

Urgency of new product development at creative technology

[Business](#), [Company](#)



Introduction Creative technology is a leading company that has focused on developing Audio related products primarily for the customer market. Creative gained world fame when it captured the world's PC Sound Card market over a decade ago with its Sound Blaster sound card and was the market leader for many years in this specific segment. In the late 1990s, when personal audio products evolved from CD-ROM WalkMan type products to the MP3 format media players, Creative technology entered the fray with several innovative audio products such as the Creative Zen and more recently Creative Stone products. These were squarely targeted at the iconic Apple iPod, iPod Nano, iPod Video and iPod Shuffle products that collectively have gained cult status and garnered major market share for Apple Computers. In January 2007, Apple Computers renamed itself Apple Inc, symbolizing it is not merely in Computer products, but also in life-style digital electronics entertainment and educational products. Soon after it introduced iPhone and this announcement took the market by storm and made all Apple's competitors, especially Creative technology look like they were lagging far behind. Hence, this project will focus on the need for Creative technology to examine its new product development, which is super all-in one phone due to the market forces and demand. Besides, we also will discuss the different phases and the problems that may encounter during each phases, and the recommendation to resolve the problems. Background Creative is the worldwide leader in digital entertainment product for personal computer and the internet¹. It was founded in Singapore in 1981 with the vision that multimedia would revolutionize the way people interact with their PCs and the mission that to expand their leadership role in the lifestyle

Personal Digital Entertainment (PDE) market by using innovative technology, broadband and leading-edge designs for everyone who enjoys entertainment¹. Creative has expended its product range of innovative PDE that comprise MP3 Players, portable media players, multimedia speakers, digital and web cameras, musical keyboard, notebook products and software. In the 2006 holiday quarter, Creative sold 2.5 million MP3 players during the period (for comparison purposes, Apple shipped about 21.066 million iPod devices onto the market during the same period). In the first half of 2006, Creative commanded about 3.7% of the digital media players market. High-end audio card, once the mainstay product for which Creative Labs became known for in the nineties, now account for only about 10% of the company's sales. It is estimated based on the 4th quarter 2006 sales figures, that less than 1% of 57.15 million PCs sold per quarter include a discrete audio card by Creative Labs. As a corporation, Creative has recently met with some stiff competition. In July 2005, Creative Technology's shares plunged to a new all-time low of \$6.25 per share² as a result of poor sales in the 4th quarter of 2004/1st quarter of 2005 despite a US\$100 million campaign to take on Apple Computer and the highly-successful iPod range. This represents a significant change from the \$50 their shares commanded in 1998. In August 2005, it was announced that Creative's losses for that quarter amounted to US\$31.9 million, going into the red for the first time in three years. Q3 FY2006 losses were US\$114.3 million³. In June 2006, their stock price was \$5.22 per share (up from a low of \$4.64). Total revenues for the second quarter of fiscal year 2007, ended December 2006, were \$424.4 million⁴. Revenues that came from sales of products totaled \$324.4 million

during the quarter. With the strong sales of its flash-based ZEN players, the company achieved its goals of bringing gross margins above 20% and returning to profitability⁴. Hence, from these results it is clear that Creative Technology needs to relentlessly pursue product development to stay competitive and to cater to the fickle and discerning needs of the marketplace. However, it is not just a need to develop new products, but to have products that capture the imagination of the consumers and that make them desired, must have and 'Cool' to the market segments that shape consumer opinions and create Brand loyalty.