

Sony's plan to get 3-D television into living rooms around the world:

Howard Stringer's Vision

Sony's CEO sees only one way to save his company: television in 3-D.

BY KARL TARO GREENFELD



Sell lots of Bravia 3-D TVs, which flip through 240 frames per second, alternating between two different perspectives ...

... and provide glasses with lenses that flicker on and off in sync with the TV to produce the 3-D effect.

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AS A STUDENT AT OXFORD, Howard Stringer studied the history of European nations in the 20th century: economic upheaval, shifting alliances, and vast empires crumbling when they failed to keep pace with a changing world. It was good preparation for the problems he would face 40 years later as CEO of Sony. ¶ Founded in 1946 amid the ruins of postwar Japan, Sony was more than just another consumer electronics company. It became known for groundbreaking products—like the Walkman, the first CD player, and the PlayStation game console—that changed the way media was produced, packaged, and consumed. By the late '90s, however, Sony had become bloated, disorganized, rudderless, arrogant, and worst of all, slow to adapt. Stringer's job is to shove the stumbling giant into the 21st century. ¶ He's not the first to take on that challenge. Ten years ago, his predecessor as CEO, Nobuyuki Idei, promised to move Sony from the analog age to the networked era.

At the time, Stringer was running Sony's US operations. "I completely bought into the digital vision in 2000," he says, leaning back on a thick-cushioned chair in his 20th-floor Tokyo office. "And I watched people fail to make it work." Most painful of all was the botched effort to relaunch the Walkman as a digital media device that could compete with the iPod. The product bombed. It had a clunky interface and a lousy online store, and it played Sony's proprietary Atrac audio files instead of standard MP3s. "We were well ahead of Apple," Stringer says. "If we had done it right, we might have dominated that business. But our networked product was built the way it was because that's who we were."

Indeed, Stringer's initial attempts to remake Sony Corporation after becoming CEO in 2005 faltered because of resistance from Sony's OBs (old boys—the Japanese term for corporate lifers). With earnings up 85 percent over the previous year, few saw any reason to rock the boat. A global financial meltdown changed all that. Since 2008, Stringer has overseen tens of thousands of layoffs, a shock to Sony's jobs-for-life culture that probably would have been impossible for a Japanese CEO to carry out. "I've been able to do it because I'm a foreigner—and because we no longer have a choice," he says.

Stringer is, famously, a fish out of water here in the Shinagawa ward of Tokyo, with its legions of salarymen puffing on Mild Sevens, just up the street from the pachinko parlors. "It's unusual for an outsider to become chief executive of a Japanese company," he concedes. Born in Wales, Stringer emigrated to the US in 1965; he has retained a velvety upper-crust British accent, topped with a Cardiff lilt and a leavening of broad American vowels.

It's not just his nationality that brands Stringer as an outsider; he's also a content guy in a company where hardware is king. He won nine Emmys during his stint as a producer of news documentaries for CBS before becoming president of the network. In 1997, he was named president of

Sony's American division, where he ran the music publishing and film studios. Stringer candidly acknowledges that he knows little about engineering consumer electronics, which has made rallying the troops at Sony even harder. "Early on, I got a reputation for not favoring hardware, which I thought was a bit unkind," he says.

Stringer has focused more on strengthening software and media in his drive to revitalize the company. The ultimate goal is to envelop consumers in an all-Sony cocoon of hardware, services, and content. His strategy is to use Sony's vast resources and varied divisions to push the adoption of new, industry-altering technologies—without staking too much on proprietary formats, an approach that doomed the digital Walkman. And he thinks his plan is beginning to work.

Starting in the 1980s, Sony fought a series of bruising format wars—Betamax versus VHS, Memory Stick versus SD cards, Atrac versus MP3, plasma versus LCD—and lost most of them. That changed in 2006, when the company threw its weight behind the

Stringer is convinced that Sony can reclaim its greatness.

Sony's Wins and Losses

Founded in 1946 as a radio repair shop, Sony has a history of game-changing innovations ... and spectacular failures. —Bryan Gardiner

+ Success - Failure



+ 1968

The KV-1310 Trinitron color television is about twice as bright as other TVs.

1970

Sony becomes the first Japanese company listed on the NYSE. Shares debut at \$15 $\frac{1}{8}$.



- 1975

The first Betamax VCR is introduced. It eventually loses out to the VHS format.



+ 1979

The TPS-L2 Walkman launches the age of personal, portable music.

1950

1960

1970

1979



+ 1994

Sony's disc-based PlayStation console knocks out Nintendo as the top maker of gaming gear.



- 1992

MiniDiscs, 2.8-inch cartridges that use Sony's proprietary Atrac audiofile format, fail to catch on in the West.

1984

Sony sells its 10 millionth Walkman in June 1984.



+ 1982

The first CD player, the CDP-101, ushers in the era of digital music playback. A steal at around \$900.

1999

1990

1980



- 2004

The NW-HD1 digital Walkman has Atrac, crippling DRM, and a clunky interface.

1994

Twenty-six years after the Trinitron TV debuts, Sony sells the 100 millionth set.



+ 2008

The Sony-backed Blu-ray disc format, with five times the storage of a DVD, beats out the rival HD DVD format.

2008

Sony posts an annual loss of \$1.03 billion, its first loss in 14 years.



? 2010

Sony's Bravia 3-D TVs, due out this summer, could change the media landscape—if consumers actually want them.

2000

2010

Blu-ray disc format for hi-def video. (Sony was a founder of the Blu-ray Disc Association, and it developed the format along with eight other electronics companies, including Hitachi, Samsung, and Philips.) Two years later, the industry abandoned the competing HD DVD format. For Stringer, that victory was proof that his effort to get Sony's disparate corpo-

rate wings to work together—his so-called Sony United campaign—could pay dividends.

Emboldened, he's now doubling down on ambitious new formats by betting big on 3-D video. "We bloody well drove the whole industry to Blu-ray," he says. "Now you'll need the storage capacity of Blu-ray for 3-D."

In one of the first big initiatives carried out

entirely on Stringer's watch, Sony has re-focused its core media product lines around 3-D. Bravia TVs, PlayStation 3 game consoles, Vaio laptops, Blu-ray disc players—even camcorders and digital cameras—will all work together in 3-D. Practically everything, in other words, but the Rolly portable music player that spins around on little wheels.

Stringer also hopes to drive adoption with 3-D content made by Sony's media arm—like *Cloudy With a Chance of Meatballs* on Blu-ray DVD, *Wipeout* on the PlayStation 3, or a nature documentary on the 3-D channel Sony plans to launch next year.

"3-D will sweep the world," Stringer has said. "There is no reason we shouldn't be enormously successful." Sony isn't alone on the 3-D bandwagon. Panasonic, LG, and Toshiba will all have displays out by summer. But no other company seems to be staking as much of its future on the belief that an added dimension will convince millions of consumers to swap out their home entertainment components—which many just recently upgraded to hi-def.

If Sony can't convince enough people that they need 3-D, the credibility that Stringer has amassed within the organization could vanish. Divisions would stop cooperating; engineers would rebuild their fiefdoms. It might become impossible to resist calls to break up the company into more manageable entities. In short, Sony could become just another consumer electronics maker.

WITHOUT QUESTION, desperate measures are called for. Sony lost more than a billion dollars in 2008. It returned to profitability late last year, but Stringer concedes that the turnaround had as much to do with consolidation—job cuts and factories sold—as with a sales rebound.

Even more dire was the change in the feeling, what Japanese call *kibun*, surrounding the company. The historic power of its brand is on display at the Sony Museum, on the other side of Shinagawa. A sign near the entrance explains how Akio Morita and Masaru Ibuka founded the company in the rubble of postwar Tokyo with a paltry 190,000 yen (about \$42,000 today). Then comes a stroll past a panoply of tech artifacts that trigger a Proustian remembrance of gadgets past. There's the Trinitron TV, which seemed so impossibly bright in 1968. There's the original Walkman—the iPod

of its era. No, that's wrong; the iPod is the Walkman of *its* era.

A visitor exploring the museum can't fail to be impressed by how often Sony reinvented the way we consume media: the first pocket transistor radio, the first cassette tape player, the first home video recorder, the first all-transistor television, the first CD player, the first DAT player, the first 3.5-inch floppy disk.

By the beginning of the Reagan administration, Sony had acquired the sort of *kibun* that Apple enjoys today. The ovoid

EVEN WHEN SONY MAKES A KILLER DEVICE, IT'S OFTEN TORPEDOED BY BAD SOFTWARE AND SERVICES.

buttons, matte-black finishes, and slide controls were sleekly futuristic, intuitive, and comfortable. Sony products always seemed to be exactly what we didn't even know we were waiting for.

Today, Sony's *kibun* is in tatters. It has been a long, long time since the company released a game-changing product, and it remains committed to making luxe devices with a confusing array of functions at a time when people want simpler, cheaper gizmos like the Flip videocam, the Wii game console, and the Kindle media reader. Even the names are telling: Flip, Wii, and Kindle—so simple. Most Sony product names are strings of letters and numbers that sound like the designations of *Star Wars* droids. In the market for a 3-D TV? Would you prefer an XBR-60LX900 or an XBR-46LX900?

How could a company so quickly lose its dominance over product categories it invented? In the course of several meetings with Stringer, I keep returning to the notion that Sony once owned its consumers' imaginations. Finally, he can't take it anymore. "I wish you'd stop saying that," he snaps.

It's not that he disagrees, but the former history student thinks that focusing on the past is counterproductive. "The company has defined itself by its history instead of

its future," Stringer says. Rehashing old successes means dwelling on a time when Sony could still think of itself as just a hardware company. "Morita always said, 'Let the engineers sit in Tokyo and dream up what they want to create,'" he says. "That worked in the '70s and '80s. But nowadays, a great hardware company has to master software and connectivity."

He's got a point. Sony has undeniably been hurt by its lack of attention to software and networking. Its devices have nothing like the intuitive interfaces and ease of

use that distinguish Apple products. And even when it's ahead of the competition with an innovative device, the product is often hamstrung by mediocre online services. In only the latest such story, Sony has been selling ebook readers since 2004, yet Amazon's Kindle was able to steal the bulk of that market on the strength of an easy online book-purchasing system—which Sony lacked. Apple's iPad may now push Sony's ebook readers into third place.

The company has also been hobbled by another, even more fundamental connectivity issue: Engineers in different divisions weren't coordinating their work, even though their products increasingly had overlapping functions. (Camcorders can take still pictures, digital cameras now record video, music players show movies, and the PSP gaming device plays both music and video.) "I told them, 'You are going to have to stop writing duplicate code,'" Stringer says.

When it comes to persuading the public to adopt new formats, Stringer has used content to nudge consumers in the right direction. It's not a new idea: After losing the videocassette wars in the 1980s, Morita lamented that if he had owned a movie studio that sold tapes only in the Betamax format, he might have won. That thinking

prompted him to buy Columbia Pictures and increase his ownership of music publishers.

But Morita underestimated the schisms within his own company. Sony's music and film divisions balked at supporting digital audiotape and Hi8 video, formats that the hardware arm of the company was pushing. The predictable result: Those technologies never caught on with consumers.

Stringer's background as a news producer and studio head has helped him bridge this divide. When Blu-ray was gearing up for a 2006 launch, the newly installed CEO went to Tokyo and addressed company execu-

for how to proceed from here. "At a management conference last May, I said, 'I know many of you aren't yet convinced about 3-D, but we are going to get into this business.' Eight different parts of the organization can work on this."

At various outposts of the Sony empire—the corporate tower in Tokyo, the consumer electronics HQ in San Diego, the movie studios in Culver City—there is indeed an impressive coordination of the message being spun around Stringer's 3-D vision. Executives are so confident that when I told one I had recently purchased a Sony Bravia

fiasco about locking consumers into Sony-only content, the TVs also have a wealth of connectivity features, some of which lead to competing media companies. There are built-in links to YouTube, Netflix's streaming service, and Amazon's video-on-demand.

But even if Sony is playing well with others these days, its executives still dream of selling consumers on an end-to-end pipeline of Sony products and media. They now speak of a "lens-to-living-room" strategy for 3-D. The company is already the leading maker of pro-grade 3-D cameras and projectors. (*Avatar* was shot with Sony cameras and displayed in thousands of theaters on the company's projectors.) Sony Pictures Entertainment, Imageworks Animation, and game developers at Sony Computer Entertainment have announced plans to make 3-D content. Sony even intends to offer consumer-grade still and video cameras that

support the format. "People are going to like 3-D in their family photos," Stringer insists.

If 3-D takes over multiplexes, dens, and scrapbooks, Sony intends to profit from it.

SONY WILL EVEN OFFER 3-D CAMERAS FOR CONSUMERS: "PEOPLE ARE GOING TO LIKE 3-D IN THEIR FAMILY PHOTOS."

tives. "I told them that we *have* to win with this format," he says. "I used the Betamax example. I got the movie studio involved. I got the PlayStation involved."

It worked. The rival HD DVD format, backed by companies like Microsoft and Toshiba, was discontinued in early 2008. Blu-ray won in part because Sony Pictures, which controls a significant portion of the film market, refused to release any of its titles on HD DVD. And then there were the Blu-ray players built into every PlayStation 3 game console. The victory seemed a vindication of the Sony United strategy.

But it came at a steep price—perhaps too steep. Blu-ray has become the next-gen disc standard at a time when DVD sales are declining. The future of video distribution will be online, not on discs. And while outfitting the PS3 with Blu-ray may have aided the video format, it made the PS3 expensive, hurting sales. The company's previous console, the PlayStation 2, led the industry with a 70 percent market share. The PS3 is currently in third place with about 25 percent.

Still, in a company where CEOs are defined by the format wars they lose, Stringer has won his maiden battle. To his mind, the company-wide push for Blu-ray is a model

TV, he said he felt sorry for me—that meant I'd have to buy another one this summer, when the 3-D version is released.

THAT VISION, of mainstream consumers rushing out to buy all things 3-D, seems a little less far-fetched now than it did before December 18 of last year. That's when the movie *Avatar* hit theaters. The eye-popping alien environments in James Cameron's blockbuster convinced millions of people that 3-D wasn't just a novelty. Michael Lynton, president of Sony Pictures, believes that the latest form of the technology represents a sea change for movies. He equates it with "seeing a pre-Renaissance painting, then going across the plaza to see a Giotto and realizing there is something called perspective. The world just opens up."

Stringer thinks he can bring this new way of viewing digital images from the multiplex to the couch, and the centerpiece of his plan is the television. The Bravia 3-D TV rolls out in June, and it will work in a manner very similar to the system used to show *Avatar* in theaters. In a sign that the company has learned a lesson from the digital Walkman

"WE ARE BEST POSITIONED to establish 3-D as a format consumers will accept," says Kazuo Hirai, president of Sony's Network Products and Services Group. Hirai is the longtime public face of the PlayStation brand. I'm seated next to him in a luxurious demo room in Sony's Tokyo HQ. Both of us are clutching game controllers and wearing bulky 3-D glasses. To a bystander, we might look like a couple of blind blues musicians. We certainly look like a couple of dorks.

We're playing a 3-D version of the futuristic PS3 racing game *Wipeout HD* on a 50-inch Bravia TV. The gargantuan screen looks like a window into another universe; the game's sci-fi milieu is as tangible and gorgeously rich as anything in *Avatar*.

Games could be a killer app for 3-D, and the PlayStation 3 has the inside track. A software upgrade Sony plans to give away this summer will allow the console to play 3-D games and movies on Blu-ray discs. The

competing Xbox 360 console has a standard DVD drive, and as Stringer and other Sony execs are fond of pointing out, standard DVDs don't have enough storage space for hi-def 3-D.

But after a few minutes of playing *Wipeout* with Hirai, whipping my hovership around curves and caroming off hyperrealistic guardrails, I have to stop. The experience is ridiculously intense—maybe *too* intense. I'm worried that I might vomit. Sony has studied physiological responses like mine, and executives seem to be unconcerned. After a period of adjustment, most players adapt to the experience without ill effects, they say.

The new era of 3-D will entail other discomforts as well—specifically, those bulky glasses. And the “active-shutter” spectacles that Sony TVs require—battery-operated affairs that block one eye and then the other, more than 120 times a second—are far costlier than some competing technologies that use simple polarized lenses. Every TV will come with two pairs, but extras are rumored to cost around \$75 apiece.

The viewing experience is, nevertheless, impressive, and so is the company's newfound ability to marshal the combined might of its various divisions. But the real test will come when consumers are asked to open their wallets. Will they embrace the new technology and services? Is the future of entertainment really a gloriously three-dimensional affair, or is that just the view Sony executives see through a pair of rose-tinted active-shutter 3-D lenses?


STRINGER SEEMS very much at home here in the Thalberg Building on the Sony Pictures lot. He leans back, and the front legs of his chrome chair lift from the carpet. Stringer is in LA on an autumn afternoon for the premiere of the latest Sony Pictures movie, *2012*, which depicts the end of the world. But he is less interested in apocalyptic visions than in his new plan for delivering disaster movies and content of all kinds over the Internet.

He's talking about the PlayStation Network, which launched in 2006 as an online multiplayer gaming service for PS3 owners.

You can now use it to download games, surf the Web, flip through digital comics, and buy or rent movies and TV shows. In January, Stringer announced at CES that Sony would extend the network to Web-enabled Bravia TVs and Blu-ray players. “We have more content and services than anybody else,” he says. “More movies, more shows—more everything. As we migrate that content to all our products, it becomes more valuable.”

That's debatable. Streaming services like Vudu and Netflix have bigger libraries, and they're available through a multitude of devices made by many different companies. Besides, streaming and downloading pose problems for the sort of hi-def content Sony is pushing. “Our infrastructure is robust enough; you can already download HD movies from us today,” Stringer says. But even with blazingly fast broadband, enormous hi-def 3-D files might try your patience. (Sony says that 3-D Blu-ray will be 50 percent bigger than standard Blu-ray.) “I wish I could control how much bandwidth you have,” he adds. “Unfortunately, we're not in the infrastructure business.”

In the short term, what's more important than streaming and downloading services is the promise of TV broadcasting in 3-D. ESPN plans to start a 3-D network this year, and Sony has announced that it will create a 3-D television channel with Discovery and Imax in 2011. Details like broadcast standards and licensing deals need to be resolved, but fortunately for Sony, it's just one of many companies working on the issues: While Stringer hopes to make 3-D technology synonymous with Sony, it's not like the proprietary Atrac audio format, solely and stubbornly pushed by Sony and no one else.

Of course, that also means the success or failure of 3-D is ultimately out of his hands. But Stringer is OK with that. “Am I rolling the dice on 3-D?” he asks. “Yeah, a little bit. You throw the dice all the time in this business. But I'm going to get 3-D right, one way or another, and then I can make life miserable for the competition.” 

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