

# Marketing strategies: bang and olufsen vs. sony



**ASSIGN  
BUSTER**

## **Marketing Strategies and Customer behaviors of High-tech products:**

### **Bang & Olufsen vs. Sony**

#### **Introduction**

The high-tech industry is experiencing furious competition in the global market, especially in the sectors of audio/video, loudspeakers and digital appliances. Bang & Olufsen and Sony are both successful organizations offer examples of excellent strategies in their respective markets in the same industry. Compared to Bang & Olufsen, Sony is a less expensive brand, which was founded in 1946 in Japan. It is one of the leading electronics and entertainment companies, offering quality digital and media products to the mass global market. Sony stands on a strong foundation of innovation, experience, talent, capital and desire (Sony 2008). Its products and services are available around the world. They are attached with strong design capability, good quality and high prestige. Bang & Olufsen (B&O) was founded in 1925 by two young Danish engineers, Peter Bang and Svend Olufsen. Known all over the world for spectacular, idea based, quality products (Christensen and Jørgensen 1997). It produces and develops a wide range of digital appliances as well as audio/video products.

This report will assess the effectiveness of distinct marketing strategies of these two organizations, and then identify and analyze their key customer behaviors.

#### **Background of the companies**

##### **2.1 Sony**

With its commitment to quality and consistent dedication to customer satisfaction Sony is recognized as a benchmark for New Age technology.

Sony adapts Digital Signage, which is a powerful tool to influence Customer behavior, both at point of purchase and at point of sale.

### **Bang & Olufsen:**

Bang and Olufsen have tied with e-commerce giant Amazon to influence their customer behavior, wherein products purchased by the customers will be provided with warranty registration forms which allows customer to register the purchased products for support throughout the life of the product.

### **Key Customers Behaviors**

Jim Blythe (2006) says that many purchases are made without apparent conscious thought – people often buy as a result of unexplained impulses, or simply fall in love with a product for no apparent reason. In the market of high-tech products, the customer behavior follows the seven stages of CDP (Consumer Decision Process) model . First, they recognize that something is needed in their lives. Then they search for information. The information may be internal (remembering facts about products, or recalling experiences with them) or external (reading about possible products, visiting shops, etc). Based on the information, they conduct the pre-purchase evaluation of alternatives. During the process, they compare a number of factors (such as price, design, functions) of various brands to select the possible alternatives that best fulfill the needs (Yan 2008). Finally, they make the purchase, and then use the product for the purpose of fulfilling the need. The post-consumption evaluation will be carried out to consider whether the product actually satisfy the needs or not. They might dispose the product before or at

the end of its life cycle (Blythe 2006). A simple goal hierarchy for buying a high-tech product might look like this:

Find out which high-tech product best suit the individual needs.

Find out which brand has the right product at the right price.

**Go and buy the product.**

Bang & Olufsen targets the elite group, which can be explained as upper class customers who are educated, well-to-do, cultivated in their interests and highly individualistic and self-motivated. These consumers are normally wealthy with high income and good taste. Most of them have luxury houses/flats and cars. They would like to spend large amount of money to achieve the same quality for their audio and video equipment, long before design-widescreen TVs became fashionable. Bang & Olufsen's designs attract both men and women with a combination of high-end technology, spectacular and often audacious Danish modern styling, excellent performance and extremely functional integration into the typical upper middle class home (Austin and Beyersdorfer 2007). In addition to the luxury offers, Bang & Olufsen had introduced a new range of smaller products (such as Serene) with relative lower prices to attract the wealthy fashion-conscious youth market.

In a word, these customers are persons who are willing to sacrifice a lot to get the very best in some particular area. For this reason, the step 2 in the goal hierarchy might be missing from their purchasing process as they are wealthy and non-price sensitive, attracted only by the products featured with

unique looking, high-end technology, personalization and customization (Dolbow 2002).

Compared to Bang & Olufsen, Sony's customers have relatively lower standards of "lifestyle", although Sony's products still have higher prices and better qualities than the industry average. These groups of customers are price-sensitive. They totally follow the CDP and goal hierarchy estimated. Most of Sony's products are marketed as value for money products with strong brand image and good design. Unlike Bang & Olufsen, Sony does not want its products to be zero flaws, but meet the demands of the mass global customers. It limits the application of the high-end technologies such as finer art of design and frequency range to reduce the costs. Individualization is excluded from its production profile for the same reason. Therefore, its products may not be able to fully meet the expectations of one specific person. In such products one feature appeals to one type of person, other features to another, the price, but no features, to a third, etc. But on the whole, the consumer will pay for a number of features that he or she never really wanted – and perhaps never will use (Ravasi 2004).

### **Marketing Strategies and Tactics**

The Bang & Olufsen specialist will represent the Bang & Olufsen showroom located closest to the customer's residence, and the specialist and showroom will then be available for customer services."

### **The Competitive Approach**

Bang & Olufsen always had a more 'high-brow' approach. It competes for upper middle-class discretionary dollars. In the fact, there are no any direct competitors of Bang & Olufsen in the high-end electronics industry, because <https://assignbuster.com/marketing-strategies-bang-olufsen-vs-sony/>

it does not want to make mass-market products with a broad appeal like its competitors – products without any regard for the preferences and needs of the individual end-users. Bang and Olufsen locates the showrooms close to its potential customer's residence. In addition to the normal working hours, all the services and showrooms are made available to customers by appointment. Resources are selectively employed to serve its end-customers intelligently. Bang & Olufsen highlights customization and personalization. It charges premium price to make individual products for individual people (Hendriksen 2001). Basically, all the products share the same Bang & Olufsen qualities, but each of them has a specific design profile that works individually to serve the end-customers in the market. The integration of unique designs and high qualities are notable selling points of each product.

### **The Quality Approach**

In parallel with the design and quality, Bang & Olufsen, therefore, developed a marketing and communication strategy – a “lifestyle” oriented strategy aimed at a smaller, but more international target group. The targeting strategy was best encapsulated in the advertising slogan of the period: “Bang & Olufsen is for those who consider taste and quality before price.” The products offered by Bang & Olufsen are therefore regarded as ‘lifestyle’ products. Each of them is manufactured to the highest standards, and that last 15-20 years instead of the industry typical 24 months. Bang & Olufsen conducts a niche marketing strategy by operating under a completely different margin scheme than any of the large, well-sourced players like Sony, Philips, Samsung, Matsushita, Thomson, who all need market share to be visible and profitable (Hendriksen et al., 2002).

### **The Differentiation approach**

Bang & Olufsen is not built on a low cost structure. The advantage of cost leadership does not exist. Each of the products from Bang & Olufsen is unique in the market. Product lies not only in the way it looks, but also in the way it works. Intelligent technology, advanced features and unconventional solutions are what set Bang & Olufsen apart. Under this strategy Bang & Olufsen strengths and skills are used to differentiate the company's electronic products from those of its potential competitors. The differentiation strategy creates, or emphasizes, a reason why the target customers should buy from Bang & Olufsen rather than from its competitors. It also creates a market-based advantage. In this way, Bang & Olufsen's products can command higher prices and margins and thus avoid competing on price alone. In addition, this strategy of B&O is hard for potential competitors to imitate, because the differentiation is integrative. All the products are integrations of design, quality, aesthetics, and functionality.

### **Marketing Strategies of Sony**

From a general point of view, Sony conducts a segmentation marketing strategy by dividing products into three main categories: Electronics, Game, and Pictures. This report only highlights the marketing strategy of its electronics division. Sony always responds quickly to catch the popular lifestyle accepted by most of the people. Compared to Bang & Olufsen, Sony is more likely to conduct a "One product for the many" marketing strategy, with mass production to serve the majority of the market.

Except the quality, price is utilized as a tool for competing with rivals. In recent years, Sony outsourced most of its non-core businesses such as

assembling, packaging to organizations in developing countries for further reductions of its operating costs. The Annual Report 2008 states that Sony successfully re-engineered the company by dramatically reducing operating costs, streamlining the operations. As a result, on an annual basis and compared to three years prior, sales and operating revenue rose 23% (Sony 2008).

### **Marketing 4Ps**

The report applies a simple marketing mix of 5P's to analyze the difference between Bang & Olufsen and Sony.

### **Product**

#### **Bang & Olufsen Product Strategy**

Bang & Olufsen develops and markets a unique range of audio/video, communication and multimedia products. All the products are integrations of design, quality, aesthetics, and functionality, which are easily differentiated from the products of other companies (Hendriksen et al., 2002). According to the feature of target customers, Bang & Olufsen discovers that their clients usually do not know what they really want. They desire something that could stand out of the mass, or lasts and represents something appeals to them, but not just follow the fashionable style. Bang & Olufsen always keep the concept to produce groundbreaking products to satisfy its customers' needs and update their products more frequently in the dynamic environment.

Ground-breaking products have been launched for the audiophile world, with BeoLab 5 named as one of the world's finest loudspeakers, and within TV (Aigner et al., 2006). Over the past few years, the branded business has extended into new areas. B&O has developed sound systems for, so far, six



Audi models. These have attracted strong praise with B&O being awarded the title of “ Best Brand 2008” in the Car-HiFi category in the respected German auto magazine “ Auto Motor und Sport” (Anthony 2008). In the automotive area, Bang & Olufsen has also entered into a strategic partnership with Aston Martin, the UK’s sports car maker, and latest, Mercedes-AMG. Through its Enterprise department, B&O focuses on sales to hotels where the company’s products are currently represented in more than 200 five-star hotels across the world. In addition, B&O Enterprise has initiated and expanded a number of partnerships with leading property developers for the supply of audio/video products for exclusive property projects (Vej 2007). To ensure that all the products are in the highest standards, Bang & Olufsen only concentrates on fewer product categories.

### **Sony – Product Strategy**

Unlike Bang & Olufsen, Sony has a broad list of electronic products. In the fiscal year 2005-2008, it launched the BRAVIA brand of LCD television. It took a strong position in each major market, and became the first to bring to market organic light-emitting diode televisions (Russinovich 2005). Sony mainly focuses on the marketing development to increase the products variety to meet the demands from different customer groups. People at different levels of socioeconomic status may find their favorable products from Sony. Moreover, Sony’s products are normally with a short lifecycle, for example 12-24 months. New products are quickly imitated by the competitors. Therefore, Sony has to update its product lists frequently to catch sales. This typical marketing strategy is also adopted by most of its competitors, such as Apple, Samsung etc.

## **Price**

In theory, price is really determined by the discovery of what customers perceive is the value of the item on sale.

### **Pricing Strategy of Bang & Olufsen**

According to an online research, the average B&O purchase is £2, 800 (Underwood 2005). The prices are much higher than the industry average. The price reflects the product's quality and brand image (Raun 2009). Customers regard price as one of the notable aspects of Bang & Olufsen, which stands for the highest value of design, outstanding performance, durability, and long-term reliable services.

### **Pricing strategy of Sony:**

Being a premium brand and known for its high quality products, Sony adapts premium prices for the products. It sells its products at comparatively higher price.

## **Promotion**

### **Bang & Olufsen – Promotion Strategy**

Bang & Olufsen produces differentiated products to satisfy their elite customer group. Around 80% of its sales revenue is generated from between 800-1000 of its customers. It determines that the promotions are only available for a small amount of VIPs, which are especially used to establish the long term relationships with those important customers.

### **Sony – Promotion Strategy**

Sony adapts dynamic promotion strategies through Marketing communication, Advertising, Sales promotion, Public relations and Direct selling.

<https://assignbuster.com/marketing-strategies-bang-olufsen-vs-sony/>

## **Place (Distribution)**

### **Bang & Olufsen – Place (Distribution) Strategy**

By the end of May 2008, Bang & Olufsen has 822 B1 shops across the world, which accounts for 81% of the total turnover. Bang & Olufsen dedicates to provide the best services for its customers. Customers could make the appointment online for after working hour services. Because most of its products are very expensive, only small amounts of relatively cheaper products are sold via online dealers.

### **Sony – Place (Distribution) Strategy**

Sony practices Selective distribution of its products through selective dealers. It distributes products in various channels (Zone-Level, One Level and Two-Level Channels). Sony also distributes through online facility which proved to be more effective and efficient way of distribution.

## **People**

### **Bang & Olufsen's Strategy**

It motivates the people with their knowledge towards technology and provides greater opportunities to explore and carrier growth to achieve.

### **Sony's Strategy**

Sony is driven by its mission to offer an opportunity to create and fulfill dreams of all kinds of people, including customers, employees, share holders and business partners.

## **Conclusion**

This report compares the marketing strategies and key customer behaviors between Bang & Olufsen, the very expensive high-tech products provider, and Sony, a less expensive quality high-tech products provider. Although

<https://assignbuster.com/marketing-strategies-bang-olufsen-vs-sony/>

they operate in the same industry, there is no actual competition existing between them as they target different customer groups.

### **Reference**

Aigner, G., Budzinski, O., and Christiansen, A. (2006). “ The analysis of coordinated effects in EU merger control: where do we stand after Sony,” BMG and Impala, pp. 311-336.

Anthony, S. (2008). “ Sony: Winning the DVD battle but losing the innovation war,” Innovation Insights.

Austin, R. and Beyersdorfer, D. (2007). “ Bang & Olufsen: Design Driven Innovation,” Harvard Business School Case.

Blythe, J. (2006). Essentials of marketing communications, Prentice Hall.

Christensen, S. and Jørgensen, J. (1997). “ Analysing Bang & Olufsen’s BeoLink (R) Audio/Video System Using Coloured Petri Nets,” Lecture Notes in Computer Science, pp. 387-406.

Dolbow, S. (2002). “ Bang & Olufsen Tunes Sales Channel for S20K Plasma-Based TV System,” Brandweek, pp. 14.

Hendriksen, O. (2001). ‘ Long-term Monitoring at Bang & Olufsen Office Building’, in Editor (ed)^(eds), Book Long-term Monitoring at Bang & Olufsen Office Building, City, pp.

Hendriksen, O., Brohus, H., Frier, C., and Heiselberg, P. (2002). “ Pilot Study Report: Bang & Olufsen Head Quarter,” Paris, France: International Energy Agency.

<https://assignbuster.com/marketing-strategies-bang-olufsen-vs-sony/>

Raun, H. (2009). " Strategisk analyse og værdiansættelse af Bang & Olufsen pr 21. oktober 2008."

Ravasi, D. (2004). " Bang & Olufsen A," S, Bocconi, Mailand.

Russinovich, M. (2005). " Sony, rootkits and digital rights management gone too far," Mark's Sysinternals Blog, October, Vol. 31.

Sony (2008). ' Sony Global - Annual Report 2008', in Editor (ed)^(eds), Book Sony Global - Annual Report 2008, City, Sony, pp.

Underwood, R. (2005). " The case for fanaticism. At high-end Danish electronics firm Bang & Olufsen, design is king, Even if it means sacrificing revenue," FAST COMPANY, Vol. 101, pp. 84.

Vej, P. (2007). " Bang & Olufsen Holding," International Directory of Company Histories: Volume 86, pp. 24.

Yan, G. (2008). " Sony Style in China,":, No. 010, pp. 22-23.