

Sony turnaround plan 'ordinary': analysts

April 15 2012, by Peter Brieger



Sony president Kazuo Hirai (third-left) poses with corporate executive officers during a photo session after a briefing to announce plans to turn around the iconic firm on April 12. The company has little chance of winning back its reputation as an innovator or vaulting ahead of stronger rivals with the "ordinary" turnaround plan its new chief unveiled last week, analysts said.

Sony has little chance of winning back its reputation as an innovator or vaulting ahead of stronger rivals with the "ordinary" turnaround plan its new chief unveiled last week, analysts said.

On Thursday, the firm's leader Kazuo Hirai said the "urgent" revamp of Sony's business would cost nearly \$1.0 billion this year and mean 10,000 job cuts, as it looks to staunch multi-billion dollar losses.

Hirai outlined a blueprint to slash costs at Sony's struggling television division, while boosting the image of its Bravia TV brand.

Sony's reforms, in addition to cutting about 6.0 percent of its workforce, also include expanding its PlayStation and online games business, as well as pushing further into [emerging markets](#) and new sectors, such as [medical equipment](#) and life sciences.

"Now is the time for [Sony](#) to change," Hirai, who replaced Welsh-born US chief executive Howard Stringer earlier this year, said from the company's Tokyo headquarters.

"What is urgent is that we strengthen our core businesses while rebuilding our TV business."

But Hirai's plan received a collective yawn from analysts, while unimpressed investors pushed Sony shares about 5.5 percent lower on Friday amid doubts it would be enough to save the company that invented the [Walkman](#).

"I had been expecting no surprise and, as expected, it turned out to be no great shakes," Nobuo Kurahashi, analyst at Mizuho Investors Securities, told AFP.



Sony, the Japanese electronics company, has little chance of winning back its reputation as an innovator or vaulting ahead of stronger rivals with the "ordinary" turnaround plan its new chief unveiled last week, analysts have said.

"It was the ordinary 'selection and focus' strategy... It only gives us uncertainty when the company puts the fields where it is losing at the centre of its [business strategy](#). We cannot have high hopes at the moment."

A consumer electronics analyst, who spoke to AFP on condition of anonymity, said Sony had little choice but to focus on [consumer gadgets](#) such as the video game offerings for which it was once synonymous.

"They are the areas that have growth and profit potential," he said.

"(But) it would be difficult to give consumers the same impact as the one that PlayStation had when it first hit the market... The company needs to show how it will differentiate its products (from rivals)."

Sony, along with Japan's other electronics giants including Panasonic and Sharp, has been fighting a losing battle for years against fierce competition offered up by rivals including South Korea's Samsung and US-based Apple.

Falling prices, particularly in the television segment, have eaten away at their bottom line as a strong yen made their products more expensive overseas while a stuttering global economy also knocked sales.

"Sony lacks the scale of Samsung. It lacks the cost edge of Samsung and (Taiwan smartphone maker) HTC," N. Venkat Venkatraman, a professor at Boston University's School of Management, said about the plan in printed remarks.

"It needs to develop a vision of media and entertainment to rival Apple and deliver it at a price point that is acceptable to the growth markets

(India and China)."

While Sony still generates profits in some areas, such as electronics parts, critics have accused the company of various strategic blunders over the years including being late to enter the liquid crystal display panel market.

Now, with Sony facing a record full-year loss of 520 billion yen (\$6.4 billion) in its latest fiscal year, analysts are questioning Hirai's goal to boost revenue to 8.5 trillion yen by 2015, up nearly 20.0 percent from 7.18 trillion yen last year.

"I can't see any way Sony can possibly achieve that kind of number, especially since its business has been shrinking," said David Rubenstein, senior technology analyst at Religare Global Asset Management Japan.

(c) 2012 AFP

Citation: Sony turnaround plan 'ordinary': analysts (2012, April 15) retrieved 27 April 2024 from <https://phys.org/news/2012-04-sony-turnaround-ordinary-analysts.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.