

The history of panasonic corporation marketing essay



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The first possible reason why Panasonic Corporation expands to Indonesia is because of the tax incentives in Indonesia. The Indonesia government has exempted the luxury sales tax on Panasonic Manufacturing Indonesia's single shutter refrigerators and 230 liter capacity two shutter refrigerators ("Panasonic Gobel Group," 2008). In addition, new foreign or domestic investors, or existing investors who are expanding their production by at least 30% or varying into new products will be granted duties relief on the importation of capital goods for two years, and on the importation of raw materials and manufacturing components for two years of production ("An Investment Guide to Indonesia," 2011)

Another possible reason for Panasonic Gobel Indonesia to be established is high possibility of achieving economies of scale for production. This is because the household electric appliances industry in Indonesia has developed strongly although there is not much advancement in technology. So, competition among industry players lies mainly in the selling prices and the quality of the materials used for production. Large producers such as

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Panasonic which operate full manufacturing facility could keep down the production cost and hence become more competitive in prices (“ Industri household electric appliances in Indonesia,” 2008). Thus, Panasonic Gobel Indonesia might compete in the industry with a more favourable competitive position.

Besides, by having 248, 645, 008 population in the year of 2012, Indonesia is proved to be the fourth most populous nation in the world after China, India and the United States (“ The World Population and The Top Ten Countries with the Highest Population,” 2013). Indonesia is also expected to be Asia’s third fastest growing economy in year 2011 with the consistent growth of 6% over the past decade (Riady, 2011). This shows that Indonesia is a potential market for Panasonic Gobel Indonesia to be operating in.

Analysis

Gains of entering foreign country

Panasonic Corporation, the worldwide leader in the development and manufacture of electronic products had invested into many different countries such as in North America, Europe, India, China and as well as in Indonesia. We can see that there are many advantages for a multinational electronic corporation to enter a foreign country. First of all, by entering a new country it will help to increase the total market size. According to an article, it is stated that Panasonic Gobel Indonesia had a total sales of around 440, 000 units of room air-conditioner in year 2011 and targets to have a control of 26% over the market share of room air-conditioner in Indonesia (Saksono, 2012).

Secondly, by entering into a foreign country will help to increase the productivity and sales of the company. As for Panasonic Gobel Indonesia, they started to produce LCD TV in year 2007. From an article, it is stated that the production capacity for the LCD and Plasma TV reaches 50, 000 units per month. Either its LCD panels which are imported from Japan or the 26 and 32 inches type of LCD TV which are produced in Indonesia itself, are dominating the demand. This also means that the sales of Panasonic Gobel Indonesia increases from time to time. In order to fulfill the demand required, Panasonic plans to build a production facility for LCD TV in Indonesia (“Market intelligence report on national television industry amid global economic crisis October 2008,” 2008). This shows that after Panasonic Corporation has entered Indonesia, the demand and sales did increase and cause Panasonic Gobel Indonesia to expand bigger in Indonesia itself.

Thirdly, from using joint venture as their company’s expansion strategy, Panasonic Gobel Indonesia able to enjoy the benefits of cost and risk-sharing among the local partners in Indonesia. From an article, we can see that there is a joint venture between PT Transistor Radio Manufacturing and Matsushita Electric Industrial Co., Ltd under PT National Gobel since year 1970 (“Panasonic Gobel Group,” 2008). By that, Panasonic Gobel Indonesia can hold a definite degree of control and at the same time limits the risk exposure. Not only that, Panasonic Gobel Indonesia can also gain access to the knowledge about Indonesian market about how they operate in Indonesia with the technology, capital and management provided from the headquarters.

Shortcomings of entering foreign country

One of the major disadvantages of entering foreign market is the currency of the country drops. From a recent article, the weakening of the rupiah of Indonesia causes a lot of problems to all businesses. The articles stated that the rupiah is weakened from 9, 000 to 9, 500 comparing to the dollar. This means that all the cost incurred will be increases about 5 percent. According to Mr. Sukanuma, President Director of Panasonic Gobel Indonesia, if the currency level remains unchanged the company might need to increase the selling price (Bisara & Nangoy, 2012)

Besides, the degree of competitiveness can be another shortcoming of entering a foreign country. The level of competitiveness in the industry that Panasonic Gobel Indonesia is competing is quite stiff. This can be shown as when other competitors in the industry started their production of LCD TV earlier than Panasonic Gobel Indonesia whom started on year 2007. Based on the article, LG Electronics started assembling LCD TV in year 2005 whereas Toshiba Consumer Product Indonesia started their LCD TV business in year 2004 (“ Market intelligence report on national television industry amid global economic crisis October 2008,” 2008). For not being the industry’s first innovator in the industry in Indonesia compared to other competitors can be a great disadvantage for Panasonic Gobel Indonesia as first innovator usually gets to control large portion of the market share and also grabbing more demand.

Besides, Panasonic Gobel Indonesia will face some issues of cultural difference in their company based in Indonesia. This is because the culture, rules and regulation in Japan and other countries surely differ from <https://assignbuster.com/the-history-of-panasonic-corporation-marketing-essay/>

Indonesia. Panasonic Gobel Indonesia will face complex and time consuming bureaucracy and an unclear regulatory framework whereby it becomes more complicated due to the Indonesian's government's effort to decentralize the power to regions (" An investment guide to Indonesia", 2011). This may cause drop in the efficiency and productivity of Panasonic Gobel Indonesia while operating in Indonesia if it could not bear with the government policy.

Recommendation

Becoming the No. 1 Green Innovation Company in electronic industry by the year 2018 is the vision for Panasonic (" Panasonic expands ' eco ideas' factory concept to Vietnam," 2012). Panasonic has work out lots of efforts to make this vision statement turn out to be real. Therefore, in our opinion, Panasonic should use the strategy that they applied in China, which is opening appliances recycling factory in Indonesia as what they did. In year 2011, Panasonic have reached an agreement to form a jointly-held company in China, Panasonic Hangzhou DADI to recycle home appliances and electronics (" Panasonic establishes first recycling factory in Chinese market," 2011; Petru, 2011). Therefore, according to the research done by Rochman, 2010 and Annisa Anjani, 2011, the figure shows that the number of E-waste (Electronic Waste) is increasing. Since, Panasonic's vision is to be the No. 1 Green Innovation Company in the industry, they should bring in their recycling technology from Japan to Indonesia just like what they have done in China. By applying this strategy, it able to enhance the " Eco Ideas" factory concept by enhancing some recycle activities, at the same time, it will also increase the corporate's image which is one of the element that will influence Indonesian consumer loyalty towards the brand (Lii, 2009).

According to the data showed, Indonesia currency (Rupiah) is appreciating from year 2009 to 2011. However, Rupiah depreciates last year, 2012 (Yahoo Finance, 2013). This has cause a great problem to Panasonic Manufacturing Indonesia especially when the foreign currency is strengthen, which means Panasonic Manufacturing Indonesia need to spend higher price in Rupiah to purchase raw materials for production and this increases the production cost. Panasonic Indonesia is recommended to oppose the strategy that they have applied in year 2011 which is decreasing the price of LCD TV due to the decrease in production cost when Rupiah currency is appreciating in 2011 (Saksono, 2011). Since Rupiah currency is depreciating now (Hermawan, 2012), Panasonic Indonesia can just apply previous strategy in an opposite way, which is rising the price of their product to cover the cost of production, just like what they have done in India. Panasonic India had hike prices by 4-5% due to the pressure of commodity (Jain 2011; Boccamazzo, 2012). In order to show the successful possibility of the recommended strategy, according to the result in Annual Report for the fiscal year ended March 31, 2012, it shown that in the energy system business, Panasonic was successful in bolstering its sales and manufacturing capabilities in India, China and Indonesia, those countries that continue to exhibits high rates of market expansion as well as in environmental system business in China and Indonesia (Annual Report, 2012). Hence, it is appropriate to follow what Panasonic India have done because the situation similarity between Indonesia and India are high, both country currencies depreciates.

As we have mention in the shortcoming of Panasonic enter to Indonesia LCD market is late than others competitors. Result have showed that, Korea

competitors, PT Samsung Electronic Indonesia and PT LG Electronic Indonesia have rapidly growth in Indonesia LCD market while Japan company, Sony, Sharp, and Panasonic are suffering negative growth in this product line (Low & Sim, 2012). As we know that, PT Samsung Electronic Indonesia also consider as “ Late comer” to this market, however, by applying different type of strategy, they have successfully gain market shares. Panasonic Indonesia can follow Samsung footstep, who stop their production of CRT TV in 2012 as the CRT market has been on the decline, and they is eyeing Indonesia’s potential market for its LED TV, therefore, Panasonic can find out their declining product market and focus more on potential LED TV (“ Indonesian television industry growing rapidly,” 2012). Besides that, Panasonic also can refer to their competitor, Changhong, who is among four largest producers of plasma TV panels in the world together with Panasonic, LG, and Samsung. Changhong expand their market in Indonesia not only increase their representatives number with more than 1000 selling places and 100 places of after sales services, they are serving the high-end market in Indonesia, which have not been fully served yet (“ Indonesian television industry growing rapidly,” 2012). Therefore, Panasonic Indonesia should apply this strategy to find out un-served market from this growing flat screen TV market.

Conclusion

In conclusion, we have learnt that it is not easy for a company to develop its expansion strategy into another country. There are numbers of issues that a company should be aware of before entering a foreign country. The company should be aware of the differences in the sense of the culture, government

policy, needs and demands of the market and many other perspectives in order to successfully penetrating in it. Many researches and analysis have to be done before bringing a company into a foreign country.

Besides, it is vital for companies to keep innovating and improving even after successfully entering a foreign country to keep leading in the industry, not only in one country but globally.