

COMPANY PROFILE

Harman International Industries, Incorporated

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TABLE OF CONTENTS

Company Overview 3
Key Facts 3
SWOT Analysis 4

COMPANY OVERVIEW

Harman International Industries, Incorporated (Harman or 'the company'), a subsidiary of Samsung Electronics Co. is a provider of designs and engineering of connected products and solutions for automakers, consumers and enterprises. The company engaged in the development, manufacture and marketing of audio products, lighting solutions and electronic systems. It markets its products under AKG, AMX, Crown, Harman/Kardon, Infinity, JBL, JBL Professional, Lexicon, Mark Levinson, Martin, Revel, Soundcraft and Studer brand names. The company's principal market includes the US, Europe, and Asia. Harman is headquartered in Stamford, Connecticut, the US.

KEY FACTS

Head Office	Harman International Industries, Incorporated 400 Atlantic Street Suite 1500 Stamford Connecticut Stamford Connecticut USA
Phone	1 203 3283500
Fax	
Web Address	www.harman.com
Revenue / turnover (USD)	
Financial Year End	
Employees	
Ticker	

SWOT ANALYSIS

Harman International Industries, Incorporated (Harman or 'the company'), a subsidiary of Samsung Electronics Co is engaged in the development, manufacture and marketing of audio products, lighting solutions and electronic systems. The company is one of the market leaders in designing and manufacturing digitally integrated audio and infotainment systems for the automakers. Strong market presence enhances brand image of the company and gives it a competitive advantage. However, intense competition in all its markets threatens to erode the company's margins and reduce its market share.

<p>Strength</p> <p>Strong presence in automotive infotainment systems market Market focus through strong brand portfolio Strong support of the Parent company</p>	<p>Weakness</p> <p>Geographic concentration exposing the company's business to unfavorable trends in Europe</p>
<p>Opportunity</p> <p>Growth through innovation and expansion Strategic collaborations Positive outlook of global automotive platforms</p>	<p>Threat</p> <p>Intense competition leads to reduced market share Currency risk Stringent environmental regulations</p>

Strength

Strong presence in automotive infotainment systems market

Harman is one of the market leaders in designing and manufacturing digitally integrated audio and infotainment systems for the automakers. The company operates through five business segments: Connected car, lifestyle audio, professional solutions, connected services and other. Under Connected car segment, the company provides embedded infotainment solutions, Telematics, connected safety solution and security for automakers. Infotainment solutions offer complete information, entertainment and communications capabilities, 3D and augmented navigation, multimedia support and smart apps for device integration, high speed connectivity, intuitive and multi-modal user interfaces, and a new generation of automotive cloud services. The Telematic solutions, an automotive connectivity solutions of the company helps to keep drivers and passengers in touch with the world around them Through connected safety, the company helps the drivers to drive carefully with rear-view and wide-angle camera applications. Harman's security solution develops secure connected car systems. The premium audio systems and infotainment product offerings of Harman are sold to a number of global automotive manufacturers including BMW, Daimler, Fiat Chrysler Automobiles, Geely, General Motors, Hyundai, Qoros, Subaru, Suzuki, TATA, Toyota/Lexus, Ssangyong, the Volkswagen Group and Yamaha. It also produces a Harman/Kardon branded infotainment system for Harley-Davidson touring motorcycles. Strong market presence enhances brand image of the company and gives it a competitive advantage.

Market focus through strong brand portfolio

The company has a strong brand portfolio across its audio products and electronic systems. The Lifestyle audio car segment consists of Harman/Kardon, Infinity, JBL, JBL Professional, Lexicon, Mark Levinson and Revel brands for vehicles. The company also has an exclusive license with Bowers & Wilkins, Bang & Olufsen and Canton brands to develop, manufacture, sell and service premium audio systems. The company also manufactures loudspeakers under the Harman/Kardon, Infinity, JBL and Revel brand names. It sells headphones, embedded audio products for consumer electronics and branded portable wireless speakers under the AKG, JBL, Harman/Kardon and Infinity brand names. The professional segment's brands include AMX, BSS, dbx, DigiTech, JBL Professional, Martin, AKG, Crown, Lexicon, Soundcraft and Studer. Harman's strong brand portfolio enables high customer recall. The company leverages its brand strength to drive topline growth and to attain competitive advantage over its peers.

Strong support of the Parent company

Harman, a subsidiary of Samsung Electronics Co is the core business of development, manufacture and marketing of audio products, lighting solutions and electronic systems. Apart from audio products, Samsung is also involved in the technology business venture capital investments; and manufacture of semiconductor equipment and components, as well as the provision of repair services for electronic devices. It offers digital TVs, monitors, and printers; mobile phones, smartphones, tablets, wearables, other phones, accessories, communication systems, and computers; memory and system LSI products; LCD and OLED panels; audio equipment, such as home entertainment systems, soundbars, sound tower. The products portfolio of the parent company helps Harman to expand its business. Harman's iconic audio brands and Samsung's leading display technologies would deliver enhanced audio and video experiences to consumers and professional end markets. Samsung provides Harman with the scale, platform and complementary technologies to growth and extend its market automotive, smart audio and connected technologies globally. Harman can leverage the resources of its parent company in order to tap opportunities across various market segments.

Weakness

Geographic concentration exposing the company's business to unfavorable trends in Europe

Harman faces various challenges from its geographical operation including economic, political and legal changes. The company is dependent on the matured Europe market for its operations and revenue generation. This dependency could make its business and operations vulnerable to region-specific trends. Such geographic concentration increases the risk that, should any adverse economic, regulatory, environmental or other developments occur in the Europe, the company's business and financial condition will be materially adversely affected. For instance, the global economic recession began in 2008 had a significantly affect in lower demand and decreased profitability across all of company's segments and major markets, whereas North America and Asia performance have improved, but Europe remains stagnant with continued economic and financial challenges. Again, exit of the U.K. from the European Union, have elevated concerns that macroeconomic conditions affected worsen and delayed in economic recovery. It affects negatively on the business, including customers or potential customers reducing or delaying orders, the insolvency of key suppliers, which resulted in production delays. Such changes

reduce customers demand for company's products and impact negatively.

Opportunity

Growth through innovation and expansion

Harman makes investments on its research and development activities in order to develop a variety of products. In October 2017, the company launched 'The Wireless Speaker and Audio (WiSA) Association', a new audio product with high resolution and wireless system. The new product would help the company to expand its vast home theater product offering by enabling the WiSA's technology. It would also offer the company to further raise home entertainment standards by promoting technical sophistication and ease of use. Again, in the same month, the company the company launched Harman Kardon Invoke, an elegant voice-activated speaker of Microsoft that can play music, manage calendars and activities, set reminders, check traffic, deliver the latest news, manages cell phone works. Invoke is developed for balancing the competing demands of work and home for busy people. It would help the company to deliver exceptional experience to every customer. Further, in September, the company launched 'Navdy with Harman' with the partnership of Group Renault, a car manufacturer company. Navdy with Hraman is a French language version product, developed by San Francisco-based company Navdy Inc. to provide automotive solution for drivers in Europe. In August 2017, the company introduced the JBL Boombox, a portable Bluetooth speaker which delivers sound and hard hitting bass. It is the innovative and cutting-edge product and would give consumers a powerful audio experience and increase the number of consumers. Again in the same month, the company introduced the Harman Kardon Allure, an intelligent speaker with Amazon Alexa Voice Service to deliver a beautiful speaker with astounding audio and help the company to attract customers with its innovative products. In June 2017, the company launched Sonique, a new Far Field Voice Input Technology. This technology is intended for the fast-growing market of devices in the Consumer Electronics, Enterprise, and Robotics spaces that utilize voice commands, rather than traditional physical inputs as a buttons, keyboard inputs, or mouse clicks. It would help the company to take a position in the global growth of voice activated devices and create business opportunities.

Strategic collaborations

Harman has been expanding its portfolio and strengthening its business through strategic collaborations. For instance, in March 2018, the company partnered with Samsung SmartThings to turn a traditional home into a smart home with sensors, smart devices and a native mobile application. In February 2018, the company collaborated with Open Mobile Platform to provide connected technologies for automotive, consumer and enterprise markets. In the same month, the company partnered with Samsung to build and deliver solutions on the Samsung ARTIK Smart IoT platform. In February 2018, the company partnered with PTC to integrate AR functionality into its HARMAN Media Suite with PTC's Vuforia AR platform. In November 2017, the company entered into an agreement to continue the development and selling of the Polycom RealPresence Media Suite and support for the Polycom Video Content Management portfolio. The Polycom RealPresence Media Suite would extend company's offerings for enterprise customers and add video recording, streaming and content management to their IoT (the internet of things) strategy. In September 2017, the company entered into collaboration with IBM, G+D Mobile Security and Irdeto present a multi-vendor automotive cybersecurity solution for OEMs and fleet managers. Collaboration

with these companies would help the Herman to deliver an industry-first cybersecurity system that will allow OEMs and fleet managers to benefit from a truly defense-in-depth security solution. Such partnerships and collaborations would enable the company to improve its profitability and enhance its market share.

Positive outlook of global automotive platforms

Harman believes the global automotive platforms, which shares a set of common design, engineering, production efforts, and delivery standards globally, will drive increased growth for the company. In April 2017, the company signed new contracts with Great Wall Motors, GAC Group and SAIC-GM-Wuling Motors for expanded connected car and in-car audio business in China. As a result, the company would have a stronger presence in China. The contracts with Great Wall Motors and GAC Group are extensions of Harman's multi-year agreements with the Chinese automakers. These automakers would help the company to redefine infotainment system standards for the local market and showcase advance in-vehicle connectivity to improve driver efficiency and minimizing distraction and simplifying the user experience. The expansion with Chinese automotive customers would help the company to create a comprehensive range of technical and manufacturing capabilities, which will position the company to continue to win business on global platforms.

Threat

Intense competition leads to reduced market share

Harman operates in a highly competitive market. The company competes with Alpine, Bosch, Continental, Panasonic, Visteon, and Mitsubishi Electric among others in the sale of infotainment systems to automotive manufacturers. Harman competes with Alpine, Bosch, Panasonic, Continental, Visteon, Mitsubishi Electronics, Aisin Seiki, Delphi and Denso in the sale of connected car systems to automobile manufacturers. The company's principal competitors in the Lifestyle Audio include Bose, Pioneer, ASK, Foster Electric, Sony, Lear and Panasonic. In the consumer audio and electronics market the principal competitors include Beats, Bose, Sony, and Philips. The company also offers embedded audio products for consumer electronics where the principal competitors are Creative Labs, Altec Lansing, Logitech, Klipsch and Cyber Acoustics. Harman offers professional solutions as entertainment market. The principal competitors in the entertainment market include Electro Voice, QSC, Meyer Sound Laboratories, Sennheiser, Peavey, Shure, Audio Technica, Yamaha, Loud Technologies, Inc., Lawo, DigiDesign/M-Audio and Sony. The principal competitors in the enterprise market include Siemens, Tannoy, Clay Paky, Robe Lighting, Lawo, Stagetec, Telex, Extron and Crestron. Under xconnected services, Harman competes with global and regionally-based companies such as Tata Consultancy Services Limited, Cognizant Technology Solutions, the Aricent Group and WiPro Ltd. Any further increase in intensity of the competition could result in price reduction, reduced margins and loss of market share. This could negatively affect its results of operations and financial condition.

Currency risk

Harman is an enterprise with worldwide operations. The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the European Union, Japan, and other

Asian countries. Since a significant portion of the company's revenues are generated outside the US currency region and the procurement of production material and funding are also organized on a worldwide basis, the currency risk is an extremely important factor for Harman earnings. The effect of changes in demand and refinancing conditions and fluctuations in exchange rates has a significant impact on the company's earnings. This is related in particular to the Euro, the Japanese Yen, and other world currencies, against the US dollar. The value of the company's equity investment in foreign countries may fluctuate based upon changes in foreign currency exchange rates. These fluctuations, which are recorded in a cumulative translation adjustment account, may result in losses in the event a foreign subsidiary is sold or closed at a time when the foreign currency is weaker than when the company initially invested in the country. Any unfavorable change in other currencies would have an adverse effect on the profitability of the company.

Stringent environmental regulations

The company's operations are subject to various environmental laws, including laws on air pollution, water pollution, toxic substances, waste disposal, product recycling, prevention of global warming and energy policies, in its global business activities. For instance, in Europe, the company is subject to the European Union's (EU) Directive on the Restriction of Use of Certain Hazardous Substances in Electrical and Electronics Equipment (EU RoHS). This directive restricts the placement into the EU market of electrical and electronic equipment containing certain hazardous materials, including lead, mercury, cadmium and chromium. Harman is also subject to the EU Waste Electrical and Electronic Equipment Directive, which regulates the collection, recovery and recycling of waste from certain electronic products. The EU has also enacted the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation. Certain of the company's lifestyle products require submission of energy-use profiles in accordance with the EU Energy Using Products Directive. Additionally, the US Department of Energy has promulgated a regulation pertaining to external power supplies and compliance with the energy efficiency standards that were established under the Energy Independence and Security Act of 2007. Harman's products may also become subject to further energy efficiency requirements if and when required under US Federal climate change legislation. Further in China, the company is subject to China's law on Management Methods on the Control of Pollution Caused by Electronic Information Products (China RoHS), which is substantially similar to the EU RoHS. The China RoHS requires the disclosure and marking of certain substances, including lead, mercury, cadmium and chromium in certain electronic products. These regulations could become more stringent or additional regulations may be adopted in the future. A failure to comply with these regulations may result in fines or other penalties, which will affect the company's business, financial condition and results of operations.

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