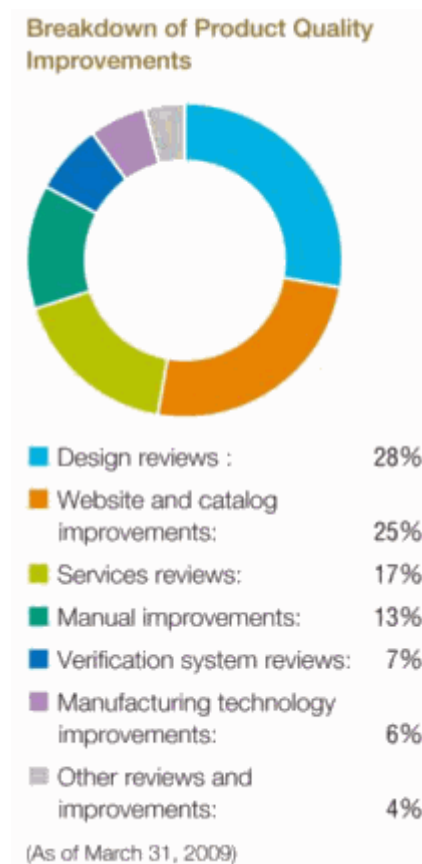


Quality Cost Analysis

Sony products are made of high quality standards with special regards on the reliability and safety for the user. Therefore, Sony spends a lot of time and money to develop and produce an almost perfect product. Because of the strong market competition and the high claim of the customer Sony is strongly willing to avoid external failure costs, because of the warranty costs, the liability costs, the lost benefits of sales, lost market shares and bad image, which are huge, in general for every company.

Sony introduced a product quality improvement into all processes, from development, planning, design and manufacturing to sales and service activities, to reduce poor quality in the Playstation 3. Sony is using corporate quality standards for all electronics products, which focus on the product safety and performance, labeling and services. The standards are updated continuously to reflect technological advances, changes in applicable legal and regulatory requirements and social changes.

To be up to date Sony is holding regular Quality Strategy Meetings, in which the top managers from each department discuss and set policies and strategies related the product quality. Sony also motivates employees for global training programs, to obtain and provide a high-level of product quality and services worldwide.



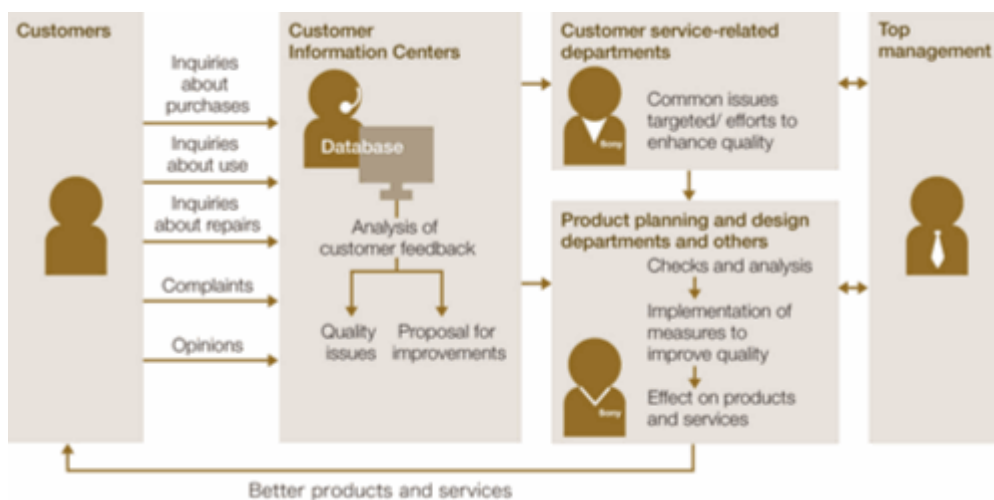
All these circumstances lead to considerable prevention costs.

Furthermore, Sony established a Product Quality Information Channel to analyse product quality-related information. Thereby reports of problems and opinions of employees are considered

The information received is used to avoid potential problems and prevent previous problems from recurring. Sony also motivates their employees to use the Playstation 3 while working time with the goal of detecting failure or inconvenient of the new product.

Sony also makes active use of customer feedback to improve the quality. Suggestions, ideas and reports of malfunctions received from customers at the Customer Information Center are evaluated and allocated to the planning and design groups, so that improvements in product quality can be made contemporary.

The diverse range of information received can be used to make products and manuals more user-friendly, but thereby the appraisal costs, which are the costs of detecting quality problems, has to be mentioned and regarded as a big part of the total quality costs.



In an economical point of view it is for Sony indispensable to invest a huge amount of money in the quality assurance. The Playstation 3 is market leader in the sector of virtual game consoles and it is known for its fantastic quality and reliability. Even though the quality costs, including the prevention and appraisal costs, might be very high, the bottom line is that they are much lower in comparison with the external-failure costs, included the lost costumers/ benefits of sales, market shares and a bad image.