Market Entry

An analysis of firm entry into the HDTV market

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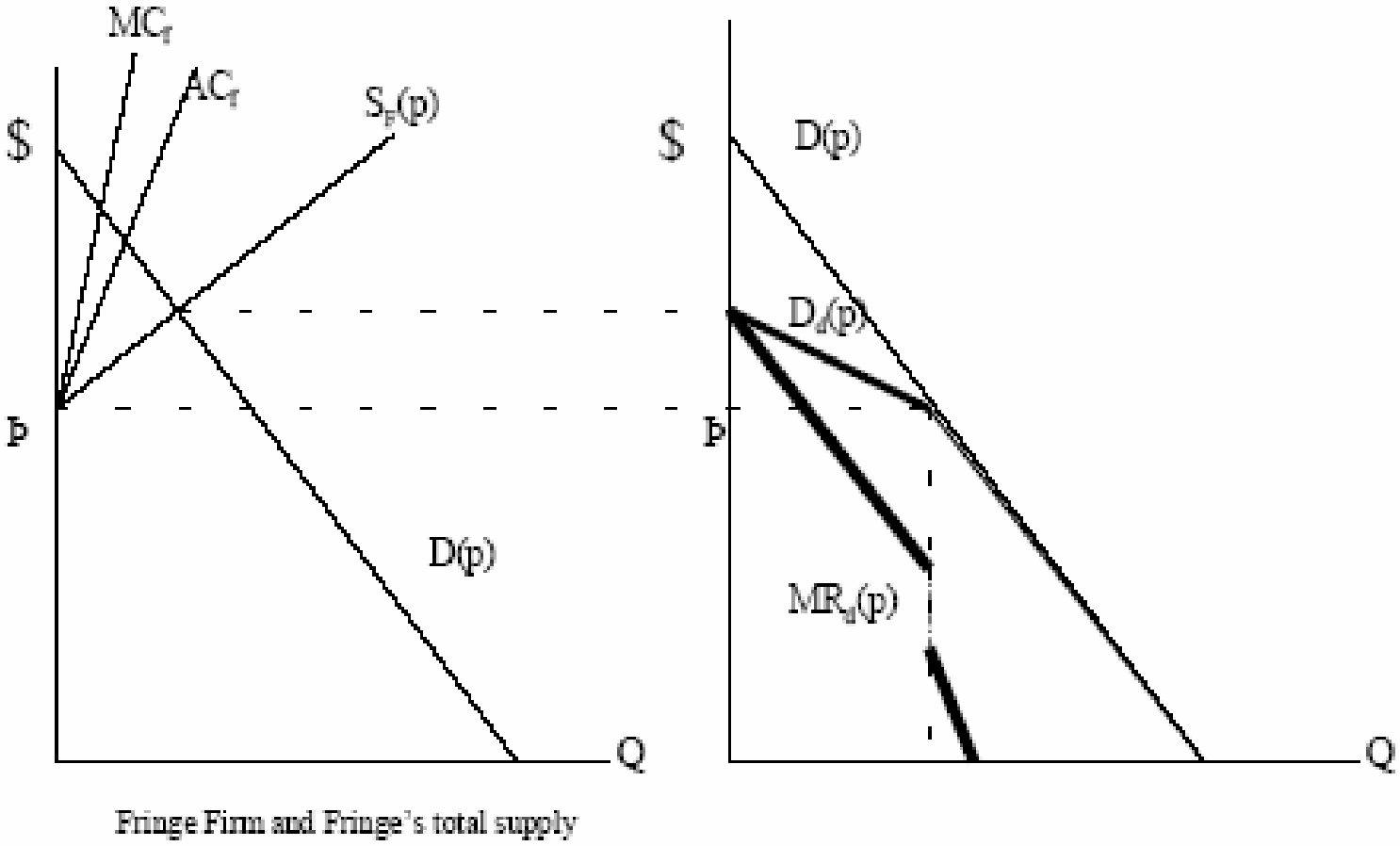
March 13, 2007

EEP 142 – Industrial Organization

Market for HDTVs

- Relatively new and growing
- Market structure: dominant firm leaders and the “value-priced” fringe
- Challenge: how can a new (fringe) firm capture more of the market?

Industry with several dominant firms and competitive fringe



Case Study: Syntax-Brillian

- Newcomer to the market: producer of HDTVs under brand name *Olevia*

- Merged with Vivitar in November 2006 *(one week before thanksgiving sales…)*

Entering a Market

How does a new firm enter a developing market with dominant firms?

Syntax-Brillian Strategies

1. Low costs: subcontracting
2. Aggressive advertising
3. Pricing decisions

Subcontracting

- Syntax-Brillian owns no factories. Buys panels and has contracts with four manufacturers to assemble TVs.

- Three plants in China. New assembly plant in Ontario, CA – *Made and Assembled in the U.S.A.*

Ad Campaign

- July 2006: Major marketing agreement with ESPN and ABC Sports

  https://r.espn.go.com/espn/contests/olevia/index#

- $2.4 million in past 3 months, 10-fold increase
- Increased brand awareness 164% among adults, 174% among males aged 18+

Pricing

- Black Friday: Slashed prices

"If his Olevia line of televisions was ever going to get any attention from consumers, Vincent F. Sollitto Jr. would have to do something big splashy and, in economic terms, just plain crazy." (New York Times)

- Contracts with distributors (Circuit City, etc.) that they *must* sell at $499.99
- Results: $242.5 mil revenues in quarter ending Dec 31, 2006 (303% increase from 2005)

Trade-offs

- Subcontracting: keeps prices low, but limits control over production
- High cost advertising, but may be sacrificing lucrative deals
- High quality vs. low prices

Biggest future challenge: meeting demand

- Syntax-Brillian 6 month stock history
- http://www.google.com/finance?q=BRLC