

Vizio: Disrupting Another Market

Before he turned 30, William Wang was a successful entrepreneur whose company, MAG Innovision, specialized in computer display screens. In 2002, Wang used \$600,000 from the sale of MAG Innovision to launch Vizio Inc., which has surged past industry icons such as Sony, Sharp, and Samsung to become the fastest-growing maker of flat-panel televisions in North America. Wang's well-executed cost leadership strategy, much of which he developed from the mistakes he made at MAG Innovision, is the key to the company's success. When he started Vizio ("Where vision meets value"), high-definition televisions sold for \$8,000, but Wang's vision was to offer quality products and to keep costs low, enabling his company to sell televisions at half the going price. "When I started this business, I believed we could do all of the things we're doing today," he says.

A lean operating strategy has been a hallmark of the Irvine, California-based company since its first day of operation. Outsourcing most functions, including tech support, warehousing, shipping, and research and development, and keeping its employee ranks lean hold operating costs well below the industry average. Vizio's overhead costs are less than 1 percent of its sales, far below the 10 percent of sales that those costs represent at its competition. "Every single dime counts," says Wang. Because concept development, marketing, and customer service are keys to success, Wang intentionally keeps them in-house. Vizio's distribution network is consistent with its low-cost strategy, relying on discount chains such as Sam's Club, Costco, and others to reach mass-market purchasers who tend to be price sensitive.

Wang recently extended Vizio's low-cost strategy to another maturing market that is ripe for a shake-up: personal computers. "If you rewind eight to ten years, the TV market looked similar to the PC market today," says Matt McRae, Vizio's chief technology officer. "It was a mature market with lots of companies. We did pretty well. We're now the number one TV company in the United States. We've done this before." Vizio introduced a line of computers and laptops that are as stylish as Apple's successful Macintosh line but run the Microsoft Windows software that drives 90 percent of the world's computers. The computers sport clean lines, machined lightweight aluminum bodies, and powerful, high-performance components. "PCs have become a sea of black plastic," says McRae. "We're building a product people want." What Vizio's computers don't include is the "bloatware," the preloaded software that clogs most other PCs, which means that Vizio's computers boot faster and run cleaner.

Maintaining consistency with its low price image, Vizio's computers are priced below Apple products and below competing PCs and laptops with prices that start at \$898. The company's

high-end computer, an all-in-one desktop with a crisp, 27-inch display, starts at just \$1,098. "Our target audience is people who can't afford a \$2,000 computer," says Wang. Vizio, which has a very small engineering staff, spent two years designing its line of computers and worked closely with key suppliers such as graphics card manufacturer Nvidia, chip maker Intel, and software designer Microsoft to optimize designs on the components and the systems that run them. "Vizio is doing a good job listening and taking advice from the experts on how to optimize hardware and software," says Steve Guggenheimer of Microsoft. Relying on experienced companies to assist in the design of its computers not only maximizes the machines' performance but also controls costs and allows Vizio to focus on providing a positive customer experience. Because the people who purchase computers are more likely to require technical support than those who purchase televisions, Vizio has decided to maintain all technical support services for computers in-house at its service center in Dakota Dunes, South Dakota. Vizio also keeps distribution costs under control by selling its computers through most of the same outlets that it uses to sell its popular line of televisions, including Walmart, Sam's Club, Amazon, Costco, and Target. The company also sells the computers through portable pop-up mini-stores made from old shipping containers that it sets up on college campuses, at music festivals, and other events. "If anyone says you can't disrupt a mature market, they're wrong," says McRae.

1. What challenges does Vizio face as it attempts to introduce a new line of products into a mature industry?
2. Use the resources of the Internet to learn more about Vizio. Describe the company's strengths and weaknesses. What opportunities and threats does the company face?
3. Which of the three strategies described in this chapter is Vizio using? Do you think that Vizio's strategy for competing in the PC and laptop market will be successful? Explain.

Sources: Based on Matt Krantz, "TV Maker Tuning in to Computers," *Greenville News*, May 27, 2012, p. 8E; Shara Tibken, "Vizio Launches First PCs; Pricing Starts at \$898," *Wall Street Journal*, June 14, 2012, <http://online.wsj.com/article/BT-CO-20120614-716795.html>; Joanna Stern, "Vizio Aims to Stand Out in Laptop Market with Clean Software and Design," *ABC News*, June 15, 2012, <http://abcnews.go.com/Technology/vizio-aims-stand-laptop-market-clean-software-design/story?id=16571082>; Jason Gilbert, "Vizio Computer Prices Revealed, New Products to Be Released 'Imminently,'" *Huffington Post*, August 7, 2012, www.huffingtonpost.com/2012/06/15/vizio-computer-thinlight-notebook-all-in-one_n_1599933.html; Sara Wilson, "Picture It," *Entrepreneur*, July 2008, p. 43; Matt McClellan, "The Big Picture," *Smart Business Orange County*, June 2008, www.sbnonline.com/Local/Article/14706/770/The_big_picture.aspx; "Vizio Announces Grand Opening of a New Customer Service Based Sales and Support Center," *Reuters*, May 14, 2009, www.reuters.com/article/pressRelease/idUS137503+14-May-2009+PRN20090514.