



Consumer electronics

How to turn risk
into reward

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Most consumer electronics firms fear they will go out of business if they cannot prove their commitment to sustainability. They need to innovate – but first, they will need a healthy relationship with risk.

Recent global disruptions have hit the consumer electronics sector hard. A combination of trade tariffs, inflation, the pandemic and Russia's invasion of Ukraine has sharply restricted the supply of key components, which creates a huge problem for manufacturing firms worldwide.

Many companies are learning that their business-as-usual approach no longer applies as they struggle to maintain their supply chains, logistics and distribution. Adding to this pressure are the growing demands of customers who want to know how companies are performing on environmental and sustainability matters.



Firms need to face their fears

To survive in these uncertain times, consumer tech firms need a different mindset. They must shift their attitudes to look for the opportunities in disruption – rather than the risks. However, new research from the leading digital manufacturer Protolabs suggests that the consumer electronics sector is largely opposed to risk – and this could be hampering its chances of success.

In a survey of 210 senior executives from consumer electronics businesses across Europe, more than half (54%) say they fear they could go out of business in a few years if they cannot demonstrate their sustainability credentials to the market, and nearly two-thirds (65%) say they see supply chain disruption as a risk to be managed. Only 20% see it as an opportunity that could lead to growth. And just 33% say that, in the past two years, their business has used innovation to seize an opportunity before their competitors.



But there are rewards for businesses that can embrace the uncertainty. Some, like the UK Hi-Fi manufacturer Monitor Audio, have found ways to accelerate their innovation in the midst of supply chain disruption. When a shortage of key components threatened its timescales, Monitor Audio took a calculated risk to adapt its manufacturing processes.

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Cal Shackelford, acoustic engineer at Monitor Audio

“The supply chain shortages basically forced us to change the way we develop products in certain ways,” explains Cal Shackelford, acoustic engineer at Monitor Audio. “In order to maintain schedules, we had to innovate to make things happen faster with confidence – because we can do things faster, but it will always be much more risky. So we had to keep that risk under control while still providing things at the speed they needed to be done.”

A new view of risk

This openness to change will become increasingly valuable for consumer electronics as the growing need for sustainability weighs on the sector. Unfortunately, the Protolabs research suggests that many businesses are seeing the issue in a negative light: nearly half (46%) say they are approaching sustainability as a potential risk rather than an opportunity.

But the demands for sustainability are not going away, warns Thomas Garbe, VP of innovation and alliances at BSH Home Appliances, a global manufacturer headquartered in Germany. They’re finding that consumers’ spending decisions are increasingly guided by a brand’s sustainability ethos.

“Sustainability is not a nice-to-have thing – sustainability is a must-have thing – because otherwise society and our world the way we know it will not exist,” he says. “You can’t say, ‘Yes, there is sustainability, but we don’t care,’” he explains “Reality shows that when you do intensive customer surveys today, the ambition to buy sustainable products is high.”

These ambitions range widely, too. Consumers want products to last much longer, rather than seeing them become obsolete in just a few years, and they want to know that the materials and methods used were sustainably sourced, with minimal impact on finite resources. For a sector where many products are designed to be replaced in the short term, this is a challenging shift.

For some, the shift has already begun. Sixty percent of respondents agree that responding to the silicon chip shortage had encouraged them to think more creatively as a business, while 50% say that an upside of recent supply chain challenges is that they are making “radical changes” to their operations that would otherwise have been difficult to push through.



But the fact that it took an unprecedented supply chain crisis to prompt these changes suggests that some consumer electronics firms have a hesitant mindset, and this could be holding some back. This is supported by the Protolabs research: 72% of senior leaders insist on “convoluted processes and controls”, and 77% are guilty of “hesitating at a crucial moment”. So how can they change this thinking and turn risk into reward?

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Adapting to uncertainty

It is clear that the consumer electronics sector has work to do, and unfortunately there is not a quick fix for culture. One starting point, however, is recruiting new staff with different perspectives. BSH Home Appliances achieves this by working closely with students, universities and other partners in order to share expertise. The firm has also streamlined its processes to make the most of resources that were previously scattered across the organisation. “Now, they are part of one organisation

to really leverage those synergies and competencies and to be ready for the future,” says Garbe.

And sometimes, says Shackelford, you simply have to be willing to abandon a project that is stalling and accept the loss. Rather than see these situations as a risk that failed, Monitor Audio sees them as a learning experience that can contribute to future research and development.

“As an example, we once had to abandon an acoustics project that was almost at the finish line when a supplier’s factory had a fire,” Shackelford recalls. “Because of the supply chain shortage, finding a replacement would have been too much work and would have required a major redesign of the whole product. We had to give up on the project because there was no affordable path out of it. As with any R&D, though, it is not lost completely. We learned a lot from it, and we will be using that in future projects.”

In a world of increasing uncertainty and constrained resources, other companies may well need to adopt this willingness to fail in the pursuit of opportunity. An open attitude to innovation and risk will give them far more results than complacency ever will – and for a sector as competitive as consumer electronics, that is an advantage they cannot afford to ignore.



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