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Samsung Electronics: TV in an Era of Convergence

Questions

1. Why is the manufacturing of flat panel TV's migrating to different locations around the world?

The increasingly popular strategy of global sourcing is the primary reason why the manufacturing of flat panel TV's is being migrated to various locations around the world. Due to this popularity, there springs a greater need for businesses to be even more internationally competitive. this would not be achieved if the method of global sourcing was not utilized.

2. Who benefits from the globalization of the flat panel display industry? Who are the losers?

The globalization of the flat panel display industry makes businesses that outsource and global-source the clear winners, in this case Vizio. US consumers also benefit from the falling price of the flat panel display industry. On the other hand, those who continue the traditional method of manufacturing in a single country with high costs are the "losers" (e.g. Sanyo and Hitachi).

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Vizio and the Market for Flat Panel TVs

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Terminology

Outsourcing:

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Global Sourcing

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Utilize

-

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Main idea:

- emphasis on global sourcing
- use of outsourcing
- increasingly competitive international market

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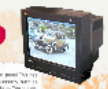

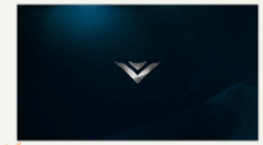

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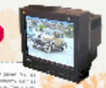

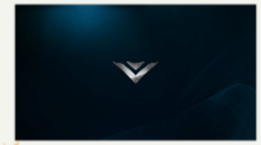

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They begin as glass panels that are manufactured in high-tech fabrication centers in South Korean, Taiwan, and Japan. Operating sophisticated tooling in environments that must be kept absolutely clean, these factories produce sheets of glass twice as large as king size beds to exacting specifications. From there, the glass panels travel to Mexican plants located alongside the U.S. border. There they are cut to size, combined with electronic components shipped in from Asia and the United States, assembled into finished TVs, and loaded onto trucks bound for retail stores in the United States. It's a huge business. U.S. consumers spend over $35 billion a year on flat panel TVs.

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on flat panel TVs.

The underlying technology for flat panel displays was invented in the United States in the late 1960s by RCA. But after RCA and rivals Westinghouse and Xerox opted not to pursue the technology, the Japanese company Sharp made aggressive investments in flat panel displays. By the early 1990s Sharp was selling the first flat panel screens, but as the Japanese economy plunged into a decade-long recession, investment leadership shifted to South Korean companies such as Samsung. Then the 1997 Asian crisis hit Korea hard, and Taiwanese companies seized leadership. Today, Chinese companies are starting to elbow their way into the flat panel display manufacturing business.

As production for flat panel displays migrates its way around the globe to low cost locations, there are clear winners and losers. U.S. consumers, who have benefited from the falling prices of flat panel TVs and are snapping them up. Efficient manufacturers have taken advantage of globally dispersed supply chains to make and sell low-cost, high-quality flat panel TVs. Foremost among these has been the California-based company, Vizio. Founded by a Taiwanese immigrant, in just six years sales of Vizio flat panel TVs ballooned from nothing to over $2 billion in 2008, and in early 2009, the company was the largest provider to the United States market with a 21.7 percent share. Vizio, however, has less than 100 employees. They focus on final product design, sales, and customer service. Vizio outsources most of its engineering work, all of its manufacturing and much of its logistics. For each of its models, Vizio assembles a team of supplier partners strung across the globe. Its 42-inch flat panel TV, for example, contains a panel from South Korea, electronic components from China, and processors from the United States, and it is assembled in Mexico. Vizio's managers scour the globe continually for the cheapest manufacturers of flat panel displays and electronic components. They sell most of their TVs to large discount retailers such as Costco and Sam's Club. Good order visibility from retailers, coupled with tight management of global logistics, allows Vizio to turn over its inventory every three weeks, twice as fast as many of its competitors, which is a major source of cost saving in a business where prices are falling continually.

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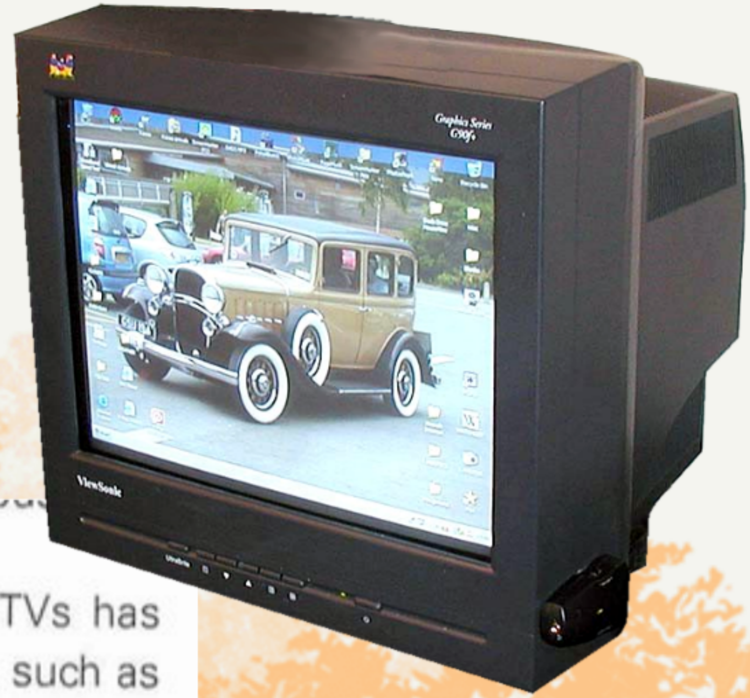
SANYO



where prices are falling continually.

On the other hand, the shift to flat panel TVs has caused pain in certain sectors of the economy, such as those firms that make traditional cathode ray TVs in high-cost locations. In 2006, for example, Japanese electronics manufacturers Sanyo laid off 300 employees at its U.S. factory, and Hitachi closed its TV manufacturing plant in South Carolina, laying off 200 employees. Both Sony and Hitachi of course both make still make TVs, but they are flat panel TVs assembled in Mexico from components manufactured in Asia.[13]

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Questions

3. What does the example of Vizio tell you about the future of production in an increasingly integrated global economy?

Vizio's example sets the high standard for businesses to follow. It is the model enterprise that uses an increasing amount of outsourcing and global sourcing, strategies that businesses would need to adopt if they are to maintain their position in the ever-growing competitive market.

4. What strategies do business enterprises need to adopt in order to survive in a highly competitive global market?

A strategy that business enterprises would need to adopt in order to survive the competitive global market is to make the most of "modern communications technology" (namely the internet) as a way to outsource service and manufacturing activities to low-cost producing nations. This would maximize efficiency and therefore keep the business alive among the global market.