

CASE STUDY: AKIMINE LTD.

TEACHING NOTE

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1. Overview and Synopsis

The founder of the company, Mr. Kobayashi, came from China and decided to stay in Japan to originally engage in the production and sale of recycled PCs. Later on, however, he was forced to shift his focus from PC to LCD TV panels. The price of new PCs were becoming lower with more features and his recycled PCs became less attractive for consumers and the export market in developing countries. While his LCD TV business looked stable at the beginning, the same thing happened to the TV market, namely, lowering prices of new TVs with more attractive features. To survive in the IT business, he had to redirect his business to digital signages.

This case illustrates the difficulties SMEs encounter in the fast-moving IT industry. The judgment and foresight of the management are crucial factors to survive and grow.

Type of Course: Business Development and Marketing

2. Teaching Objective

1) Short Product Cycles

In the electronics industry, flexibility is imperative: quickness in decision making and taking fast action. The product cycle is getting shorter, quality is getting better, and the price is getting lower.

The main reason why Japanese electronics manufacturers are losing market shares is they could not make quick decisions to adjust their products to match with their competitors. The decision-making process of most of the Japanese companies has not basically changed over the past 50 years. The decision-making process takes long time, requiring approval from each level of organization.

In the case of Akimine, the quick decision, quick action, and foresight of Mr. Kobayashi are the main factors of the success.

Cathode Ray Tube TV → Liquid Crystal Display TV → Plasma TV LED →
TV 3D TV → what is next?

2) Risk of Depending on One Large Client

In 2007, the company received an order of 20,000 television sets from Toyoko Inn Group (TIG). Unfortunately, in 2008, TIG cancelled the order with little notice. In 2012, the company still carried more than 4,000 sets of inventory. How can a company avoid such risk?

3) Advantage of OEM Contract for Smaller Companies

An **OEM** or **Original Equipment Manufacturer**, manufactures products or components that are purchased by another company and retailed under that purchasing company's brand name. When smaller companies are doing limited production runs, it would be beneficial to enter into an OEM contract with those companies who offer flexibility and ease human resources issues. The business model for the OEM is to specialize in large economies of scale in manufacturing, raw materials procurement, and pooling together resources, industrial design expertise as well as create added value services such as warranty and repairs. This frees up the companies who do not need to manufacture and retain huge product inventories. Therefore, they can respond more quickly and efficiently to sudden spikes in demand.

4) Why We Need to Shift to Digital Broadcasting from Analog

Even though this is not a science class, it is worth knowing the difference between analog and digital and why we are shifting to digital programming. As a technology, analog is the process of taking an audio or video signal and translating it into electronic pulses. Digital on the other hand is breaking the signal into a binary format where the audio or video data is represented by a series of "1s and "0s.

Basically, analog is not as efficient as digital TV, it uses up a lot more of the valuable Broadcast Spectrum than digital transmissions. The Broadcast Spectrum is the airwave space that TV Stations are licensed to broadcast on.

TV stations can only transmit one at a time a channel of programming with an analog signal whereas with a digital signal, the station can transmit up to four or more programs in the same amount of spectrum. This is known as multicasting. In this system, broadcasters are able to offer more choices of programming, including high definition (HD).

Because digital television technology allows much more information in one signal, multiple channels can be transmitted on the same wavelength, instead of just one. TV stations will be able to offer more choices of programming, more local channels, and high definition (HD). Each separate program stream is called a multicast.

Cutting out the analog portions of the broadcasting spectrum frees up areas used for two important purposes:

- It will be given to each nation's firefighters and police, to better communicate during emergencies.
- The remaining spectrum will be auctioned off to provide innovative wireless broadband services to consumers.

Digital TV technology can also be used for interactive video and data services, such as enhanced closed-captioning and games that are not possible with traditional analog technologies.

3. Suggested Time Allocation Plan

- Introduction (10 min)
- Discuss underlying issues (20 min)
 - Shorter product cycles of the industry;
 - Payment collection for international transactions;
 - How to market overseas;
 - Nation-wide business versus community based business for small and medium sized enterprises;
- How to cope with sudden-order cancellations (10 min)
 - OEM contract to reduce risk of carrying large inventories;

- Requesting buyers to make downpayments; and
- Kanban system (minimum inventory).
- What advice will you recommend for future growth? (20 min)
(such as international marketing and further diversification?)
- Wrap up including closing statements (10 min)
 - Difficulties to overcome for SMEs to prevail in the consumer IT market.
 - Why do we need to shift from analogue to digital?
 - Key factors for success (quick decision, quick action, foresight, etc.)

4. Guide Questions

Q. Was it a right decision for Mr. Kobayashi to shift from recycled PC to recycled LCD TV and to the digital signage business?

A. Let the class discuss this problem and come up with answers.

Q. Can SMEs prevail in the digital signage market and if so, how?

A. Yes, there is a niche market for SMEs, namely, community-based targets such as city halls, local small to medium-sized companies, and shopping malls.

Q. Can this business model work in your country?

A. Let the class discussions thresh out the answers to this question.

Q. What does Mr. Kobayashi have to do to prepare for future growth?

A. Again, encourage the class to discuss on this matter and come up with answers.