

What did JVC have to offer to its possible alliance partners that Sony did not? (Donato)

Quick answer:

The main asset is that JVC allowed OEM and licencing. Moreover they also provided assistance in manufacturing and marketing.

Developed answer:

At the time VCR's mass market had a promising future. Indeed everyone with a television set was a potential customer and compared to the professional video which was a very limited market. JVC's parent Matsushita realized it and exploited its skills in mass production to gain a decisive edge on the VCR's market. JVC has a more effective campaign to form an alliance or even a coalition for the manufacturing of VHS against the Beta family [1]. Now we will see how all this could happened.

On the one hand, Akio Morita and Masaru Ibuka, respectively Sony's president and chairman believed that the design of Beta was good enough to become a standard. They also knew that Sony was approximately two years ahead of their rivals in VCR development. Thus they began the preparations for the Betamax manufacturing before approaching other firms to discuss the prospect of adopting their machine as a standard.

On the other hand at this period there was a real standardization battle between rival companies. There were six different incompatible formats in competition and three of the majors, Hitachi, Sharps and Zenith didn't have any involvement in home video development.

As said previously Sony first demonstrated the Betamax to RCA, which stands for *Radio Corporation of America*, and proposed a joint development to JVC and Matsushita. But it didn't go really well and Sony started the mass production without taking into account the respective support of the other partners. Because of all this manufacturing preparations, Sony was less flexible as it would involve expensive changes in the equipment. RCA gave up their own VCR development but they also noticed that the design of Beta had a big handicap : the playing time was limited to one hour. So RCA decided to wait for further progress in the technology before getting involved in Sony's market. Matsushita also pointed this drawback and thus he refused the cooperation with Morita. Moreover Sony's chairman was clear about its strategy as he declared in [2]: « Sony is not an OEM manufacturer »; he didn't want other firms to produce Betamax machines.

JVC then realized that a successful machine would have to offer at least two hours of playing time [1]. They adopted a strategy which would form a larger group as possible and also promote licencing and OEM agreements, including exports [3]. By the end of spring '75, JVC created an alliance with Hitachi, Mitsubishi, Sharp and Matsushita. JVC proposed an OEM relationship to Matsushita as well but he refused because JVC didn't have enough capacity for his huge distribution network and also because Matsushita would be able to produce VHS machines on his own. JVC provided machines to Hitachi and in January '77 they also began supplying to Sharp and Mitsubishi.

Later on in the end of '76, JVC's strategy headed toward the U.S market and started the negotiations with RCA but they refused because of the small production capacity. Then JVC tried with European firms which would need smaller quantities than RCA. They continue to expand their alliance and

became really important (see on the appendix1).

In February '77 RCA contacted Matsushita and JVC. They wanted to introduce VCR on the U.S. market but thus they requested a VCR which « could record a football game »[1]. As a football match last at least three hours, this implied to double the playing time from two to four hours. Matsuhita agreed and in two months his engineers achieved a solution by halving the width of each recording tape and slowing the recording speed.

So how did JVC succeed in gathering all those partners (see Annexe 2)? If we compare the price, the quality or the features of VHS and Betamax we don't notice any big difference over the time. Indeed the price of both machines was equivalent and there weren't any big difference in the quality neither. Concerning the features it was almost the same as well: a couple of months after VHS developed their two hours tape recording, Sony had their own one.

The big difference thus was in the strategy they adopted. JVC managers aimed to create a big alliance and encouraged the partners to participate to the project. Compared to Sony, JVC's approach to partners was really « polite and gentle » and promoted adopting as the common VCR standard « the best system we are all working on » more than VHS per se [1, 4]. Indeed the partners could add new features or improve the existing ones, therefore the development was shared among partners. Moreover Matsushita was a big asset for the alliance, he could provide some feedback and he was sort of the *project leader* when he encouraged the engineers to increase recording time after the meeting with RCA.

Finally, JVC was more flexible and was more willing to hear the opinions and proposition of the partners. Thus the product was more adapted to everybody's need and the alliance was growing consequentially. JVC managers also allowed OEM and licensing, where Sony didn't. Later on, Akio Morita and Masaru Ibuka, Sony's president and chairman respectively, acknowledged that they made a « mistake » and « should have worked harder to get more companies together in a 'family' to support the Betamax format »[5].

[1] Michael A. Cusumano, Yiorgos Mylonadis and Richard S. Rosenbloom, *Strategic Maneuvring and Mass-Market Dynamics: The Triumph of VHS over Beta*, in « *The Business History Review*, » Vol. 66, No. 1, Spring, 1992, on pp 51-94.

[2] Quoted in *TV Digest*, 16 february 1976

[3] See Annexe A; Nyak and Ketteringham, *Breakthroughs!*, 42; Nomura Management School, « *VTR Sangyo Noto* »; and « *Innovations Spur Boom in VCR Sales* », in *The New York Times*, 11 December 1984.

[4] Kokichi Matsuno, message to employees in taking over as JVC President in 1975, and Shizuo Takano, JVC's Video Department manager, both quoted in Nayak and Ketteringham, *Breakthourghs!*

[5] Akio Morita, *Made in Japan*, (New york, 1986)