

Sony company  
limited



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## **Business Environment Analysis**

### **1. 0 Introduction**

Sony Company Limited is a manufacturer and distributor of digital cameras and other electronic devices in the region. The company has been established in 2005 by its owner. The primary competitive advantages of Sony is its OEM capability, broad experienced in its research and development department, reliability, large product line and good reputation. The brand name of the company is known as ECA and it is currently exported in major countries like North America, Mid-East/Africa, Asia, Central/South America, and Western Europe.

Sony Company Limited is an ODM and OEM manufacturer to produce different ranges of electronic devices like digital cameras, MP4 and mp3 player, mobile phone, GPS car navigator and digital camcorder. The main objective of this company is to provide quality products and services to the global market.

### **2. 0 Strategic Analysis**

The description of the industry above suggests its strength in the Malaysia setting. However, a more detailed analysis is necessary in order to determine the real strengths and possible problems that surround the industry. For this purpose, various tools will be used to analyze the electronic industry of Malaysia.

#### **2. 1 PESTLE**

PESTLE analysis is in effect an audit of an organization's environmental influences with the purpose of using this information to guide strategic decision-making. The assumption is that if the organization is able to audit <https://assignbuster.com/sony-company-limited/>

its current environment and assess potential changes, it will be better placed than its competitors to respond to changes.

To help make decisions and to plan for future events, organizations need to understand the wider ‘ meso-economic’ and ‘ macro-economic’ environments in which they operate. (The meso-economic environment is the one in which we operate and have limited influence or impact, the macro-environment includes all factors that influence an organization but are out of its direct control).

An organization on its own cannot affect these factors, nor can these factors directly affect the profitability of an organization. But by understanding these environments, it is possible to take the advantage to maximize the opportunities and minimize the threats to the organization. Conducting a strategic analysis entails scanning these economic environments to detect and understand the broad, long term trends.

A PESTLE analysis is a useful tool for understanding the ‘ big picture’ of the environment in which an organization is operating. Specifically a PESTLE analysis is a useful tool for understanding risks associated with market (the need for a product or service) growth or decline, and as such the position, potential and direction for an individual business or organization.

A PESTLE analysis is often used as a generic ‘ orientation’ tool, finding out where an organization or product is in the context of what is happening outside that will at some point affect what is happening inside an organization. The six elements form a framework for reviewing a situation,

and can also be used to review a strategy or position, direction of a company, a marketing proposition, or idea.

### **2. 1. 1 Political**

The political aspect of the country has less impact to its business sector, or more specifically, to the electronics industry. The Basic Law of the country actually protects it from major transitions in law in spite of its transfer to Thailand. Through this basic law, the way of life as well as the capitalist system of the country will remain the same for fifty years since the transfer. Thus, political factors have minimal effects on the electronics industry. The production, export and import of materials for digital cameras will not be affected for the next ten years due to this political agreement. Hence, the production facilities for digital products situated in Thailand will not be forced to relocate back to Malaysia due to regulative measures. Hence, Malaysia enterprises in the industry can continue to benefit from low cost production in Thailand.

### **2. 1. 2 Economic**

The economy of Malaysia is highlighted by the status of its international trade. The country is one of the leading trading nations worldwide; hence, it is one of the important aspects of the country's economy. Malaysia market has been favorable to trade and has been efficient in balancing its exports and imports. The significance of trade in the country suggests the richness of its other related fields such as the electronics industry. This has been evidenced by the high contribution of digitalized products to individual company sales and overall economic development.

The important role of the electronics industry in Malaysia suggests that there are several similar businesses that exist in the country. Due to high levels of competition, the companies operating in this industry are placed under much stress of offering the very best. This also implies the significance of strategic management among these companies not only to contribute to the economy, but most importantly to maintain strong business foundation as well as combat competition.

Assuming that the prosperity of the economy in Malaysia improves for the next ten years, the electronics/AV equipment industry will then continue to improve and acquire various developments. But then of course, economic status is among the most unpredictable aspects of a country; hence, the industry must be prepared for future challenges that may arise. These future challenges include economic crisis, price fluctuations and problems on international trade.

### **2. 1. 3 Social**

The societal and cultural background of the country is mainly influenced by the Eastern and Western influences. This perhaps, is partly due to the status of the country as a major center for business and trade. Although the country is greatly influenced by a number of different cultures, the country still has its old features intact. While keeping old traditions and cultural practices, the country is also open to changes brought about by international influences. This in turn makes the nation's culture rich and varied. The prosperity of Malaysia's economy is significantly reflected in its citizens' lifestyle. Compared to other Asian countries, the people in Malaysia are among those who live with the highest standards. This implies that the

people of Malaysia have access to some of the finer things in life, including technology.

#### **2. 1. 4 Technological**

Malaysia is a melting pot of both Western and Eastern backgrounds. The Western and Eastern influences that make up the country's socio-cultural background play a significant role to its current technological status.

Considering that Malaysia has direct access to technological developments from different countries worldwide, these can be adapted in the country quite easily. Moreover, the high standards of living among the country's citizens imply the ability of the people to support technology as well as their ability to apply or implement them. The exposure to technology of both local and international market makes digital products, like camera, a marketable product.

#### **2. 1. 5 Legal**

Locally, the political aspect mentioned previously does not seem to affect the electronic industry in Malaysia. In international trade, the laws on open trade and free port allow the industry to exports its digital products to foreign markets. Though the Malaysian industry can distribute its digital products freely abroad, the openness of trade as well as the globalization aspect further worsens the competition among similar companies under the same industry. If competition will affect businesses in the industry, it is likely for other nations to implement legislations that will control the entry of imported products. This will greatly affect the status of the Malaysia industry if this will occur.

### **2. 1. 6 Environmental**

One of the major issues under the environmental aspect that directly affects the industry is probably its location of production building and facilities in Thailand. The cost of labor and land in Thailand, particularly in the province of Bangkok, is significantly cheaper than in Malaysia. Thus, it is more practical to conduct the core activities of the electronics industry in Thailand. However, products produced by the AV industry require skills among its work force. Thus, cheaper labor cost may no longer be possible as companies would have to pay larger salaries for skilled and highly educated employees. Moreover, a number of manufacturing companies are also relocating to Thailand, thus land costs tend to be higher as compared before.

### **3. 0 Competitors Analysis**

The production of digitalized products falls under the electronics company, specifically under the audio-visual equipment category. In Malaysia, the competition in electronics industry is considered as one of the most vigorous and tough. The manufacturing companies of digital cameras and other electronic devices in Malaysia are made up of SMEs or small and medium sized enterprises. The production facilities however of most companies are located in mainland Thailand. Thus, offices in Malaysia concentrate more on product development, quality assurance and marketing. One of the competitors of Sony Company Limited in Malaysia market is the Canon industry and other industries that offer digital cameras and electronic products all over the world such as JVC, Panasonic and others.

According to the NSTP (2007), digitalization trends paved the way for the industry's significant development which makes it digital camera and

electronic industry more competent. In addition, the company has many rivals since there are many other competitors which provide a wide range of digital and electronic devices to meet the increasing demands of these products. Players have increased considerably. This business trend led to the increased profit derived from high sales of digital products, suggesting the strong chances of success in the industry. Moreover, profits from exported digitalized products are high in Hong Kong as well. This then implies that international market strongly supports the industry.

#### **4.0 Porter's 5 Forces Model**

Michael Porter (Harvard, Competitive Strategy 1980) developed the so called 5 Five Forces Analysis model to better identify factors that shape the character of competition, to assess the structural attractiveness and business value of any industry and to pinpoint strengths and weaknesses in a company.

In addition to and in combination with the SWOT analysis, the Five Forces model by Michael Porter provides another analysis tool to identify opportunities and risks when entering untapped territory in any industry or market.

Porter's Five Forces model, other than a SWOT analysis, provides clear action and thus does not rely solely on subjective judgment. If the actions that derived from the Five Forces model are synchronized with business requirements and goals it can become a substantial business driver in the competitive environment.



Porter's Five Forces Model is used for analysis of an industry or pure competition within a market. It is likely the best model to be used in decisions of entry or change within a market, and should always be considered during the business planning stage in a company life cycle.

The Porter's Five Forces model proposes that an industry is influenced by five forces. An executive can use the model to understand the industry competitive landscape, to determine how and where the firm should operate. The model is also used to analyze the attractiveness of an industry structure.

Porter's Five Forces Model is also known as Porter's Competitive Forces model, probably one of the most often used business strategy tools. It has proven its usefulness on numerous occasions. Porter's model is particularly strong in thinking in a competitive mindset – from external forces to inside the company.

#### **4.1 Methodology**

The strength of each of the five forces affecting competition in the chosen industry is to be assessed. The company's position compared to the underlying causes of each force is also assessed. A plan of action is devised that may include positioning the organization to provide the best defense against competitive forces, influencing the balance of the forces through strategic moves and other pro-active measures and anticipating shifts in the forces and positioning the organization and its goals and actions accordingly.

#### **Exhibit 4.1 Michael Porter's Five Forces Model**

Sources from:

Supplier Risk Management and the Automotive Supply Chain

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From the Exhibit 4. 1, Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five “ competitive forces” includes the threat of entry of new competitors (new entrants), the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers and the degree of rivalry between existing competitors.

While the Porters Five Forces model in regards to decision making, is to collect, analyze and present data for the decision maker, Porter identifies three generic strategies to address industry rivalry. Strategies can be formed on three levels such as corporate, business unit and functional or department level. The Strategies are cost leadership, differentiation and competitive advantage. The best decision will position the firm to leverage strengths and defend against adverse effects of the five forces.

#### **4. 1. 1 Competitive Threat of New Entry**

The percentage contribution of the industry to the Malaysian economy suggests the huge number of businesses manufacturing digital products. This then suggests that barriers of entry for new business entrants are low. New business could easily operate locally; moreover, the Malaysian industry offers multiple product lines under different brand names. Hence, competition is rather strict. Moreover, most of the business in the electronics industry is considered SMEs, implying that the levels of small businesses or new entrants are high. With the high availability of digital production facilities, new entrants could easily start manufacturing and marketing digital products.

#### **4. 1. 2 Competition from Substitute Products**

With the rise of technology, alternative options for gadget and similar products are very much available. Digital cameras and other products are no exception. At present, cellular phones are manufactured with camera features, allowing consumers to use the phone not only for calling or sending text messages, but also in capturing and storing images. Other video camcorders have camera features as well; thus, some consumers would prefer to buy an item where all features are already integrated. Web cameras are also alternative products for digital cameras. In addition, some of these alternative products are less expensive and more practical as compared to buying a digital camera alone.

#### **4. 1. 3 Bargaining Power of Customers**

Buyers are the people or organizations who create demand in an industry. Buyers are also the people who compete with the supplying industry by bargaining down prices and forces higher quality. Customers have access to multiple alternatives for AV equipment and products, thus, the customers have greater control over which item to purchase. The high competitiveness within the industry allowed consumers to have access to a number of options, from brands to types and prices of products.

Thus, consumers have a high bargaining power over the electronics industry. In this case, the smaller enterprises are greatly affected. Although consumers have different purchasing behaviors, in most cases brand names greatly influences the preferences of buyers. If there will be other options, consumers is likely to buy known brands even if they will have to pay extra. Additionally, online shopping through this company website has also

increased the bargaining power of buyers and buyers are more price sensitive and demand for high quality.

#### **4. 1. 4 Bargaining Power of Suppliers**

Suppliers are the businesses that supply materials & other products into the industry. The cost of items bought from suppliers (e. g. raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. For this electronic industry, suppliers actually exert power in the industry by threatening to rise in prices or to reduce its quality and furthermore powerful suppliers can squeeze industry profitability if the company is unable to recover the cost increases. In the case of the Malaysian electronics industry, the bargaining power of the suppliers is high. Most of the materials used for producing AV equipment are imported from suppliers, thus they have greater control over the prices of supplies as well as the delivery.

#### **4. 1. 5 Rivalry**

The rivalry within the electronics industry comes in two categories. Locally, the main competition is between the small and large enterprises. Major companies in the electronics industry have stronger brand names and have greater capabilities of reaching the international market. This is a significant factor as brand names in digital products represent the overall quality of the item which consumers are after. Major companies also have more resources to promote the product through more expensive forms of media advertisement. Thus, smaller companies are directly affected. In the

international level, the rivalry exists between the Hong Kong companies and the major AV equipment companies of other countries.

## **5.0 Evaluation**

Based from the environmental and competitive analysis done for the electronics industry, the findings will then be evaluated. In this section, the possible developments of the industry for the next ten years will be considered. Factors that could affect this progress, both positively and negatively, will be cited.

### **5.1 Optimistic**

Based on the analysis done, the Sony Company Limited is likely to succeed and progress in ten years time due to two important factors. One of these factors is the market of the industry. At the local level, the consumers are very much aware and exposed to highly technological gadgets such as the digital camera. In other foreign markets of the Malaysian industry, such trend is also evident. In ten years time, technology will continue to grow and introduce high-tech gadgets and products that people will patronize. Thus, the future development of digitalized products made by Sony Company Limited will be supported by the market due to their openness to technology. Moreover, this market patronage will naturally result to continuous profit generation and market growth.

Another factor that will contribute to the success of the Sony Company Limited ten years from now is the continuous rise and development of globalization and open trade. Through these aspects, Malaysia will have greater market access abroad, leading to better market and business outcomes. Furthermore, free port will allow the Sony Company Limited

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access to more modern technologies that can be useful for manufacturing and marketing digitalized products. This in turn will make the Sony Company Limited more competitive against foreign brands.

## **5. 2 Pessimistic**

While there are great opportunities that the Sony Company Limited can use for future progress, certain obstacles could hinder it from development. For instance, the use of technology is highly accessible to all potential business operators in the industry, increasing the problems on competition, less distinct products and brands. In addition, technological gadgets like digital cameras lose value at a fast rate; thus, it is likely that such innovations would lose their worth to the market, or worse, this product could be phased out totally from the industry and be replaced with better substitutes.

Problems in the economy are also a challenge. Crisis in the economic aspect is omnipresent and difficult to predict; hence, it is always a problem for all industries and business sectors. Due to these problems, prices for labor, land, production and other business activities could increase, making it difficult for the industry to succeed.

## **5. 3 Prediction**

Based on business outcomes in the past, the pessimistic scenario is the one that is likely to occur in the future. Old electronic products like mobile phones, cameras and computers for instance, had been easily replaced by digital ones due to fast-phased development in technology.

At present, several companies in the electronics industry are still conducting researches in order to introduce new technologies that the market demands.

In addition, economic crisis is a natural occurrence, though an unpredictable one. Thus, even without predicting when this will happen in the future, businesses attempt to overcome the effects of economic challenges by preparing themselves in advance.

Although it is likely for the optimistic scenario to occur as well, businesses in this industry must focus themselves on overcoming the worst scenarios. By preparing in advance, the businesses can prevent further problems in the future as well as maintain the progress of the industry.

## **6. 0 RECOMMENDATIONS**

In my opinion, this electronic industry is still able to make some improvements in order to achieve better profit margins or great success in future. Those improvements includes the following,

### **1) Diversification**

This electronic industry (Sony Company Limited) can actually possible to concentrate more on electronic knows how in the non-consumer business and todays, this industry is very competitive as the competitors are able to copy the product in a very short time. Therefore, in order to create larger profit margins, Sony should focus more on the business sector and industries and also more advanced equipment as well as the parts. Besides, it would create the strongest advantage if the Research and Development (R&D) department in this company able to cut down the price in technology adaptation to fit the demands of nowadays market.

## **2) Cost Cutting**

Sony Company Limited should take cost cutting into consideration as it is the only way to improve the profit margins. Research and Development (R&D) plays an important role in this as its part in success of this company and it cannot be cut even though it gobbles up to ten percent of the sales. The products in this company should be refined instead of reinvented in order to have less in set up cost and also helps in achieving the greater automation.

## **3) Combination of Production, Design and Marketing**

There are many ways of separating the designing and developing of a product from the production and marketing even though there is job rotation which the design stage backed up by experience rather than research and analysis in nowadays market. Often, this kind of concept does not help much in improving the business as it does not meet the consumer needs. Today's, R&D should focus more on the consumer needs and innovate based on the needs of the market and not creating new markets all the while. Besides, the designing team should make the product to fit the current production pattern and marketing aims as the designing team is the one who responsible to the profit and loss of certain product. Therefore, empowering these groups can create conflict but it does bring the efficient groups together in achieving the synergy.

## **7.0 Conclusion**

In spite of the apparent success of the Sony Company Limited in Malaysia, certain factors in its environment can cause its possible failure in the years to come. Economic challenges, competition and varying consumer trends are just some of the external factors that the industry must overcome in order to



ensure future progress. Although these matters may appear inevitable, certain actions could help the industry to succeed, locally and internationally. Continuous product enhancement and development for instance, can help in countering fast-paced technology. Conducting consumer studies on the other hand can facilitate the challenge on changing consumer behaviors. These actions in turn can help in combating business competition and globalization issues.

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