As Apple and Samsung dominate, Japan’s tech giants are in a free fall

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While electronics giants Apple and Samsung fight each other for market dominance, with hotly competitive product releases and tit-for-tat patent lawsuits [1], Japan’s consumer electronics makers find themselves in an increasingly perilous fight for relevance and, in some cases, survival.

Companies such as Sony, Panasonic and Sharp once controlled the industry, outclassing and outselling their U.S. rivals. But now they represent the most alarming telltale of corporate Japan’s two-decade struggle to adapt, downsize and innovate.

While the Japanese economy staggers, the consumer electronics companies are in an accelerated free fall, unable to catch on in the digital world of tablets and smartphones. They’re cycling through executives, watching their stock prices dip toward 10-year lows [2] and laying off employees; Sharp recently reported plans to slash nearly one-fifth of its workforce. The companies — bleeding money on their once-profitable televisions — have also set off on a nontraditional hunt for profits, developing everything from solar panels to medical devices.

The companies still have famous brand names, and tech analysts say they still produce some of the world’s highest-quality hardware devices. But they face a fundamental problem: It’s been years since they’ve turned out products that people feel they need to have.

Those who study the consumer electronics industry describe a decade of missteps and miscalculations. Japan’s giants concentrated on stand-alone devices like televisions and phones and computers, but devoted little thought to software and

the ways their devices synced with one another. As a result, their products don't always work in harmony, in the way an iPhone connects naturally with a laptop and a digital music store.

In other cases, the Japanese companies were simply too slow to turn cutting-edge technology into usable technology. Sony, for instance, was early to embrace e-book technology, but struggled to pair it with intuitive software or an easy-to-download selection of books. The companies also completely missed the rapid rise of smartphones, with Apple and South Korea's Samsung grabbing the majority of the market.

Even the Japanese companies' strengths matter less now, as consumers have lost the willingness to pay a premium for quality. Sharp and Sony and Panasonic make among the world's best televisions, for instance, but such Korean competitors as LG and Samsung have found ways to make products that are almost as good for far less money.

"In the past there was a huge gap between the best of breed and second best," said Michael Gartenberg, an industry analyst at Gartner, a technology research company. "Now, maybe there's still a small gap between a Sony high-definition screen and an LG screen, but most consumers can't see it. And if most consumers can't see it, it's not there.

"Japanese companies," Gartenberg added, "were busy defending old business models that the world simply bypassed."

The pace of problems is accelerating. Sony hasn't made a profit in four years. Panasonic has lost money in three of the past four. Along with Sharp, the companies' combined market value, according to Bloomberg [3], is $32 billion — making them one-fifth the value of Samsung and one-twentieth the value of Apple.

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