

Sony Battles Apple for Portable Audio Victory

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Introduction

In the 1980's and 1990's, Sony was the leader in portable music. Walkmans were practically everywhere, and Sony was the leader in market share as well as reputation. When Apple entered the market in the late 1990's, the balance of power began to shift. The iPod and its companion, the iTunes music store, revolutionized the industry. With its sleek looks, massive capacity, and aggressive marketing campaign, the iPod took over as the standard for portable audio players, knocking Sony from its top position. Is it possible for Sony to regain the power it once had?

Here we will examine the portable audio market first via a "six forces" analysis. Then we will describe the relevant history and strategies of the two companies, examining their current market positions. Finally, we will propose a business plan that Sony should implement in order to once again be the leader in the industry.



A Selection of iPods

Source: <http://gallery.ipodlounge.com/>

Six forces Analysis:

New entrants:

Barriers to entry include sizeable economies of scale is one since greatest profit comes after mass production, as in the example of the iPod, which currently has an average margin of 20%. For a start-up company, this would be a concern, since the capital investment required is non-trivial, but should another established company wish to enter the market, this would not pose a large barrier.

Apple's reputation poses the largest barrier to entry. Its position as leader seems to be almost unbreakable no matter what opponents throw at it. Advertising for iPods

have permeated society. Apple's position is so entrenched that they have leverage in both acquiring material components and safekeeping their consumer base. Because iTunes supplies a proprietary media format, people who have built up a significant library through iTunes would face switching costs.

In a lesser way than the other two, expertise in technology design acts as a barrier, although the basic concepts are fairly straightforward (the iPod is, for the most part, just a 20+ GB hard drive with an audio output). To come up with something original to completely capture the market, though, would make this perhaps the biggest barrier.

Digital rights management, contracts with record companies/artists, copyright issues would all be barriers to entry if a start-up would try to imitate iTunes. Again, for

an entrant into the online media purveyor market, Apple's reputation and strong position would again act as a formidable barricade.

Buyers:

Buyer power in the portable audio market is almost non-existent. Consumers have no control over production volume and little in prices, as can be seen in New Zealand, where the demand for iPods outstrips the supply and yet production still has not increased to remedy the situations.¹ The wide range of product differentiation leaves consumers with little power in price determination, and iPods have built a reputation that draws customers even when bearing a large price tag.

Most sales of portable audio players are made through online stores, and Apple has its own retail chain. The number of independent retail stores such as Best Buy or Circuit City that carry digital audio players have little buyer power as well, since they are responsible for such a small portion of sales.

In addition, switching costs due to song format (Apple's AAC files from iTunes cannot be played in another player) makes buyers less likely to change brands, especially if they purchase music from an online store such as iTunes. Although almost all players play MP3, most come with software to convert to a manufacturer's format, which is often advertised as more efficient.

Suppliers:

Almost all manufacturers outsource their parts. Below is a list of a digital audio player components and suppliers.

1. Hard drives (1"): Hitachi, Toshiba, Cornice
2. Batteries: many
3. Cases: many
4. LCD Screens: Samsung, Sharp, many others
5. Processor: chip manufacturers like Intel, Micron, and Samsung. Chips have to be programmed and modified by the player producers to fit their product.

Out of all of these components, there is very little bargaining power, except possibly in micro hard drives, which is predominantly driven by personal audio devices. A large company



The components of the iPod

Source: <http://en.wikipedia.org/wiki/Image:Ipod-internals.jpg>

¹ "Kiwis Complain iPods in Short Supply."

<<http://www.macworld.co.uk/news/index.cfm?NewsID=11466&Page=1&pagePos=1>> May 3, 2005.

would have a better chance to get a better deal, but there are a limited number of companies who mass produce micro drives. However, since the iPod owns such a large market share, it would hold some amount of buyer power over a manufacturer.

For flash drives, audio players have been less of a driving force for the market, and a number of companies have sprung up to supply the need for its many applications, thus there is less bargaining power. There is also a large variety of flash memory, including the Sony Memory Stick.

Rivalry:

In the hard drive player market, Apple owns an 87.3% market share (as shown by the table below), and HP, which also manufactures iPods, owns the second largest market share. There is not much price competition in the hard drive market because of the emphasis on product differentiation. The iPod is expensive, but still doing well, due in part to its “cool factor,” a point in trendiness that borders on iconoclastic. Features and quality dominate over price for competition, and the room for differentiation and niche players makes the hard drive market not very rivalrous.

Hard drive-based music player market shares in September 2004²

Vendor	Market share, %
Apple Computer	87.3
Hewlett-Packard	3.6
Rio	2.8
Creative	2.6
iRiver	1.5

The chart below shows the market shares of the top five manufacturers of flash drive players in September, 2004. There was no clear dominant player in the market, and the price played a large factor.

Flash-based music player market shares in September 2004³

Vendor	Market share, %
iRiver	18.8
Rio	18.6
Digital Way	15.8
RCA	8.8
Samsung	6.2

Now that Shuffle has entered the market, it has a 43% market share, placing it as a clear number one in market share. The entrance of the Shuffle has essentially changed the market. Flash players have moved towards less price competition, and the focus is now much the same as in the hard drive market - beating Apple’s “cool factor.” The power of the iPod brand name is so strong, that even though the Shuffle is inferior in many ways to other flash players on the market (most obviously, its play options is succinctly

² “Music Player Market Shares.” <<http://www.itfacts.biz/index.php?id=P1970>> April 29, 2005.

³ “Music Player Market Shares.” <<http://www.itfacts.biz/index.php?id=P1970>> April 29, 2005.

summarized in its name, and it does not even have a display to show song information), it still dominates the market.

Substitutes:

CD players, MiniDisc, internet streaming music, radio, P2P file sharing, DVD audio, and cassettes are all potential media substitutes for a portable digital media player. However, most are technologies of the past and pose little threat. Others, such as radio, could also potentially be complements. For example, people often download songs from iTunes that they heard on the radio. Thus, the effect of these media substitutes is not a very strong one.

The greatest risk comes from convergent technology such as PDAs and cell phones or other market products with audio capabilities such as cameras, camcorders, gaming consoles, and portable video players. More functionality in one device as opposed to two, one of which can perform the function of the other, is a possibility if the devices can either hold enough memory or be small enough. Technology is always hard to predict, so no matter how good it looks, the public might still not accept it. Even if a device with twice the functionality appeared on the market, many consumers might still only desire an audio media player.

Complements:

Software, computers, music store (iTunes), peripherals (headphones, chargers, speakers, accessories, etc.). Peripherals for the most part are produced by third parties who form contracts with audio player manufacturers. Cases and even skins provide synergies for an audio player. The Apple iPod now comes with skins to personalize the player, and Apple now offers a U2 edition of the iPod and free engraving via the online Apple store.

By far the most important synergy lies with an online music store. ITMS (iTunes Music Store), has sold over 500 million songs and is predicted to sell as many as 870 million in the 2005 calendar year.⁴ The amount of songs that iTunes has sold helps to lock in customers because it enforces the brand. In addition, iTunes offers the Apple proprietary media format, AAC, which plays on iPods. It advertises AAC as a superior format to the commonly used MP3 format. By getting consumers to build up a media base in a proprietary format, an online music store makes switching costs much higher in the digital audio player market.

More Market Analysis:

“The global portable music player market is expected to be worth \$58 bln by 2008.”⁵ It is expected to see a growth of 20% compounded per year for the next four years. This prediction also forecasts a total of 50 million flash players sold by 2008, four times the number sold as of 2003. According to this, the portable MP3 player is still in the growth phase of its product life cycle.

⁴ Tony Smith. “Apple iTunes sales sail past 400m.”
<http://www.theregister.co.uk/2005/05/10/apple_itunes_400m/> May 20, 2005.

⁵ “Portable music player market to generate \$58 bln in sales by 2008.”
<<http://www.itfacts.biz/index.php?id=P1683>> April 28, 2005.

What was Sony's history in audio electronics market?

Sony has long been known as innovator for new technology. Past achievements include:

- July 1979, Sony launched the first personal headphone stereo Walkman, the "TPS-L2."
- October 1982, Sony launched the world's first CD player, the "CDP-101."
- November 1984 Portable CD player (later called Discman) launched.
- November 1992 MiniDisc system "ZS-M1" launched.
- September 1998 "Memory Stick" recordable IC memory card products "MSA-4A/8A" launched.
- May 1999 Super Audio CD players "SCD-1" launched.
- December 1999 "Memory Stick Walkman" with copyright-protected "MagicGate Memory Stick" "NW-MS7" launched.⁶



Sony's Walkman CD player

Source: www.pconline.com

The 1990's saw the hey-day for Sony's time in the portable audio market. Its Walkman series from cassette players to CD players held market leadership. However, with the introduction of the iPod, Sony quickly fell behind. Its consumer electronics division is floundering, especially in the audio market. In fiscal year 2004, the audio division for Sony made \$571.9 million, a 15.3% drop from the previous fiscal year.⁷ In the flash drive market, Sony players do not even hold a 6% share, and their Walkman line is now considered outdated and obsolete compared other digital audio technology. Their MiniDisc media never captured the market as they had planned, due in part to Sony's heavy-handedness and unwillingness to license the technology. In fact, most of the R&D money for the project was lost, since so few MD players were sold. Sony continues to manufacture and sell MD players, but the future remains unpromising for the MiniDisc.

What is Apple's position in the portable audio market?

Music is now 38% of Apple's total revenue. Apple now holds the number 1 market share in both the hard drive and flash drive portable audio markets. The iPod Shuffle owns 43% of the market share in flash drive players, rising from 0 to 43% in its first month of availability. Meanwhile, the hard drive market, iPod's share is at 90%. The iPod gross margins were a little over 20% in the second quarter of the 2004 fiscal year.

⁶ "Product and Technology Milestones."

<<http://www.sony.net/SonyInfo/CorporateInfo/History/sonyhistory.html>> May 2, 2005.

⁷ "Music Player Market Shares." <<http://www.itfacts.biz/index.php?id=P1970>> April 29, 2005.

Apple has an overall market share of 70% in the digital portable audio market.⁸ Meanwhile, iTunes has sold over 500 million songs, further boosting their clear superiority in the digital audio world.

What has Sony's strategy been to compete with the iPod?

Sony has released a large string of Walkman Discmans with the ability to play MP3 and Atrac3 (Sony's audio media format) files on CD. Previously, Sony BMG (the company's music label) directed the hardware developers to make it impossible to copy media. Thus until the release of the D-CJ01, Sony Discman users could not even listen to MP3s they ripped of legally bought CDs from Sony BMG.⁹ The company has also produced a strong of MP3 compatible MiniDisc players. Recently, Sony has begun manufacturing Network Walkman jukeboxes which have 20 GB hard drive memory in a variety of colors. They are currently at the same price as the iPod. As an extra incentive



Sony's Network Walkman
Source: www.sonymstyle.com

and a boost for its rival store to iTunes, 50 free downloads from Sony Connect are offered with every Network Walkman sold. Entrance into the flash player market has begun with a line of Network Walkman flash players, which come in two sizes and range from 256 KB – 1 GB, priced on every level to compete with the iPod shuffle. The difference reflects a choice in battery, either built-in rechargeable or AAA. The battery life of a flash Sony Network Walkman surpasses the iPod Shuffle more than four times, and the battery life of the jukebox Network Walkman beats the iPod by a factor of two.

Other strategies include convergent devices such as the Sony PDA platform, the Clié. Clié media players could read MP3 and other audio files off Memory Stick flash drives. Previously discontinued, Sony has come out with a new VZ series, which, although currently unavailable on the US market, boasts a variety of features, including the ability to play video media. Release of the Sony Ericsson W800i, a cell phone digital music player that comes with CD ripping software, marks the first step in a highly promising direction toward music players with stand-alone networking capability. Another exciting convergent device recently issued by Sony is the Playstation Portable (PSP), a gaming console can also read Memory Stick and play audio and video media.

Sony has also released the Vaio Pocket, a hard drive player with 40 GB and color screen to view photos, priced to compete with the iPod Photo. Not yet publicly released to the US market, the HMP-A1 is a new media player with support for video in addition to audio. However, with 20GB and a \$700 price tag (from www.dynamism.com), it most likely will not threaten the iPod.

⁸ "Apple Q2 Financial Results Conference Call (Details)."

<<http://www.macrumors.com/pages/2005/04/20050413171014.shtml>> April 30, 2005.

⁹ Randall Stross. "How the iPod Ran Circles Around the Walkman." *The New York Times*. March 13, 2005.

<<http://www.nytimes.com/2005/03/13/business/worldbusiness/13digi.html?ex=1268456400&en=3da69bc08858ad56&ei=5088&partner=rssnyt>> April 30, 2005.

In response to the popularity of iTunes and its synergy with the iPod, Sony began Sony Connect, an online music store to compete with iTunes. It is sorely behind in sales, but if Sony can effectively leverage its record label, BMG, it can catch up to Apple.

What has Apple's strategy been to maintain iPod sales?

Apple has been quick to cannibalize its previous generation products with new models, often switching sizes of hard drives. By providing the lower end iPod Mini, it has positioned itself in all levels of the jukebox market. The recent move into the flash market, albeit much later than others, with the iPod Shuffle has provided another base for their digital empire. A more affordable, smaller player with one simple randomize feature, the Shuffle provides the lower spectrum of affordability and functionality. Meanwhile, the iPod Photo, providing a color LCD screen capable of viewing images completes the spectrum of price and performance at the high end. Apple has been shrewd in its marketing of iTunes in addition to iPod, seeing early on the importance of the synergy. Their marketing has also been extremely effective, emphasizing features such as increased battery life, one of iPod's most appealing features.

What strategy should Sony employ?

1. Although Apple has a significant lead in the US market in hard drive players, Sony, with a team well-known for product innovation and focused targets, may still have a chance to catch up. Their largest mistake was to arrive too late on the scene of digital music, after spending years reproducing their Walkman CD players without the ability to even play MP3s. Instead of taking advantage of the synergy with their CBS and Columbia acquisitions, Sony put a firm block between hardware and media for fear of piracy. They were then blindsided by the digital music wave. In addition, their hopes for the MiniDisc were never fulfilled, in part because of their refusal to license the technology.

Sony recently released a juke box Network Walkman, which it should continue making. With a memory and price in direct competition with the iPod, and a battery that lasts more than twice as long (30 hours as opposed to 12 hours for the iPod), Sony has a chance to grab away some of those customers not yet locked in by iPod. With more than 4.5 million iPods sold as of January, 2005, Sony has little chance of gaining the lead, especially with the switching cost of leaving iPod and iTunes. However, with the predicted growth rate, there is plenty of market left to conquer. Sony also has significant influence in the Asian/Pacific markets and a fair footing in the European market. Recent frustrations in New Zealand, Australia, and the UK have mounted over shortages in iPod supply.¹⁰ If Apple does not meet demand, then Sony has an opportunity to steal some market share. The Asian market, which has huge potential but has not yet been saturated with digital audio players, is the perfect place for Sony to target. With better knowledge of the Japanese culture, a population well-known for hypes and fads, Sony could create hard drive players to beat out the iPod.

¹⁰ "Highlights Apple's Q1 Conference Call." <<http://macminute.com/2005/01/12/q1-2005-call/>> April 30, 2005.

While marketing, Sony should highlight their advantage in both battery life and screen quality. It has always been a company focused on quality products with a reasonable but not cheap price tag. Their learning curve in producing hard drive players should be fairly mild, as should the economy of scale, since they have experience in production of Walkmans, notebooks, cell phones, and PDA's, which use almost the same components. This should also decrease any possible supplier bargaining power, since they already have agreements with hard drive manufacturers, who provide parts for their computers, and micro drive manufacturers, who provide parts for their PDA's and cell phones. With Sony's expertise in screen quality, being a top manufacturer of LCD's and the first company to release a product with an OLED screen, Sony's line of photo viewing of video viewing hard drive players should emphasize screen quality over the iPod Photo or perhaps later, the iPod Video.

2. In the flash drive market, Sony entered almost the same time as Apple. Apple's late entrance in the market shows their NIH (Not Invented Here) corporate culture, a problem they are well-known to have.¹¹ Because of Apple's tendency to adopt other technologies late, Sony has a chance to use their innovative skills to the fullest. Their current strategy of offering flash players in direct competition with the iPod is perfect. The focus on having two types, one run on AAA batteries and the other on an internal rechargeable battery, is also a good idea for those travelers who prefer not to deal with the hassle of a recharging stand. One large advantage Sony has is the ability to offer their own flash drive technology, the Memory Stick, as additional memory. With Memory Sticks that range from 32 MB to the most recent release of 4 GB, and the newer miniature Memory Stick Duo, Sony can offer expandable memory that could quadruple the capacity of the player. Another quality feature on the Sony flash players is the LCD screen, currently unavailable for the iPod Shuffle.

Sony should highlight their trademark quality, performance, and functionality. Not only are the flash Network Walkmans available with AAA or built-in batteries, they also have internally lit screens and the ability to choose songs in addition to a shuffle feature. Sony has also advertised that their players can hold more songs than the iPods, using the ATRAC3 format at 48 kbps. They must market the superior quality of sound with the ATRAC3 format in order to be able to advertise effectively the increased capacity of their players. This also applies to their hard drive players.

3. Perhaps the greatest focus for Sony should be in the area of convergent technology. Although, it is a substitute, Sony's best bet may be to bury the portable audio market as we know it, the stand-alone player, with products that offer many applications in one. They could use the current leadership position in the camcorder market to start manufacturing smaller, lower end camcorders combined with audio players. These would appeal to the youth with a "cool factor" to rival Apple's reputation. The same applies to Sony's Cybershot digital camera line, which has a range of prices and features. Adding an audio player to the Cybershot should be fairly simple since many come with video and audio input output capabilities already.

¹¹ "NIH as a Corporate Culture." <<http://www.sobco.com/nww/1993/09-nih.html>> April 30, 2005.

The product currently on the market with the best chance of stealing market share from Apple is the Playstation Portable (PSP). Able to play games, audio, and video, the device is sure to capture the gaming market, and from there, expand, just as the PS2 did by boasting the ability to play both games and DVD's. Despite its large size and somewhat hefty price, the PSP has the advantage of being cutting edge and very hip. With over 500,000 units sold in the first 2 days following release¹², Sony has a hit product. If they emphasize the audio player aspect of the PSP, they could decrease the market for other flash players.



Sony's PSP

Source: www.dvhardware.net/

Another viable option that Sony is exploring is the convergent mobile phone. Since it is now a simple task to put web browsing and data capabilities in a cell phone, Sony has the opportunity to promote Sony Connect and grab some of the flash player market share. By offering a phone audio player, they could allow customers to access Sony Connect anywhere, any time to download any song they want to hear on the run. With Sony's Memory Stick media as expandable memory, the phone could act not

only as a player but a way to purchase music that is not constrained by a computer.

Apple is certainly not the only challenger that Sony has to face in the mp3 phone market. Samsung and Nokia are both preparing to launch mp3 phones. Sony is also competing with the Sony Ericsson W800i, a combination phone, digital music player that has the Walkman brand attached to it. The outdated Walkman brand will most certainly not be enough to compete with the other phone giants. Sony must look for other ways to get the upper hand in the phone-mp3 combo market if it wishes to succeed. One suggestion would be to use internet functions currently on phones to link to an online music store. The phone-music/internet combo thus could eliminate the computer aspect of the current music stores. Consumers with phones that can play the Sony format would be more likely to buy music from the Connect music store from their personal phones.

Finally, the Sony has returned to the PDA market with a new series, the VZ, boasting the first OLED screen used in a PDA, support for all media formats, and a smart new design, is not yet released to the US market. It has potential, but the large price tag would most likely scare away customers, especially those searching only for an audio player.

4. Sony's policy on Sony Connect will play a huge part in determining its market share. As an important complement to the players, an online music store also acts as a tool to lock in customers through file formatting and media ownership. Sony has its own record label, which would help it in offering songs at lower prices than iTunes. Since it is playing a large game of catch up to iTunes, price may be a key factor in determining whether Connect flies or flops. Right now, Sony only offers downloads

¹² "500,000 PSP Units Sold In First 2 Days." <<http://www.darkstation.com/news/article2196.html>> May 1, 2005.

in OpenMG format, a proprietary copyright protection technology. Whereas iTunes offers MP3 and AAC, which they stress as more efficient in compressing audio than MP3, Sony's tight hold on copyright has put them at a large disadvantage.

Connect must offer MP3 format in order to compete with iTunes, and offering the ability to use ATRAC3, Sony's audio compression technology, would help lock in customers if Sony stresses the compression efficiency of ATRAC3. In addition, Connect needs to look to the future and start offering movie and music video downloads, which iTunes has already begun to promote. With the market entrance of the PSP, which has video playing capabilities, and the ownership of Columbia Pictures, Sony has a golden opportunity to start a new era of pay-by-download online stores. Instead of being the number one online music download store, Sony could become the number one online video download store. By being first on the market, it would gain a huge advantage and be able to promote its proprietary copyright protection media format without fear of backward integration. This would also promote their combined audio and video players, which would in turn start eroding Apple's share in the portable audio market. However, Sony needs to move fast, since Apple has already started moving in on the video download market through iTunes.



Sony Connect Music Store Logo

Source: www.sony-europe.com

It would be to Sony's advantage if they licensed the ATRAC compression system, since their Connect music store is compatible with that form. This would differentiate their players from the other MP3 players. Since Apple has not licensed the AAC encoding yet, then Sony may be able to take a larger piece of the shared ATRAC pie than it would generate if it were not to license the compression technology. The licensing of the format may help to reduce the competition for Sony with other companies, like Samsung, who are pushing their way into the market. If they license the encoding format, then they create a profitable synergy as opposed to the detrimental competition they face otherwise.

5. An online music store may be a large part of gaining market share in the portable digital audio market, but it is not a guaranteed way of locking in customers. With the number of P2P networking software available and the amount of file sharing on the internet, a large percentage of media obtained from internet sources is usually not from online stores such as iTunes or Sony Connect. Instead of relying solely on the synergy with Sony Connect as the method of spreading Sony's proprietary media format, either ATRAC3, ATRAC3plus, or OpenMG, Sony should offer free online downloads of software that will convert MP3 to any of those formats. In order to make this a viable plan, the company must conduct a strong marketing campaign highlighting the superior quality of ATRAC3 or ATRAC3plus in comparison to MP3, making sure that consumers believe that a lower bitrate in Sony's media technology is

of equal quality to a higher bitrate MP3, meaning that the consumer can fit more songs onto their digital music players.

6. One of Sony's strengths that it can leverage in this situation is its size and capabilities. With an electronics division that overwhelms Apple, Sony can vertically integrate the entire production of the manufacturing process instead of outsourcing. Sony already provides almost all of its peripherals and complements for its audio players, so the next logical step would be to manufacture the players in house as well. So far, screens and batteries are already produced by Sony, since those are products already sold in the consumer electronics division. If the company would use its expertise in flash memory, the same ingenuity that created the MiniDisc and Memory Stick, it could easily produce micro drives and processors designed specifically for their own players. If the technological enhancements and cost reductions associated with this strategy are significant, then this would most definitely give Sony a leg up over Apple.
7. Sony's strategy should include the implementation of unique features into its music player. Apple's iTunes already has free weekly downloads, "smart" playlists, auto-sync with iPod, wireless streaming to a stereo unit through Airport Express, and streaming radio, to name a few. In order to compete with iTunes, Sony needs a comparable but differentiated music player in order to draw a significant market share. One easy strategy to improve Sony's player would be to incorporate some existing third-party software into its player to add interesting, useful features. A freeware program called iRate Radio has a database of legal, artist-licensed downloads that introduces new music based on song ratings. The program automatically downloads a few songs randomly, and then, as the user rates the songs, the program downloads similar songs based on other users' ratings. Adding this feature would provide some differentiation and introduce users to new artists and songs. A second option would be to integrate a plug-in such as Audioscrobbler, a program that sends real-time information about the currently playing song to a server. The program keeps statistics on the number of plays for each song and artist, among other things, and then recommends new artists based on listening habits. One can browse other people's profiles, post messages in forums, and join groups based on similar tastes. All of these activities would promote the discovery of new artists and future downloads if integrated into a music player. Perhaps another feature that can be incorporated into the music player would be a network feature that would allow people to connect to other users and listen to their libraries of music. Apple already has a feature like this, but it has limited network access capabilities. Sony can expand upon this idea to make it a more powerful feature.
8. A final element of Sony's strategy should be to market more aggressively, especially in Asia, a relatively untapped market. Apple made a successful iPod campaign featuring colorful backgrounds, dancing silhouettes (wearing the signature white earbuds), and catchy tunes blasting in the background. Sony needs to do a similar campaign, perhaps catering more to Asian culture rather than American culture. Apple also featured promotional offers including the U2 iPod and free songs with the purchase of Pepsi and Slurpee products. Perhaps Sony could offer free

downloads upon purchasing other Sony products, such as memory sticks, stereo systems, or VAIO laptops. Also, upon purchase of a certain album from the music store, Sony could offer free or discounted songs by similar artists. Certainly, these promotional ideas could help attract customers away from Apple.

The future for Sony

It is not too late for Sony to regain power in the portable music market. If Sony implements a strategy that plays to their strengths and exploits Apple's weaknesses (while also considering other entrants), they may be able to revisit the hey-day of the Walkman. Focusing on differentiating their product via new features and synergies, improving the Sony Connect music store, and launching an aggressive marketing campaign, Sony can compete with the iPod and return to the top of the music world.