



# Microsoft

## Internal Review

Gaming Console Industry & Xbox One Direction

# Let's Start

From Where We Left Off

# The Industry

Market "Shakeout" & How It Affects You



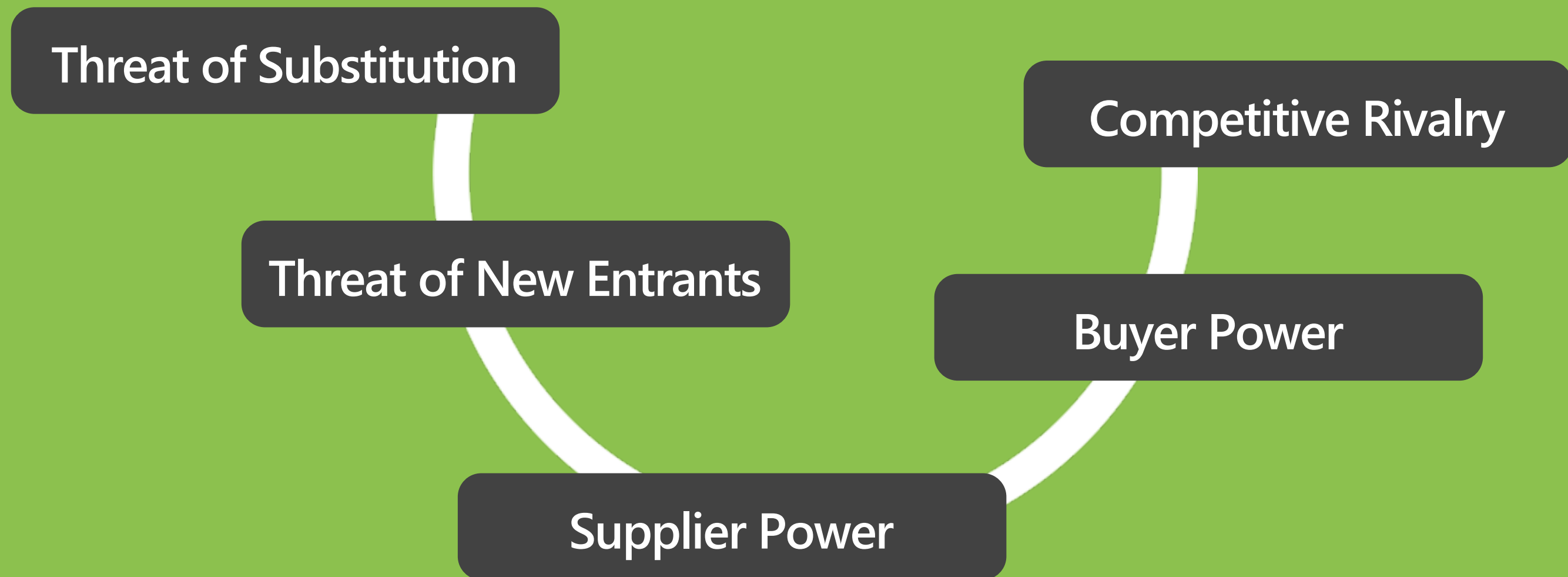
The industry has **grown exponentially**, but is now in a **big “Shakeout”**.

The race is on to make a **complete media entertainment package.**



# Five Forces Model

Our main method, of determining industry **competitiveness** and **nature**.



# Five Forces Model

First off, there's a **relatively high**, threat of **substitution**.



## Direct Substitutes

other major gaming consoles



## Indirect Substitutes

the Personal Computer (PC)



# Five Forces Model

Next, there's **relatively low**, threat of **new entrants**.

## 2 Entry Barriers

core architecture of a gaming console

Investment Capital

Advanced Technology

# Five Forces Model

In terms of power, **suppliers** are **relatively high**; **buyers** are **relatively low**.

## Supplier Power

Few prominent hardware manufacturers  
Specialized hardware required  
High switching costs

## Buyer Power

3 main gaming console competitors  
Limited products to switch to  
Hard to access info

# Five Forces Model

Lastly, **competitive rivalry**, is **relatively high** throughout the industry.

**Slowing** growth, **replacement** buyers, **maintaining** profits.

Though the industry may be tough, we believe **Microsoft is tougher.**

# > Microsoft

Looking At What's Been Done





After a complete rebranding, Microsoft's marketing has **changed** too.



“All platforms are **unified**, creating one **wholesome experience**.”

“**With** the consumer,  
not against them.”

“**One complete ecosystem**, for your  
**complete digital lifestyle**.”

Microsoft employs most closely, the **Marketing Concept**.

# Orientation

Marketing better products, based on consumers' **needs** and **wants**.

## Policy Changes

Microsoft listens to the consumers  
Policies (DRM, AlwaysOn)  
N&Ws satisfied

## Aggressive Marketing

Always directly challenging competitors  
Opening consumer mindsets  
Developing new W&Ns

# Differentiation

A smart strategy of **improving existing product lines**, and marketing that.

## Unique 3D Engine

Proprietary hardware acceleration features  
Unique matrices = Unique graphics  
Performance with quality

Microsoft®  
**DirectX<sup>®</sup>11**

## Exclusive Experience

Incremental versions prevent re-learning  
Exclusive features to the ecosystem  
Experience over price

Microsoft is appealing to the **Innovators**, the ones who set the trend.

"Simple. Instant. Complete."

"Here For Today. Built For Tomorrow"

Microsoft is appealing to the **Innovators**, the ones who set the trend.

"A one-of-a-kind architecture."

Having talked marketing, we must also **focus on the products themselves.**



# Portfolio

Your Income Drivers + Xbox One



Windows. Surface. Office. Xbox.

# BCG Model



The Xbox family is mature, but Xbox One is still at the **Introduction Stage**.

With where it's at, let's analyse Xbox One's **SWOT profile**.

# Strengths

As emphasized earlier, **proprietary architecture** is an advantage.

3 different operating system (OS) partitions

Host OS runs games natively

Guest OS-es run apps and services separately

Dynamic switching between CPU and GPU

Uniquely Xbox One fine-tuned competitive strength achieved

# Weaknesses

**Timing** and **Pricing**, are two critical competitive factors.

Coinciding release date with PlayStation 4

Initial strict policies introduced (DRM, AlwaysOn)

Much more expensive IP games shown

Directly competing with the other "Big 3" consumer bases

Perfect storm created to flesh out Xbox One's weaknesses



# Opportunities

There are always new ways to expand **in the industry**, or **out of it**.

Penetrate deeper into Asiatic + Pan-Pacific regions

Market less known tools (Xbox SmartGlass, Media Center Extender)

Upgrade proprietary hardware further beyond PCs

Setting up deals with more game studios for new IP games

Leverage to create a bigger competitive advantage for Xbox One

# Threats

Some threats were **inherited from release**, while others are **constant**.

Lower costing gaming consoles from competitors

No backwards gaming compatibility

Inherited "heat" due to bad press from Reveal Day

Competitors having other IP games with huge followings

Mitigate or constantly monitor to keep Xbox One ahead

With this in mind, let's see the **Marketing Mix Strategies** for Xbox One.

# Marketing

Putting Into Perspective, Your Four "P"s



Games TV & Movies Music Apps

RECENT



Forza Motorsport 5



Add  
Snap



Xbox Video





Xbox Music



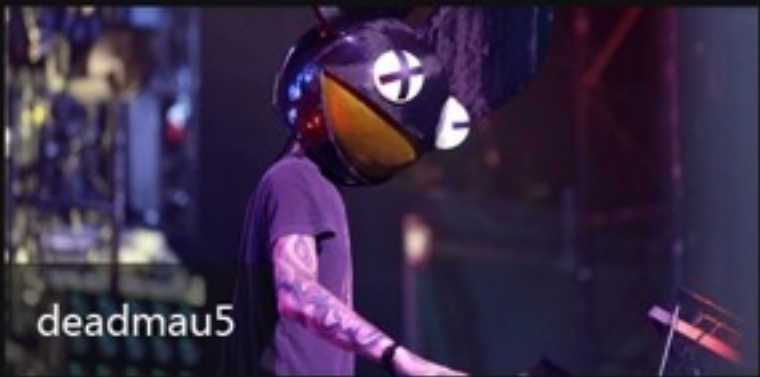
RECOMMENDED



Star Trek Into Darkness



Rihanna



deadmau5



Product. Pricing. Place. Promotion.

# Product

Xbox One is a **homogenous product** in the **Introduction Stage**.

## All-Rounded

Only one product branch (Xbox One)  
Not just about gaming anymore  
Future-proofed hardware

## Homogenous

Products are compared by consumers  
Pros and cons are highly relative  
High price sensitivity

# Pricing

As mentioned previously, Xbox One is possibly, **highly price sensitive**.

## Additional Hardware

Kinect V2 is mandatory in the retail kit  
Others exclude it = lower price  
Adds additional features

## DRM Licensing

Developers need DRM compensation  
Acquirement of new IP games  
Game content royalties



# Place

Xbox One is no longer **region-locked**, but still has **region-specific features**.

## **Direct & Distributors Channels**

consumers can select purchase gateway

## **Fully Region Unlocked**

content is available internationally

## **Region-Specific Features**

expanded features to select regions



# Promotion

There was **bad public promotion** during “Reveal Day”.

Hard-hitting policies and restrictions killed initial hype

Marketed pricing was higher than all other competitor products

By **turning-around**, public promotion can be salvaged.

Promote policy changing as part of listening to consumers

Promote clearly that all peripherals are included as part of higher pricing

With all this accounted for, let's look at **possible improvements** to Xbox One.

# The Future

Ideas On Improving The Xbox Experience



We've hinted at a few improvements, so let's **get into detail**.

# Old With New

Hardware prevents **backward capability**, so **upgrade the games** instead.

## Create The Programme

encourage developers to port their games

## Early Bird Compensation

reward developers who port early

## Market Old With New

play old games with new created DLCs



# Educationally Priced

Academic institutions are an **untapped market**, for both demand and supply.

## **Marketing Through Academics**

discounts for all students and research

## **Expand Hardware & Tools**

expand further in the educational market

## **Co-Developing New Ideas**

successful research = new opportunities



The possibilities are endless.





XBOX ONE

