

# Once an audio tech leader, can Creative Technology rise again?

Recovery for Singapore's most successful tech company, which has faced tremendous challenges from competition and a changing market environment, will be tough but still possible

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With its long line of audio cards, Creative Technology is remembered by audiophiles as a revolutionary player in the early days of personal computer gaming.

What started as the Creative Music System in 1987 became the popular Sound Blaster, which debuted in 1989. Sound Blaster audio cards quickly conquered the market and boosted the firm's worldwide revenues to over US\$1 billion by the mid-1990s.

Creative was founded in 1981 by Mr Sim Wong Hoo, who died earlier in January, aged 67. He had led the Singapore company since its inception, and saw sales rise from US\$5.4 million in 1989 to US\$658 million in 1994, reaching a market capitalisation of US\$1.6 billion in 1996.

But things became less rosy for Creative soon after. Even winning a lawsuit against Apple that earned Creative US\$100 million in 2006 felt like a consolation prize when Creative's MP3 players eventually lost out to the iPod.

Sound cards also became increasingly obsolete. The arrival of audio chips integrated directly into motherboards made dedicated boards less useful.

Following its early decades of prominence, Creative stayed dormant in the 2010s without any hit products. The business continued to focus on research and development spending.

Super X-Fi Spatial Holography, Creative's game-changing audio innovation that reproduces a top-tier multi-speaker surround system in headphones, made waves in the late 2010s. At CES 2019, the premier international tech expo, Creative won 15 best-in-show awards. The next year, the second-generation Super X-Fi received seven

honours at CES 2020.

However, these awards have yet to translate into strong revenues. In financial year 2022, Creative's losses widened to US\$11 million (S\$14.5 million), compared with US\$7.6 million in the previous year. Difficult market conditions and fierce competition had a substantial impact on the company's bottom line.

For instance, while Apple saw revenue of US\$12.1 billion in 2021 from sales of AirPods alone, Creative could only generate US\$84 million of revenue in the same year.

## CREATIVE'S CURRENT CHALLENGES

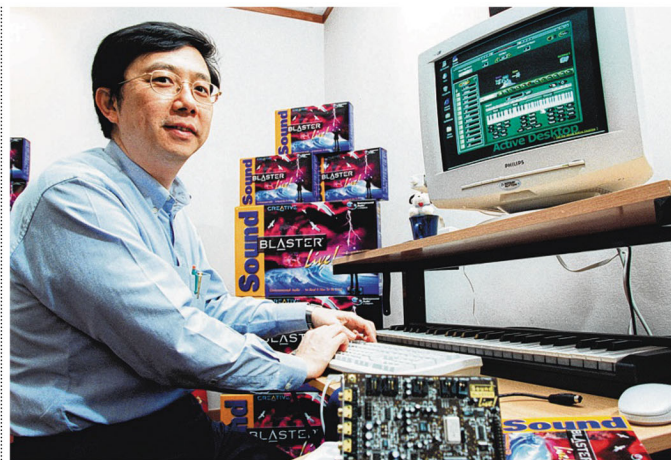
During its heyday, Creative's brand positioning was crystal clear – it was simply the world's best sound card maker. But the brand story is less compelling today. Creative's product portfolio now is broad, with many lower-priced products in the mix, inconsistent with its previous reputation of offering superior audio quality.

The current audio tech market is saturated with many brands with long product lines, from established players such as Sony and JBL to new entrants like Audeze and Master & Dynamic.

While the discerning audiophile may be quick to recognise the quality of Creative products, most other customers cannot tell the difference.

Many Creative products are chock-full of features, which would theoretically represent greater value for money. But many of these features remain overlooked and unused by the average customer, such as the voice recording function in its MP3 players.

Unlike competitors that capitalise on the on-trend minimalist look and feel, Creative products come off as clunkier in form and design, and too complex



Mr Sim Wong Hoo playing music on the computer keyboard at the launch of Creative Technology's latest Sound Blaster card in 1998. Following its early decades of prominence, Creative had no hit products in the 2010s. PHOTO: BT FILE

to use. This relative lack of aesthetic appeal is also inconsistent with Creative's premium for sound quality.

Creative's headphones incorporate traditional functional design elements while other players in the market, like Bose, develop minimalist, sleek and premium designs. The Bose QuietComfort features a rotary hinge system that allows the earcups to adjust to different head sizes and shapes for a more comfortable fit.

Establishing a foothold globally remains another key challenge, with Creative products unheard of in China or the United States, the two biggest audio markets in the world. The Singapore-based brand is being squeezed by globally recognised big tech companies whose brands have become household names, and lower-cost Asian competitors. Creative does not feature in the top three brands in terms of market share in any major consumer market.

Big international names like Apple and Bose have developed a special emphasis on enhancing

product quality and employing innovative, cutting-edge techniques to broaden their geographic and market reach. In fact, Apple flourishes in this space because of its cutting-edge designs and global appeal.

Regional rivals also exert pressure on Creative, making it more difficult to retain the loyalty of its clientele. Many Chinese brands like Anker and Edifier today can offer good-quality audio products at competitive prices, thanks to the concentration of tools, knowledge and raw materials in China, particularly in Shenzhen.

Creative also does not have extensive partnerships with retailers to break into new markets, which is important for premium tech products because many consumers still enjoy visiting stores to learn about the coolest gadgets.

This is especially important when the differentiation factor is superior audio quality. The lack of brand awareness and physical presence in new territories has denied Creative access to those customers.

## IS A RECOVERY POSSIBLE?

Creative could take a leaf from its fiercest competitor's book.

In the late 1990s, Apple faced significant challenges owing to a decline in sales and increasing competition from other tech companies. However, the company was able to turn its fortunes around by introducing new and innovative products, such as the iPod and iPhone, and by expanding its market presence. Today, Apple is one of the most successful and profitable companies in the world.

In 2009, General Motors faced enormous financial difficulties and was forced to file for bankruptcy. However, the company has since regained its position as one of the leading carmakers in the world by changing its operations and product line-up – it closed a number of factories and phased out underperforming brands like Pontiac and Saturn, focusing on its core Chevrolet and GMC brands.

Comebacks are not impossible, but Creative must act boldly and

swiftly. At a strategic level, it must decide on its brand story – what it should be known for – and organise the company around this. Perhaps the easiest path will be to build this around its reputation for superior audio quality in tech products.

At the product level, simplification not only redirects attention to the core features that Creative is already best-in-class for, including high-resolution audio, but also lifts the constraints imposed on design when a product has too many features.

An aesthetic makeover can also result in an elevated consumer experience, especially considering how the sleek and minimalist look has dominated the tech market for more than a decade. Most customers really just want a product that looks cool and is easy to use.

The same applies to the product portfolio. Creative needs to rehabilitate its product road map.

We recommend streamlining the product portfolio dramatically, focusing on only a few standout, award-winning products built around Creative's superior audio technology, positioning and pricing them as premium products.

However, the consumer experience does not end with just the product. At their core, Creative products need to be touched and experienced.

Working with channel partners like Best Buy in the US can promote and increase brand awareness when consumers have better access to products that they can try and test.

To begin with, Creative could open two flagship retail stores – in Singapore and in the US, for instance – focused on the experiential aspects and appeal of its core products, something like an Apple Store, or the Aftershock retail store at Suncity City mall, for example.

Coupled with celebrity and influencer collaborations, the physical retail space would serve as a stage to showcase Creative's superior audio technology, and to generate buzz and excitement around the brand.

With its long history and strong brand recognition among experts and audiophiles, Creative should leverage its technology expertise in the audio market and retake its place as the best audio tech brand in the world.

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