Sony and its way to globalisation

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Content

• Business fields
• History
• globalization process
• actual situation
• Future strategies
Products and Services

- Electronics
- Video/Online Games
- Music
- Movies & Television
- Robots
- Internet Service/Applications
- Business Solutions
I. Electronics

- Computers/Handhelds & Peripherals
- Portable Audio
- Mobile phones
- Accessories
- Other Electronics

[Diagram of Sony electronics products]
Computers/Handhelds & Peripherals

• VAIO Products
  - Notebooks
  - Desktops
  - Accessories

• CLIE Products (Personal Entertainment Organizer)

• Puppy (Sony Fingerprint Identification unit)
Portable Audio

- Walkman
- Network Audio Style
Sony Ericsson Mobile Communications was established in 2001 by telecommunications leader Ericsson and Consumer Electronics powerhouse Sony Corporation. The company is owned equally by Ericsson and Sony. They announced their first joint products in March 2002.
Accessories

- Memory Stick

- Data Media Products:
  - Optical (CD-R, CD-RW, DVD-RW, MD Data, etc)
  - Magnetic (AIT, LTO, SDLT, DDS, Mammoth, etc)
  - USB Storage Media (Micro Vault)
  - Portable Hard Disk Media (Giga Vault)
II. Video/Online Games

Software and Hardware for PlayStation and PlayStation 2 and Online Games.
III. Music

Sony Music Entertainment
IV. Movies & Television

• Sony Pictures
  - Movies
  - Television
  - DVD & Video
  - Digital Entertainment

• AXN Program (Action and Adventure Television)
V. Robots

• QRIO (Sony Dream Robot)
  The name QRIO is derived from the words : Quest for Curiosity. QRIO embodies Sony’s dreams & most advanced technologies in recognition, motion control, communications, IT and AI.

• AIBO (Entertainment Robot)
  The name AIBO is derived from the words “AI” (Artificial Intelligence) and roBOt. Also, in Japanese, “aibo” means “companion” or “pal”.

Sony - Franz, Dehlsen, Proetel, Sahusilawane, Kern
VI. Internet Services/Applications

- PostPet
  (A new way of emailing with fun)

- World Event Village
  (The broadband medium for seeing the world)
VII. Business Solutions

Products, Solutions and Services for broadcast, professional use and IT Applications.

Business Solutions fields :
- Broadcast and Professional
- Computers/Handhelds & Peripherals
- Semiconductor & LCD
- Storage Solutions
- Data/Storage Media
- Designing and Manufacturing Solutions
- Network Business Solutions
- Contactless IC Card System
- Audio Compression Technologies
- Music Publishing
History of Sony – „Rebuilding from the ashes“

• **7. May 1946**: Founding of Tokyo Tsushin Kogyo by Masaru Ibuka and Akio Morita

• **October 1946**: Ibuka and his group established a new facility, called "Tokyo Tsushin Kenkyujo"(Totsuken), or "Tokyo Telecommunications Research Institute."

• **1946 - first product**: electric rice cooking device

• Problem: it makes rice undercooked or overcooked , 😊 (so it never came on the market)
History of Sony – „Rebuilding from the ashes“

• **second product**: electric heating pillow
  • Problem: a lot of closes were burned 😊

• **1950 - first successful product**: magnetic tape and tape recorder „G-Type“
  • no problem occurred 😊
History of Sony – The years 1951 - 1960

- World's first direct-view transistor television
- new name for the company: sonnyboy + sonus (lat) → SONY
- first pocket transistor radio came on the market
- first production of transistors in Japan
- a big step - Akio Morita bought rights for transistor production for only 25000 Dollars from Western Electric (they think that transistors only usable for hearing aid devices)
- 1954: first production of transistors in Japan
- 1953: a big step - Akio Morita bought rights for transistor production for only 25000 Dollars from Western Electric (they think that transistors only usable for hearing aid devices)
History of Sony – The years 1961 - 1976

- Sony gets 2 „emmy“ – awards
  - U-Matic VC-System
  - contributions of development of ENG (Electronic News Gathering)

- "Betamax" VCR for home use presented

- 1963
  - World’s first transistor, compact size - VCR came on the market

- 1965
  - „Chromatron“ – color TV came on the market

- 1968
  - „Trinitron“ color TV

- 1969
  - Compact-cassette-recorder „TC-50“ attends the Apollo 10 to the moon

- 1975
  - "Betamax" VCR for home use presented

- 1976
  - Sony gets 2 "emmy" – awards
  - U-Matic VC-System
  - contributions of development of ENG (Electronic News Gathering)
History of Sony – The years 1977 - 1983

1979
- Headphone stereo player
- "Walkman" came on the market

1980
- Development of Player and Disc-Prototypes of the new "Compact Disc Digital Audio System" (together with Phillips)
- Presentation of a new "Video Movie" prototype, a combination of a colour video camera and audio cassette recorder

1982
- Standardization of 3,5 inch disk (together with other manufacturers)
- Proposal for standardisation of a cd-rom format
- Presentation of world’s first CD-player "CDP-101"
- Proposal for standardisation of a cd-rom format
History of Sony – The years 1984 - 1988

1984
- launch of the first portable CD-Player „D-50“, later named „Discman“

1985
- single unit 8mm Camera
- development of first digital video-recorder with record/play-capacity of 1 GByte/second
- „Mavica“, electronic, still-image camera
- presentation of Digital Audio Tape (DAT) deck
- launch of „my-first-sony“ products

1987
- launch of a VHS video system

1988
- launch of a VHS video system
- „Mavica“, electronic, still-image camera
- presentation of Digital Audio Tape (DAT) deck
- launch of „my-first-sony“ products
History of Sony – The years 1989 - 1994

1990
• Presentation of Palm-Top PC with handwriting identification
• Presentation of a "HD Trinitron", 36-inch, 16:9, color High-Definition-TV for home-use,

1992
• launch of 1st portable CD-Rom-XA-player in US
• HDTV is sold, price: 9500 Euro
• Sony inventors generate blue laserlight
• launch of mini disc recorder

1993
• new HDTV is sold, price: 6500 Euro, more functions than first one

1994
• launch of Sony „Playstation“ (32 bit Videogame-console)
History of Sony – The years 1995 - 1998

- 1995
  - Launch of digital „Handycam“ camcorder (first digital for home use)
  - Flat panel display
  - Basic specification for a new format for high-density optical disc finalized, including new format name → DVD

- 1996
  - Cyber-Shot Digital Still Camera
  - „VAIO“ PC by SONY
  - FD (flat display) Trinitron

- 1997
  - DVD Video Player

- 1998
  - „Memory Stick“ Recordable IC Memory Card Products
History of Sony – The years 1999 - now

1999
• „Memory Stick Walkman“ with copyright-protected „MagicGate Memory Stick“

2000
• Sony's Personal Entertainment Organizer „CLIE“

2001
• Sony Demonstrates „Infostick(TM)“ Bluetooth(TM) Module at CES
  - Wireless Data Exchange Solution for Memory Stick(TM) Expansion Module
• 2001 Sony Develops World's Largest Full Color Organic EL Display
Sony’s Globalization is based on a historical background

World War II and the following occupation by the U.S. as well as personal reasons (jealousy, competition) of the founders Masaru Ibuka and Akio Morita lead to the decision to go to the United States

Ibukas vision: to reach and to pass the technical level of the U.S. (after he had seen a convoy of Army vehicles carrying weapons and materials through Tokyo)
Sony’s Globalization

Before launching the new developed transistor radio on the market in 1957, Morita and Ibuka were searching for a new company name

SONY

American word Sonnyboy    Latin word sonus

Their focus was going to U.S.

They recognized that North America was the most important market for new inventions and the way to entry the world market
Sony’s Globalization

The establishment of Sony’s business in America started in 1963

Morita moved his entire family to the U.S to understand the American Way of Life

- its regulations
- its customs
- its markets

Morita settled to 5th Avenue in Manhattan and built up a valuable network by continually socializing and giving parties during the week.
Sony’s Globalization

The reason for the success of Sony in the United States was a strong subordination of the company politics to the American business philosophies

→ and the globalization process went on
### Sony's Main Consolidated Subsidiaries Today

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<thead>
<tr>
<th>Subsidiary</th>
<th>Country</th>
<th>Location</th>
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<tr>
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global success

• always based on innovations
• they opened a lot of totally new markets:
  – walkman
  – playstation
  – robots
  – CD
• strategic alliances
Sony’s strategic alliances

Business field: Entertainment sector

Sony wanted to enter in the market of movie industry

Sony Japan $\xrightarrow{\text{takeover}}$ Columbia Pictures U.S.
Paid $3.4$ Billion

Sony Pictures in 1989
Blockbusters Spider Man or MIB II

Future Strategy: Sony wants to combine music and movie business to its hardware products
Sony's strategic alliances

Business field: Entertainment sector

Mega Stars under contract, but no innovative business model
Consequence → Mega losses

Sony

Bertelsmann

Fusion of music branches

Sony Music

BMG

Sony BMG

If it will be approved by cartel office
New No. 1 in Music Business
Sony’s strategic alliances

Business Field: Mobile Communication

Sony Mobile Phones
(bad design, bad handling, no success on market)

Sony’s Entertainment Industry
Sony Digital
Telecommunication Network
Company (DTNC)

Ericsson
No.1 Mobile Network Technology
Ericsson Division Consumer
Products (DCP)

Joint Venture

was found October 1st 2001
Sony’s strategic alliances

Equally owned by Sony and Ericsson

Responsible for product research, design, development also for marketing, distribution and customer service
Global management in London
R&D in US, UK, China, Japan, Sweden
Approximately 3,500 employees

Offer mobile multimedia consumer products
Full product portfolio covering all target groups
Strategy: strong consumer focused and application-led strategy
Company is a leading player in mobile communication industry
main businesses
Sony felt into a deep crisis when Morita and Ibuka were no longer the chief executives.

Some Reasons:
• No innovation power – no innovative product on the market since certain years
• Bureaucracy – The “Sony - Spirit” died in lamming bureaucracy
• Underestimation of future technologies (e.g. liquid crystal displays)
• Global strategy - Sony branches traditionally working as competitors in its on enterprise
future strategies of Sony company.

- so even in year 1999 the board of SONY recognizes that the traditional Hardware (TV, Discman, Video,) will lose more and more importance

- a wave of new devices was in development or even on market – digital century (Digicams, PS2, Set Top Boxen)
SONY

• strategic consideration was/is:
  - the hardware part will be further important but more and more cheaper
  - the focus of the value creation will move to the software part (Music, Movies, Games, TV programs, finance services)
  - Hardware is just for building up Networks (PC with HiFi, TV DVD ……)

→ conclusion was: Hardware will be provided cheap and the money will be earned with the software (pay per view, music downloads… )
• these new development also was comment by Sony Chief No. 1 with the sentence

“This is the start of the 3rd revolution after the renaissance and the industrial revolution “
to achieve this goal Sony builted up some strategic alliances to start into the like they called “broadband network era”

- IBM, Toshiba since 2001 → developing own semiconductor business to develop next generation microprocessor “CELL”
- Microsoft → they want to set standards for “Datahighways” with high end computer (server) to store e.g. digital movie you can download from integrated TV/PC device
- Phillips, Matsushita = General Magic → development of basic software for new devices an data net
- but that are not just friendly alliances, behind the curtain it’s a war about the dominance in the mass computer business between computer companies and home entertainment companies

- but SONY is convinced that they will get the mass computer business ( PSX, Sony-Erricson ) and not IBM, Apple or Compaq the entertainment business
• But that not are the only strategic considerations of Sony future.
• Aim of Sony is to become worlds leading consumer brand. They want to provide customers with range of attractive products, content and services. To confirm and strengthen this position Sony has embarked on "Transformation 60", a series of fundamental reforms to the Sony Group.
Transformation 60

1. To convert to high profitability Structure
   Reduction of Fixed Costs
2. To attain further business growth
   Implement “Convergence Strategies”

Realize Consolidated Operating Profit Margin
of at least 10% (FY 2006)*

* Excluding financial services
• Because of Sony problems in the past starting of big structural reforms in the company.
• The structural reform phase 1 has just started and now 2nd phase will just start.
• This structural reform phase 2 contains:
  - focus on resources on strategic business
  - global EMCS → next phase for manufacturing
  - streamlining of sales, marketing and indirect operations
  - cost reduction of non-production procurement
  - design process, product quality, production material procurement
→ interesting in this case is also the different roles of the different parts of the world in Sony structural reform

- Europe / America (north) → just as customer front centers
- Japan → there just happen the leading edge engineering
- China → for cost effective manufacturing
- SE Asia → secondary manufacturing base for China

→ that totally fits to view of globalisation as it is present today
SONY

• at the end some more interesting/ impressive ratios containing in structural reform 2

- until the end of 2002, 15 of their 70 factories are closed with a loss of 17.000 employees in total
- until end of 2006 further more 20.000 employees of now 154.000 will be fired
- to lower production cost they plan the standardization of parts, so that the registered parts will reduce from now 840.000 to 100.000
- reduce of suppliers from 4700 to 1000
“Beyond FY2006”

Creation of New Business Domain