Theory and practice swot analysis of sony ericsson marketing essay

Co-branding is considered as a common approach for mutual partners to broaden the existing or a new market to generate profitable revenue. This project focuses on analyzing benefits, risk, and other factors which determine the marketing strategies of the co-branding venture. The successful co-branding paradigm, Sony Ericsson, is examined by SWOT analysis, and the most significant finding is acquired in the discussion. With the regard to factors of achieving a mutual beneficial target, results showed that the great emphasis should be placed on how to build the distinctive branding image, in order to form a solid brand identity. This would be of interest to the companies who want to start up a mutual brand.

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Introduction

Recent years the marketing environment has experienced the dynamic commercial activities and then has seen the growing importance which has been placed considerable emphases on the scope of branding. The term of co-branding can be briefly defined, a quite new conception of business, including the tangible products or service and intangible image of two brands. The further definition will be explained in the relevant part. Blackett and Russell (1999) mention that the word brand is derived from the Norse language 'brandr' which means that people mark their domestic animals by branding in order to differentiate their livestock from others. This is, the main role of the brand is to recognize the origin. While the concept of branding has originated from such an early period, Blackett states that co-branding is still at its initial phase and the percentage of successful cases of this form in business sector is fairly small. Even if the co-branding is considered as a strategic form of mutual partners, the co-branding would not definitely aggregate a sum of the brand power of two collaborators. In addition, the probability of its failure is higher than success. However, Co-branding is still commonly applied by collaborators who aim at a congenial target to engage and broaden accesses to the potential or existing market.

The purpose of this project is to present the theory of co-branding and analyze a mobile phone supplier, and in turn, to ascertain whether the internal or external aspect is the influential factor making Sony Ericsson successful. This work will firstly consider the benefits and risks of co-branding followed by factors which may greatly influence co-branding marketing strategies. The second part will focus on the case study of analyzing the con-branding joint venture, Sony Ericsson, by the means of SWOT analysis to identify its strengths, weakness, opportunities and threats.

Co-branding theory

1. 1 Definition of co-branding

Marketing strategies and mode have experienced a drastic change in the past decades because enterprises need to adapt themselves to various commercial environments and maintain their operation sustainably. For the purpose of marketing strategies, co-branding is a means to increase the market share and the brand reputation of enterprises, and minimise commercial risk and expenditure when business partners generate a new product or enter into a new market. One co-branding genre, joint venture co-branding is mainly discussed. Blackett and Russell (1999: 1) define the term 'co-branding' as a new business concept concerning various marketing activities which includes the utility of two brands. The feature of co-branding is that consumer identification can be maintained while each participant's brand name is still preserved (ibid: 7). Chang (2009: 77) expresses a similar view that the core of co-branding is to advance a profitable market share by virtue of associating with more than two types of products or services from alliance companies. Sony Ericsson, as a joint venture, is a successful paradigm of co-branding which associates a Japanese electronics walkman product with a Swedish telecommunication corporation to develop the mobile phone market (Emerald 2008). Obviously, co-branding is a common means for corporations to develop a mutual niche market and support each other when entering into a new market because it increases the brand image that satisfies customers' needs.

Benefits of co-branding

Doshi (2007) cited in Chang (2009) demonstrates the advantage of co-branding is to enhance the leverage within existing brands. In this project, four advantages of co-branding are proposed. First of all, co-branding generates supplementary turnover for both original firms. The profit and loss for both companies will be considerably improved. Boad (1999) concludes that co-branding can bring more profitable incomes rather than a product or service possessing only one brand. A successful case is that between credit card companies and the airlines. Citibank has signed up for partnership of Asia Miles, a leading travel rewards programme. The credit card issuer offers reward points of flight miles for each use to encourage customers to use their credit cards.

Secondly, as Kerin and Peterson (2010) report, a joint venture is a common means to access a new or uncertain target market. This approach is also applied to remove obstacles coming from a local government when a foreign company wants to enter in a new target market. Japanese corporations commonly develop a joint venture with a Chinese company when exploring the Chinese market because the Chinese government may impose limitations on foreign businesses.

Thirdly, as a means to penetrate a new market, co-branding could minimize investment risk for both companies. Boad (1999: 22) notes that the major appeal of co-branding is to minimise expenditure when a joint venture enters an unexplored market. The failure caused by a great loss from investing a new or different market would be detrimental to a corporation's existence. Co-branding, however, reduces this precarious situation at the initial stage of a market exploration.

Finally, Esch et al. (2007: 498) propose that brand identity is constantly conveyed to customers through comparison with other brands. The co-branding which combines goodwill of Sony Ericsson, the top 4 global leading telecommunication company, provides a reliable symbol to guarantee the quality of a mobile phone. That is, the respective notable reputation of product quality makes Sony Ericsson distinguishable from other competitors. Consequently, these two brand owners mutually reinforce the brand image and successfully increase co-branding recognition in the mobile phone market.

The risks of co-branding

It seems that co-branding can develop bilateral benefits to some extent. However, the risks of co-branding are also involved in three aspects: market, partnership, and customer.

Brand reposition should not be taken lightly because it is concerned with achieving a dominant market share at the very beginning when a company engages in a new competitive market. According to Chang (2009), the core positioning is imperative not only for external customers' expectation or cognition of brand image, but also for representations of a corporate brand value. BenQ, a mobile phone brand saw a first failure due to its unclear brand identity by changing its slogan to 'keep exploring' as a substitute for the original one 'enjoy matters'(ibid). This result indicates that the co-branding is doomed to failure if a joint venture does not realize what the target market is.

As far as partnership in a joint venture is concerned, individualities of two firms should be thoughtfully put into consideration. Its incompatibility may cause divergences in decision-making or managerial barriers, which eventually lead to the collapse of the joint business. In a study of managerial obstacles, Aaker (2008) finds that a serious handicap will be caused between two corporations because managerial conduct involving multifaceted aspects such as a country's culture and the environment or even an organization type which may result in incompatibility problems. Firms in Japanese are inclined to build majority agreement in terms of decision-making process, which differ from firms in western countries (ibid).

From customer's perspective, providing products or services are incapable of being distinguished from others, it may cripples customers' loyalty. It can be considered that product similarity frequently poses a risk to the co-branding market because the resemblance of products is easily to be replaced by the competitive price. Likewise, new co-branding products would compete with the existing products of joint venture since they share the same market sector.

Influential factors of co-branding marketing strategies

The work of Chang (2009) also emphasizes five essential elements to be taken into account prior to co-branding strategies: responsibilities of financial cost, capital reestablishment, cross-cultural discrepancies, customer preference, and core position. These can aid a co-branded venture to be conducted successfully. These five elements can be generally characterized based on financial, personal and product positioning perspectives.

Firstly, most co-branding structures can be identified as a joint venture (equal investment type) as well as a merger (major-minor investment type) according to Lindemann's definition (1999: 97-99). From a financial view, a joint firm will be responsible for profit and loss equally. Both sides of a joint venture have equal fiscal responsibility according to Chang (2009) . On the other hand, the financial responsibility is placed disproportionately on a merger type as a result of the capital re-establishment from original parties.

As for the second point, personal factor, it plays an important role to determine whether a co-branding can achieve the target. A product is designed and positioned to please customers so as to encourage their willingness to buy. As a result, identifying the target group and ascertaining customers' preference become the primary concerns when a venture engages the co-branding marketing. Sony Ericsson is a successful example of differentiating marketing segment by catering to different customers' favors.

With respect to product positioning, the unclear product positioning would generate the failure of economic gain, while the appropriate core positioning can bring steady increase in sales growth. There is a direct correlation between the customer preference and the product positioning. The better distinctive and attractive the product As a consequence, personal factor will affect sales performance which in turn to determine the marketing strategies.

2. SWOT analysis of co-branding joint venture---Sony Ericsson

SWOT analysis is divided into internal and external factors and used to evaluate its strengths, weaknesses, opportunities, and threats. The purpose of conducting this method is to ascertain what factors result in success of Sony Ericsson.

2. 1 Strengths

Sony Ericsson, which was mutually held by Sony Corporation and Telefonaktiebolaget LM Ericsson, was founded in October 2001 (Sony Ericsson 2010). As Chang (2009) points out, in 2001, Sony Ericsson had undergone financial loss which was 13. 6 million US dollars in its first quarter performance followed by a mere 5. 4% market share, but by 2006 this figure had a marked rise of 7. 4%. This co-branding joint venture has reversed the situation and with a rise to the top 4 in the handset brand ranking. In this case, SWOT method would be followed to examine the internal strengths and weaknesses as well as the external opportunities and threats contributed to a result of turning into profit from loss.

First of all, the most striking strengths of Sony Ericsson is brand image. After incorporating two corporations, the top priority is to build an explicit brand whose image can be embedded into consumers' minds. Just as the message that its brand icon, the distinct green symbol, conveys, it not only offers the entertainment but also a communication tool for users. As Andrew Warner, Head of Brand Management for Sony Ericsson illustrated there is instant involvement between customers and the Sony Ericsson brand (Sony Ericsson 2006). In other words, this is an interactive brand which offers a solid promise to buyers.

Secondly, this green icon stands for brand associations, which is defined as anything that can be connected to product brand in customers' thinking (Aaker, 2007). As can be seen, customer-oriented design is the second strength of this co-branding. The mobile devices are designed from the angle of an individual because the brand message is to emphasize on users' thinking. As a result, the product series is divided into several target segments with series J, K, W, T P, Z, X respectively dealing with different needs. With the aim of fulfilling the central concept of customer orientation design, its designing sector is separated into industrial, human interface, color and material designers and graphic parts, in turn, making its products user-friendly (Sony Ericsson 2010).

Thirdly, this co-branding is firmly supported by abundant resources from Ericsson's communication technology. According to Ericsson's official press website (Ericsson 2010), 40% of the world's mobile calls were transferred through its network, and 25, 000 patents are acquired like Bluetooth technology, High Speed Packet Access General Packet Radio Service (GPRS) and other accesses to broadband. In addition, Ericsson signed a contract with Melco Holdings, Japan's largest digital equipment manufacturer and the parent company of Buffalo, to acquire the latest WiFi technology patent license. Buffalo is Japan's largest manufacturer of WiFi and have accounted for approximately 60% of the market share. As a consequence, Ericsson demonstrates high performances of the network and high communication technology that can satisfy individual or even the business scope. On the other hand, Sony has a variety of products namely Audio, Video, Television, and electronic products, which could complement the audio and visual functions to give the joint venture a competitive edge. Thanks to the vibrant brand image, product series classification and the combination of an advanced audiovisual technology and network related resources, Sony Ericsson can be relatively outstanding in comparison to its mobile phone counterparts.

2. 2 Weaknesses

The selling price and comparable fewer handset models are the main shortcomings. Because Sony Ericsson mobile phones are priced in the comparative medium-high level, it may lose the large, potential, budget handset market. Although it offers a stable and advanced telecom platform, and it is equipped with multifunction like PDA, Cyber Shot, and social networking, it may still be hard to attract new prospects for their first trial mobile purchase of a new brand. Furthermore, there are fewer launches of new mobile phone models as opposed to its main rival, Nokia, 77 and 99 newly models displayed on official websites respectively this year (Sony Ericsson 2010, and Nokia 2010). The new launch of QWERTY handset is a case in point, which handset models are sustainably fewer than Nokia's, merely 5 as opposed as 14 categories. The mobile phone is a representation of both a communication tool and a personal style symbol. It is therefore, highly interchangeable and substitutable by a more fashionable and functional one. As a result, these two aspects, medium-high level selling price and fewer new models would harm its sales figures.

2. 3 Opportunities

With respect to Sony Ericsson's external factors, there are two aspects should be placed as the opportunities of a co-branding: the potential market growth , the changes of consumer behaviors coupled with demands of mobile phone characteristics. According to a Press Release (Ericsson 2010), there is an incremental growth in the number of mobile broadband users, it is forecasted that by 2015 the amount of users will be more than 34 million compared to only 360 million in 2009. Although some could say that the mobile phone market is mature and has almost reached saturation point, the estimated statistics still show that there is a promising future in the mobile phone sector. Moreover, consumer behaviors alongside with the demands of mobile phone features have changed so that to stimulate the purchase power. For example, the latest launch of Sony Ericsson Xperia™ smart phones, which are designed to aim at the high-end level. However, owing to higher demand for multifunctional characteristics, a traditional mobile phone cannot meet customers' need as usual and also be replaced by a smartphone which is small and stylish in appearance combining the comprehensive functions like GPS, WiFi and a 5 megapixel digital camera

(Sony Ericsson 2010). It can be conclude that the high-tech products create customers' desire to open and augment a potential market.

2. 4 Threats

Admittedly, the future of mobile market looks optimistic, but existing competitors pose a great threat to Sony Ericsson. Aaker (2007) emphasizes that the intensity of competitiveness depends on the scale of competitors, similarity of products, buyer power. The first significant threat is the scale of competitors. In spite of the fact that a joint venture contains the strengths of technology of both partners, the entry timing of the mobile phone market lagged behind its industrial competitors. Nokia entered its mobile realm in 1982 whereas Sony Ericsson was establish and initially engaged this field in 2001. (Sony Ericsson 2010 and Nokia 2010). The pioneer always reaps benefits because it takes advantages of market share and pre-empts latecomers. Nokia, therefore, seizes the initiative and becomes the leading mobile manufacturer. Secondly, the similarity of mobile phones may weaken its sales growth. Provided that buyers have the limited budget, they may choose the substituted product with lower price. In a way, similarity of products could endanger business revenue. The third potential threat is buyer power since they can bargain price especially in the competitive market. In the case of other alternatives available , buyer power would turn to be negative rather than positive.

2. 5 Discussion

Strengths and weaknesses are ascribed to internal factors which in this case play a major role to make Sony Ericsson successful. Because strengths accompanied with the influential brand image, the customer-driven design as well as plentiful hi-tech resources outweigh its internal weaknesses. Meanwhile the weaknesses of being less competitive on selling price can be bridged by other strengths. Moreover, the impressive brand image overcomes the threats of being late to the market and similar handset features to competitors.

Conclusion

Co-branding is not only employed to gain the profits for venture partners, but also a proper approach to reduce risk to a large extent when a joint venture penetrates a new market. As can be seen, the profits of this co-branding 'Sony Ericsson' brought are not only the boost of sales but also the brand value. It is pointed out that this co-branding creates synergy for both parties. For Sony, this co-branding is helpful to explore the mobile industry. For Ericsson, it maximizes Ericsson's strength, the superior technology, to increase the market share of the communication industry. SWOT analysis of the successful case in the mobile phone industry, as a result, supports that by far the most significant key factor of success is the internal strength which contributes to the well performance. It may be reasonably concluded that the leading Sony Ericsson turns into profit from loss because of its brand image being backed up by powerful supporting audiovisual technology and the network systems. It successfully embodies the brand position by acquiring customers' preference. According to Blackett and Russell (1999), the aim of joint venture co-branding is based on a long-term cooperation. It should be noted that this project only concentrates on the discussion and analysis of the joint venture co-branding. Other genres, like the co-branding for short-term mutual goals, lie outside the foremost of this work. Further work could be done in this area. This would be of interest to the firms who like to boost sales in a certain period.