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Sony loses \$3bn in 2 years due to PS3 pricing

Production costs are too high

by Verity Burns published on 24 June 2008

According to information in Sony's fiscal 2008 annual report, the company has lost over \$3 billion in the past two years by pricing the PS3 below its production cost.

Apparently, Sony lost \$2.16 billion in 2007 and \$1.16 billion in 2008 on the PS3. The next-gen console alone allegedly costs over \$800 (around £400) to manufacture, yet launched with a price tag around \$500-600 (£250-300) in 2006.

Sony has even gone as far to warn investors that its large-scale investment on PS3 may not be completely recovered if the console does not start to achieve more favourable sales figures.

The company had said previously that it expected the profitability of its game segment to improve significantly due to hardware cost reductions and a strong line-up of PS3 software. Yet despite a 26.3% increase in sales in fiscal 2008, it reported an operating loss of \$1.2 billion.

Sony's worldwide hardware sales for fiscal 2008, compared to 2007, were:

PS2: 13.73 million (- 0.98 million)
PSP: 13.89 million (+ 4.36 million)
PS3: 9.24 million (+ 5.63 million)

Sony also reported worldwide software unit sales for fiscal 2008, as compared to the prior year:

PS2: 154 million (- 39.5 million)
PSP: 55.5 million (+ 0.8 million)
PS3: 57.9 million (+ 44.6 million)

It is promising that the PS3 saw the greatest year -to-year improvement in both hardware and software sales, but as the figures show, the PS2 sold almost three times the amount of software as

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either the PS3 or the PSP in fiscal 2008, with the PSP selling most hardware overall.