

Capstone Project

Console wars: Microsoft strategy for Xbox to dominate the industry

Group 4 | 15/09/2023

Document 1 - Issue and information document

1. Introduction

The video game industry is a big industry which does more than \$300¹ Billions in a year. It comprises revenues from Mobile gaming, cloud gaming, console gaming, live streaming, pc gaming etc. We are currently focusing on console game market which is estimated around \$50² Billion dollars a year with major players Nintendo, Sony and Microsoft.

Console gaming, strictly speaking can be traced back to 1970's with Atari 2600, 2d video games like pacman. Following this came the time Sega video games to current generation of Xbox, playstation and Nintendo. Consoles were user friendly with plug and play properties to current level of sophistication of complete home entertainment system with all OTT builtin/installable apps with bluray drive to play movies

Major attraction of consoles are the optimization and the life of the product without any challenges of updating. A gamer spend lakhs of rupees on a custom built PC or gaming laptop to find himself outdated in less than 2 years with games playing at lower graphics or reaching a point to which games are unplayable. However a console for given life of 6 to 7 years, ie till the release of next console generation, it will run in best possible way as optimised by game designers.

Major players in Console industry is currently Nintendo, Sony and Microsoft where as Nintendo caters to different niche market and Sony and Microsoft cater to very similar audience with some special focus on genres by these companies. Xbox and Playstation console war started 2 decades ago with XBOX vs PS2 and currently we are in 4th generation of console war with Sony leading the market.

In this study we are trying to understand where Microsoft is lagging behind Sony in the console industry and ways to overcome the same.

¹ Patel, Vishal, and Mit Shah. "How Ai in Video Games Is Reshaping the Gaming Industry." ViitorCloud Blog, October 11, 2023. <https://viitorcloud.com/blog/how-ai-in-video-games-is-reshaping-the-gaming-industry/#:~:text=According%20to%20a%20Statista%20report,U.S.%20dollars%20to%20the%20total.>

² "Global Gaming Consoles Market – Industry Trends and Forecast to 2029." Data Bridge Market Research. Accessed October 14, 2023. <https://www.databridgemarketresearch.com/reports/global-gaming-consoles-market>.

2. Company Background

Microsoft Corporation is a global technology company headquartered in Redmond, Washington. It was founded by Bill Gates and Paul Allen on April 4, 1975. The company's journey began with a focus on software development for microcomputers. However, its breakthrough came with the release of Microsoft Windows in the late 1980s. This breakthrough revolutionized personal computing with its graphical user interface.

Eventually, Microsoft's product portfolio grew to include software, hardware, and services. The Microsoft Office suite was introduced in 1989. It soon became indispensable for businesses and individuals alike. It offers applications like Word, Excel, PowerPoint, and Outlook. Windows XP, Windows 7, and Windows 10 have all shaped the PC market.

In 2001, Microsoft made its mark in the gaming industry with the introduction of the Xbox console series. This marked the company's foray into gaming hardware. It was strengthened with its subsequent releases including the Xbox 360, Xbox One, and the latest Xbox Series X and Series S launched in 2020. Alongside the consoles, Xbox Live redefined online gaming and digital content distribution. It paved the way for services like Xbox Game Pass, which offers access to a vast game library through a subscription model.

Microsoft's innovation impacted more than the gaming industry. The introduction of cloud computing services, particularly Microsoft Azure, revolutionized application deployment and management. The company's hardware ventures, such as Surface laptops and tablets, showcase its prowess in AI, machine learning, and hardware development.

Under the leadership of CEO Satya Nadella, Microsoft's "cloud-first, mobile-first" strategy has driven adaptability and growth in an ever-changing tech landscape. This strategy aligns with the company's goal of embracing innovation while addressing global challenges.

Microsoft's commitment to philanthropy is evident through the Bill & Melinda Gates Foundation, which addresses global health, education, and poverty issues.³

Microsoft's rich history spans software, hardware, and services, with its Xbox division making significant strides in the gaming industry. This journey reflects a commitment to innovation, adaptability, and a positive global impact.

Microsoft's gaming division boasts a range of in-house gaming studios that contribute to its rich portfolio of titles. Additionally, Microsoft has significantly expanded its gaming prowess through strategic acquisitions of several prominent gaming studios. These acquisitions have bolstered Microsoft's capabilities and offerings within the gaming industry, enhancing the Xbox ecosystem and enriching the gaming experience for players.

³ Sivakumar, Bharath. 2020. "The History of Microsoft." Feedough. June 28, 2020. <https://www.feedough.com/the-history-of-microsoft/>.

These include Compulsion Games, Double Fine Productions, inXile Entertainment, Mojang Studios, Ninja Theory, Obsidian Entertainment, Playground Games, Rare, Undead Labs, Bethesda Game Studios, Arkane Studios, id Software, MachineGames, Tango Gameworks, and ZeniMax Online Studios. This series of acquisitions highlights Microsoft's strategy to expand its first-party game offerings and further solidify its presence in the gaming market.⁴

3. Gaming Industry - An Overview

The Gaming industry is a prominent and innovative force in the tech sector. This industry is valued at around \$347billion. Similar to traditional domains like movies, the gaming industry holds much cultural & entertainment significance. With nearly three billion individuals engaged, the gaming industry has come a long way from its humble roots in the 1970s and 80s.

The pursuit to craft immersive entertainment experiences paves the way for pioneering many advancements which constantly helps push the boundaries of the tech industry. Console giants like Microsoft, Sony & Nintendo push each other technological limits in various aspects like graphics, speed & processing power to gain supremacy in this industry. A substantial emerging contender is cloud gaming represented by platforms like Netflix. However, enthusiasts prefer PC gaming since it offers much convenience & versatility.

Banking on the fervent fan bases of traditional sports and accomplished players, Esports have managed to captivate audiences with virtual gaming battles. The current estimates are that by 2025, over 640 million viewers are expected to be captivated by Esports with a sizable portion categorized as enthusiasts. Esports have been able to draw investment from renowned personalities like Michael Jordan, Drake & Jerry Jones, acknowledging their potential. With people being forced to sit at home and restrict themselves from outdoor activities, the Covid 19 Pandemic played a pivotal role and became a contributing factor to the unprecedented growth of the gaming industry, especially Esports.

Platforms which optimized game streaming and enabled gamers to livestream their gameplay globally saw an unprecedented success and fostered fan interactions and paved the way for monetisation. Many renowned professional gamers like Tyler “Ninja” earn millions through endorsements and fan engagements thanks to various streaming platforms.

Even though the gaming industry originated from humble roots, today it has grown to be strong enough to pose a challenge for other sectors of innovation. In short, gaming industry is just starting, and is keen to push all perceived boundaries. One of the key factors which sets apart gaming is the immersive, exclusive and expansive nature of it, offering something for every gamer thereby establishing itself as a beloved global industry.

Nearly a quarter of the \$347 billion in the gaming industry comprises PC & console gaming with approximately \$92Billion. If we are to look exclusively at the console gaming industry, it amounts to nearly \$51 Billion

⁴ Hall, Mark, and Gregg Pascal Zachary. 2020. “Microsoft Corporation | History, Products, & Facts.” In *Encyclopædia Britannica*.

3.1 Gaming Device Insights

3.1.1 Console Gaming

Console gaming is the most widely recognised form of digital gaming. It is also the original format gaming started off in, with Nintendo and Sega being the main players in the market. In recent times, Xbox and Playstation have emerged as frontrunners in console gaming, providing access to millions of players with cutting edge gaming technology. Console gaming has reflected the major trends in the gaming industry, starting off with joysticks used for running basic games to systems like Xbox Series X, which are sophisticated enough to offer image processing at 8K resolution with the help of specially designed microchips. Thus, consoles have redefined the limitations of the entertainment based on gaming, time and again.

It's predicted that the console segment will undergo significant evolution in the near future as well. Advanced display and sound systems are crucial augmentations that are conceived to exalt the gaming experience, which will in turn drive the growth of the industry in exponential magnitude. Consoles these days have come up with ingenious functionalities like recording and sharing in-game content online, promoting community engagement. "Ray tracing" is an alluring feature in top end gaming consoles that boasts of providing an immersive experience to gamers which is attractive to consumers who seek enhanced interactivity.

3.1.2 PC Gaming

PC gaming have seen a rapid increase in users with approximately 1.8 billion users choosing computers for gameplay by the end of 2022. The advantages of gaming in PC is that it stresses on efficiency with dedicated RAM, GPUs and cooling systems to smoothly run real-time games. These computers are especially beneficial to streamers who seek reliable systems for high level gaming and live streaming simultaneously. Graphically demanding titles also handle well in PCs. Fortnite, League of Legends and Minecraft are few games which have risen to immense popularity on a global entertainment forum⁵.

3.2 Company and Market Share Insights

Players in the market are focussing largely on developing next-generation video game consoles and engaging video game content. Play Station 5 by Sony Corporation, Xbox Series X by Microsoft and Wii U by Nintendo are the popular video game consoles available in the market now. To cement their respective market share, the market players are focusing aggressively on new innovations and product differentiation.

By offering products featuring multi-utility features that allow end-users to play games and browse the internet simultaneously, market players are showing significant emphasis on amplifying customer experience. These multi-utility gaming consols are forecasted to play a niche role in spearheading the growth of the market over the forecasted period.

Merger and acquisition activities are other strategies that market players are engaging in stay competitive, apart from technological innovations. A good example is Microsoft acquiring Activision Publishing Inc.,

⁵ Daley, S. (2022) *Gaming., A Look Into the Gaming Industry: Types of Video Games and Gaming Jobs* | *Built In*. Available at: <https://builtin.com/gaming> (Accessed: 15 October 2023).

who is a notable player in the video game industry. Following are few of the prominent players in the global video game market⁶:

- Ubisoft
- Square Enix
- Rockstar Studios
- Take 2 Games
- Activision Blizzard
- Electronics Art Inc.
- Lucid Games
- Microsoft
- Nintendo
- Rovio Entertainment Corporation
- Sony Interactive Entertainment Inc.
- Tencent Holdings Limited

4. Specific Information Related to the Problem

Microsoft's gaming console, The Xbox series X|S is 4th Generation of consoles that is currently in the market for the last 3 years and is competing with Sony's PlayStation 5. This generation also, Microsoft has lost the console war to Sony. However as a product, Xbox Series X is technically superior to PlayStation 5; CPU 8 core 3.8 GHz against 8 core 3.5 GHz and GPU 12.0 Teraflop vs 10.3 Teraflop (Exhibit 3).

Rise of Sony's PlayStation strength was never primarily due to their hardware capabilities, but it had more to do with the community they have built over the years through exclusive games across their generation of consoles. Xbox strategy is majorly making sequels to established games like Gears of war, Halo, Forza etc. Stand-alone games are often rare.

However, PlayStation had novelty in their ideas when it came to making exclusives. Games like God of war, Uncharted, Last of us were established games which had multiple sequels with refreshing stories. Sony also rebooted games like God of war in different settings to get away from repetitions. Sony could also come up with hit new games such as Ghost of Tsushima, Spiderman, Horizon zero dawn with different settings. One thing to consider is that consoles are best suited for hack and slash genre of gaming rather than first person shooter genre and that's what Sony also focuses on, hack and slash games with strong character development and engaging stories.

⁶ *Video game market size, share and Growth Report, 2030* (no date) *Video Game Market Size, Share And Growth Report, 2030*. Available at: <https://www.grandviewresearch.com/industry-analysis/video-game-market> (Accessed: 15 October 2023).

Xbox game pass had high subscriptions of over 120⁷ million including PC users whereas Sony had only 47.2⁸ million. Exclusive games of Microsoft were released for free in Xbox game pass that gamers are benefitted by monthly rent of Rs.499 instead of spending Rs. 5000 per game.

It is important to understand the contribution of Gaming business to parent company. Sony's gaming division stands out as highest contributor for their corporate portfolio, yielding the highest profits and playing a pivotal role in the company's overall success. In contrast, Microsoft's gaming division is just one of the business that contributes to their over all business.

The Gaming division for Sony has become a powerhouse that adds tremendously in their bottom line; ensuring they are market leaders. The division comprises of PlayStation brand that includes hardware, software and online services, highly popular among many. The gaming sector is a primary revenue generator for Sony, enjoying a loyal and ever-expanding customer base (Exhibit 6).

On the other hand, Gaming division in Microsoft eventhough substantial for industry, is only a small portfolio in their wide gamut of business that they have. Microsoft has enterprise solutions, cloud computing and servies which form a major chunk of their business (Exhibit 7).

It is also an absolute must to mention hand held gaming devices. They were small portable gaming consoles with built in screen, buttons & speakers. The most notable of the handheld consoles is Nintendo which is still alive & kicking since the past 30 years with its many iterations over the decades. Incase of Nintendo, Nintendo DS sold 154.2⁹ million units worldwide. Nintendo Switch another 129.5 million units and Nintendo Gameboy 119 million units. This clearly highlights the possibilities & relevance of handheld gaming consoles and it is massive.

Initially, well established companies like Sony tried to bite into the handheld console scene with their PSP (PlayStation Portable) but did not see much success. The growth of handheld consoles went relatively stagnant in the coming decades.

However, new players like Asus ROG Ally, Steam Deck, Nintendo Switch etc. have bought the buzz back to this perceivably stagnant domain.

The distinction between the top 10 exclusive games of Xbox and Sony is indeed noteworthy, as it underscores the contrasting strategies employed by these two gaming giants in the development and marketing of their exclusive titles.

⁷ Clement, J. "Xbox Game Pass Subscribers 2022." Statista, July 7, 2023.
<https://www.statista.com/statistics/1276183/xbox-game-pass-subscriber-count-global/>.

⁸ Clement, J. "PlayStation Plus Subscribers 2023." Statista, August 29, 2023.
<https://www.statista.com/statistics/532431/playstation-plus-subscribers-global/#:~:text=First%20launched%20in%202010%2C%20PlayStation,million%20subscriptions%20in%20December%202021.>

⁹ "IR Information : Sales Data - Dedicated Video Game Sales Units." Nintendo Co., Ltd. Accessed October 14, 2023. https://www.nintendo.co.jp/ir/en/finance/hard_soft/index.html.

When we look at the trend of exclusive games launched by XBOX, it is disturbing to note that top 10 exclusive games are not AA titles, ie these are not high end games with good graphics, story telling, characters, mechanics etc. Major chunk of games are indie games which are low budget games which gave them the volume. AA titles which are in the list are also cash cows that Xbox has been milking for last 2 decades without much freshness (Exhibit 5).

Sony on the other hand had 10 titles which are completely different from each other, some are even stand alone titles which commanded a full price of \$59.99 on release (Exhibit 6).

Both the companies are trying to cater slightly different niche markets. Xbox focuses more on First person shooter, multiplayer and racing. Whereas Playstation focuses more on hack and slash games with deeper characters and better story narrations. It is also important to note that consoles are better suited for hack and slash than First person shooters

5. Problem statement

Even after two decades of fighting in the console war, Microsoft has always trailed behind its main rival. Even with better technical features, Microsoft still finds itself behind in this generation. There is a great opportunity in the gaming industry, especially with substantial resources at its disposal. How Microsoft can use its resources and technical superiority to achieve dominance in the console market

Exhibits



XBOX Series X



Asus ROG Ally



Playstation 5



Steam Deck



Nintendo Switch

Exhibit 1 Consoles and handheld gaming devices



Exhibit 2 Major game titles

PS5 vs. Xbox Series X: Specs		
	PS5	Xbox Series X
Price	\$500 (PS5); \$400 (PS5 Digital Edition)	\$500
Key Exclusive Games	Spider-Man: Miles Morales, Horizon II: Forbidden West, Gran Turismo 7	Halo Infinite, Microsoft Flight Simulator, Forza Motorsport 8
Backwards Compatibility	Almost all PS4 games, including optimized PS4 Pro titles	All Xbox One games / Select Xbox 360 and original Xbox games
CPU	8-core 3.5 GHz AMD Zen 2	8-core, 3.8 GHz AMD Zen 2
GPU	10.3 teraflop AMD RDNA 2	12.0 teraflop AMD RDNA 2
RAM	16 GB GDDR6	16 GB GDDR6
Storage	825 GB custom SSD	1 TB custom NVMe SSD
Resolution	Up to 8K	Up to 8K
Frame Rate	Up to 120 fps	Up to 120 fps

Exhibit 3 Specification comparison of Xbox and PS5

Source :<https://www.tomsguide.com/news/ps5-vs-xbox-series-x>

Title	PlayStation	Sales (units)	Release price	Contribution
Marvel's Spider-Man (2018)	PS4, PS5	33 million	\$59.99	26.65%
God of War (2018)	PS4, PS5	23 million	\$59.99	18.57%
The Last of Us Part II (2020)	PS4	10 million	\$59.99	8.08%
Ghost of Tsushima (2020)	PS4	9.73 million	\$59.99	7.86%
Horizon Forbidden West (2022)	PS4, PS5	10 million	\$59.99	8.08%
Uncharted 4: A Thief's End (2016)	PS4	16 million	\$59.99	12.92%
Gran Turismo Sport (2017)	PS4, PS5	5 million	\$59.99	4.04%
Ratchet & Clank: Rift Apart (2021)	PS5	2.1 million	\$59.99	1.70%
Death Stranding (2019)	PS4, PS5	5 million	\$59.99	4.04%
Horizon Zero Dawn (2017)	PS4	10 million	\$59.99	8.08%

Exhibit 4 Sale of Top playstation exclusive titles

Source:<https://www.vgchartz.com/>

Title	Xbox	Sales (units)	Release price	Contribution
Halo Infinite (2021)	Xbox One, Xbox Series X/S	20 million	\$59.99	16.18%
Forza Horizon 5 (2021)	Xbox One, Xbox Series X/S	20 million	\$59.99	16.18%
Gears of War 5 (2019)	Xbox One, Xbox Series X/S	8 million	\$59.99	6.47%
Sea of Thieves (2018)	Xbox One, Xbox Series X/S	30 million	\$39.99	24.27%
State of Decay 2 (2018)	Xbox One, Xbox Series X/S	10 million	\$29.99	8.09%
Ori and the Will of the Wisps (2020)	Xbox One, Xbox Series X/S	2.5 million	\$29.99	2.02%
Forza Motorsport 7 (2017)	Xbox One, Xbox Series X/S	10 million	\$69.90	8.09%
Halo 5: Guardians (2015)	Xbox One	8.1 million	\$59.99	6.55%
Halo: The Master Chief Collection (2014)	Xbox One	10 million	\$59.99	8.09%
Gears of War 4 (2016)	Xbox One	5 million	\$59.99	4.05%

Exhibit 5 Sale of Xbox exclusive titles

Source:<https://www.vgchartz.com/>

Yen in millions		
Fiscal year ended March 31		
	2022	2023
Operating income(loss):		
Games & Network Services	346089	250006
Music	210933	263107
Pictures	217393	119255
Entertainment, Technology & Services	212942	179461
Imaging & Sensing Solutions	155597	212214
Financial Services	150111	223935
All other	17981	16849
Total	1311046	1264827
Corporate and elimination	-108707	-56621
Consolidated operating income	1202339	1208206

Exhibit 6: Sony profit and loss

Source:[chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.sony.com/en/SonyInfo/IR/library/FY2022_20F_PDF.pdf](https://www.sony.com/en/SonyInfo/IR/library/FY2022_20F_PDF.pdf)

(In millions)		
Year Ended June 30,	2022	2021
Server products and cloud services	\$67,321	\$52,589
Office products and cloud services	44,862	39,872
Windows	24,761	22,488
Gaming	16,230	15,370
LinkedIn	13,816	10,289
Search and news advertising	11,591	9,267
Enterprise Services	7,407	6,943
Devices	6,991	6,791
Other	5,291	4,479
Total	\$198,270	\$168,088

Exhibit 7: Microsoft Profit and loss

Source: <https://www.microsoft.com/en-us/Investor/annual-reports.aspx>

Document 2 - Analysis and recommendation document

1. Framework of competitor Analysis

Porter's Framework of Competitor Analysis from his Competitive strategy¹⁰

Future Goals	Current Strategy
1. Increase Market share 2. Explore into new untapped market - Cloud gaming, remote access through mobiles - Explore Market of PC, by porting into PC	1. Exclusive Games released for PS5 2. Cater to loyal Playstation gamers by releasing sequels for hits and making fresh single titles 3. Mainly cater in hack and slash Genre of games, which is comfortable to be played in console
COMPETITOR RESPONSE PROFILE	
1. Sony is the market leader when it comes to console sales and thereby would like to maintain status-quo with some minor improvements 2. Sony might look into expanding their base to PC gaming by releasing games in PCs in coming future with the success of god of war, Uncharted collection, spiderman and Horizon Zero Dawn. Sony would also look into making use of cloud gaming and thereby expanding to remote play in mobile segment 3. Competitor is currently vulnerable against handheld complete gaming solution, even though they do have accessory named backbone to make mobile usable for remote play with own playstation connected to mobile. 4. Making current running series of games like Call of duty exclusive to Xbox will result in huge studio purchase rampage in market which already has happened when Microsoft had a shopping spree of gaming studios	
Assumptions	Capabilities
1. Sony playstation is market leader when it comes to consoles 2. Sony playstation rules hack and slash segment and emotionally driven storylines	1. Owns famous characters like spiderman from non gaming universe 2. Sony owns studios like santa monica, naughty dog, bungie games, guerilla games, insomniac which gives mix of hack and slash/adventure/fantasy games 3. Huge fan base from PS1 to PS5 4. Revenue of Sony, Gaming division is the biggest, thereby highest focus

¹⁰ Porter, Michael E. "Chapter 3 A Framework for Competitor Analysis." Essay. In *Competitive Strategy*, 49–74. New York: Free, 2004.

2. Analysis of Competitor's Defensive Capability

Porters' Analysis of competitor defensive from Competitive strategy¹¹

Sl No	Events	Vulnerability of the competitor to the event	Degree to which the Event will provoke Retaliation by the competitor	Effectiveness of the competitor's retaliation to the Event
1	Introduction of Handheld gaming device/ buy out of Nintendo	Currently no such capabilities are known, however previous expertise in playstation portable was there 2 generations back	Playstation can look into buying handheld device from current portable devices OEM, like ASUS and create new play station portable	Since OEM will not be Sony, Microsoft can have optimised product which can be superior
2	Venture into Cloud gaming to become prime mover	Microsoft has bigger cloud capabilities than Sony	Sony is also in initial phase of cloud gaming	In time retaliation will have heavy impact
3	Increased Exclusive games	No vulnerability	Sony can retaliate with more exclusive games	Risky and might impact negatively but might create a loyal base if some titles are successful
4	Buy out new Gaming Studios	Mild Vulnerability	Sony, even though is strong company with major revenue from gaming can't go on shopping spree beyond limit	Medium retaliation with some buyouts expected
5	Stopping release in playstation platform the famous games	Vulnerable	It might come as regulatory/compliance issue	Highly risky as it will be regulatory issue

¹¹ Porter, Michael E. "Chapter 3 A Framework for Competitor Analysis." Essay. In *Competitive Strategy*, 49–74. New York: Free, 2004.

The gaming industry has become a colossus, especially in the console sector, with a mind-boggling market value of 51 billion US dollars. Within this lucrative market, there are three key players that have consistently held sway: Sony, Nintendo, and Microsoft. For years, these gaming industry giants have dominated the landscape, and while Microsoft has consistently delivered high-quality products, it still hasn't achieved the dominant position it aspires to, even with its latest and arguably superior product offerings. To explore this topic further, let's discuss the multiple challenges and opportunities that Microsoft has to become superior to its rivals in the console industry.

3. Recommended Solutions

3.1 Product Superiority showcasing

"Product", one of the 4Ps in marketing Xbox has cracked in this generation and is outshining the competition in performance and design without a doubt. Now Xbox has better processor and graphics than the competition in sleek design compared to PS5 has definitely attracted the customers and designers equally. In previous generations, Xbox was either slightly inferior or at the best to equal to PlayStation equivalent.

The GPU performance of Xbox Series X's stands out, it delivers photo realistic graphics, lifelike visuals, and seamless gameplay experiences that are incomparable in industry. Its cutting-edge CPU, on the other hand, load times are reduced drastically and unparalleled responsiveness, elevates the overall experience for a gamer.

Xbox, now with new studios acquired should focus on Xbox Series X exclusives which should focus showcasing the console's superior CPU and GPU capabilities. Console is known for its games, the characters and mechanics. Xbox should try working out new stand alone exclusive instead of sequels as Xbox has been milking the sequels for too long. Freshness is important in video game industry also.

Xbox should make hack and slash games which is a genre Xbox hasn't ventured much. In Top 5 exclusive games in PlayStation 3 are from hack and slash genre as in Exhibit 4.

3.2 Exclusive games

Exclusives are pivotal in console's success. The only reason PlayStation could survive as market leader can be attributed to the exclusives that Sony has released in last 2 decades. From God of War to Last of Us released has created a loyal fan base in gamer's community.

Now that Microsoft has acquired many studios including Rockstar and Activision, Microsoft can look into developing new exclusive titles in open world third person games and hack and slash games which are big hits for competition.

As per the data available on top exclusive games, Xbox 40% of sales comes from non AAA titles which are priced lower where as Playstation 100% titles are AAA games that commands high price near \$60 per copy. Out of 10 best exclusives 5 are Franchise games from Halo and Gears of War which lacks freshness compared to Playstation as all 10 are different games. It's important to have stand alone games to create freshness among the game catalogue

3.3 Handheld Gaming opportunity

Nintendo, the other player sold 125 million units in current generation of Nintendo Switch which is an untapped market that Xbox can look into. This is further strengthened by new players Steam deck and Asus ROG Ally. Xbox can get the market share from handheld consoles. Sony has currently announced backbone which will help in remote play of mobiles with console and will act as joystick.

3.4 Cloud gaming

Cloud gaming is an upcoming market, which Sony has already invested. Combining Handheld gaming and cloud gaming can be beneficial to capture the market. Main income stream can be a subscription based like Netflix with fixed catalogue of games with new games be paid. Sony's backbone will be a first step for competition to gain that as it will work with mobiles.

Group 4

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