

Sony plays to strengths in games, sensors as it vows revival

April 30 2015, by Yuri Kageyama



In this Feb. 2, 1982 file photo, Sony Corp. Chairman Akio Morita laughs during a meeting where he displays a Walkman in Tokyo, Japan. Once at the leading edge of consumer electronics, Sony is now more lumbering giant than trend-setter after falling behind competitors such as Samsung Electronics Co. and Apple Inc. (AP Photo/Neal Ulevich, File)

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more lumbering giant than trend-setter after falling behind competitors such as Samsung Electronics Co. and Apple Inc.

Sony watchers are urging the down-on-its-luck company to rediscover its pioneering ethos. Founded in 1946, Sony symbolized Japan's rebirth after its World War II defeat, rising from humble beginnings. It had little else besides the smarts of founders Masaru Ibuka and Akio Morita, to come up with hit after hit: the transistor radio, home tape recorders, the Walkman portable recorder-and-player.

In a sign of its travails, the Tokyo-based electronics and entertainment conglomerate Thursday reported a net loss of 126 billion yen (\$1.1 billion) for the fiscal year through March, almost as bad as the 128.4 billion yen loss it racked up the previous fiscal year. Annual sales rose nearly 6 percent to 8.2 trillion yen.

Sony is forecasting a return to profit at 140 billion yen (\$1.2 billion) for the fiscal year through March 2016. It is seeking to rebuild its operations around its strengths. Here's what's ailing and promising in Sony's business areas:

TELEVISIONS

Back in the 1960s, Sony dominated in TVs with its own technology called Trinitron, which boasted such a reputation for image quality it won an Emmy Award in 1973. But Sony underestimated the industry's switch to flat-panel TVs from CRT, or cathode-ray tubes. Sony has lost money in its TV business for the past decade. Samsung of South Korea leads with about a third of the global TV market share, followed by LG Electronics. Sony trails with under a tenth of the market. Last year, Sony split off the TV division as a wholly owned entity. And it's banking on

4K, with image quality superior to high-definition, or "ultra-HD," each set costing as much as \$25,000. The problem: Rivals are all working on the same.

"Sony management keeps saying the electronics market is shrinking. But that's a given. Sony in the past came up with products that created new product sectors," said Yasunori Tateishi, who has written a book on Sony's woes.

IMAGE SENSORS

Image sensors are used in devices such as smartphones, digital cameras, medical devices and self-parking cars, and translate the information of a pictorial image into digital signals. Sony's sensor technology, known as CMOS, was years in the making and its development was expensive, causing the division to post years of losses. Sony might be finally ready to cash in on the investment. It is moving aggressively into high-end video cameras and SLR, or single-lens reflex, cameras, underpricing powerful Japanese rivals Nikon and Canon.

Sony's latest cameras can take smooth video of fast-moving objects and shoot video where there is almost no light. Although smartphones have eroded Sony's Cyber-shot digital camera business, Sony is now wooing professional and upscale amateur photographers. Sony also acquired a 20 percent stake in medical equipment maker Olympus Corp. in 2012, to develop endoscopes and other surgical tools packed with Sony technology, such as three-dimensional imaging and 4K.



In this Thursday, Feb. 6, 2014 file photo, Sony Corp. President and CEO Kazuo Hirai reacts during a press conference at the Sony headquarters in Tokyo when Sony announced it was selling its Vaio personal computer operations and also cutting its global workforce by about 3 percent or 5,000 people by the end of March 2015. Once at the leading edge of consumer electronics, Sony is now more lumbering giant than trend-setter after falling behind competitors such as Samsung Electronics Co. and Apple Inc. (AP Photo/Shizuo Kambayashi, File)

Kazunori Ito, analyst at Barclays in Tokyo, believes that [image sensors](#), along with games, can be counted on to be the new profit drivers for Sony, at a time when restructuring charges are winding down. The cameras are drawing new fans, including Havard Ferstad, a 34-year-old IT consultant and Tokyo resident, who has bought a 200,000 yen (\$2,000) Sony camera. "The thing is that Sony has high quality sensors in their still cameras, and they are giving it to consumers at a relatively low price," he said.

GAME MACHINES

The first PlayStation video game home console, which went on sale in Japan in 1994 and in the U.S. in 1995, has been a hit. With three successors already out, there is almost certain to be a fifth, or PS5. Sony has also delivered popular hand-held machines, starting with the PlayStation Portable, discontinued last year, and the PS Vita.

Sony has only two major rivals in the game-machine business: Nintendo Co. and Microsoft Corp. The PlayStation 4 is at the top, and the PlayStation Network, which has more than 100 million registered accounts worldwide, relays content and services, including games, streaming video, TV shows and chats. The game-networking platform will extend to more devices, such as TVs and tablets. In the U.S., Sony recently entered the pay-television business with an online package of more than 50 channels starting at \$50 a month, called PlayStation Vue, for PlayStation owners in three cities.

"That's the power of the PlayStation brand, a brand that has been cultivated over the course of 20 years as the core gamers' system," said Jeffrey Wilson, senior analyst with PCMag.com, who points to "Final Fantasy VII" and "Metal Gear Solid 4" as strong exclusives. "Right now, Sony needs to give gamers what they signed up for when they purchased a PS4—a string of good games."

ENTERTAINMENT

In 1995, Sony acquired Hollywood studio Columbia Pictures for \$3.4 billion, which was widely criticized as over-priced. Norio Ohga,

president at that time, was a former opera singer and musical connoisseur, with a vision to make Sony an entertainment company. Whenever Sony had a hit movie, such as the "Spider-Man series," or a popular musical release from artists like Beyonce and Daft Punk, that helped offset its losses in the electronics business.



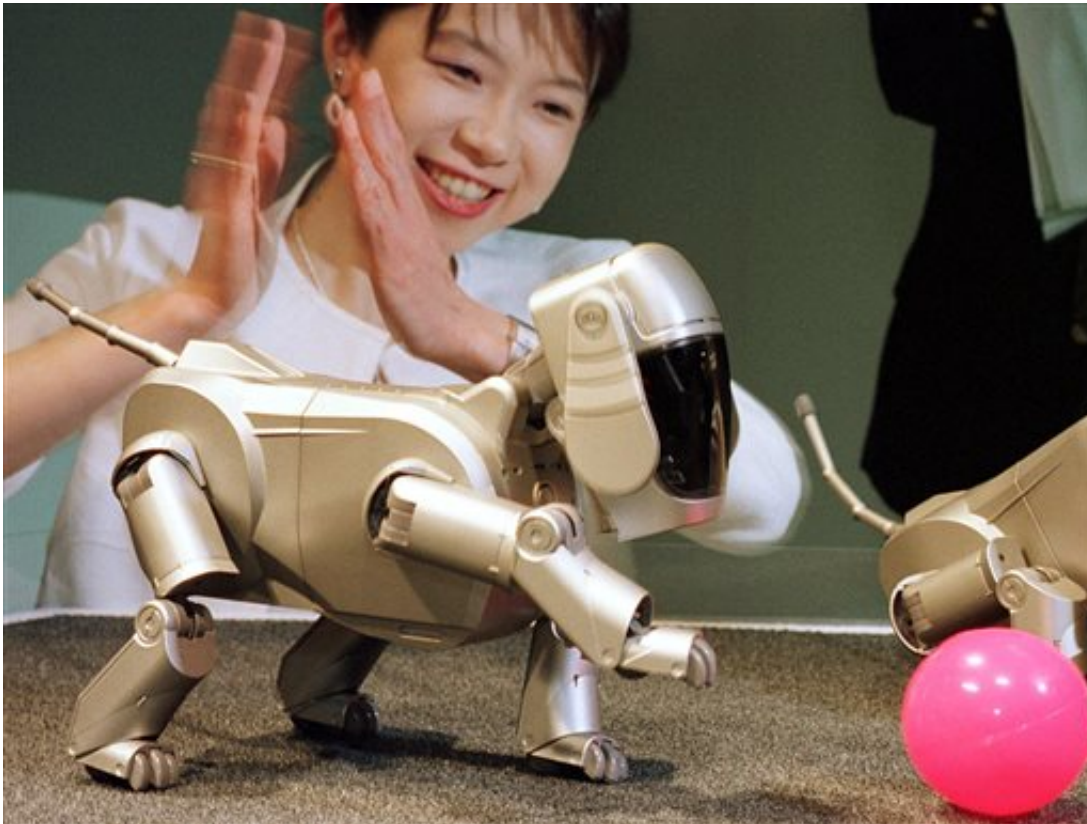
In this April 15, 2014 file photo, a reporter takes photos of a Sony's "Bravia" 4K TV during an event unveiling new 4K products in Tokyo. Once at the leading edge of consumer electronics, Sony Corp. is now more lumbering giant than trend-setter after falling behind competitors such as Samsung Electronics Co. and Apple Inc. Sony watchers are urging the down-on-its-luck company to rediscover its pioneering ethos. (AP Photo/Koji Sasahara, File)

But striking the right balance between electronics and entertainment has been difficult. In 2009, Howard Stringer, then Sony chief, scoffed at a reporter's question about whether Sony planned to produce material by

Michael Jackson, a Sony artist who died that year, using 3-D technology. Sony later reversed course and produced 3-D versions of Jackson's music videos, including the post-mortem "This Is It."

Recently, Sony Pictures suffered from a hacking attack over its movie called "The Interview," which spoofs an assassination of North Korean leader Kim Jong Un. The film was released in independent theaters and through Internet outlets in December.

"Those interested in cinema and who watch Sony's films are primarily judging the company by the quality of the films they produce and release, so whether they sell electronics is not really on their minds," said Maggie Lee, a film critic for Variety. Lee said the hacking woes actually drew more interest in "The Interview," and she also had praise for "Coming Home," directed by Zhang Yimou and Sono Sion's "Shinjuku Swan" as strong recent offerings.



In this May 11, 1999 file photo, Sony employee Yuko Nakatani praises "AIBO," the electronic giant's new pet dog robot, chasing at a pink ball during its press preview in Tokyo. The Aibo entertainment robot, on which Sony pulled the plug in 2006 under a plan to cut costs, was a perfect example of the "synergy" that has been an elusive goal for decades, creatively bringing together two areas of Sony's expertise: entertainment and gadgetry. (AP Photo/Koji Sasahara, File)

ROBOTS

The Aibo entertainment robot, on which Sony pulled the plug in 2006 under a plan to cut costs, was a perfect example of the "synergy" that has been an elusive goal for decades, creatively bringing together two areas of Sony's expertise: entertainment and gadgetry. The mechanical pets, costing about \$2,000 each, were programmed with a disarming "personality," drawing fiercely loyal fans. Never mind only 150,000 of

the toy-poodle-sized toys were ever sold. They boosted Sony's image as an innovator that was more than about just money-making. Stringer's decision to kill Aibo set off an uproar from owners.

"Sony became too Americanized. It used to be a different kind of company," said Nobuyuki Norimatsu, nicknamed "Aibo doctor," of A-Fun, a company of engineers who do repairs for discontinued electronics goods. Last year, Sony ended maintenance services for Aibo. Norimatsu has a Buddhist priest chant prayers for the robotic spirits before taking an Aibo apart. It's that kind of caring and love Sony needs to reclaim, he said.

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