Barco projection systems case essay sample

ASSIGN BUSTER

1. How large is the projector market in unit terms?

In 1988, the projector market in unit terms is around 31, 000 (31, 054)

Calculation:

In 1988, ElectroHome has sold 1, 585 units – 1, 157 (73%) data and 428 (27%) graphics (Page 10 – 1st line)

In 1988, ElectroHome has 11% of the data market and 44% of graphics projector market (Page 8 – Table E) Total units in market of data projectors = 1, 157/. 11 = 10, 518 Total units in market of graphics projectors = 428/. 44 = 972

Data & graphics projectors account for 37% of total units. (Page 5 – Table A) Total projector units in 1988 = (10, 518 + 972) / . 37 = 31, 054

Below is a summary of the units in 1988 and projections in 1989
19881989 (projected)
Video19, 56419, 579
Data10, 51811, 811
Graphics9721, 360
Total31, 05433, 693

2. Describe Barco's product line evolution over time – focus on the time when different products in the line were introduced and upgraded.

Barco entered the projection systems market in 1981 with the development of a video projector for showing motion pictures in airplanes. Its first projector, named the BarcoVision1 (BV1) was well-received and sold strongly

in the U. S and European markets. After this success, Barco's board of directors met to evaluate the company's three potential directions: (1) It could downgrade its technology to suit consumer video applications (2) it could upgrade its technology for long-distance, high-performance video projection or (3) it could enter the untested market for computer applications. Seeing significant potential expansion in the projection market for computer applications, Barco made the decision to grow its projection division. In 1983, BPS introduced the BarcoData 1(BD1), the first computer compatible projector.

In 1984, the company continued on its trajectory of focusing on product improvements and introduced the BV2 and BD2 at higher scan rates. As its product line continue to evolve, BPS aimed to sustain the fast pace of computer technology advancements. In 1986, it began working on a graphics application for its technology and was able to bring to market the first graphics projector, the Barco Graphics 400 (BG400), in 1987. It was the industry's most advanced and sophisticated projector, scanning at up to 72 kHz.

In 1989, BPS's principal products were the BD600 and the BG400, which scanned to 45 kHz and 72 kHz respectively. By September of the same year, the company started on its next generation of products- digitally controlled projectors. At the time, all adjustments to BPS projectors settings had to be carried out manually. The vision for the new projectors was to have them controlled by handheld remotes. The first digital data projector (to be named

BD700) was field tested and scheduled for full production and delivery in October 1989.

3. Think back to how we defined segments and segmentation. Is there something about Barco's description of segmentation that makes you uneasy about the scheme?

In BPS case, the segmentation is based on the scanning frequency. The scanning frequency is an attribute of the projector and corresponds to the type of the projector systems – Video, data or graphics as show below:

TypeLimit Scan Rate KHzTypical dealer

Video16Box

Data45System

Graphics72System

Segmentation should be based on bases variables. Bases variables are the variables which describe the relationship between customers and products. When the segmentation is done on the basis of the attribute of the product, the customer picture is completely missed. For example, the dealer types were different- there were box type dealers who dealt with low end projectors, and there were system dealers who dealt with high end products.

The market could be segmented by customer type, with different design features that meet the specific needs of each of these types of consumer.

By segmenting the market on the basis of scan rate, BPS did not understand the design preferences of the customer, and consequently failed to sell higher end products (data & graphics) to the customers.

4. Construct a price-scan rate map (using an Excel XY plot, for example). Use the following numbers (Culled from the case):

Looking at the price-scan rate map, the BV600, the S1031 and the BD600 all line up on the same value equivalent line. However, the BG400 lies north of that VEL. This implies that the BG400 is sold at a premium compared to the other projectors.

5. Put yourself in Sony's shoes. You look at the answers to the 4 above questions. Given your capabilities and resources, what should your strategy be? Specifically, what would you price the 1270 at?

Given Sony's superior 8" tube technology and its worldwide network of dealers, especially its 500 dealers in the U. S. market versus BPS's 100, Sony's primary goal should be capturing market share in the graphics projector segment.

One way to estimate the price for S1270 is by using the value map from the previous scenario. After adding the S1027 data projector on the value map (as shown below), we can see that Sony has to price the projector in the range of $17, 000 – $18, 000(Option 1)to be on the value equivalence line. Since Sony has a strong distributor presence in the US market, it can introduce S1027 at a price lesser than $17, 000 to be at a value advantaged position depending on product margins. From Sony's point of view, if it were

to price 1270 at $15, 000 (option 2) this might lower the value equivalence line and put BPS's products at a value disadvantaged position. Hence, option 2 might be the more recommended option for Sony. However, if Sony prices the S1270 below the VEL, the company risks cannibalization of its S1031 model.

Sony should also consider training its box dealers to provide customized service for its graphic projector customers. 50% of Sony's dealers are box dealers, which usually serve only as a point of sale with minimum service provided. These dealers might not be able to satisfy the sophisticated needs of high end users.

6. What should Barco do? Why?

Marketing Strategy: Immediately implement marketing strategy that focuses messaging around – quality, reliability, engineering, superior products, and service. This message will help consumers understand Barco's position above the value equivalence line.

Additional Value Added Services: Barco should offer additional value added services for its customers such as extended warranty service, 24/7 tech support, etc. This will help to retain existing customers and attract potential customers.

Product Development: Barco should focus all of its efforts on the BG800, and release the new product only after the product has been thoroughly tested for quality and reliability. Even though time is of the essence, it is critical that Barco releases a product that is of superior quality as it has a reputation

in the industry for excellent quality. When released, the BG800 would have a technological advantage over the 1270. As the market prefers a technologically advanced product, BG800 seems to be the most beneficial option for BPS.

Before moving forward on the BG800, there are some operational issues that need to be resolved. First, Barco must resolve the supplier incompatibility issue with the 8' square tube which is provided by Sony Components. Secondly, Barco must check with the Japanese firm Fujinon and see if they will supply its lens to Barco.

If BPS can release the BG800 for Infocomm (40% chance), this might retain BPS's technological edge in the market. If it is not able to release the BG800 during Infocomm, BPS can at least display a prototype of its new BG800 product so that consumers know what is in the pipeline.

Developing BG700 is not a recommended option as it would put BPS in a value disadvantaged position on the value map. Even though the BD700 is more technologically advanced than the current BD600 it still lacks in product quality compared to Sony's 1270. Even though BPS has spent a considerable effort in developing the BD700, due to its product inferiority to 1270 launching this product will not hamper Sony's value advantaged position and hence is not advisable.

Long Term Strategy: Eliminate all Sony components from Barco products. It is too risky to keep Sony products in Barco products due to the fact that they

compete directly. Sony could easily restrict supply or increase component prices which would negatively impact the future of Barco projectors.

Pricing Strategy: It is important for Barco to wait until Sony has released its price for the 1270 before determining any price changes. Barco should look at the 1270's price with respect to the value equivalence line, and position itself at or slightly North of the value equivalence line. Lowering the prices of BG400 and BD600 might be a short-term option for BPS but it cannot win the pricing war against Sony in the long run. Reducing prices in key markets like the US and Europe might constrain the migration of customers to Sony's 1270 to a small extent but, on the flip side, some BPS customers might relate the markdown to an inferior quality. The product quality is the reason why they chose BPS and once that reputation goes down, it might not be easy to build it back.