Japan Stalls and What That Means to the Industry

By Douglas I. Sheer

The news from Japan in March has been not just a humanitarian calamity of immense shock, but also one of world-wide concern for our industry. Because, while the broadcast and professional electronics market, generally, has been on the mend and purchase plans for 2011 implied a strong recovery, especially in the Americas and Asia, Japan had already been seen as somewhat lagging due to its own unique economic problems at home. Exports of electronic products, both consumer and professional, could have been expected to lead the way back. And, of course, in our industry that has meant mainly broadcast products.

But, as a result of the 9 point earthquake and resulting tsunami and damaged nuclear facilities, Japan is experiencing shortages, plant shutdowns or slowdowns, rolling power blackouts, transportation snarls and people dislocation. Not only is this affecting the North Eastern part of the country but Tokyo and the heartland. The initial response by Japanese manufacturers was to carry on, but many plants in the North were shuttered immediately after the events. Others have since felt the impact of slow or no deliveries of vital sub-components or accessories. Until ten days later major operations of the largest firms, such as Sony were not directly affected, but then the Tokyo area Atsugi broadcast plant announced a slowdown and closure of some assembly lines. Other companies like Panasonic and Sanyo, both in Osaka in the South, were less affected. But, generally, the manufacturing parts of the industry were slowed. The infrastructure of electronics manufacturing in Japan involves an intricate network of supporting companies scattered throughout the country.

How this will hit the global market remains to be seen, certainly it will cause months of delayed deliveries of already sold products or replenishments of stocks of foreign inventories. It will also, where this is feasible, cause a shifting of manufacturing to other countries, such as Brazil, China and South Asia. So, it will be difficult to precisely gauge how much disruption of the product shipping flow will be caused, perhaps until summer. But, it is likely to be felt.

Another aspect is competition. While there are few alternatives to Japan when it comes to camcorders, there are alternatives in cameras, in editing, in switchers in displays and in many products. Any prolonged delay or disruption in Japan will clearly play into the hands of foreign competitors and that may be seen as soon as the NAB Show and its aftermath. We would expect to see – in 2011 research studies – at least a visible shift from Japanese goods to other Asian suppliers or goods from Western firms. There is an inherent profitability in depleting warehoused inventories and the end-users will be likely beneficiaries of that phenomenon in 2011. There may be an impact on the introduction of new models.

Will all this cause layoffs at Japanese firms? Perhaps it will. But, with the Recession so close behind us, and in some places still alive, those companies have already shed many staff and reorganized themselves at least once. So, seeing the rising demands, worldwide, and their already short-staffed levels, they may prudently hold on to the people they have. And, once they can re-start their engines of production they will need every qualified person they have to catch up with the building demands of the product channels.

At this writing, the questions remain, just how long will the nuclear threat persist? How long will production remain interrupted? How long will it take Japan to rebuild? What will the total cost to be? Until those questions are answered, we will have to assume that there will be a prolonged impact on the country and on the flow of products and therefore on the rest of the industry.

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