

Analysis of the competitiveness of the smartphone industry in taiwan

[Business](#), [Industries](#)



Abstract

Now these days the Smartphone industry along with the other sectors the one main thing is the competitiveness that declares the successfulness or failure in the global market place. As in the case of the Smartphone industry being competitive means that the industry can be able to offer a product of higher quality compared to its rivals, but at the same time, with a similar price. The Smartphone industry has achieved (reached) this competitiveness mainly because of its vertical integrated production chain. This specific coordination, besides reducing transaction costs, push toward a production of excellent quality, which can be immediately adjusted according to the consumer demand.

Keywords: Competitiveness, Smartphone Industry

1 Introduction

Recently, there have been many articles written about the Smartphone industry and this attention is because of/due to the fact that such a small country could have such a large production. Smartphones most definitely will become the information center as well as the device most everyone in public choose to own for entertainment. An increase in acceptance as well the prevalent usage of smartphone's is not only a good sign for the makers of smart phones, but as well as the entire wireless industry.

In 2011, recently, a market research firm mentioned the fact that worldwide, the smartphone market would nearly grow by as much as 50% and the leading operating system would be taken over by Google's Android.

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According to International Data Corporation (IDC), in 2011 more than 450 million smart phones compared to last year's 303.4 million smart phones were shipped by vendors of smart phones. IDC also said that the smart phone market will grow greater than four times quicker compared to the overall mobile phone market as consumers as well as enterprise users' upgrade from their basic handsets to smart phones that have many advanced capabilities. The research firm also believes in 2011, the Android likely will surpass Nokia's Symbian and will take over in becoming the most smart phone platform that leads the market.

2Methodology

The various methods used in order to carry out a thorough analysis of the competitive environment comes from Porter's Five Forces, while describing the industry's strength as well as its capabilities and the technique of SWOT can be used.

3Porter's Five Forces

In order to make a complete analysis of the environment of how the smartphone industry operates we need to evaluate those forces that work in it as well as seeing how the forces share its competitive environment. The forces that are taken into consideration normally are: the technology available technology & its development, the economy at large, the competitiveness, government legislation, population demographics, societal values and lifestyles. Even if some of these forces can't be directly influenced from the industry is anyway important to evaluate each one of them to fully understand the forces behind the smartphone dynamics.

Michael Porter suggested that competitiveness as the force that most likely has the most impact on the industry and it can very much affect the environment where companies move their steps. The competitiveness generates pressure on the industry players and this pressure is captured by Porter's forces. Porter's framework suggests the following 5 forces as components of competition.

The competitions among current industries or countries that carry out their activities in the same area are as follows:

- 1)The threat from new potential entrants
- 2)The threat from substitute products
- 3)The bargaining power stemming from suppliers

The bargaining power stemming from buyers

Figure 1. The Five Factors or Forces Affecting Competition in an Industry modified from (Porter, 1980).

3. 1The competition among existing industries or countries that carry out their activities in the same area:

This force is likely the strongest of the five, the rivalry increases both because of one or more industries foresee the opportunity to increase their market share to the detriment of others.

3. 2Entry Barriers:

Under normal conditions, new entrants to a market bring an increment of production capacity and the desire to gain new market share. To determine

how serious this threat from new entries, the two things we should think carefully about are as follows: barriers to entry as well as the expected reactions of firms already available in the market.

Several types of entry barriers are as follows:

- 1) Fixed costs: necessary research and development
- 2) Reputation of incumbent firms: people buy phones from companies they trust
- 3) Networking: people buy phones that their friends and acquaintances use
- 4) Switching costs: people buy phones that their friends and acquaintances use
- 5) Differentiation: limited ability to differentiate from other phones

3.3 Bargaining Power:

Smart phone firms possess relatively weak bargaining power. There are some reasons that include the following:

- 1) Substitutes: many substitutes (as seen below)
- 2) Elastic demand: Smart phones aren't a necessary product; therefore there is an elastic demand for them
- 3) Information: Customers tend to research capabilities of smart phones because of price as well as high reliance on the product

4) Differentiation: Limited ability to differentiate from other competitors

5) Switching costs: Limited incentives for users to change phone companies

3. 4Substitute Products:

A number of substitutes exist for smart phones. The main purpose of smartphones is for mobile access to information. The following are some products that share similar uses:

1)Cellular phones

2)Laptops

3)Organizers or pen and paper

4)Pager

In particular, notebooks and cell phones provide sufficient the services that are most needed for mobile access to information.

3. 5Complements

For smart phones, any application that works well with the phones can be considered a complement. Google owns a large number of such applications that will be mentioned later. Some of the complements include the following:

1) Email

2) Data manipulation applications (documents)

3) Maps and GPS

- 4) Organization applications
- 5) Other internet applications and essentially any software available on phones
- 6) Music and other media content
- 7) Computers (in order to install & manipulate software on the phone)
- 8) Products involved in travel and mobility

3. 6 Rivalry

The smartphone industry is rather competitive. Although there are a few strong competitors, the industry does not support many firms. The following are reasons for this:

- 1) Differentiation: There is only a limited ability that distinguishes smartphones from a competitor's besides the interface. Nonetheless, for smart phones, a considerable differentiation exists between business and home users. This allows for multiple firms to exist, despite the fact that the total number may be still somewhat small.
- 2) Economy of Scale: There is almost no scalability to create more software, so this doesn't force the market toward a small number of firms.
- 3) Prices: Generally speaking, customers value quality significantly over price when considering buying a phone that they will often use frequently. The reason is that most prices between phones are generally similar, and prices are mostly similar, and prices are insignificant compared to the usefulness

and amount of time customers will use the phone. Hence, no room to differentiate for price exists and companies that perceive low quality and low budgets for R & D won't survive.

4)Networking: Because there may be cheaper service between the same phones, people purchase the same phones as their friends.

5)Brand Name: Customers care about buying a phone from popular or reliable companies, so as a result, the existence of multiple small firms are limited.

As a result, the smart phone industry supports multiple firms due to ability to differentiate between business and home users, but does not support a large number of smaller firms. Then, the smart phone industry is very rivalrous as competitors fight to become one of these few firms.

4PESTLE Analyses

“ PESTLE analysis stands for “ Political, Economic, Social, Technological, Legal, and Environmental analysis” and describes a framework of macro-environmental factors used in the environmental scanning component of strategic management.”(Wikipedia 2011).

PESTLE analysis-Smartphone Industry

Political/Legal

current legislation home market

future legislation

international legislation

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government policies

Economic

economy situation

economy trends

overseas economies and trends

market and trade cycles

specific industry factors

market routes

distribution trends

Social

lifestyle trends

demographics

consumer attitudes and opinions

media views

brand, company, technology image

consumer buying patterns

buying access and trends

Technological

competing technology development

replacement technology/solutions

maturity of technology

manufacturing maturity

information and communications

consumer buying

technology legislation

intellectual property issues

global communications

5SWOTanalyses

After we have discussed the main features of the external environment where the Smartphone industry is set, in the following second section of the paper, we will carry out a general evaluation of the company's internal resource capabilities and competitive advantage versus rivals. By exploring these factors, we can use the analytical technique of SWOT (acronym of Strength, Weakness, Opportunity, and threats).

5. 1Identifying company strengths:

HTC Corporation is the Taiwan-based manufacturer for smartphone industry. HTC is most known for its innovation as the company is always expanding upon its product line—introducing new devices that support specific applications. HTC made its name as the company behind many of the most popular operator-branded devices on the market. It has established unique partnerships with key mobile brands, including the leading five operators in Europe, the top four in theUS, and many fast-growing Asian operators. It has also brought products to market with industry leading OEM partners and, since June 2006, under its own HTC brand.

“ HTC is one of the fastest-growing companies in the mobile sector and has achieved remarkable recognition over the past couple of years. Business Week ranked HTC as the second best performing technology company

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in Asia in 2007 as well as giving the company the number 3 spot in its Global listing in 2006" (HTC 2011).

5.2 Identifying company weaknesses:

In the world, Taiwan is a small country with a small population. Hence, there is a small market for smartphones which limits the potential for sales.

Because of the small market.

5.3 Identifying company's market opportunities:

Many OEM factories could brand their products easily. These factories could step out from OEM factories into a brand. Because Taiwan is such a small country, in order to meet increasing demand, Taiwan's leading smartphone producer HTC likely will outsource its smartphone production.

5.4 Identifying of the threats to a company's profitability:

Because of the obvious dominance in the world market place, China being one of the largest countries in the world, besides the United States, definitely poses a large threat to Taiwan's smartphone industry. The market place in China is quite large, which consequently means there is more competition. The population in China is quite large and because of the large population size, in the market place, there are more consumers which create a bigger demand for supply.

Some other threats for the Taiwan marketplace are other companies manufacturing cheap phones (many similar or substitute products). These cheap phones will affect the marketplace because those consumers who can't afford the expensive items will buy these cheaper versions. These

cheap phones may offer the same features but the quality might not be as good.

Taiwan's smartphone industry faces major competition from other companies' worldwide (intense competition from major rivals). Some major competitors for Taiwan are as follows:

- 1) United States- Apple (iPhone)
- 2) Japan-Sony Ericsson
- 3) Canada- Research In Motion aka RIM (BlackBerry)
- 4) Finland- Nokia
- 5) Samsung-Korea

6 Conclusion

For a new firm that is considering entering the smartphone industry, the firm will need a lot of capital because intellectual property (IP) for smartphones is extremely important to license or create. Also, capital is necessary because lawsuits over patents are very common, which is probably a reason to avoid entering it altogether. Secondly, the smartphone industry is extremely fast moving; it's a combination of computer technology (IT) with communication technology, a whole new industry called by some (ICT). So, as a result, good resources are needed in both areas. That's the reason that Finland's Nokia is struggling in the market. Nokia never made computers. And the reasons above show why Apple is dominating the market

with the iPhone. Apple has the computer know-how; they have tons of money for R&D to churn out designs, as well as having a very strong brand name, which is another huge factor. So, without having an established brand, it will be extremely hard to enter the smartphone industry. Acer as well is trying to become competitive in the industry. Acer is trying to leverage its brand (which is only known for PCs so far) and experience in PC design and marketing. A lot of companies are trying to jump on the bandwagon, probably all big PC makers, as well as Google, so it will be quite tough for newcomers to get a share of the market. Every new product will be measured against the iPhone which has set itself as the standard for smartphones, as it's hard to compete against it.

Q2

In Richard Whittington's book, "What is Strategy and does it Matter" he discusses four different approaches to strategy. The different approaches are as follows:

1) Classical

2) Evolutionary

3) Processual

4) Systemic

When knowing the difference between these theories, businesses can choose which theory matches its needs. These four different strategic approaches

are different in terms of their point of view and position. The classical approach focuses on long term goals and objectives and is top-down driven (internal plans). Managers using the classical approach focus on profit-maximization. The classical approach is analytical and its key influences are economics as well as military.

The Evolutionary approach's rationale is survival, while focusing on external (markets). The process behind the evolutionary approach is Darwinian, while its key influences are economics and biology. The Processual approach is vague while focusing on internal (politics/cognition). The processes behind this approach are bargaining and learning. Psychology is the primary influence for this approach. Systemic approach's rationale is local while focusing on external (societies). While the process behind it is social and its key influence is Sociology.

By using these four different strategic approaches, businesses are able to compare rational implications of the different theories while in various situations. Management in businesses faces the challenge of implementing as well as evaluating these various strategy-making approaches. While doing so, leaders in management can use these different theories in an effective manner.

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