Sony to stream movies to its Bravia LCD TV sets

Will Smith in Hancock, which Sony plans to stream to its own TVs

Leo Lewis, Asia Business Correspondent

Sony has finally acted to exploit its position as both a maker of electronic hardware and producer of entertainment by streaming Hollywood blockbusters over the internet to its latest television sets before they are released on DVD.

Hancock, featuring Will Smith, will be the first film to be delivered over the internet, rather than by satellite or cable, to Sony's Bravia LCD models. Initially, the service will be available in America from the autumn.

The move marks what Sir Howard Stringer, Sony's chief executive, describes as a belated exploitation of the Japanese group's unique range of expertise. The company also announced plans yesterday to invest $17 billion (£8.5 billion) on technology over the next three years.

Sir Howard told The Times: “The theme of my management speeches within Sony has been to tell my people to get mad - mad that people are beating us, mad that our competitors are getting the attention. I want them angry enough to take on our rivals.”

By finally tapping the unique content-and-hardware features of Sony's structure, the company appears to have struck a direct blow at major competitors such as Samsung and Panasonic, analysts said. The industry's first serious movie-streaming package also sets a precedent that both electronics makers and other film studios will now have to follow.

However, other observers said that the plan was “too little, too late” to give Sony an edge in electronics as competition shaves margins and the US slowdown bites into sales.

Despite Sony's unexpectedly quick victory in the Blu-Ray versus HD-DVD war, in which Sir Howard's Hollywood background played a pivotal role, some doubt that that triumph will translate into profits quickly.

Nevertheless, the film-streaming ploy gives Sony a potentially critical weapon in the intensifying war between LCD television producers - a war that has escalated with the emergence of dozens of low-cost Chinese rivals.

Sony's relatively late arrival in the flat-screen TV game was viewed as one of the more spectacular failures of its pre-2005 management team.

Sir Howard's mid-term strategy pins especially high hopes on consumers in Brazil, Russia, India and China, where group revenues are expected to double to $18.5 billion by 2011.

He also promised that the red ink splashed over the games division - losses driven predominantly by the PlayStation 3 (PS3) console - would be eliminated by March 2009. The hefty console, whose fortunes were boosted substantially by the release this month of the Metal Gear Solid 4 game, will also become a conduit for online film downloads.

A demonstration of the long- awaited Sony Life virtual world software for the PS3 was accompanied by a plea from the
head of Sony Computer Entertainment to “please expect more from our evolving PlayStation business”.

By way of profitability targets, Sony is now focused on return on equity - a ratio that it wants to increase from 6 per cent to 10 per cent. Some analysts, though, remain unconvinced that Sony's sparkle has been restored and criticised a lack of detail and new products with a “wow” factor.

Battered by unfavourable currency moves, the group missed a 5 per cent operating profit margin it set itself soon after Sir Howard arrived. He said yesterday that 5 per cent was the “minimum acceptable profitability level”.

He told The Times that the decision to begin delivering Sony Pictures films over the internet had only been possible because he had managed to instil a sense of “law and order” within Sony. The group had at last emerged from “those dark days when nobody in the company seemed to speak to each other”.

Since taking over as the first non-Japanese president of Sony three years ago, Sir Howard has set himself the task of destroying what he calls the “silo walls” between the many operating divisions within Sony. That process may now be winnable.

"We have reached a point where no obstacle is too fearsome any more," he said.

If the movie-streaming scheme succeeds, it will represent Sir Howard's second attempt to change the way that content reaches the living room.

In the 1990s, before joining Sony, he ran Tele-TV - an early, and ultimately doomed, attempt to pipe content via the telephone network.