

SONY®

THE MARKET

Television, video and sophisticated audio equipment are no longer luxuries: they have become integral parts of our lifestyle.

However, the world is braced for a revolution, set to blur the boundaries between electronics, telecommunications, computers and the entertainment industry. The new media will spotlight the benefits of interactivity, multimedia and online services.

As Nobuyuki Idei, the president of Sony Corporation, told *Fortune Magazine*: "The digital revolution will shake out the total business platform so that brand image and production power and even the best technology won't be enough. We have to recognise that in the future, most of our products will become part of a larger digital network. From now on, Sony's work is to build bridges between electronics and communications and entertainment, not mere boxes".

ACHIEVEMENTS

1996 marked Sony's 50th anniversary. The Japanese consumer electronics giant certainly had a lot to celebrate. Sony has been at the cutting edge of new technological developments since the company's founding by Akio Morita and Masaru Ibuka in 1946. Few companies can claim to have impacted upon youth lifestyle to the extent that Sony has over the last 50 years. And few companies are better placed to drive the digital age into homes and businesses around the world over the next 50 years and beyond.

Just consider the number of consumer electronic products Sony has developed which have now become part of the mainstream.

Sony marketed the first magnetic tape and tape recorder in Japan in 1950; they invented the transistor radio in Japan in 1955; the world's first all transistor television set in 1960; the world's first colour video-cassette recorder in 1971; the Walkman® in 1979, which has come to symbolise a new lifestyle for the young generation; the compact disc; the first 8mm Camcorder; and the MiniDisc in 1992. The imminent launch of Digital Versatile Disc (DVD) will witness the dawn of potentially one of the most exciting eras in multimedia technology.

Sony is not just a leader in the world consumer electronics market, but, through research and product development, has made considerable inroads into the world of professional broadcasting, telecommunications, PC technology and now, the internet.

Unsurprisingly, the Sony name enjoys worldwide recognition, and has been measured as the world's second largest brand name. Its increasingly high profile as an entertainment company through its divisions, Sony Music Entertainment Group and Sony Pictures Entertainment Group, is set to consolidate this ranking further.

Sony is one of the most respected companies worldwide. Sony earned worldwide sales of US\$45.7 billion in 1996. The company now employs nearly 170,000 staff.

What sets Sony apart from so many companies



is its determination never to rest on its laurels. Instead, here is a company constantly looking forward, whose greatest achievements are undoubtedly still to come.

HISTORY

Sony was born out of the chaos reigning in Japan after the close of World War 2. Akio Morita and Masaru Ibuka founded Tokyo Tsushin Kogyo (Tokyo Telecommunications Engineering Corporation) in 1946. They were filled with a vision for a new future. They had an abundance of talent and marketing skill - but a market capitalisation today equating to US\$1,500, twenty employees and no machinery to speak of. Their aim was to "avoid the problems which befall large corporations while we create and introduce technologies which large corporations cannot match. The reconstruction of Japan depends on the development of dynamic technologies".

Sony has achieved just that. Its leading status as a prime innovator of high tech electronics products has led to a large scale expansion of operations outside of Japan, into the United States, Europe, Asia and other regions.

Perhaps Sony's most famous product, which pioneered a whole new market, was the Walkman personal stereo. The original Sony Walkman



prototype was produced in 1978. At that time, engineers at Sony had been developing a stereo cassette recorder based on the compact Pressman (TCM-10) cassette recorder. This exercise had proved just how difficult it was to install recording and play-back mechanisms in small spaces. Undeterred, Sony set about finding a solution and produced a system equipped with only a playback mechanism, but with such high quality sound reproduction the product was simply begging to be marketed. Its chief attraction, however, lay in its size. In being so compact it was an ideal vehicle for transporting music to all places at any time when used with a set of lightweight headphones.

The name Walkman was chosen for two main reasons. Firstly, the name reflected the product's debt to the Pressman technology, and secondly, Walkman summed up the essence of mobility which characterised the product.

At first, the Walkman was poorly received by retailers. Eight out of ten Sony dealers were convinced that a cassette player without a recording mechanism had no real future. However, the novelty value of its compact size and excellent sound quality won the day.

During 1980, the Walkman was hailed as one of the most popular new fashion products of the time. The youth of the day soon adopted it as an essential part of its lifestyle. In its first two years on the market, Sony sold 1.5 million Walkman units.

The launch of the Walkman to the rest of the world triggered a sensational response. Fierce competition from rival products however, spurred Sony to research and develop improved products to lead the market. The WM-20 model, often called the Super Walkman, for example, was engineered to perfection in spite of its tiny proportions, as it was the same size as a cassette-tape case. Since then, Walkman sales have reached approximately 170 million units worldwide and it has become the single best selling consumer electronics product ever produced.

THE PRODUCT

Sony operates in the electronics and entertainment market. It manufactures video equipment, televisions, audio equipment and CD-ROM drives. Sony has always been involved in the development and production of recording media.

This precipitated Sony's acquisition of CBS Records in 1988, and Columbia Pictures Entertainment in 1989, to form Sony Music Entertainment and Sony Pictures Entertainment.

Sony Music Entertainment has produced a string of best selling albums from artists such as Michael Jackson, Mariah Carey, Pink Floyd, Pearl Jam, Oasis and Australia's very own Silverchair.

The Picture Group has achieved almost a 19% market share in the US box office, propelled by a number of hit films which have included *Sleepless in Seattle*, *Philadelphia*, *Jumanji*, *Jerry McGuire*, *Sense and Sensibility* and the highly successful *Men in Black*.

Sony Pictures Entertainment also holds a stake in STAR TV's music service Channel V and is a

partner in the German music channel Viva, the Latin American pay-TV channel HBO Olé, and satellite service HBO Asia. The company also operates satellite channels in India and Latin America under the name Sony Entertainment Television.

The fruits of Sony research are not limited to the enjoyment of the average consumer. Sony's professional product range is used for a variety of applications by broadcast stations, production houses, educational organisations, research facilities, and medical institutions.

RECENT DEVELOPMENTS

Sony continues to be at the helm of new product development.

The Sony MiniDisc, launched in 1992, is pegged to be the replacement for the compact cassette. With a diameter of just 6.4 cm, MiniDiscs are available in two formats - pre-recorded and recordable blanks.

Sony has also become a major player in the games industry. Its games software publishing division Sony Interactive Entertainment developed games titles for all games platforms, including the PC.

Sony has also developed its own games console, the Sony PlayStation, with 32-bit processing power, first launched in Japan in 1994 before a worldwide roll-out during 1995. The PlayStation offers real-time 3D graphics to ensure an arcade games-playing experience in the home. To date, an estimated 13.5 million units have been sold.

Sony has also taken advantage of the PC boom, manufacturing electronic components such as chips and pick-ups, and is also set to market its own PC. Together with its other business divisions, this places Sony in an ideal position as we witness the convergence of audio/visual business with information technology.

In addition to its own company websites, Sony has also hooked up with a consortium of leading Japanese enterprises to create a Japanese interactive entertainment network and plans to extend internet access to 100,000 Japanese customers.

Sony is at the heart of a number of major multimedia ventures forged with the likes of Microsoft, Oracle and even Visa, to develop secure online electronic transactions.

Sony is also a leading player in the developing DVD industry. DVD is being heralded as the next milestone in the consumer electronics and multimedia industry. DVD is a single layer disc holding 4.7 gigabytes of memory, more than seven times as much information as today's CD and comparable to a full length feature film. The dual layer version is expected to offer as much as 8.5 gigabytes of memory. A further option will offer double sided discs with up to 17 gigabytes of storage space.

Sony appears to be setting the wheels in motion towards fulfilling its president Nobuyuki Idei's strategy of building new products for the 'Digital Generation'.



PROMOTION

Compared to its main rivals in the consumer electronic market, Sony has proved to be the big spender on marketing.

Sony has developed a reputation for quality and innovation through the consistent implementation of clever product development and unique marketing. As Idei said in 1995: "Marketing is not just a function within Sony - it is a cornerstone of our business philosophy. We are dedicated to a process of constant technological innovation, and marketing plays a vital role in this process."

Sony's advertising programme in Australia employs a strategy of utilising the television medium to promote the leadership and innovation values of the Sony brand. Underneath this umbrella of brand image advertising is a range of specific activity that communicates the consumer benefits of the

individual product features.

During 1996/97 an exciting corporate campaign was developed that positioned Sony as the leading brand in all consumer products, both audio and visual. This campaign was pitched at tomorrow's consumers - the 'Digital Generation'.

However, Sony doesn't just rely on brilliantly executed advertising campaigns to secure public attention.

Sony also utilises slick PR strategies to ensure high profile publicity. For example when the Walkman was introduced, Sony was canny in its pre-launch marketing, encouraging famous Japanese singers and young Sony employees to sport a Walkman while out and about, exciting both media attention and curious glances from the general public. By the time

the Walkman was officially rolled out, Japan was in a state of high excitement. Within three months, the entire stock of 30,000 units had been sold. Production couldn't match demand. The Walkman had arrived.

Around the world, this marketing ploy achieved similar results. Photo opportunities with fashion and sporting icons ensured the Walkman enjoyed a high profile.

In a world where technology is moving forward quickly, Sony puts its full marketing muscle behind explaining the benefits and features of its products, together with strengthening its brand image.

BRAND VALUES

Few companies could claim a commitment to the future as strong as Sony has demonstrated through the years. Sony signifies 'continuous improvement', known in Japanese as 'kaizen'. Its considerable investment in research and development bears witness to this.

Sony continues to strengthen its leading position in the markets in which it operates through consistently strengthening its product range and growing the market through dedicated research.

Sony 'Walkman' and 'MiniDisc' are trademarks of the Sony Corporation, Japan. 'PlayStation' is a registered trademark of Sony Computer Entertainment Inc.

Things you didn't know about Sony

- The Sony brand name originated from a combination of the Latin word 'sonus', which means 'sound' and a Japanese slang term 'sonny-boys' which was applied to bright, young boys of the 1950s.
- Sony's first product was a rice cooker.
- Amidst initial concerns that the Walkman would flop because it didn't feature a recording mechanism, Akio Morita had such faith in the product he declared: "If it doesn't sell well, I'll resign as Chairman".
- Before the Walkman became a worldwide brand name, it was introduced under a variety of names, which included Freestyle in Australia, Soundabout in the United States and Stowaway in the UK.
- In 1986, Walkman was included in the Oxford English Dictionary.
- Sony created the TC-50 tape recorder used in the historic Apollo 10 space flight.

