**Sony Betamax Brand Failure**

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According to received branding wisdom, the best way to become a strong brand is to be first in a new category. This theory has been repeatedly emphasized by the world-renowned brand guru Al Ries.

‘Customers don’t really care about new brands, they care about new categories,’ he writes in The 22 Immutable Laws of Branding. ‘By first preempting the category and then aggressively promoting the category, you create both a powerful brand and a rapidly escalating market.’

There are indeed a number of cases to support this point. Domino’s was the first company to offer home-delivered pizza and remains the leader in that particular market. Coca-Cola, the world’s most popular and financially successful brand, was the first in the cola category.

This theory breaks down, however, in technology markets. Owing to the fact that consumer behaviour tends to be approximately five years behind technological breakthroughs, the first mover advantage is often lost. Furthermore, companies have often proved to be very bad at predicting how new technologies will be used. For example, most of the European mobile phone companies were caught completely unaware by the rapid rise of text messaging, a facility which some didn’t even bother to explain in their instructions booklets.

The all-time classic among technology brand failures was Sony’s Betamax video recorders. During the 1970s, Sony developed a machine designed to deliver home video-taping equipment. The machine used Betamax technology, and hit the stores in 1975. In its first year, 30,000 Betamax video recorders (or VCRs) were sold in the United States alone. But a year later Sony’s rival JVC came out with the VHS – short for ‘video home system’ - format VCR. By January 1977, there were four more Japanese electronics companies manufacturing and marketing VHS-based machines.

Whereas Sony had either been unwilling or unable to license Betamax technology (depending on which account you believe), JVC had been more than happy sharing their VHS format. This would later prove a critical factor in the demise of Betamax.

Although Sony pioneered most of the advancements, JVC and the other VHS manufacturers were not slow to catch up. For instance, JVC and Panasonic introduced VHS hi-fi formats only weeks after Sony’s introduction of Betamax hi-fi. However, most experts agree that the tape quality on Betamax was superior to that of its rival.

As the two formats were incompatible, consumers were forced to decide between them. Pretty soon Sony was feeling under pressure as its competitors started to drop prices to as much as US $300 below Sony’s machines. By 1982 the price war was in full swing and Sony reluctantly joined in, offering a US $50 rebate as a ‘Home Improvement Grant’.

There were other marketing problems too. Up until the early 1980s the word ‘Betamax’ was used as a synonym for ‘video recorder’. This association had negative as well as positive consequences because in 1979, Universal Studios and Disney took legal action against Sony, claiming VCRs were infringing the copyrights of movie producers. Although Sony emerged apparently unscathed from the lawsuit, several commentators have suggested that the case had a detrimental impact on the way Sony marketed its Betamax products.

One thing is for sure, from 1981 onwards Betamax-based machines were rapidly losing popular favour. In 1982, the year of the price war, Betamax VCRs accounted for a paltry 25 per cent of the entire market and the public were being warned that the selection of video rentals available for Betamax owners would be slightly smaller than that for VHS owners.

Furthermore, while Sony continued to claim that Betamax was a technically superior format, video owners were becoming increasingly aware of one serious failing. Whereas VHS machines could record for a considerable length of time, Betamax machines could only record for one hour – meaning that most films and football matches couldn’t be recorded in one go. This was the price Sony paid for enhanced sound and picture quality. To deliver that better standard, Sony used a bigger, slower moving tape. As a result, it sometimes took as many as three cassettes to show an entire movie. This caused frustration both among video owners, who had to swap tapes over, and retailers, who had to supply more cassettes. The problem is explained by one anonymous VHS fan on the blockinffo.com Web site: ‘What made VHS succeed was that you could get a whole movie on a tape. Okay, maybe the picture and sound weren’t as good as Beta; but what the heck, you didn’t have to get up in the middle and switch cassettes. VHS delivered value on a dimension that mattered to consumers. Beta delivered excellent value on dimensions that did not.’ Sony refused to bite the bullet though. Indeed, it may have been losing market share but the number of units sold still continued to rise, peaking with global sales of 2.3 million units in 1984.

However, three years later VHS had gone way beyond the tipping point with a 95 per cent share of the market. In 1987, Rolling Stone magazine ran an article on Betamax (entitled ‘Format Wars’) and declared ‘the battle is over’. On 10 January 1988 Sony finally swallowed its pride and announced plans for a VHS line of video recorders.

Although Sony was adamant that the press should not see this as the ‘death’ of Betamax, the press weren’t listening. On 25 January, only a fortnight after Sony’s announcement, Time magazine published a eulogy to the brand with the headline, ‘Goodbye Beta’. The same article also argued that Betamax had failed because it had refused to license the format to other firms. ‘While at first Sony kept its Beta technology mostly to itself, JVC, the Japanese inventor of VHS, shared its secret with a raft of other firms.’ This claim has since been hotly disputed by the defenders of Betamax. For instance, one AFU (Alt Folklore Urban) white paper on The Decline and Fall of Betamax refers to the statement as ‘blatantly untrue’. According to James Lardner, author of Fast Forward, Sony invited JVC and Matsushita to license the Betamax technology in December 1974, but both companies declined the offer.

Either way, the fact that Betamax video recorders were only manufactured by Sony meant that it couldn’t compete against the growing number of companies pushing VHS. However, even when Sony started to make VHS machines it didn’t abandon Betamax. Overseas production of Betamax hobbled on until 1998, and in Sony’s home territory, Japan, machines were still being made until 2002, although not in huge numbers (Sony produced just 2,800 units in 2001). On 22 August 2002 Sony finally announced it would be discontinuing Betamax products. ‘With digital machines and other new recording formats taking hold in the market, demand has continued to decline and it has become difficult to secure parts,’ the company said in a statement.

Now, of course, VHS itself is under threat from the rapid rise in digital versatile disc (DVD) players, and may not be able to survive into the long term. While DVD has finally drawn a line under the battle between Betamax and VHS, it has also managed to create its own destructive war between different DVD formats, and therefore delayed the take-off of that market. However, at least some of the lessons of Betamax have been learnt. Sony and eight of its competitors eventually joined forces in 2002 to create a common format for DVD, meaning this time Sony will not be left on the sidelines.

**Lessons from Betamax**

1. Don’t go it alone. ‘Contrary to popular belief, what would help every category pioneer is competition,’ says Al Ries. True, providing the competition isn’t pushing a format incompatible with your own.
2. Let others in. Whether Sony refused to license its format or not, there is no question that the company would have had a better chance if its rivals had adopted Betamax.
3. Cut your losses. Sony’s decision to ignore VHS until 1987 was, with hindsight, an undeniable mistake.
4. Supply equals demand. When the manufacturers of pre-recorded tapes decreased their supply of Beta format tapes, demand for Sony’s Betamax recorders inevitably waned.

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