

The brand management of sony marketing essay



Founded on May 7, 1946 in Tokyo, Japan, one of the most successful technological corporations in the world: Sony was created under the two legendary men: the physicist Masaru Ibuka and the physicist Akio Morita (Sony, 2013). They made the decision to set up a company repairing and producing electrical equipment and established Sony under the name under the name Tokyo Tsushin Kogyo K. K. which is Tokyo Telecommunications Engineering Corporation, known as Totsuko. At that time, Totsuko was just a small company with capital of 190, 000¥ (~ 2000 \$) and around 20 employees compare to giant corporations in Japan such as Toshiba, Hitachi, Sharp, Matsushita with tremendous capital, facilities and labour capacity. Although in 1946 Japan was just recovered from the wartime, while the other giants still possessed enough resource and experience to control the Japan market, Totsuko had no machinery and little scientific equipment and using only their own intelligent and engineering expertise, the young talented group with great ambitious set their first step to the new markets. From 1955, the company continued producing product with the logo 'SONY'. In 1957, the company decided to change the name of the company from Totsuko to Sony Corporation (Sony, 2013).

There was a little story behind the name 'Sony'. it was originally by integrating "SONUS" the original Latin for "SONIC" meaning sound, with "SONNY" meaning a youthful boy. The idea came to Akio Morita when he was visiting the U. S in 1950s, he noticed that many U. S companies' names are relatively simple with only alphabetic letters, at that moment he realized the name Totsuko was difficult to remember for customer around the world and decided to change to 'Sony'.

Over a half century, Sony Corporation has always been a pioneer in technological development and acquired reputation for being innovative. Its aim is always to be the Japan's first or even the world's first. This is also the reason Sony had many failures in the past due to the fact of being first but it never stop moving forward. Grow from a small company of 20 employees, today, it has become a global corporation consists over 160, 000 employees over the world and ranked #38 in the World's Most Powerful Brands list according to Forbes (2012). Sony takes part in a wide range of businesses including electronics, game, entertainment and financial services sectors with major products such as television, computer, camera, game console, mobile audio, mobile phone and entertainment sectors with Sony Pictures Entertainment, Sony Music Entertainment making it one of the most comprehensive entertainment companies in the world. Famous for being always innovative, Sony may not be the biggest company but definitely, the most innovative, they have brought to humanity a vast number of creations that change the world that we already familiar with such as Walkman, Playstation, Blu-ray. Despite the fact that in recently years, Sony has lost their market's stand due to economic losses and fierce competitions from Apple and Samsung, however, people still believe in the spirit of an innovative legend such as Sony will never fall down.

Unique Selling Points

One of the major unique selling points of Sony is its innovativeness. In the past where the company is not even a competitor to those giants such as Toshiba, Hitachi or Matsushita, the one strength Sony possessed is intelligence and gradually they proved to the world that they deserve a top

position in world most innovative brands. The innovativeness of Sony comes from the strategy of creating their own in-house technology for their product development rather than adopting and relying on market technology. Long before the iPod from Apple becomes the world iconic music device, there was the Walkman from Sony. Introduced on 1st, July, 1971, the first Walkman with metal-cased blue-and-silver TPS-L2 was born as the world first's low cost portable stereo and achieved great success until now with the sale record of 200 million unit by the time the iPod was introduced (Hansen, 2009).

Product quality and quality management are also major unique selling points making the formidable reputation of Sony. From the original electronics products lines, entertainment and communication devices to robots, Sony always presents to the market premium products with the brand exclusive features in order to deliver to the customer their best cutting edge technology. Furthermore, the brand is also famous for its management system in term of quality enhancement and customer services in an effort to further achieve customer's satisfaction, trust and reliability (Sony, 2012).

One more thing that makes Sony a well-known brand in the world as well as a major unique selling point is its strong brand equity. By extending the businesses of the company to a variety sectors including PCs and network products, TVs and Digital imaging, Electronic components and semiconductors, Entertainment and Financial services, Sony has achieved huge brand awareness, and it is likewise enhance its brand equity. Some feature products from Sony such as Bravia TVs, DSLRs Cameras, Playstation gaming consoles, portable music players Walkman and VAIO computers for <https://assignbuster.com/the-brand-management-of-sony-marketing-essay/>

example . In addition, they even take part in entertainment sector with the Sony Music Entertainment and Sony Pictures Entertainment which are very popular in the world.

Competition

As Sony is competing in various kinds of market related to technology, financial products and services, thus it faces different competitors from different fields. The following section will discuss the competition between Sony and some of its famous competitors.

3. 1 Sony vs Apple

Sony (million US \$)

3/2010

3/2011

3/2012

Revenue

77, 205

86, 647

78, 902

Gross Profit

24, 191

24, 322

21, 956

Net Income

(425)

(2, 706)

(4, 758)

Figure Financial highlight from 2010 - 2012 of Sony (Morningstar, 2013)

Apple (million US \$)

9/2010

9/2011

9/2012

Revenue

65, 225

108, 249

156, 508

Gross Profit

25, 684

43, 818

68, 662

Net Income

14, 013

25, 922

41, 733

Figure Financial highlight from 2010 – 2012 of Apple (Morningstar, 2013)

Sony is still struggling with financial problems and suffering record yearly losses. This is probably due to the Japan earth quake and tsunami in 2011 and economic loss from the appreciation of the Japan yen in recent years.

However, the brand believed it was on the right track in recovery and preparing to make a comeback in 2013 (Time Colonist, 2013).

Based on the figures above we can clearly see that Apple is moving ahead of Sony in term of financial in recently years due to the successful sales of Apple electronic devices such mobile phones, portable music players and computers. One of the fiercest competitions of Sony and Apple is the music industry. Both of the brands are now the top leading brands in the music industry where Apple is famous with iTunes Store and iPods music player, as for Sony, they have the powerful Sony Music Entertainment and the Walkman music player. Recent news show that Sony may withdrawn artists from Apple's iTunes Store and planning to establish Sony Unlimited as a rival to Apple (The Age, 2011). Sony still have a long way ahead to compete with

the powerful Apple since the American brand has climbed their way to the top of the world.

3. 2 Sony vs Microsoft

Microsoft and Sony are main rivals in the gaming industry for several years where they have the direct competition in the sales of gaming devices, specifically the console war between Xbox from Microsoft and Playstation from Sony. There has been half a decade of long war between the two consoles over their quality, price and features. Each side constantly provide more attractive features and technology developments to their product in order to defeat the other such as the introduction of Kinect from Microsoft and PSMove from Sony, lead to the greatest duel between the two brand.

worldwide_ytd. png

Figure Total sales of the latest gaming consoles globally (VGChartz, 2013)

The chart displays a slightly higher number of sales for the Xbox 360 with 74. 8 million units compare to 73. 6 million units of Playstation 3(VGChartz, 2013). However, the figures do not conclude that Microsoft is doing business better than Sony in the gaming sectors because Microsoft launched the Xbox 360 to the market 1 year before the Sony launched Playstation 3. In fact, recent data from VGChartz (2013) showed that Sony Playstation 3 has defeated Xbox 360 in sales calculated from the beginning of 2013 to date:

Figure Sales of the latest gaming consoles global year-to-date (VGChartz, 2013)worldwide_totals. png

SWOT analysis

Figure Market segmentation

There are some main of market segmentations that Sony can choose to review the appropriate target market for products which are included in the five consumer market segmentations commonly used are geographic segmentation, demographic segmentation, psychographic segmentation and benefit segmentation, besides, the marketing strategies may also depend on the behaviors of the target customers (Ferrel & Michael, 2011).

The graph below depicts the portion of product segments of Sony via the sale volume in 2012. The Consumer Products and Services (CPS) Division holding the first position with 47. 2% of sale, television and game are sharing more than 50% of the total sale in this division. On the other hand, the Professional, Device & Solutions, which consists of the Professional solutions, semiconductors and components and other, comes in the second on the rank. Sales in the Pictures, Music, and Financial Services segment are comparable, with 13. 4% of Financial Services, 6. 6% of Music, and 10. 1% of Pictures. The new separated segment in 2012 which is Sony mobile communications contributing 1. 2% to the total sale.

Macintosh HD: Users: LeDucHuy: Desktop: Screen Shot 2013-04-01 at 11. 58. 11 PM. png

Figure Proportion of sales by Sony's business.

Source: Sony – Annual report 2012

In this study, the two selected segments are the gaming and digital imaging in which more than a half of the R&D budgeting is used in (Sony, 2012). The demographic segmentation and behavioral segmentation will be mainly used to illustrate the effects of market segmenting on these mentioned objects.

4. 1 Gaming

The Sony's gaming section established in 1995, one of the innovator in the market (Sony, 2012). Since then, gaming has been contributing large portion of benefit to Sony. The customers' behavior is the subject that Sony has been studying for a long time to understand the customers' perceptions, reactions, usage rates and feelings toward Sony's products in order to create good buying occasion, satisfy customers' benefits sought and more importantly to keep the customers' loyalty.

Strength

Weaknesses

Good existing products

Strong customer networking

Mature supplier system

In-depth understanding about the market demand, laws and regulations

Good after sales services

Risk management

Being more sensitive to exchange rates due to the geographic expansion

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Security system

Lack of innovation for PS3

Opportunities

Threats

New CEO with good strategies

Merger and Acquisition

High rate of competition from Nintendo and Microsoft

Pirated software and patent infringement claims

Losing market shares

Figure SWOT Analysis for Gaming

Strength

Sony is currently having a lot of good products like PS2, PS3 and PSP with a strong customer networking. The supplier system of Sony is matured with the understanding about the market demand, laws and regulations of markets around the world. Besides, the after-sales services are the key factor to maintain and improve customer relationship of Sony.

Weaknesses

In the year of 2011, Sony online entertainment faced a serious mistake of losing customer confidential information, which are the bank accounts and other personal information used to login the system. Sony has been

reimbursing a lot just to overcome the problems and maintain the relationship with customers around the world. The fault indicates that the risk management of Sony needed to be improved, besides, the lack of innovation of PS3, a strategic product of Sony, is decreasing the number of sales of that products as compared to competitors sales.

Opportunity

The new appointed CEO of Sony Mr. Kazuo Hirai has been changing the company since started day in February 2012 (Sony, 2012). The new CEO experienced in computer entertainment and PlayStation, which is very promising towards Sony's focus. There are also more acquiring opportunities for Sony

Threats

The Wii and Xbox are getting the market shares in gaming market aggressively and pulling down the sales of Play Station series. The outsourcing of productions to the third party may be subject to copyright or patent infringement claims.

Digital Imaging

Strength

Weaknesses

Good warranty plan offered

Strong brand name

Operating license in nations

Good R&D planning and budgeting

Many product lines lead to the lack of focusing

Lack of strategic mergers & acquisitions.

Opportunities

Threats

The recovery of economic after recession

Homogeneous market with similar tastes and preferences

Increase in cost of production after the Great East Japan Earthquake

Decreasing the market demand

Reduction of materials

Natural disasters

Figure SWOT Analysis for Digital imaging.

Strengths

The company has established a broad sales network, registered in approximately 200 countries and territories. Sony has a strong brand name because its products are generally considered to have high quality and good design.

Weaknesses

Sony operates numerous product lines that serve too many parts of the entertainment value chain. It not only leads to the slowing down of the entire development strategy but also impaired their competitiveness in any of the market segments they are involved in. Further, the product lines do not really link to each other, it makes Sony losing the costs advantage, for example, the finance segment and digital imaging segment have no linkage.

Opportunities

The recovery of the world economic is a good sign for Sony when customers enhance their purchasing power, there will be more electronic and digital imaging devices being sold since the travelling activities are pushed. Luckily, the lifestyle of human being is going toward the homogeneity of taste and preferences where European and Asian people get to use the same products especially for the field that Sony is working on.

Threats

Reducing overall demand by consumers and businesses due to the huge variety of producers. Sony must overcome increasingly intense competition from firms that may be more specialized or have greater resources.

Sony in the next 3 years time

Based on the analysis, there are some essential difficulties for Sony, which are the macro-risks and the high competition rate. In this section, we will critically discuss what Sony has been doing very well as well as what to improve in.

Since 1946, Sony has successfully expanded into various business segments, including Electronics, Game, Financial Services, Pictures and Music. Some of the mentioned segments have built up Sony's diversification and reputation, they have also dragged Sony's resources, such as R&D, marketing, and customer services into unrelated areas (Sony, 2013). Together with the immensely increase in competition, Sony has not been able to establish their competitive advantages in any segment. So, it is recommended to Sony to select a focus segment and redesign the production toward the selected segment (Hao, Rahul & Ellie, 2012).

Sony will benefit from this restructuring because the company will be able to use resources in the most productive way. The least profitable segments will either be shut down or integrated. Sony will then have the competitive advantage to choose their own way to specialize in from the large pool of segments that they are operating in. Moreover, the turn will be a good signal to Sony's customers, the company may gain back the trust and love from them.

Gaming is a promising desirable segment to focus on. The segment has been creating the good reputation to the Sony brand name and dominating the market for long. It has also integrated the company resources and product lines. The intention to expand the PlayStation game network to offer music and video to replace the lineup of content delivery platforms it now operates is a big jump over the competition. The upcoming PlayStation 4 is the good evidence for that.

The goals to go toward digital imaging business including digital cameras and camcorders are not recommended. Within this segment, Sony is not only facing intense competition from big brothers like Canon, Nikon, and Olympus, but is also getting threats from substitutes such as the multifunctional mobile or tablet.

Once Sony has chosen a segment focus, they should start to acquire aggressively within that segment. Acquisitions will allow Sony to gain market share, reduce manufacturing costs, to have economies of scale and have access to new technologies and patents. Sony should start by acquiring smaller companies within the focused market segment, and try not to pay premiums for the expected integration.

Brand name is one of Sony's strength when Consumers believe in Sony products' quality and reputation. However, there have been some serious mistakes that Sony should not have made for instance the hacking scandal happened in 2011. The personal information including names, birthday, emails and even details of 10 million credit cards of customers was stolen. Although Sony was not the first company to face with security problems, the reputation of the brand was seriously affected (Kevin, 2011).

Accomplishing all the mentioned recommendations, Sony will get into the top 30 most valuable brands in the next 3 years. For gaming section, Sony will be the dominant over Nintendo, Microsoft and the sales of PS4 will be twice of Wii or Xbox 360.