

Sony ericsson mobile company



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1. 0 Report Overview

1. 1 Introduction

The aim of this report is to deeply understand the importance of applying marketing essential strategies in order for the company to thrive in a dynamic changing environment. Sony Ericsson, the joint venture established in 2001, is an example to be thoroughly examined in this report. Its mobile T68i was revolutionary; it was the first GSM/GPRS color screen handset. Its Bluetooth technology was introduced for the first time in the market. Nevertheless, Sony Ericsson's market share is only 13. 65% in 2010 compared to Nokia, 51. 40%! Why? (GetJar 2009)

The report will focus on revealing the key issues that affect Sony Ericsson's current and future situation in the market. After the great success of Sony Ericsson in selling its Walkman phones that were launched in 2005 (Smith 2006: 77), it started to face new challenges in the market. The report will critically evaluate Sony Ericsson's implemented strategies compared to the surrounding environment and highlight the challenges that face the company for this implementation.

It is an important report because it will provide a better insight on how marketing strategies are put into practice in a company. It will also help in answering a very important question: what are the challenges the company should handle to maintain its competitive advantage now and in the future.

1. 2 Report Structure and Approach

This report will be structured as the following:

Section Two: An introduction to the company's behaviour and the way it responds to changes in the market in order to understand the broader system it works in.

Section Three: A deep analysis of the competitive advantage of the company to have a better understanding of its potentials in order to decide what is better for it.

Section Four: Identifying the internal and external factors that determines the company's success or failure by evaluating its strengths and weaknesses and opportunities and threats using PESTEL and SWOT theories.

Section Five: A conclusion.

2. 0 Sony Ericsson Orientation

Sony Ericsson, being in the mobile telephone industry, faces a lot of fierce competition and it has always strived to be a leader in this industry. To achieve this goal, It has adopted a four dimensional organizational orientation strategy which includes product, marketing, production and sales orientation (Schenker 2007).

2. 1 Product Orientation

Sony Ericsson has always maintained quality and differentiation in its products while expanding into new markets and making its brand known worldwide. It invests in research and development to develop new products that will satisfy its customers. For instance it was the first in 2005 (Sony Ericsson: 2008) to develop the walkman feature in cell phones. It also developed phones with digital cameras and cyber shot cameras which added value to its products. This company actually invests a lot of money in <https://assignbuster.com/sony-ericsson-mobile-company/>

research and development; it has an office in Sweden which focuses only on researching into new product features and quality (Consumer Reports 2005).

A key factor in the product orientation strategy of Sony has been its branding. According to Colton, "It is wide recognised that brands are one of the most valuable assets that firms own". This explains why Sony Ericsson always wants to improve on its product design so as to maintain its brand name and image which customers hold about its products. Sony Ericsson's brand strength has helped in innovation and creation of value - creation strategies that its competitors cannot implement or follow as the brand name Sony Ericsson has greater awareness and recognition. Thus a strong brand name can result in a greater profit margin and the more an organisation achieves its objectives. Sony's brand names with their sophisticated features like the recently launched green heart cell phone has had a positive image in the minds of their consumers who has a high recognition for it as an environmentally friendly industry (Colton et al. 2010).

Sony Ericsson has smartly differentiated products with the aim of targeting different segments of the market, since it is difficult for a single product to satisfy the needs of different consumers. For instance, it started by developing phones which were large in size with few options like text messages only. Later on it improved mobiles by producing very small size phones with camera options. Today it has phones with video recording, mp3 and cyber shot.

Today, Sony Ericsson has expanded the market for its products operating in over eighty one countries of the globe; it no longer produces electrical

appliances like electric irons, televisions and mp3 DVD players. It aims to gain leadership in the mobile phone industry using a strong brand name.

2. 2 Marketing Orientation

Sony Ericsson is a market oriented organization. Market orientation, according to Jobber, is when a firm gives priority to consumers' preferences at all levels of their activities. Sony Ericsson highly values its customers so it develops all its phones based on customers' specifications and preferences. It wants to satisfy its customers at all levels; always researching on what consumers desire and it greatly invests in this area as it sees them profitable investments. This can be clearly noticed when Sony Ericsson came with the walkman phones with mp3 in 2005 which paid it off and helped recover the losses it incurred before and resulted in a larger market share. Sony Ericsson has displayed number of market orientation characteristics; for instance, efficiency and effectiveness, segmentation and targeting, customer value and satisfaction and competitive advantage.

Moreover, Sony Ericsson is an efficient and effective mobile phone company. Efficiency is seen through its ability to minimise its production cost while maximizing outputs and profit. Sony Ericsson has kept at all stages in production at low cost while maintaining quality and variety with sophisticated features (camera, video recording, and web browser). Also investing in new products and modern technology has been the spirit behind the success of Sony Ericsson in many occasions. Effectiveness, on the other hand, is seen by its ability to produce phones that people want to buy. At one point, the continuous increase in the profits of Sony Ericsson has been

due to increase in demand on its phones which has resulted in more sales compared to other years.

Sony Ericsson has divided its market into different groups of buyers and sellers. Some of the main segments are those who seek phones for value and those seeking sophisticated features like video recording, internet and mp3.

Sony Ericsson has always sought to create pleasure and fun in its phones with the aim of providing customers' satisfaction and value to its products. This is why it keeps developing new features like the touch screen, slides and internet facilities.

Sony Ericsson has always strived to remain the market leader in the phone industry and to have a competitive edge over its competitors like Nokia and Samsung. This is why after making huge losses of over \$10 000 it came up with the new walkman and cyber-shot phones in 2005 and maintained low prices which generated revenues of \$31 687. 2 million with a net income of \$1 769. 5 million. It has always put its customers in first position in all its marketing strategies. A typical model to show its marketing orientation can be shown below;

Marketing orientation entails creating goods and services that will satisfy the needs of your customers and continuously researching into better ways of doing so and making sure this process has a positive impact on the goals of the company (Uncles 2000: 1).

The growing importance of marketing orientation today is seen as firms try to build long lasting relationships with their customer. Firms now produce what the market demands not just producing with the hope that whatever they manufacture consumers will buy. Firms now use customer strategic marketing which is a process whereby they try to optimise revenue and profits while satisfying their needs (Dean et al. 2009).

2.3 Production Orientation

Sony Ericsson produces mobile phones and most of the production is centered in China, India and Britain. Third of the production is in China and India as the cost of production in these countries is lower than in the United Kingdom and Sweden where its research and development office is found.

The company is efficient in production and so tries to minimise production cost. In 2008, it reduced its work force by 2000 employees and consultants in and remains competitive in this industry which is very dynamic. Sony Ericsson produces phones (talk and text, camera, web and email, touch phones, music and games) and mobile accessories (head phones, battery charger, music transmitters and cables, car holders, Bluetooth headset, phone cases). These phones are designed in different sizes, styles and shapes.

Besides, the company focuses its production of mobile phones based on the current market needs. Last year due to the global cry for climate change, it has launched the "Go Green Heart" Sony Ericsson phone. This shows that the company invests in the production of products that match with current needs of the population. (Sony Ericsson 2009).

2. 4 Sales Orientation

Sony Ericsson has witnessed rapid increases in revenue due to increased sales. It initially started operations in Britain, China, India and Sweden, but today it has expanded its market to over eighty one countries. Despite the recent recession that lead to reduction in profits, Sony Ericsson has embarked on sales promotions, aggressive and persuasive TV and Internet advertisement and sales promotion and reasonable prices of its products. Most of its adverts have had positive impacts. For example, when it launched the Walkman in 2005, there was a rapid increase in demand and high sales were recorded. Their major buyers are mobile communication firms and independent retailers. Over the years they have experienced increases in their sales and net revenue, yet lost market share. This can be seen below:

Years	2005	2006	2007	2008
Net Sales (SEK Million)	7,268	10,959	99,129	12,916
Net Profit (EK Million)	350	997	1,114	1,769.5

Source: Sony Ericsson Company Research

2. 5 Sony Ericsson Group Operation

Sony Ericsson has different telecommunication through firms like other companies such as Orange, T-Mobile and MTN which carry out sales promotions and this strategy has off. With it launching of online sales it has increased sales as retailers can place their commands online and receive their goods wherever they are located. The coming up of the pricing strategy

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in 2007 was Sony Ericsson introduced reasonably priced phones with fewer functions equally lead to rapid penetration of the markets especially in Africa.

2. 6 Evaluation and Recommendation

Sony Ericsson has a positive product and production orientation. This has given it a competitive edge in the market as it always finds new ways and methods of innovation in the mobile phone industry. Its effort in this line has placed it in a supreme position most of time.

However it still has to work more on the area of developing phone and accessories. Most of its accessories are not strong as a lot of customers have made negative complaints regarding their durability. The industry has however reacted to this by offering guarantees to customers who purchase its walkman and cyber shot phones. This step nevertheless seems unfair to other consumers who do not get any warranty when purchasing the company other low quality phones (Strategic Direction 2004).

As regarding marketing and sales, a lot has to be improved . This is because despite its recent downsizing in labour force with the aim of cutting down cost and maximising profits, the company has still recorded recent losses in the fourth quarter of 2009 (BBC: 2010) of 167 million Euro from 187million Euro in the previous year. Sales in this same period fell by 40%. Sony Ericsson has been suffering from lower sales due to failures in their marketing team. A lot of improvements should be carried out to bust sales and profits. The company overall is doing well needs an extra force o rekindle its sales and profit margins.

3.0 Competitive Advantage

An advantage over competitors gained by offering greater customer value, either through lower process or by providing more benefits more benefits that justify higher prices (Armstrong and Kotler 2009: 218).

Sony Ericsson can be accredited for its innovation. Whether by T68i, the First GSM/GPRS enabled colour screen Handset, Bluetooth technology for file transfer or hand free and later with Music and Loud Speakers or High Mega Pixel Mobile Camera.

At one time, Sony Ericsson Held the second largest market as a phone manufacturer in Europe. Below graph shows its market share of 20% which is quite dominant (Mintel 2010).

Handset Market Share in Europe, November 2009

One of the main strengths of Sony Ericsson is diversity (Sony Ericsson 2010) and mapping this to the Porter's " Three Generic Strategies" theory we reach the following " Stuck In the Middle" situation for Sony Ericsson.

Competitive Advantage (Porter 1985)

Turning this problem into opportunity, it is an advantage for Sony Ericsson to be in that situation, as it enables it to serve the vast mobile consumer market over competitors and the serve the three competitive advantages of Cost, differentiation and focus.

3.1 Cost Leadership

To achieve cost Leadership Sony Ericsson has become low cost producers in mobile industry as compared to others offering the same mobile features
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and quality. Sony Ericsson prices are quite competitive and are available for big as well as small pockets.

Brand	£0- 20	£21- 40	£41- 100	£100- 200	Total
Nokia	4	4	6	7	21
Sony Ericsson	1	3	8	7	19
Samsung	1	2	6	4	13
LG	-	-	3	5	8

Availability of pay as you go phones, by brand and price, December 2009

Source: Mintel

Analyzing the above data it clearly specifies that Sony Ericsson have competitive numbers of handsets in all ranges. This helps Sony Ericsson customer base to be 20% and growing continuously.

3.2 Differentiation

From day one Sony Ericsson's focus has been on Music functionality or camera. At early times when camera phones were just launched, the brand gave the feature to take, send and receive pictures quickly as cameras. Same for the Music Player, its Walkman Series had a dedicated button to allow switching between mobile and music functionality.

Mixing the competitive price and leads in terms of multimedia usage across the handset brands (listed in the below table) makes Sony Ericsson so popular among youth (Intel: 2010).

	Tot al %	Noki a %	Sony Ericsson %	Samsu ng %	Motorol la %
Bluetooth	46	42	62	53	35
Camera - less than 5 megapixe l	43	36	55	46	50
Music player	37	29	58	46	16
Games	36	32	49	41	33
Video recorder	34	27	51	41	22
Video player	30	24	45	37	20
Web browser	28	25	38	33	20

Radio	25	25	41	27	6
Camera - 5 megapixe ls or more	21	20	25	29	14
Fast web browsing eg 3G	17	19	21	14	6
Email	16	16	17	15	8
Touchscre en	11	5	11	17	3
IM chat eg Instant messenger	10	11	11	8	3
Wi-Fi	9	11	11	6	2
GPS/Sat- Nav	7	10	4	4	1
QWERTY keyboard	6	4	5	4	2
Ability to	6	6	5	3	2

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Source: (Intel Oxygen, 2010), Based on 2, 000 Internet users aged 16+.

Sony Ericsson had product of handset (included pay as you go and contract) owned by facilities on mobile used, October 2008.

3.3 Focus

Focus strategy is to be successful; the organization must understand segments thoroughly; how their needs are changing and what range to offer. If Sony Ericsson doesn't serve the segment more effectively than competitors, then it will be in a poor position (Brassington and Pettitt, 2006: 972).

Sony Ericsson obviously is the under-25s' preferred handset (Mintel: 2010). The features such as High Mega Pixel Camera and music Players are symptomatic of entertainment and function-hungry younger market and these features are highly substitutable. Also Sony-Ericsson younger users perceive its interface as easier to use in connection to the features of their key interest.

Although, the risk of operating in this segment is that this segment might fluctuate widely on the short run depending on fashion trends, Sony Ericsson market share may fairly remain same, Other possible threat is that this might be undetermined by competition (Brassington and Pettitt, 2006: 973).

For Complete understanding of the Sony Ericsson competitive advantages, Porter's five Forces of competitive advantages have further been used. According to the Porter, the state of competition in an industry depends on five basics competitive forces; the collective strengths of these forces determining the ultimate profile potential of the industry and the ability of firm in an industry to earn rates of return on investment in excess of the cost of capital (Porter 1985).

The five forces are as Follows:

- Existing Competitive rivalry between players.
- Bargaining power of buyers.
- Threat of new market entrance.
- Bargaining powers of suppliers.
- Threat of Substitute products.

These five forces for Sony Ericsson is shown in the below figure.

Porter's 5 Force Model for Sony Ericsson.

3. 3. 1 Existing Competitive Rivalry among Players

Sony Ericsson sustains the competition amount Nokia, Motorola, LG, Samsung, etc because of its Innovation strengths. This enables it to enjoy the total market share of 20%. To reach this figure, Sony Ericsson defiantly needs to maintain its technology as well and its competitive cost base to attract more customers.

Also, the increase in social networking should be maintained, Sony Ericsson have already targeted most of them such as Facebook, Twiter and Myspace, as they are the current attracters and give a competitive edge.

In current market trends, there is a big increase in the smart phone users and to cope up with the trend. In 2009, Sony Ericsson largely focused on the high-end segment of the market with the launch of Satio, Aino, W995 and Yari ranges. The Satio is a touch-screen with a 12MP camera and a Walkman; the Aino provides access to media content from a PlayStation3 console while on the move; and the Yari has a Nintendo Wii-like sensor for gaming (Mintel 2010).

3. 3. 2 Bargaining Powers of Buyers

The degree which consumers can influence the demand is referred as bargaining power (Jobbar 2010). Sony Ericsson offers its customers a big range of handsets at competitive price to satisfy the vast mobile consumer market which are from basic phone users to top end latest technology

buyers. This expands the market base for them not just within Europe but also enables them to serve this vast range in various economies.

3. 3. 3 Threat of new market Entrance

New Entry means new rival that in turn means increased competition. Sony Ericsson need to be aware of all the big and small companies entering in various global locations into the mobile phone industry as the Sony Ericsson deals with all rang of handsets. Certain barriers should be put to inhibit new entrants. As Mobile market is very competitive the new entry and its survival is quite dull until as unless it's a well know brand and good technology as what Apple's iPhone did to the market share of smart phone of Sony Ericsson and other brands (Schenker 2007). The threat of new entrants to Sony Ericsson is quite low because of its established brand value and quality.

3. 3. 4 Threat of Substitute Products

This is the ability of your customers to find an alternative way of doing what you do. As far as near future is concerned, an substitute of mobile handsets can't be think of, so Sony Ericson need not to worry about this threat but it needs to be open for viewing the new technologies coming in for communication so that it can incorporate in new models.

3. 3. 5 Bargaining Power of Suppliers

The bargaining power of suppliers can also be described as the market of inputs. Suppliers of raw materials, components, labor, and services can become power over the firm if there are few substitutes.

Since the starting of Sony Ericsson in 2001, it operates under a corporate social responsibility code. Sony Ericsson insists to only works with suppliers

who meet required stringent. This helps employees to make ethically correct decisions. Influencing product development and improvement from a CSR and environmental perspectives in the supply chain, which is a key reason in reaching industry leadership as well as compliance with those requirements. Also, All Sony Ericsson suppliers go under assessment to meet compliance with CSR and environmental requirements. These assessments prove that suppliers have procedures within place to control their supply chain (Sony Ericsson 2010).

In this ways Sony Ericsson has developed loyalty from its suppliers and being a main market player, it has the power of looking at different suppliers in tough times.

3. 4 Value Chain

It's a method for locating superior skills and resources. All firms consist of set of activities that are conducted during product lifecycle, they are design, manufacture, market, distribute and after sales service for its products. The value chain categorizes them into support and primary activities (Jobber 2010: 787).

The value chain (Jobber 2006: 788)

Product differentiation defiantly provides competitive advantage, but on the other hand it also tends to increase the complexity, which increases supply chain risk. The challenge manufacturers face is making the correct tradeoff decision among the two. Sony Ericsson deals with this by deeply analyzing the total supply chain effect at various stages of design strategies (AMRresearch 2010) this might be internal or external to the organisation.

Sony Ericsson has a tie up with ATCLE in US for packaging and final manufacturing touch until the products arrive in Texas with ATCLE's distribution Center. This gives Sony Ericsson two advantages:

It gave them positive trade-off of cost benefit in transporting packed product from Asia compared to ATCLE's charges for assembling. This also gave them the opportunity of finally customizing the product in Dallas closer to the customer as per their desire. (SupplyChainBrain 2010). Similarly, the tie up of Sony Ericsson with Ingram for its nationwide sales and distribution in India brought a value addition to the company. (Kanter J 2009)

Building up of the high quality of value chain makes Sony Ericsson more probable by customers because they get better service quality across the globe and it also concentrate more on the product and quality it is developing.

Sony Ericsson certainly has a competitive advantage over its rivals because of its strong Value chain within the various operations without the organization and outside across the globe.

4. 0 Marketing Mix

Diffusion of a product depends on its positioning. It includes complexity, differential advantage, divisibility, compatibility with customers' values, i. e. life style, experiences and behaviours, and communicability (Jobber 2010: 384-409). Companies should be careful in choosing the target market and showing the differential advantage the product has. This could be achieved by a combination of successful brand naming, image, service, design, guarantees, packaging and delivery. All of those mentioned are included in

the four marketing mix framework which will be discussed in this section (Jobber 2010: 311).

4. 1 Product

Product is a crucial part of the marketing mix; it's the element that the company starts to build and shape its identity and most importantly generates profit. All companies have products, whether tangible or intangible, but what differentiates their products from each other is the branding itself. Branding includes choosing a name, creating a design, insuring quality and the line of products. Positioning is created out of those elements, bearing in mind that they, together, should be clear in the message they deliver, credible, consistent and competitive.

These elements augment the perceived value and performance of customers. It is also a barrier to rivals, gain for high profits and base for brand extension, quality certification and trust (Jobber 2010: 305). We are going to discuss those important elements with reference to Sony Ericsson Company.

4. 1. 1 Brand Name

Developing a distinctive name for the brand differentiates and distinguishes it from other products in the market. Brand naming should evoke positive emotions, be easy to remember and pronounce and suggest the benefit of the product (Jobber 2010: 319-320). Sony Ericsson always uses prestigious names for its brands that suggest sophistication and smoothness, like its newest mobiles Xperia, Xperia X10 and Vivaz. They are easy to remember and they provoke a kind of excitement for the customer to be introduced to those products. Also the company uses alphanumeric when naming its

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brands to emphasize technology which expand its targeted customers. Sony Ericsson choice of names is very successful when compared to other mobile names like Nokia 7230, Motorola Dext; the former combines the two essential elements of simplicity and technology.

Another important aspect of brand naming is the brand heritage (Jobber 2010: 315); it adds value to the positioning of the brand in the market. When looking at Sony Eri