

# History Helped Sony Dominate The Digital-Camera Market

*By Alec Klein Staff Reporter of The Wall Street Journal*

Updated Jan. 25, 1999 2:44 am ET

It's costlier, clunkier, doesn't produce the sharpest pictures -- and it is the top-selling digital camera in the U.S.

It's Sony Corp. 's Mavica, and the explanation for its 41% market share is simple: It's a snap to use. The Mavica stores its pictures on a standard floppy disk. To make photographs after taking the shot, you just remove the disk, pop it into your personal computer, and print.

"A child could figure it out," says Ron Glaz, a market researcher with International Data Corp. in Framingham, Mass.

By comparison, competing digital cameras either require cables that connect from a port in the camera to the computer (if you can figure out which port goes with which cable), or they use a floppy-disk converter system, sold separately.

Introduced in August 1997, the Mavica, like all digital cameras, requires no film. Instead, it etches images on electronic sensors and translates them into computer-readable binary data to create photos that can be printed out from a desktop PC. Thanks to its pop-in-and-print feature, the Mavica let Sony vault over the likes of Eastman Kodak Co. and Casio Computer Co., the earlier market leaders.

"No one had foreseen the Sony Mavica taking off as it did ... because we were all concentrating on the resolution," or image quality, says Gary Rado, executive vice president of the U.S. unit of Japan's Casio.

Last year, led by Sony, digital-camera sales were up about 50% and accounted for 1.1 million of the estimated 12 million point-and-shoots sold in the U.S., according to the Photo Marketing Association.

Sony, although previously a minor player in still photography, was helped in its rise to the top of the digital heap by its esteemed brand name and its broad distribution channels. But the Japanese giant also took a page from history: In the early days of camcorders in the 1980s, consumers opted for the models with large-format tapes that could be played on standard videocassette recorders. They shied away from smaller but more complex recorders, like a Sony model, requiring cable hookups or adapters to view the images.

### **'Easy and Quick'**

Things are even more complicated among Mavica's digital competitors, where there are at least five noninterchangeable storage systems, and none are as PC-friendly as Sony's. "We looked at an industry that had no standard ... where consumers complained that it was a product that was hard to use," says Daniel P. Nicholson, national marketing manager for digital imaging at Sony's U.S. unit. "People like it easy and quick."

The Mavica's various models sell at an average price of about \$665, while other companies' digital cameras generally go for between \$300 and \$500. But Mavica's key attribute, its floppy disk, costs the consumer less than a dollar and comes with 1.44 megabytes of memory storage. That is enough for about 20 pictures on average, each with under a million pixels, or dots of light that determine the image quality. The more dots, the better the picture.

Kodak, Casio, Canon Inc., Seiko Epson Corp. and Matsushita Electric Industrial Co. all use CompactFlash, a smaller storage card that costs about \$70. Although CompactFlash cards hold eight megabytes of memory, the system also yields only about 20 pictures -- but each picture has more than one million pixels (or more than one megapixel), hence a sharper image.

Meanwhile, Olympus Optical Co., Fuji Photo Film Co. and Toshiba Corp. employ a memory card called SmartMedia, which costs about \$30 and also contains eight megabytes of memory that can produce about 20 megapixel pictures. SmartMedia cards can be inserted into a floppy-disk adapter that plugs into a PC.

"So many products out there, so much clutter," says Ed Pullen, a senior industry analyst at research firm ZD StoreBoard in La Jolla, Calif.

And so many Sony competitors playing digital-camera catch-up. Olympus and Polaroid Corp. have each recently introduced printers that directly connect to their own digital cameras via cable, eliminating the need for a PC. (Sony has a Mavica printer that accepts a floppy.) In December, Lexmark International Group Inc. began shipping to retailers the only printer on the market that can directly accept both CompactFlash and SmartMedia cards.

### **Not Enough Storage**

Many analysts believe the industry will ultimately gravitate to a single storage standard to gain wider consumer acceptance. They say it won't be Sony's current system -- since floppy technology won't allow enough storage for the kind of high-quality images consumers are used to from traditional film.

Sony acknowledges it consciously sacrificed image quality with its floppy strategy as a way to establish a leadership position. But Mr. Nicholson says the company is moving into the next phase of its digital strategy. Before the end of this week, Sony plans to introduce an \$1,800 digital camera that uses the Memory Stick, a

removable device with lots of storage space and higher resolution, much like those used by Kodak and other competitors.

Eventually, Sony says, it expects the Memory Stick to be its dominant storage device, not only compatible with lower-priced digital cameras but also with several other company products, including PCs, telephones and TVs.

This, too, has a familiar ring. Once consumers got familiar with camcorders, as Sony well knows, they began flocking to a smaller, non-VHS format with better picture and sound. Betting the same scenario will unfold again, Sony says it is preparing to lure customers up to a more advanced digital camera.