

Analysis of hi fi sector marketing essay



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Introduction

Music plays an important role in our daily life, with the development of technology people buying and listening habits change, many digital music devices appear such as Apple's iPod or Sony' Mp3 player which are all threat the hi-fi sector, how and where to compete become the most important issue to the hi-fi manufacturers. In this article, the following issues will be discussed: SWOT analysis of the hi-fi sector , Strategies of Ansoff matrix and Apple's business models .

SWOT Analysis

Strengths

Produce sound system at highest quality.

High performance criterion provides an excellent customer service before and after sales: many of the staff are audiophiles themselves, they can provide the professional knowledge to their customers.

Reputation: Linn, Naim and Meridian have high brand value, produce the best hi-fi equipments with high price premium which make many audiophile customer stay with them.

Integrated product portfolio: the product portfolio of Linn now covers a range of sources, amplifiers and speakers including surround systems and multi-room home installations.

Weaknesses

High price: The entry-level systems from the Hi-fi firms typically start between £1000 and £2000.

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High cost services: Linn provide their potential customers to audition the product at length before they purchase and Naim run non-profit-making basis servicing and repair.

Financial Low turnover: the annual turnover of Phillip of almost £20bn but to the three hi-fi firms it only stayed in million position of and profitability of them are all less than 2 million.

Opportunities

Social: from the perspective of Maslow's hierarchy, the hi-fi product are still needed in the esteem need stage.

Technology: with the developing of network technology, the three hi-fi firms can use the Internet to expand publicity, expand distribution network to attract more potential customers.

Consumer market: Still have the consumer market. There are still many customers seeking hi-fi products.

Threats

New competitors appear: Apple, Philips and Sony. Apple now holds a dominant position in the digital music marketplace with 65% of the hard-drive-based music market.

Global CD sales and older technologies have fallen 23% in value over the last five years while the sales of Ipod increased of 207% and MP3 are booming.

Illegal Downloading: Illegal downloading will make the company lose potential customers.

Change in buyer behaviour : With the change of the trend people seems focus more on quantity and fashion than quality and affordable technology is in demand.

Take advantages of opportunities

It is true that the specialist hi-fi firms faced many external threats, such as new technology, a high competitive rivalry (Phillips, Apple, Sony), however, they can overcome the threats with their capabilities and their core competencies to take advantage of those opportunities. They produce sound system of the highest quality, offering premium pricing and unique customer service. What's more they are also the expertise of hi-fi sector and have professional knowledge of these high quality products. Also their reputation in hi-fi sector is really high. Recently, They are still the benchmark of the hi-fi sectors.

Strategic options of Ansoff matrix

Ansoff matrix provides a simple way of generating four basic alternative directions for strategic development. There are is no doubt that change produces market can gain opportunities and the potential for dramatic growth , however, change may also involve fierce competition . As product development can be an expensive and high risk activity so we choose market development instead.

Market development Strategies

To adapt the marketing development first we should make sure the Critical success factors (CSFs) of specialist hi-fi sector. It is clear that highest quality of sound system is their CSF. So the manufacturers should continue to

provide such a good quality of sound and keep on satisfying their “audiophile” and maintain brand value by keeping high premiums on products. After that manufacturers should utilise resources, capabilities and competences to increase scope.

New segments :

Online buying: With the developing of internet technology, The hi-fi manufacturers should fully use the internet to show new products to customer, let customer understand the hi-fi product in detailed directly through internet, purchasing products without leaving home and convey the high quality lifestyle ideas to their customers.

New users:

Actually, hi-fi system is not only use to listen to music, customer can connect the hi-fi product with TV , video , computer to enjoy auditory feast all the time. Specialist hi-fi manufacturers should promote their Hi-fi system in different ways such as cooperate with luxury hotels to install sound system in their hotel or sponsor some big events to make more people more familiar with the hi-fi system.

New geographies:

As Linn, Naim and Meridian have been establish for many years, they already have ability to trade expansion. Develop market to China, India seems a good choice. With the development of society, some people in developing countries are now actively seeking high-quality standard of living. The hi-fi system are also more easily accepted by the rich people in these countries. So Manufacturers can consider opening branches in these countries.

Divestment

As the sales of turntable and CD products keep decreasing, the hi-fi manufacturers can consider to reduce production of these products to concentrate resources on new market.

Strategic alliances

Since iTunes have already dominate the music marketplace, and there are also have demand for high quality music, so the manufactures can make strategic alliances with iTunes to gain market exposure and attract more iTunes users to buy hi-fi products. Also apple can use the expertise of hi-fi sector to improve their quality of sound.

Apple's Business Models

Innovation and creation $\frac{1}{4}$ iPod+iTunes $\frac{1}{4}$ %.

The perfect integration of iPod and iTunes, creating a whole new business model of Apple. With the iTunes released in 2003, Apple began accessing to the music market , iPod users through iTunes can easily find their desired music of cheap prices with convenient payment and gain best music experience from it. Also, iTunes greatly promoted the selling of iPod and let the iPod distinguish with other music players , within a short period iPod occupied nearly 90% of the market and now Apple occupied 65% of the hard drive based music market share.

Perfect product line

iPod is one of the most successful and innovative products of Apple with a perfect product line. For different market segments iPod have different product lines. The new video iPod will occupy the high-end market, allowing

users to enjoy full range of audio-visual and iPod nano will occupy the mid-market, while iPod shuffle main in low-end of the market. .

Good quality /price ratio

Apple's products are trendy and innovative and the iPod is cheaper than the high ' entry -level' audiophile system with ability to store huge volumes of data.

Diversification

New versions of the iPod are released which can play video and store photos and the iTunes store is beginning to offer the chance to buy films and episodes of popular TV series online. (shu)

Make money from music activities

Hardware products

iTunes is free for users and it is very easy to use and to download but it have to use with Apple, if customers want use the iTunes they have to buy Apple's hardware products, which let Apple gain high profit from it.

iTunes

iTunes achieve long-term stable earnings growth. Customers pay for each download when they use iTunes. Although it seems that iPod get more profits than iTunes, the key to successful is it integration of iTunes. iPod, after all, have a product cycle, and iTunes music service will have been provided along with iPod, from this perspective, iTunes is not only provides a new profit model for Apple but also provides long-term stable source of profits.

Deep range of accessories

iPod created a huge and growing accessories market. Besides, There is also a large number of third-party accessories, from recording to the game.

What's more, there are other iPod-based device and adapter connections and almost every day new products appear.