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Sony Targets Laptop Consumers in China:
Segment Global or Local?

Richard Lopez, product manager for Sony Corporation in Hong Kong, had one week to finalize his plan for marketing VAIO laptop computers in China before presenting it to senior management in January 2011. Lopez was struggling to decide which segment (or segments) to target and how to position VAIO for this segment.

At the heart of his struggle was an unusual problem—too much data. When Lopez started drafting his plan he was referencing three market research reports: a study on consumer values, qualitative interview data, and a segmentation study completed just two months earlier. Then in December Sony's vice president of global marketing had encouraged all product managers to utilize a new corporate study that segmented consumers at a global level. Lopez wondered which study—or combination of studies—would lead to the best plan for VAIO in China.

About Sony Corporation and VAIO

Sony Corporation began in 1946 as the Tokyo Telecommunications Engineering Corporation, a manufacturer of telecommunications and measurement equipment. Over the following decades, Sony (the company's official name as of 1958) became a major player in multiple electronics markets, including audio, video, communications, and information technology products for home and professional use. By 2010 the company's motion picture, television, computer entertainment, music, and online businesses were operated by more than 171,000 employees worldwide, including in Japan, the United States, Europe, and China. Sony recorded consolidated annual sales of approximately $89 billion for the fiscal year ended March 31, 2010.

To build on its consumer lines (which included past category leaders such as the Walkman personal stereo and current leaders such as the Handycam camcorder), Sony introduced what became the VAIO series of computer products in mid-1996, with the debut of a desktop product. One year later the company released VAIO laptops in Japan.

Sony's strategy for the VAIO laptop was to offer a relatively high-end niche product that attracted consumers for whom style and design were a top priority. Prior to the VAIO launch, competitor laptops tended to feature fairly similar and relatively unexciting designs. Most laptops were available only in monochromatic grays and blacks, and they tended to be boxy, bulky, and heavy.

Against this competitive backdrop, the VAIO 505 line, which launched in 1998, was a revolutionary offering that garnered significant awareness and recognition. The 505 was designed to be visibly distinguishable from every other brand and model on the market, and was therefore positioned as a "statement computer." The business press frequently referred to VAIO's design as "sleek," and for the first production run it was available in different colors—the most iconic of which was a rich purple hue. The 505 was particularly popular with image-conscious businesspeople who cared about what their computer said about them. As a result, the VAIO brand established strong associations with the attributes of "style" and "design," a brand image that Sony continued to foster in subsequent years by emphasizing design cues and reducing laptop weight and size.

Throughout much of the 2000s, VAIO also distinguished itself via its software. In those days, consumers invariably purchased software (rather than getting it free on the Internet or licensing via cloud computing). Manufacturers either sold stripped computers that consumers needed to load up with purchased software or fully loaded computers that came with a suite of software offerings. VAIO sold computers with software already loaded, and one of its distinctive advantages was the multimedia software (such as video editing, photo editing, and music software) that came with the hardware, which competitors were not as likely to have.

Rather than pitch the product to a mass audience, Sony established and maintained a position for VAIO as a premium offering. Regardless of model, compared to competitors' equivalents, VAIO almost always had the higher average selling price (ASP). Although the higher price reinforced VAIO's premium image, it also strengthened consumer associations between the brand and high price and kept Sony from attracting a mass audience like many of its competitors did.

With VAIO, Sony focused almost exclusively on laptop production, marketing, and sales. In the early years of VAIO, this was an uncommon focus for a computer brand because laptop penetration relative to desktops was relatively low. Initially, this limited VAIO sales but it also gave the company an opportunity to gain a toehold in laptops, which began to outstrip desktop sales in the late 2000s.

In part because it was marketed as a statement computer, VAIO was largely seen by buyers as a computer for individual consumers and business professionals rather than as an enterprise brand for large or medium-sized businesses. Generally speaking, IT managers tended to resist paying extra for machines based on aesthetic design considerations and instead focused more on functional benefits. A further complication was that many businesses offered their employees laptops with a standardized suite of software programs, which did not typically include the programs normally offered as part of the VAIO package. This meant that IT managers who purchased VAIO often had to strip these programs from the laptop before distributing them to employees.

VAIO's commitment to a premium position extended to China, where it enjoyed moderate success. (See **Exhibit 1** for screenshots from the Sony website.) Copycats and counterfeits were also successful in the Chinese computer and software market, but VAIO was particularly attractive to a segment of consumers who placed a high value on not just functional attributes but also more intangible benefits. VAIO's recognized and unwavering position as a statement computer gave it an advantage among these consumers, and this advantage was reinforced by the generally high regard that Chinese consumers had for Japanese electronics brands. Knockoff products sold in China could duplicate some or many of the technical characteristics of VAIO but were less successful imitating its branding and aesthetics. Furthermore, many Chinese consumers who valued intangible benefits such as status or peace of mind showed a preference for purchasing the genuine brand even if a copycat accurately mimicked it.

Market Research on the Chinese Laptop Consumer

To help inform his decision, Lopez had the results of four separate market research efforts: a large-scale study of the Chinese laptop consumer, a more detailed report consisting of interviews with Chinese laptop consumers, and two segmentation studies that provided different pictures of the Chinese laptop consumer market.

The Shanghai Report: A Broad Picture of the Chinese Laptop Consumer

In early 2010, with the help of a market research firm, Sony conducted research in Shanghai to gain a deeper understanding of the modern Chinese consumer's values, consumption behavior, and usage habits, including for laptop computers such as VAIO.

The Shanghai Report identified three key trends that were a consequence of the country's "bullet-train economy," which had sped through the industrial, computer, and Internet ages in only three decades. First, major education and income gaps among segments of China's population had created a significant sense of inequality among Chinese consumers. Second, China was awash in low-quality and/or knockoff products, as well as free (and often pirated) online content such as movies, MP3s, and software. These products generated differing—and sometimes opposing—reactions from different consumer segments. Some believed that purchasing these products was the sign of a shrewd buyer; others believed that knockoff or pirated products were significantly poorer in quality than genuine products; and others had opinions that varied depending on the product and the category. Lastly, and partly as a consequence of the first two trends, a growing segment of Chinese consumers aspired to enjoy levels of status, money, technology, and knowledge similar to those of more developed nations, both to enjoy a better quality of life as well as to distinguish themselves from other (usually less affluent) consumers who were stuck in the China of past decades.

This trend toward status-seeking motivated a significant minority of Chinese consumers to favor foreign and/or high-end brands based on their promise of quality in a market saturated with copycat brands and unethical businesses. Chinese citizens were "detail-oriented consumers" who sought comprehensive information about brands, products, and models before making purchase decisions.

The Shanghai Report also noted that China's post-1980s generation represented approximately 50 percent of the country's working-age population; this cohort was better educated than previous generations and drove much of the status-seeking behavior observed in the country. In general, these consumers were most interested in purchasing cars, computers, and houses.

The report provided penetration and demographic data for Chinese laptop and desktop users based on a representative survey of consumers in that country (see **Exhibits 2** and **3**). It also provided information on Sony's market share in China (see **Exhibit 4**).

Customer Interviews: A Deeper Understanding of Chinese Laptop Users

To understand laptop-related perceptions and preferences in more detail, Sony conducted in-depth interviews with forty Chinese VAIO laptop owners and four people who owned non-Sony laptops. The interviewees were between 21 and 35 years old (representing the average age of Chinese laptop owners) and included students, parents, and professionals. Interviewees were asked about how they researched, shopped for, set up, and used their laptops, along with their general perceptions of laptop computer brands. As a group, the interviews revealed three key themes related to laptop purchases and use:

BRANDS ARE AN EXTENSION OF WHO I AM

Even more than consumers in North America and Europe, Chinese consumers saw electronics purchases as a strong means of self-expression. Consumers bought the right products to gain the approval or acceptance of friends, to show a good "face" to society, to stand out, or simply to show off. When interviewers delved more deeply into the question of how a laptop brand might be an extension of who they are, three main identities emerged. In China, laptops could be an extension of a consumer's identity as a "multimedia person," a "tech person," or a "cool person."

In general, owning a laptop was considered a sign of status. Although respondents easily recognized the Sony brand and considered it to be a premium label, they were generally unfamiliar with or indifferent to the VAIO brand, which they usually referred to as the "Sony laptop." The Sony brand was seen as "young and trendy," partly due to the number of color choices the company offered for its products. Among other top-selling brands in China, Apple was viewed as "cool," ThinkPad as "trustworthy," and Asus as "mainstream and bland." Consumers also valued a brand's history in China. For example, Lenovo was viewed favorably because it was seen as the most established PC brand in China and therefore had heritage there. Most respondents saw Sony as an early player in the Chinese market.

ASKING FOR PRODUCT ADVICE IS ONE WAY I CONNECT WITH OTHERS

Respondents highlighted the importance of their roles in society, especially in relation to their immediate and extended family. Their emphasis on networks in general was much greater than that observed in North America and Western Europe. As a result, word of mouth (Internet or otherwise) was viewed as an essential part of the buying process. Consumers sought knowledge and advice—including information related to brands—from family, friends, and others before making purchase decisions. This behavior also reflected Chinese consumers' tendency to follow trends.

JUST GIVE ME WHAT I WANT

Interviewees noted that the electronics market often confused them by providing "meaningless information" and too many models that differed only on minor specifications. Given its rapid growth, the Chinese market had made consumers more receptive to new technologies and products. Nonetheless, respondents tended to delete or disable their laptops' native applications, which were often viewed as merely marketing ploys. Different features were more important to different interviewees, depending on how they used their laptops. More specifically:

1. Some consumers depended on their laptops primarily to connect with others via e-mail, social networking sites, blogging, VOIP, and so on.

2. Others viewed their computers as being primarily a productivity tool—something that helped them be successful at school or work.

3. Still others were relatively light users who relied on their computers for everyday tasks and who were easily confused by extra features.

4. Finally, several interviewees depended on their laptops to be the key integrators of all the technologies they owned and used—from their televisions and cell phones to their online social networking. This included an emerging segment of consumers who used their computers as central hubs for accessing and experiencing multimedia—everything from television shows and movies to computer games and social media.

The CLUES Report

The interview data provided some rich insights about consumer use, but Lopez felt he needed more segmentation information to support his recommendations. What were the key similarities and differences among consumers in China, and were there different groups of consumers in China with different product preferences? How big (or small) were these groups, and what market opportunities did they present?

In early 2010, after nearly a year of negotiation with top management, Lopez gained approval to conduct research on the Chinese laptop market—a project he called the Chinese Laptop User Survey, or CLUES. Lopez's team and an outside market research firm conducted 760 surveys (face-to-face or by video conference) of Chinese consumers between 18 and 55 years of age. All participants either owned a laptop or were interested in purchasing one in the near future. Among other questions, CLUES respondents were asked to rate laptops on specific characteristics (e.g., coolness, simplicity, productivity). These questions were based on the qualitative data collected from the interviews.

A statistical analysis of the CLUES data yielded six Chinese laptop user segments:

- Entertainment Lover
- Business Focused
- Family User
- Tech Enthusiast
- Fashion Oriented
- Heavy User

Exhibit 5 presents descriptions of the CLUES segments, along with the percentage of the total sample each represented and its rating profile on seven characteristics laptops represented. In these segments, Lopez saw some evidence of the insights gleaned from the qualitative interview data.

Project Compass

In June 2008 Sony began undertaking an unprecedented cross-company and cross-regional segmentation to enhance the company's understanding of consumers globally. The study, known as Project Compass, was intended to provide the most comprehensive view of consumers across a variety of markets, business groups, and product categories. The process of conceptualizing, funding, designing, and implementing Compass took more than two years, partly because of the immense challenges associated with launching and managing a truly global research effort.

Before Compass, all of Sony's segmentation efforts were region-specific, product-specific, or a combination of both. For instance, one study segmented television consumers in Western and Eastern Europe. Another segmented digital-camera enthusiasts in Latin America. Still another segmented computer users in Asia. Looking at all of these studies commissioned annually, managers at Sony corporate began to wonder: Aren't digital camera users in Latin America likely to be similar to digital camera users in Asia? If they are, shouldn't insights from the Latin American camera market be translated to other markets? Sony managers also began to speculate that the segmentation results for at least some different product categories were likely to be similar. For instance, shouldn't a study that segments buyers of Blu-ray Disc™ players reveal information similar to that produced by a segmentation study of high-end television buyers?

Project Compass was a massive worldwide segmentation study that included data from more than 30,000 respondents. It represented a move to better align cross-divisional and cross-regional thinking regarding consumer segments while still allowing local regions and different product groups to customize marketing efforts. Sony hoped that Project Compass would help product managers and others build "cross-category cluster value" by focusing on the same consumer target. Project Compass data was collected from 4,000 participants from each of eight countries: Japan, the United States, Canada, the UK, France, Germany, China, and Russia. Researchers conducted face-to-face or Internet-based interviews seeking quantitative data and led focus groups to capture qualitative information. All participants were between 16 and 65 years of age and had to either use or be interested in one of the following products: television, computer, digital camera, DVD player, or personal/home audio system.

A statistical analysis of the Compass data yielded six global consumer segments:

- Technosocializers
- Performance Seekers
- Status Focused
- Unfussy Basics
- Functional Socializers
- Quality of Lifers

Exhibit 6 describes each of these segments; **Exhibit 7** reports how the segments were represented in each of the countries studied; and **Exhibit 8** reports the likely interest of each segment in computer purchasing and the Sony brand.

Upon reviewing the Compass data, Lopez noticed that segments in some countries were particularly large. For example, 33 percent of Japanese consumers were categorized as

Technosocializers, and 31 percent of Russian consumers were categorized as Status Focused. Recognizing that goal of segmentation models is to divide consumers into addressable subgroups, these large segments gave Lopez some concern about the validity and reliability of the Compass approach, both in general and as applied to China. However, after consulting with the market research firm responsible for Compass, and after reviewing the data more carefully, he was reassured that, at the present time, some countries did have very large segments of consumers with relatively homogeneous consumer electronics preferences.

Comparing CLUES and Compass

To gain a more complete picture of the market information, Lopez asked his Chinese market research firm to re-contact the 760 consumers who originally responded to the CLUES study and to ask them a series of questions that allowed them to be categorized according to the Project Compass segments. Partly because Lopez offered these consumers a financial incentive to respond a second time, the response rate was rather high: His market research firm was able to gain additional responses from nearly 600 (78 percent) of the original consumers, with no indication that the response rate was biased in favor of a particular CLUES or Compass segment.

This additional data collection allowed Lopez and his team to compare the two approaches to segmenting the Chinese market, seeking points of overlap and distinction. **Exhibit 9** shows what percentage of each Compass segment is represented within the CLUES segments. **Exhibit 10** shows what percentage of each CLUES segment is represented within the Compass segments.

A Plan for VAIO

With the Shanghai Report, the interview data, Project Compass, and the CLUES study, Lopez and his team had a wealth of information about Chinese consumer preferences for electronic products and their perceptions of the Sony and VAIO brands. He understood the potential value of Project Compass, but was reluctant to abandon the findings of the CLUES study that his team had completed.

The more he and his team members sifted through the data, the more tradeoffs they perceived between the segmentation models and the more uncertain they became regarding which to use. Integrating the models by crossing the segmentations had yielded a richer picture of the Chinese laptop market, but it was unclear exactly how it could be applied to developing a successful plan.

Knowing that he had less than a week to complete the VAIO marketing plan, Lopez returned to the reports and printouts on his desk.

Exhibit 1: Screenshots from Sony's China Website

Exhibit 2: Computer Penetration in China

	Own (%)	Do Not Own (%)
Laptop computer	50	50
Desktop computer	74	26

Note: For this survey, penetration was calculated as a percentage of the "current addressable market" for laptops. The current addressable market was defined as consumers who lived in one of the fourteen most populous cities in China (plus Hong Kong), and whose household income exceeded a specific amount.

Exhibit 3: Demographic Data for Laptop Owners in China

	Chinese Laptop Owners (%)	Chinese Population (%)
Gender		
Male	57	51
Female	43	49
Age		
18-24	20	10
25-34	36	27
35-44	22	26
45-54	10	15
55-64	9	12
65+	3	10
Education		
Less than high school	4	19
High school degree	21	30
Some college	25	28
College degree	43	20
Post-grad degree	7	3
Income		
Lower	23	47
Middle	31	43
Upper	46	10
Marital status		
Never married	29	20
Married	66	74
Other (e.g., divorced, widowed)	5	6
Children in household		
None	59	24
One	40	70
More than one	1	6
Broadband at home		
Yes	79	44
No	21	56

Note: These demographics are for the "current addressable market" for laptops. The current addressable market was defined as consumers over 18 years old who lived in one of the fourteen most populous cities in China (plus Hong Kong), and whose household income exceeded a specific amount.

Exhibit 4: Market Share for Computer Sales

Brand	Global Share[a] (%)	China Share (%)
Acer	6.3	9.7
Apple	10.4	4.3
Asus	3.9	12.3
Compaq	4.9	3.9
Dell	18.6	20.3
Fujitsu Siemens	6.6	
Founder	1.0	
Gateway	0.8	
HP	12.1	18.9
IBM	3.8	10.8
Lenovo	4.4	23.7
NEC	2.8	
Packard Bell	1.3	
Panasonic	0.4	
Phillips	0.3	
Samsung	4.3	5.3
Sharp	0.4	
Sony	11.9	6.1
Toshiba	5.8	5.9

[a] This number is based on total global computer sales and does not adjust for the fact that many brands are not sold in every country.

Exhibit 5: CLUES Segment Characteristics

PERCENTAGE OF TOTAL SAMPLE AND DESCRIPTION

Segment (% of total sample)	Description
Entertainment Lover (18%)	• Devoted followers of pop culture who enjoy being the person in their family or peer group who knows the most about entertainment • Buy new computers in step with changes in entertainment technology • Want their laptops to simply and seamlessly serve as a video game console, music player, and video content player • Are not technology experts and are sometimes confused by advanced features • Younger than other segments • "I use my laptop much more than my TV"
Business Focused (16%)	• Professionals across a range of ages who use their laptops primarily as productivity tools, both at work and at home • Require technology that is sufficiently flexible to interface easily with his/her company, clients, and business colleagues • "My laptop connects me to work from everywhere"
Family User (22%)	• Includes the largest number of women—moms who use their laptops to manage family calendars and budgets • Intrigued by the prospect of technology integration (e.g., watching Internet content on television), but only if it can be done simply and easily • Seek stylish laptops, given the computers' prominence in the home • "I use my laptop to keep track of my children and talk to my friends"
Tech Enthusiast (16%)	• Use laptops to manage other electronics such as TVs, games, and audio systems • Often access new content (e.g., movies, music, games), primarily for the purpose of trying out new technology and secondarily for enjoying the content itself • Want the fastest and most powerful computer products • "My friends envy my laptop's processing power"
Fashion Oriented (15%)	• More focused on hipness and style than on specifications • Buy new computers often, either to avoid having what "everyone else" has or to keep up with trends and fashions • Frequently access social networking sites to discuss trends and fashions • Value easy interfacing among multiple devices (music players, mobile handsets, laptops) • "I buy all of Apple's products because they are so cool"
Heavy User (13%)	• Use the widest range of computer applications: productivity, games, video/music, and others • Less interested in gadgets and high performance, more interested in functions and capabilities • Use laptops almost exclusively for all life activities, including social communication • Most knowledgeable about social networking applications • "My laptop is like my best friend"

Exhibit 5 *(continued)*

LAPTOP CHARACTERISTICS: IMPORTANCE RATINGS

	What function does your computer serve?				*What does your computer say about you?*		
	Integrates All of My Technology	Helps Me Connect to Others	Helps Me Be More Productive	A Simple Tool for Daily Tasks	I'm a "Multimedia" Person	I'm a "Cool" Person	I'm a "Tech" Person
Entertainment Lover	1.0	2.9	0.9	4.7	5.3	0.8	1.1
Business Focused	3.0	0.9	5.2	3.3	3.0	1.7	4.7
Family User	4.0	3.7	1.7	5.0	2.3	4.8	2.2
Tech Enthusiast	5.0	3.0	5.2	1.2	4.8	3.8	5.3
Fashion Oriented	5.0	5.1	2.0	3.1	4.2	5.1	2.8
Heavy User	4.0	5.3	4.8	2.1	5.2	3.7	4.3

Note: Ratings on 0 to 6 scale, where 0 is "Not at all important" and 6 is "Extremely important."

Exhibit 6: The Six Project Compass Consumer Segments

Segment (% of total sample)	Description
Technosocializers (16%)	• Value interpersonal relationships and aim to foster strong emotional bonds with those who matter to them. • Powerful need to remain in contact with others and with information at all times • Net-focused for contactability and provision of content for in-home TV consumption • Keep up with new technology and actively share new-technology information within peer group
Performance Seekers (17%)	• Passionately interested in every aspect of technology • Desire to be the first to own, adopt, and master the latest technology • Want to make their own assessment of, and decisions about, technology—they do not tend to listen to others • Like all their devices to connect wirelessly so they can watch/access what they want whenever and wherever they want • A major source of information and advice to all other segments
Status Focused (12%)	• Status-driven individuals who use brands and possessions to help them stand out among friends and neighbors • Interested in what technology says about them, not what it does for them • Like to be seen with new, highly visible, stylish technology that they can show off and that brings more fun into their lives • Self-proclaimed style leaders; claim people ask their opinion about which technology to own, though they themselves often feel the need to have someone explain how to use new devices
Unfussy Basics (24%)	• Try to keep their lives as simple as possible • Look for simple, single-function devices • Not interested in technology, but are confident using the few devices they own • Make no attempt to keep up with technology and do not ask for advice about using it
Functional Socializers (9%)	• Place a high value on keeping and maintaining social networks for both personal and professional reasons • Avoid innovative new technologies, and yet will quickly adopt technologies that have been proven to help them organize and optimize their lives • Do not place a premium on constant web connectivity—they prefer in-person interactions to technologically mediated interactions
Quality of Lifers (22%)	• Self-reliant individuals who like taking risks and live for getting the most of every moment • Social status and social networks are relatively unimportant • Careful about the purchase of any new technology, proven or otherwise • Value technology if it can be empowering and life-enhancing. It does not have to be simple, but it must meet their needs

Exhibit 7: Representation of Compass Segments in Each Country (%)

	Techno-socializers	Performance Seekers	Status Focused	Unfussy Basics	Functional Socializers	Quality of Lifers
Global	20	16	18	19	10	18
Canada	18	14	16	16	16	20
China	16	17	12	24	9	22
France	23	18	14	8	18	19
Germany	20	16	22	16	9	18
Japan	33	11	28	18	6	4
Russia	25	11	31	16	11	6
UK	25	15	22	16	8	14
United States	17	19	19	14	10	21

Exhibit 8: Each Segment's Interest in Laptops and Sony Brand (%)

	Segment Size	Plans To Purchase a Laptop Within the Next 12 Months	Ranks Sony As Their Top Brand	Agrees That Laptop Knockoffs Are As Good As the Real Thing
CLUES Segments				
Entertainment Lover	18	88	7	36
Business Focused	16	54	12	35
Family User	22	38	12	37
Tech Enthusiast	16	50	13	38
Fashion Oriented	15	92	7	30
Heavy User	13	65	11	36
Compass Segments in China				
Technosocializers	16	78	13	25
Performance Seekers	17	70	10	50
Status Focused	12	92	15	12
Unfussy Basics	24	47	3	71
Functional Socializers	9	41	4	65
Quality of Lifers	22	55	9	66

Exhibit 9: How Are the CLUES Segments Represented within the Compass Segments? (%)

	Entertain-ment Lover	Business Focused	Family User	Tech Enthusiast	Fashion Oriented	Heavy User	Total
Technosocializers	13	19	14	8	25	21	100
Performance Seekers	8	22	3	40	8	19	100
Status Focused	21	15	22	15	17	10	100
Unfussy Basics	23	17	41	2	13	4	100
Functional Socializers	19	2	55	6	16	2	100
Quality of Lifers	21	15	8	23	15	19	100

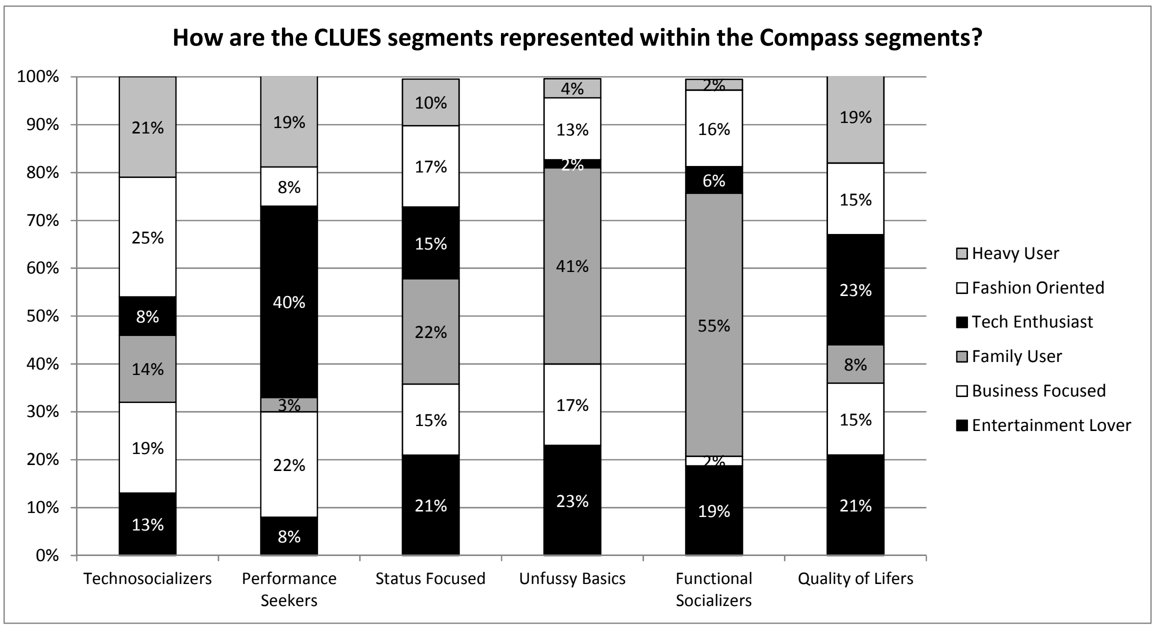

Exhibit 10: How Are the Compass Segments Represented within the CLUES Segments? (%)

	Entertain-ment Lover	Business Focused	Family User	Tech Enthusiast	Fashion Oriented	Heavy User
Technosocializers	12	18	10	8	26	25
Performance Seekers	8	24	2	43	9	25
Status Focused	14	12	12	11	14	9
Unfussy Basics	31	25	45	3	20	7
Functional Socializers	10	1	23	3	10	2
Quality of Lifers	26	20	8	31	22	32
Total	100	100	100	100	100	100