

Hitachi must fit into the eco-conscious new era

BRAND HEALTH CHECK

There are plenty of Japanese technology brands in trouble at the moment, but Hitachi is perhaps suffering more than any other.

The company last month posted a net loss of 787 billion yen (US\$8 billion) for its fiscal 2008. It was the company's third year in the red, and a deterioration from 2007's 58.1 billion yen loss. It was also the second-largest loss in Japanese corporate history.

Hitachi cited falling sales of its flat-screen TVs and other digital appliances, and falling demand at its automobile, semiconductor and industrial equipment businesses, mainly due to a decline in overseas demand. Also, the strength of the yen has compounded problems for export-reliant companies.

Hitachi is typical of the Japanese electronics sector. Founded in 1910, it boomed during the 80s and now has a vast array of loosely aligned businesses ranging from nuclear power to MP3 players. Its consumer positioning has been built around the strapline 'Inspire the next' since 2000. The launch of that positioning was designed to help unify its business. It doubled its corporate ad budget and hired a single global agency, McCann Erickson, to oversee its roll-out.

At a press conference in April this year, Takashi Kawamura, Hitachi's incoming president, chief



Hitachi... a fall in demand for its goods has attributed to its recent decline

executive and chairman, outlined his plans for the company, which include a greater focus on its social innovation business. He said he would seek to fuse Hitachi's know-how in information and power systems, boost the company's global presence and expand environment-related businesses.

Analysts remain unconvinced. "We doubt Hitachi has the capabilities to aggressively implement measures for expanding its social innovation business, given the slow management pace and financial restrictions, and maintain our view that it is likely to lag income reforms within the sector," said Credit Suisse analyst Hideyuki Maekawa in a recent report.

Serious work may be needed to restore the brand to its former glory.

Got a view?
Email feedback@media.asia

FACT BOX

● In May, Hitachi announced a net loss of 787 billion yen (US\$8.2 billion) for its fiscal 2008, a sharp deterioration from last year's 58.1 billion yen loss.

● Hitachi has already announced it will cut 7,000 jobs, or nearly two per cent of its global workforce. It is planning to consolidate flat-panel TV factories outside Japan and expand outsourcing to cut costs.

Diagnosis 1



In the 80s, Matsushita, Toshiba, Sony, Hitachi and Yamaha were synonymous with innovation.

As a major Japanese corporation, Hitachi acquired businesses which were different from its core business. It diversified. Unfortunately, diversification does not work very well any more.

Competition from Korean and Chinese manufacturers increased the pressure on pricing, reducing the company profit margin, and limited R&D investments for the future.

The economic downturn has amplified the situation. The stronger yen against the US dollar has resulted in order cancellations.

Today, Hitachi is considered a multinational entity with unclear values and product portfolio. The brand needs to restructure, to reconquer consumers with a clear product offer and clear added value based on consumer needs. It must make every activity independent and profitable.

Consumers are confused and thus are not buying Hitachi products. Investors are confused and thus weaken the brand assets.

Hitachi needs to take a decision to focus on its core business, and cut some activities to preserve its core identity in order to survive and renew.

Gregory Birge, managing director, F5 Digital Consulting

Diagnosis 2



Hitachi already has a brand position of inspiration and vision in its 'Inspire the next' strapline.

Will it live up to its mantra of 'Inspire the next' or will it succumb to 'Survive the next'? Is the culling of 7,000 employees inspiring the next, and, if so, what 'next' might that be? Is the shifting of the senior management team part of its pioneering spirit, or is it a long overdue change?

While it may be unfair to hammer away at any particular company in these extraordinary times, it may not be unfair to wish for an inspired change, something different than the current lemming syndrome of slash and burn to show immediate recovery and market confidence.

I urge Hitachi to consider a total re-tooling and reshaping of itself with the goal of becoming one of the most efficient, eco-friendly companies on the planet. It should aggressively streamline its products to fit the needs of society in this new era.

We do not need more flat-screen TVs, we need better batteries for vehicles, new innovations for home energy, and industry that cleans the environment.

Hitachi — the words are in your company ethos, so we wait with anticipation for you to realise them.

Alejandro Lopez, media tailor, Suitmen Entertainment

ADVERTORIAL

Allyes AdNetwork celebrate coming TOP in China Internet Advertising Market in 2008

Allyes AdNetwork is a leading interactive marketing services provider focusing on Internet advertising technologies, online media agency services and performance-based marketing.

Allyes was first established in October 1998 and having been invested in by IDGVC in 2000, quickly expanded its operations, seeing turnover double each year. In September 2005, Allyes secured an additional US\$30 million investment from IDGVC and OAK Investment Partners, with the aim to further expand the business. In March 2007, Focus Media Holding Limited (Nasdaq: FMCN) acquired Allyes AdNetwork.

Allyes is the largest Internet advertising agency in the Chinese Internet advertising services field. In 2008, CR-Nielsen, the joint venture research company of Nielsen Online in China, re-



ported that Allyes AdNetwork's agency income exceeded RMB2.3 billion and ranked Allyes in first position in their TOP Online Advertising Agency Survey.

The Internet advertising technology service is the other advantage of using Allyes. The Allyes technology division develops and maintains the largest internet advertising delivery & measurement system in the China Internet market. This

system supported approximately 54.1 billion online ad requests per month in the past year. CR-Nielsen reported that Allyes's average month shared approximately 77% of the total ad impressions in the China Internet advertising market in 2008.

In the China performance-based marketing field, SmartTrade — the pay for performance online advertising platform founded by Allyes in

2004 — is one of the leading networks. SmartTrade's income in 2008 exceeded RMB55 million and ranked in the TOP 5 pay-for-performance online advertising networks in the China Internet market as reported by CR-Nielsen.

Allyes' mission is to become the worldwide industry leader in enhancing ROI for not only web publishers but also online advertisers via advanced Internet technology.