Panasonic’s Collaborative R&D for a Better Life in a Better World

November 14th, 2013

By Celina Jiang, Ph.D. Candidate, Department of Electrical Engineering at Stanford University

Innovation and Transformation

Indeed, nearly every single Japanese IT company in recent times has been challenged with the embarrassing and thought-provoking question, “What do you think has caused the downfall of the Japanese tech companies in the Web 3.0 space?” These questions have been sharp and when we think about it, it seems that everyone has the answer: “Yes - Japanese IT companies are slow to react to the challenges abroad.” And when you break it down just like an onion, the more layers you peel, the more painful it is going to get: culture is one of the most important reasons; however, deep down, it is worth our time to examine the DNA of the company.

It just so happened that one week after Dr. Takeshi Uenoyama at Panasonic Research Center made his speech in our class that I went to another talk: “Dare to Fail” by Zhang Jindong, who is the CEO of the largest home electronics chain in China, Suning. The company established its first overseas research center in lieu of another 11 to come in the coming year or so and seeks to develop technology in the area of cloud, big data, user experience enhancement and of course, M&A. There might literally be no connection with a home electronics chain in any of those business 10 years ago, however, under the bold title of “Dare to Fail”, Zhang is announcing his stride into the web business bravely, with the recent acquirement of PPTV, the online video website to promote more advertisement and user experience in online shopping process.

Back track to 10 years ago, Japanese IT companies were exactly at the height of their times. In 2000, Nintendo, Sony, Sharp and not to mention, Panasonic almost dominated the consumer electronics market. And suddenly, when Apple announced the iPhone (especially in 2012), nearly all of the Japanese company’s stocks plummeted due to overseas competition.

I searched the recent 10K announcement by Panasonic, the title “Innovation and Transformation” lay right in front of me. Transformation.

Indeed, there is only one way to go. With the cloud computing, big data analytics and smart cities/homes, the need to innovate on top of their original business model is unavoidable. And we can understand why the original service model was flawed: people are going for even lower costs and better user experience. It could even be dated back to the 1990s, the Open Software movement where the software service model completely changed people’s lives and then, there is cloud computing SaaS and then we are seeing cloud computing going mainstream with the need for big data analytics.
So Panasonic has the CV205, which is the transformation statement to do only 2 things: 1) Get rid of unprofitable business lines like Plasma Display Panel, Consumer Electronics (I actually wonder why they only stopped it this year) and 2) Focus on new opportunities, namely automotive and housing.

This is the right thing to do given Panasonic’s tradition of excellence in both areas: it has been the no.1 market leader in automotive battery supplies and this
year, on top of that, Panasonic is aiming to increase the advantage even further by partnering with Tesla Motors and expand their salesforce into U.S. and China. With greater connectivity in the automotive industry, they seek synergy in all of their businesses and of course, the other area is home. Panasonic offers a whole suite of consumer electronics products, smart meters and power readers to champion their initiatives in greener housing. And guess what, we have seen improvements in Panasonic’s stock performance in the last 3 months:

![Stock Performance for 5 companies](image)

To compare the performance of the giant Japanese corporation, I did research on Google Finance to find out more.

Here, from top to bottom, we have the recent 3-month stock returns by some major Japanese technology companies: Panasonic, Toshiba, NEC, Sony, and Sharp. The 2 closest comparable companies to Panasonic might be Sharp and Toshiba, who are also a major player in the display and HEMS market. Also, Sony s making big moves into the increasing mobile market while NEC is doing much work in acquiring optics patents, building up the strength of a 2B market player, we are seeing that both companies seem to be performing under expectations given the baseline analysis.

This analysis only serves as an estimate to the investors’ confidence level to the company but we get a lot of useful information from this chart. For Panasonic, the transformation happens with its brevity to change, or even to pronounce the word “change”. It is brave to pare down unprofitable business to only focus on 2 main areas: automotive and home, for which they have been a traditional leader in, and again, Panasonic is able to realize that the importance of the sales force in this downfall has caused a pinch in the company: there has to be more aggressive sales in bad times more than ever. On top of the 2 strategies above,
Panasonic is pushing more into reducing costs and expanding globally. We really wish them good luck.

Lastly, if there is anything that I wish to say, it still goes back to the DNA of the company. Panasonic started off as a home electronics maker, providing TV sets to the Japanese people during the war times. This is also the reason why to a certain extent, doing business in mobile phones or even mobile internet is not in the DNA of the company. It is only with focus and determination can Panasonic succeed in this cold winter of transformation and transform well, Panasonic.