consumer electronic arena. Though Sony is lagging behind its competitors in launching new products, the company has already realized it and focused on expanding its PC, Blu-ray Disc-related products, media stations into core businesses.

? Instead of being a follower, Sony should focus on first mover advantage ? In addition, Sony may also offer a portfolio of products that complement each other (LCD TVs and gaming platform), thereby enriching the differentiation for the customer and perhaps satisfying a portfolio of consumer needs. At last, to maintain success with differentiation strategy results, Sony must have specially trained units to provide responsive after-sale service to ensure high customer satisfaction. In conclusion, the differentiation strategy would enable efficient use of existing technology, and would be recognized by target audience. Instead of fighting against

competitors directly or producing products with similar features, Sony need to concentrates on investing in and developing features that differentiate a product in ways that create value for customers. ? Positioning Strategy

To enhance the potential results of differentiation strategy, a product class positioning strategy could be used by Sony to create competitive advantage based on a single design/composition difference. For example, to avoid doubtful positioning and make people believe Sony's cell phone, Instead of simply positioning the products as electronic devices using product attributes positioning strategy, Sony could change itself and advertise on selling " Sony lifestyle".

The company could gain more consumer exposure by offering cell phone that works with or has relation to another products, such as Sony music studio.

Some people are more apt to try a revolutionary product, thus Sony could use product class positioning strategy to introduce new products that differ from traditional ones. The trick is to find out who are the potential brand switchers or experimenters and find out what it would take to get them to try your products. 2)Sun Tzu Art of War To guard Sony's existing market share and defend its competitive position, the company could attain the objective market share protection by using flanking defense and mobile defense. ?

Flanking Defense

Sony is just beginning to realize the importance of products that integrate consumer electronics and IT. This is the weaker areas of Sony that are prone to being attacked.

Therefore, flanking strategy calls for Sony strengthening the flanks, such as by forming alliances with other IT players and increasing the speed at which the company commercialize their products, without offering any chance to Samsung to attack a weaker target. ? Mobile Defense Mobile defense required the expansion of Sony's market territory by broadening and diversifying his business (here related-business is recommended).

Instead of responding to a competitor's attack directly, a mobile defense involves redefining of the business. By identifying the growing demand of dynamic market and diversifying business into music label and online music store, the profitability of Sony could be enhanced. ? Flanking Attack Sony can launch this attack on a competitor at his weak points or blind spots.

Software is a fatal(??)weakness of Samsung. Samsung is not known as a great innovator like Apple that can literally create a new market with an iconic product.

Thus Sony could consider enhancing the company's image as " innovative" and becoming a leader in the field of software. The company could revamp its department that have a direct impact on creating strong customer perception for the brand - R; D, design, and marketing. ? Bypass Attack Sony could also diversify into products or markets neglected by other competitors. Such strategy recommends the company to expand to easier market in order to avoid direct confrontation with other competitors.

It is recommended that Sony could leapfrog into new technologies to supplant existing products. For example, Sony possesses competitive advantage in the field of game console business. On the other hand, Sony

may not have sufficient power both in resources and capabilities to attack Samsung's TV business. 3)Corporate Level Strategy: Moderate level of diversification - Related constrained that all business share product, technological and distribution linkages. Expansion into financial services made the firm difficult to move with the times.

With limited expertise, the unrelated diversification not only drains the brand's resource to a great extent but also diverts the brand focus from the core of the brand. Instead, with a related constrained strategy, Sony could shares resources and activates between its related constrained business, including electronics hardware, entertainment, software and other converging fields. ? Operational Relatedness: Sony can create operational relatedness by sharing primary activates and support activities, thereby creating economies of scope, reducing risk and creating value. Corporate Relatedness: Transferring core competencies including managerial and technological knowledge, experience and expertise gains an immediate competitive advantage over its rival, as intangible resources are critical to the business's success. Too much dependence on outsourcing can lower the usefulness of core competencies.

? Vertical Integration: Sony could also engage in vertical integration to gain market power. The firm could partially integrate its operations by producing its own inputs (backward integration) or own its own source of output distribution (forward integration).

This way, Sony develops the ability to improve product quality, and protect its technology from imitation by rivals. 4)Strategic Alliance The electronics industry is unstable, unpredictable and complex. Sony lacks the full set of <https://assignbuster.com/sony-case-study/>

resources and capabilities needed to move into LCD televisions. Sony's partnership with Samsung allows the company to create value that it couldn't develop by acting independently.

Sony could also use other strategic alliances strategies to combine resources and capabilities from different firms for the purpose of creating competitive advantage.

A few considerations include the objectives of strategic alliance, balance risk (culture conflicts) against the payoff, potential conflicts between two parties and what are the new values that can be created as a result of alliance. ? Complementary Strategic Alliance, Diversifying Strategic Alliance and Synergistic Strategic Alliance Through vertical and horizontal complementary strategic alliance, Sony could share some of its resources from different or the same stage of value chain for the purpose of creating competitive advantages.

For example, Sony diversified its product lines by establishing strategic alliance with Google to deliver new products and services with the android platform. The combination of Sony's industry-leading product design, engineering, development expertise with the flexibility and growth potential of Google's innovative, open-source android platform will provide consumers with new experience.

Through this alliance, Sony will deliver new levels of connectivity and internet integration across our range of assets and product categories.

In any form of partnership, the most important criteria for success is trust and commitment which result in a win-win solution. 5) Changing the

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Corporate Culture It must be recognized that this is the hardest that management resisting to change, and engineering tending to be product rather than market focused. However, change is necessary as the electronics industry is unstable, unpredictable and complex. Steps in changing: -Product: build reasons and motivation for change. Sony is lagging behind its competitors in launching new products and technologies -Price: trust, commitment, loyalty, time and effort Promotion: through management retreats, meetings with business managers and provide feedback -Place: Training and development The implementation should be given a time frame - 2 years There must be a mechanism to ensure that resistance to change is minimized.

Control measures will need to be put in place to make sure that the proposed changes are permanent. ? 3. Critical Evaluation 1)Porter's Generic Strategies Porter's generic strategy is a set of competitive strategies that are aimed to the competitive advantage of a business.

These strategies proposed by Porter looking to gain a competitive advantage for the company, either through cost leadership, differentiation or focus. Sony is recommended to utilize the " differentiation" strategy that produce or sell a product that is unique and original, apart from the competition achieved, and not easily imitable by it.

Through the differentiation strategy, Sony could seek to consumer preference, and may even raise prices, if they recognize the distinguishing features of the product. The differentiation strategy is recommended when the market is comprised of consumers who are insensitive to prices.

The disadvantage of using this strategy is that the competition can get to copy the distinguishing features of the product, so that using this strategy, these distinguishing features should be difficult to imitate by competitors. The authors of the book " Strategic Management and Business Policy" write that product differentiation does not provide any tangible benefits to a company if its basis is something a customer does not value. This is true for unnecessary features that offer no useful advantage to customers.

Product differentiation is difficult to sustain for the long-term.

Customer tastes change with time and competitors move to copy and imitate successful differentiators, making long-term perceived uniqueness difficult to maintain. Therefore, Sony need to realize value migration that focuses on the task of discerning what customer needs are and then developing a new product or adapting an ole product that will meet those needs. This approach makes it possible to anticipate changes in the needs and wants of customers and be prepared to meet those needs as they arise.

In the process, the company is able to shift or migrate to a new way of doing business. This way, it is possible to stay ahead of competitors, and sometimes seizing first mover advantage and creating a presence before other begin to notice a newly developing business opportunities. ? Other Drawbacks One of biggest drawback is that Porter's generic strategy assumes these generic strategies are not necessarily compatible with one another.

If a firm attempts to achieve an advantage on combination of cost leadership and differentiation, it may “stuck in the middle” and achieve no advantage at all.

However, the negative result of adopting all the strategies is based on the assumption of low cost equals to low price and differentiation is a competitive advantage that could be sustained. In reality, low cost is not a competitive advantage. If the company competes only on price, then all other competitors has to do is lower their price. Instead, all companies must strive for low cost. This way, the profit margin will likely increase, the firms will collect enough surplus profit, and they could use the surplus to create value for customers.

Then, by offering superior value, the companies could achieve their competitive advantages. Sony could possibly achieve the integrated strategy. 2)Corporate Diversification With a related constrained strategy, Sony could share a few resources and assets between its businesses. Furthermore, the company concentrates on transferring knowledge and core competencies between the businesses. In addition, it could neutralize competitor's market power by blocking competitors through multipoint competition. -Cost: One major disadvantage to diversification is the additional management costs.

It is more difficult for corporations to secure resources to start such enterprises because the element of risk is higher. Furthermore, there is no guarantee that the new enterprise will start producing in the near future, and a corporation may have to sustain a loss for consecutive periods before it has attained enough market penetration to start making a profit. -Risk: Since <https://assignbuster.com/sony-case-study/>

the corporation is selling new products in new markets, it has neither the expertise to produce and market those products nor the expertise to sell in those markets.

As such, it will need to spend the money to either acquire the expertise or the information to do both, and there is a chance that its preexisting management will not be able to do so effectively, which could turn a potentially profitable project into a resource sink with no payout. -May result in slowing growth in its core business -Adding bureaucratic complexity: In addition to direct financial costs, there may additional bureaucratic complexities necessitated by the need to coordinate and control core activities with additional activities.

)Strategic Alliance Complementary business-level strategic alliance, especially vertical ones, have the greatest probability of creating a competitive advantage and possibly even a sustainable one. Horizontal complementary alliances are sometimes difficult to maintain because often they are formed between firms that compete against each other at the same time they are cooperating. Cooperative strategies are more challenging and costly to use. (valuable, rare, imitable and nonsubstitutable)