Informa comment: Sony's latest strategy

By Andrew Ladbrook

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LONDON, UK: In the past week Sony announced that it was likely to post record losses of US$6.4bn. Later, new CEO Kazuo Hirai announced the latest strategy to try and turn the company around. Much of the talk focused on the idea of 'One Sony' but many have tried and failed to make Sony at least as valuable as the sum of its parts.

Games are a strength but Sony must be wary of resting on its laurels.

Unlike many of its other business divisions Sony does not need to turn around its Games division, but it should not rest on its laurels. Where the PS2 was the runaway leader in the last console generation, the PS3 is third - admittedly only narrowly. The company has lost much of the initiative to its competitors, despite having the most powerful console and the most accurate reliable motion controller.

Missing the boat

However, despite Sony's boasts of its strength in games, the company has managed to miss the boat for both mobile gaming and social gaming. Both sectors can offer substantial returns for only a low investment. In addition, both appeal to much larger audiences then console gaming. Moreover, it is not Angry Birds that these gamers buy, many have gone out and bought the iPhone, the Wii, or the Xbox 360 with Kinect precisely because they want the casual and social gaming experience that these devices offer. In addition, whilst they may not buy as many games or play for as long, capturing the imagination of these casual gamers is essential for selling large volumes of games consoles.

TV can be made profitable but what about desirable?

Although many of the announcements surrounding the TV division were already stated last November, they are worth going over as it is this device more than any other that is a symbol of all that is right and wrong with Sony today. Despite being the third largest flat screen TV manufacturer behind Samsung and LG with expected shipments of 20 million TVs, Sony has made a loss from its TV division for 8 years in a row.

Sony is not just talking the talk about reducing the costs of its TV division, but has already made several key moves towards lowering these costs. Its decision to move away from being a company that must build everything itself, to one that will readily turn to third parties where it is economical to do so is a long overdue action. In addition, if it is good enough for the highly profitable Apple surely it is good enough for Sony.

Informa believes that Sony's decision to reduce the number of TV models it offers by 30% to be a good move. For too long TV manufacturers have offered a product range so segmented that they have bamboozled potential buyers. Sony must ensure its reduced TV range offers potential buyers a clear choice of between the high-end, medium, and low end TVs. This reduced range should have much more understandable branding. There in names like KDL-46EX524 or KDL-46HX753 to inspire or indicate which one is better.

Number two on too many fronts

The Sony brand remains strong, but in too many of the markets in which it's competing it is coming in second or third. Whilst this is not bad in isolation, it does continue to reduce the draw the Sony ecosystem to potential consumers. Put bluntly, it is not that Sony lacks an iTunes or Beats Audio or Spotify equivalent but it lacks the power of these individual brands.

On paper Sony's latest strategy looks good, if not lacking in detail. However, it does not solve the key problem for the company that at present its TVs are second best to its main rivals. Perhaps now that this strategy is in place Sony can create a TV that can show it can still be a leader in design that it once was.

ABOUT THE AUTHOR

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