One of the industry pioneers and leading CE brands has had enough: **Pioneer will sell 51% of Pioneer Home Electronics Corp.**
to
Baring
(an Asian private equity company) with an understanding that the new operation will be joined by
Onkyo
.

The three parties are in talks to decide who will own the rest (49%) and that raises a few questions...

On the same day, Pioneer Electronics (USA) Inc. introduced the industry's first Energy Star 3.0 certified audio video receivers – the *Elite SC-81 and SC-82*. A highly respected brand with a marketable name, launching leading products, **why did Pioneer decide to sell out?**

Many Japanese companies have fiscal years that end in April, so we have the latest fiscal information on Pioneer. Those numbers show a steady growth in auto electronics and a flat home electronics buiness. Pioneer's automotive business now fully eclipses their home audio business; so much so that financial analysts now describe Pioneer the company as a "car electronics maker." Pioneer sold out because automotive industry is entering a period of transformation and opportunities abound; while Pioneer can see no future in battling it out in home electronics.

This sale is not really a surprise move. Dropping out of the TV business (2009), setting up a separate business unit for home electronics (formed in July 2013 for planning, manufacturing, sales and marketing of home A/V products)...these are **signs of an orderly retreat executed in Japanese-style** .

While it is not a surprise, it still is a shock to see such a respected brand pull out. And it is a shock to see that while Pioneer can get a private equity fund to put its money on consumer electronics, **the private equity isn't betting on Pioneer...it's betting on Onkyo!**

Why Onkyo? Pioneer is from Tokyo and Onkyo is from Osaka... as much of a cultural difference as Mars and Venus. True, Onkyo has a similar product range and even truer that Japanese turn to Japanese companies to solve problems. Both face similar problems in confronting the internet era of audio. But what is the bond?

Onkyo is a creative deal maker: setting up a relationship with TEAC and cutting a deal in USA with Gibson (of guitar fame). Gibson is now Onkyo's second largest stock holder. It's possible that Onkyo was reaching out for a deal. Yet, our theory is that Baring was the key to the partner selection.

And that provides another question: **How will the rest of the 49% of Baring/Pioneer/Onkyo deal be settled?**

Onkyo and Pioneer are expected to maintain separate brands and "maximize synergies." That could mean Pioneer distributors and partners will be in for a rocky ride. But it surely means Pioneer will get the smallest percent and that percent is only there to motivate Pioneer during the transition. Onkyo must get the lion's share if this deal is to work. Baring is supplying the cash, Onkyo the management and Pioneer is turning over technology, maybe some employees, and distribution channels.

In its press release, Pioneer made a point to mention that Baring “specializes in companies requiring capital for expansion, recapitalization or acquisitions.” In a flat traditional market, **how will Pioneer/Onkyo grow the business in order to satisfy private equity's usual return-on-investment?**

The answer, as it appears to us, is that Pioneer/Onkyo must buy into the internet era of audio. They must acquire companies that have more growth than the traditional market. Otherwise private equity wouldn't agree to play ball for the 1% annual growth that Pioneer has currently in home electronics.

That money might be spent in consolidating other similar brands in consumer electronics; but the more likely bet is it will be spent on buying future-facing companies in digital and internet technologies.

Go Pioneer Gets Out of Home Electronics Via New Partnership Deal