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Game Console Market

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Abstract

The aim of the study is to make an analysis about the recently developing game console sector and mainly emphasize on one of the biggest player of the sector which is produce by the technology giant Sony

S.W.O.T analysis of Sony Playstation 3, its market position, recent situation at game console market and future predictions for the market will also be analyzed. For this analysis strong competitors of the product which are Microsoft XBOX 360 and Nintendo Wii will be examined.

The result of this research will point;

- 1) Existing situation of Playstation 3 at world game console market.
- 2) Opportunities and threats that is existing today and that may be existed in the future of market
- 3) Strengths and weaknesses of the product.
- 4) Possible solutions of the firm to the existing situation and predictions about the future of the market.

Game Console Sector in the World and the History of the Game Console Market

a) Description:

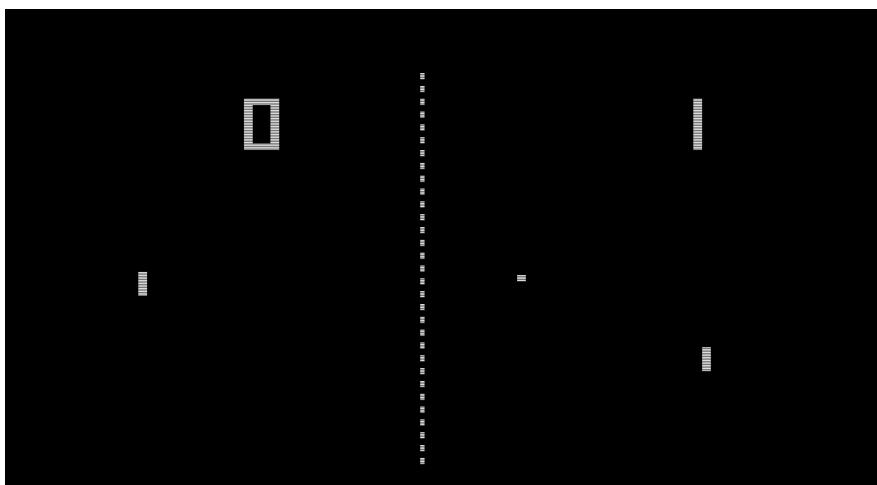
A video game console is an interactive entertainment computer or modified computer system that produces a video display signal which can be used with a display device (a television, monitor, etc.) to display a video game.¹

b) History of game consoles:

History of game consoles from past to today mainly categorized as 7 different generations which are determined on their time of release, technical capabilities and the limits of the technology used in the product. In that sense With the history of game console industry we can also examine the 7 generations of game consoles and the development of the market.

1) *First Generation (Birth of a new market):*

Although the first computer games appeared in the 1950s, they used vector displays, not video. It was not until 1972 that Magnavox released the first home video game console, the Magnavox Odyssey, invented by Ralph H. Baer. The Odyssey was initially only moderately successful, and it was not until Atari's arcade game Pong popularized video games, that the public began to take more notice of the emerging industry.² In 1970's the technological background and production capabilities for a game console started to emerge but it is hard to say that there was an existing game console market in that years.



¹ http://en.wikipedia.org/wiki/Game_console

² http://en.wikipedia.org/wiki/Game_console

2) *Second Generation (Domination of ATARI):*

The remarkable success of Pong has electronic companies jumping onto the bandwagon with their own console systems, many of which are simply clones of Pong. In response, Atari introduces the Atari 2600, an advanced cartridge based console that brings 8-bit versions of arcade and original games to living rooms.³ Atari is a revolution for game console market. After Pong, Atari started a dramatic change in the market by promising its customers a console which contains more than one game. (This is the fact of Pong game because you can only play Pong in that console). The console producers of even today are all based their consoles main characteristics to ATARI which can be easily named as grand-grand father of all game consoles. The most famous games of whole video games history like Pacman, Asteroids and Donkey Kong was produced by ATARI.



³ <http://classicgames.about.com/od/history/tp/History-of-Video-Games-Part-3.htm>

3) Third Generation (First Challenge to ATARI)

The **Nintendo Entertainment System**, dominated the gaming market in Japan and North America, thanks in part to its restrictive licensing agreements with developers. Although the NES dominated the market in Japan and North America, the **Sega Master System** made large inroads in Brazil and Europe and the NES was never able to break its grip. The Atari 7800 also had a fairly successful life, and the Sharp X68000 began its niche run in Japan in 1987.⁴ Until the mid 1983 ATARI was the only producer and only player in game console market and tried to protect their market position at all costs. But it is a fact that with the rising amount of colourful TV's in whole world it seems that video game console sector is too big for just one producer to dominate. In this era both Nintendo and Sega are not only to try to get the market share of Atari, but also they want to be a part of this very bright sector. It is a fact that entrance of Sega and Nintendo created a very strong rivalry which results as an technology race between the companies what will be very costly and will be very fatal for both. This era was testified one of the most popular game hero named MARIO.



4) Forth Generation: (Portable Video games era)

The rivalry between Nintendo and Sega become very brutal at the end of 80's. Both producers were used their all capacity and technology to become dominant in the market. Although the market at the 80's show that the sector will grow enormously in recent years(In 70's Pong and ATARI has a total sales of app. 1 million units. At 1983 Atari already sold app 40 million units just alone and in few years Nintendo Entertainment System sold app 65 million units⁵) nobody expected from Nintendo a sales of over 100 million at 1989 with their new product Nintendo Game Boy. Game Boy is a revolutionary product which is not expected by both Sega and ATARI. This misinformation costs

⁴ http://en.wikipedia.org/wiki/History_of_video_game_consoles_%28third_generation%29

⁵ http://www.gamakra.com/blogs/MattMatthews/20090526/1521/Atari_7800_Sales_Figures_1986__1990.php

very much for both companies which will result as the wipe out of Sega and Atari from the market and they will never become a major player after the defeat of GAME BOY. (Atari has a sales of just 3 million in 1986-1991 era⁶) But the rule of the market quite became clear “ Nothing is stable in the game console market. If you can not catch the latest technology you will be no longer belong to here⁷”

5) Fifth and Sixth Generation (Yesterday was yesterday)

Like a rule, not a player in game console market eventhough the creator of industry or first world-wide distributer or monopoly in its time or the most dominant player may easily found itself as a small player or even worse may be out of market. A huge bounce was observed in that era. The technology giant SONY decide to enter into game console market. Sony introduced a game console which is the first PC based system as a console named Playstation. A technological decision such as using PC technology in a game console is not a new idea but Playstation made it one step forward. After using this system Playstation strongly supported video game producers such as Konami, Sega(which is totally out of game console market although they are continuing to create software games) and other Japanese firms. SONY order games which can be ONLY played in Playstation and they monopolized the market by not competing to create new consoles or researching new technologies or decreasing prices but they monopolized the game producers. After a short time %90 of the games produced were ONLY Playstation compatible and all rivals of Sony found themselves in a situation that they cannot find games for their new game console. It is a fact that a game console without enough games is useless and in time all old players eliminated because of the game monopoly of SONY in the sector. Result is an undisputable victory of PlayStation.

“Sony's PlayStation 2 was released in North America on October 26, 2000 as the follow-up to its highly successful PlayStation, and was also the first home game console to be able to play DVDs. As was done with the original PlayStation in 2000, Sony redesigned the console in 2004 into a smaller version. As of July 2008, 140 million PlayStation 2 units have been sold. This makes it the best selling console of all time to date.”⁸

⁶ http://www.gamasutra.com/blogs/MattMatthews/20090526/1521/Atari_7800_Sales_Figures_1986__1990.php

⁷ <http://news.bbc.co.uk/2/hi/technology/4201391.stm>

⁸ [^] "Hirai targets 150 million PS3 sales". [GamesIndustry.biz](http://www.gamesindustry.biz). 2008-07-21. <http://www.gamesindustry.biz/articles/hirai-targets-150-million-ps3-sales>. Retrieved 2008-07-21.

6) Seventh Generation (Here comes a new challenger and an old friend)

Sony PlayStation's reign was continued app 10 years but as a rule of market nothing is long-lasting at game console world. A very strong competitor challenged PlayStation with his own tools. The new comer is Microsoft and their game console XBOX 360. Xbox 360 created a very important challenge to PlayStation because it is a step that can break the game monopoly of SONY. With Xbox Microsoft offers a windows compatible game console which means that all games that can be played in PC format which uses windows can also be played with Xbox 360 too. In addition to the challange came from Microsoft an old friend plays his wild card to re-enter into market. Nintendo announced a wireless motion capture based game console named Wii. Along with its lower price, the Wii is notable for its unique controller, the Wii Remote, which resembles a TV remote. The system utilizes a "sensor bar" that emits infrared light that is detected by an infrared camera in the Wii Remote to determine orientation relative to the source of the light. Like Nintendo's hand-held systems, it is also backwards compatible with previous Nintendo consoles, as it is capable of playing Nintendo GameCube games and supports up to four Nintendo GameCube controllers and two memory cards. It also includes Virtual Console, which allows the purchase and downloading of games from older systems, including those of former competitors.⁹ Because in the next chapters of our research we will examine the rivalry between these 3 firms we will not emphasize all aspects of the rivalry in this part. So our research product PlayStation was born at November 11, 2006 in this environment.

⁹ http://en.wikipedia.org/wiki/Video_game_console#Sixth_generation

SALES LEADERS ALL TIMES

1. **SONY PLAYSTATION 2 (2000) - 140 million units sold worldwide (as of 07/20/08)**
2. NINTENDO GAMEBOY, GAME BOY COLOR, GAME BOY POCKET (HH) (1989) - 119 million units sold worldwide
3. **SONY PLAYSTATION (1994) - 102.5 million units sold worldwide**
4. NINTENDO GAMEBOY ADVANCE & SP (HH) (2001) - 81 million units sold worldwide
5. NINTENDO DS (HH) (2004) - 76.5 million units sold worldwide (as of 07/12/08)
6. NINTENDO ENTERTAINMENT SYSTEM (1983) - 62 million units sold worldwide
7. SUPER NINTENDO ENTERTAINMENT SYSTEM (1990) - 49 million units sold worldwide
8. **SONY PLAYSTATION PORTABLE (PSP) (HH) (2004) - 36.4 million units sold worldwide (as of 07/12/08)**
9. NINTENDO 64 (1996) - 33 million units sold worldwide
10. ATARI 2600 (1977) - 30 million units sold worldwide
11. COMMODORE 64 (Home Computer) (1982) - 30 million units sold worldwide
12. NINTENDO Wii (2006) - 29.4 million units sold worldwide (as of 07/12/08)
13. SEGA GENESIS (1988) - 29 million units sold worldwide
14. MICROSOFT XBOX (2001) - 24 million units sold worldwide
15. NINTENDO GAME CUBE (2001) - 21.74 million units sold worldwide
16. MICROSOFT XBOX 360 (2005) - 19.78 million units sold worldwide (as of 07/12/08)
17. SEGA SATURN (1994) - 17 million units sold worldwide
18. **SONY PLAYSTATION 3 (2006) - 14.4 million units sold worldwide (as of 07/12/08)**
19. SEGA MASTER SYSTEM (1986) - 13 million units sold worldwide
20. SEGA GAME GEAR (HH) (1990) - 11 million units sold worldwide
21. SEGA DREAMCAST (1998) - 10.5 million units sold worldwide
22. NEC TURBOGRAFX-16 (1987) - 10 million units sold worldwide
23. CBS ELECTRONICS COLECOVISION (1982) - 6.25 million units sold worldwide
24. MATTEL ELECTRONICS INTELLIVISION (1979) - 6 million units sold worldwide
25. PANASONIC 3DO (1993) - 2 million units sold worldwide
26. SNK NEO-GEO POCKET (HH) (1998) - 2 million units sold worldwide

SONY

Vision:

To experience the joy of advancing and applying technology for the benefit of the public."

Mission:

To become a leading global provider of networked consumer electronics, entertainment and services.

Motto:

Make Believe

Goals:¹⁰

- Transforming the company to be more efficient, agile and innovative, and to become the premier provider of networked consumer electronics and entertainment.
- Doing the right thing for people, communities and the environment
- Sony plays an important role in helping the world in its transition to a low-carbon society, and employees of Sony are committed to doing its part.
- To continue investment in research and development of environmental technologies such as dye-sensitized solar cell and our bio battery—both of which have the potential to generate new business opportunities.
- To take leadership role in entertainment businesses area, from the extensive reuse and recycling of film and television production set materials to the introduction of new eco-packaging for CDs, DVDs and Blu-ray Discs.
- 2009 marks the 50th anniversary of Sony's educational programs—a hallmark of our social contribution activities.

¹⁰ <http://www.sony.net/SonyInfo/csr/management/message/index.html>

Corporate Analysis of PlayStation by Function:

a) Marketing:

It is an inevitable truth that entertainment sector and success of a product struggled in entertainment sector is totally dependent to its marketing success. In game console market, marketing activities hold a very vital position but why? The answers of this question lie in the nature of market.

- First of all game consoles are not a commodity neither an industrial raw material nor a necessity. In some points it can be counted as a luxury good too. So the combination of four P's (Product-Price-Place-Promotion) is the fact that not only determine the market leader but determine the survivor as we emphasized at the history of game consoles. Because of that we saw PlayStation product in every SONY sales centre and it is a fact that today a customer can purchase a playstation or a PS game even from a small bookstore. In this fact SONY uses its power and their global web of distribution to make PS3 and products more and more easier to find. Today you can find PS3 from Europe to Saudi Arabia and From South Africa to Russia.¹¹
- Secondly game console is not a “one shot sales” product. A game console has lots of needs like memory cards, game softwares , bundles and special add-on's. A console without supporting games is like a car without oil. So you have a perfect supply line to your customers and also you have to advertise your games much more better than the other to make your console superior. This supply line was made Playstation 2 as the leader of market nearly a decade.¹²
- Thirdly, all new game consoles are totally different products. In means of technology, gameplay usage, performance and sometimes even the shape and size of console dramatically changed. So for the customers that have the idea about the product just they learned about just their past experiences, advertisement took its place in that time. It is not a coincidence that the highly costly Europe Champions League sponsorship of Playstation nearly continues since 2001-2002 season.

In a nut shell we can summarize the main reason of the marketing success of Playstation as: it drew together the right hardware, design, and games, at the right time.

¹¹ eu.playstation.com/

¹² <http://news.bbc.co.uk/2/hi/technology/4054797.stm>

b)Technology

Technological advantages or disadvantages are both main issues of game console producers. It is simply a fact that average life of a game console is approximately less than even 3-5 years which is the expected lifespan or technological acceptance of a personal computer.¹³ In other words a firm that wants to be in the market permanently have to design and market a new console in every 3-5 years worst. When the difficulties of creating a new console is considered, it is seemed that game console producers must exercise a lot of power to research and development activities. A game console producer can not simply use the PC technology directly or can not simply follow the ordinary process. History of console market shows us that a successful product must have a revolutionary technological advancement or improvement. Like Gameboy or like NES or like Atari it is extremely difficult to create an avant-garde model of console on the contrary it is very simple to replicate it. So even for the market leader which has a dominant product, protectionist or Status-Quo strategies are meaningless in this sector because you can find your console out of date in even 1 or two years if you can not use some revolutionary technological tool in your old product. SONY is one of the best in Research and development activities not only in PlayStation but also in all electronics sector. We can see the Sony's view point to research and development as the place of R&D in their websites and all of their news sites. They even get one step forward and state a separate mission sentence just for their research and development department.

We can state these missions as:

- Technology for Inspiration
- Shared Experience.

"The framework for the emotions consumers experience has until now been described as "Take/Capture, View, Store, Listen, Create." Now this framework must be expanded as we move into the era of networking and connectivity. Technology must create applications that generate new kinds of inspiration and shared experience."¹⁴

¹³ <http://www.brighthub.com/computing/hardware/articles/14363.aspx>

¹⁴ <http://www.sony.net/SonyInfo/technology/rd/index.html>

The main motivation of firm by stating such mission statements is simple: Creating new values. This is such a compatible idea for game console market where is creating new values is not just necessary but it is a must. Although all of the efforts and such strong missions statements about their research and development SONY made 2 very fatal mistakes when launching new PlayStation 3 which we will closely examine at SWOT analysis about the product.

c) Management:

Although Today Sony is a global company it is still surprisingly bounded to Japanese culture and style of management. Today Sony wants to change their more bureaucratic and slow structure. In 2005 Howard Stringer which is the first non-Japanese CEO of SONY announced a management style change in SONY. Sony's CEO, Howard Stringer, has made a point of visiting Sony sites around the world to communicate directly with employees by holding town hall meetings and creating other opportunities for dialogue. To explain the abovementioned structural reforms and other management policies directly to employees and seek their understanding thereof, as well as to gain feedback from the front lines and promote dialogue on technology, management and other themes, top executives continue to regularly visit sites throughout Japan.¹⁵

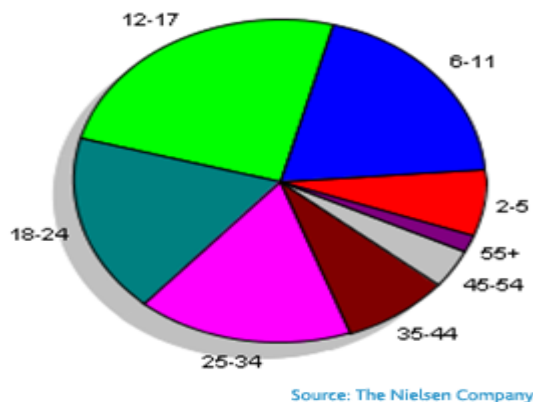
¹⁵ <http://www.sony.net/SonyInfo/technology/rd/index.html>

ENVIROMENTAL ANALYSIS:

1) Demographic Issues:

Game console market has a strong relevance with the average age of market or country. It is shown that average age of console users are between 14-34 ages. People over 35 do not tend to buy game console although they are not focus groups they are still customers because of their children. Nielsen make a complete research and find some different statics as the change of average age from console to console.

June 2009 Usage Distribution By Age
All Consoles



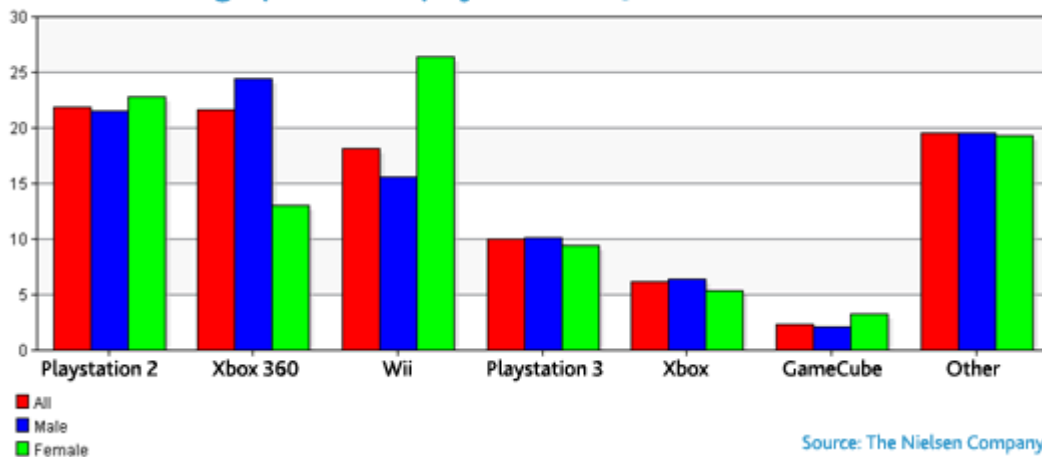
In this table of Nielsen Research Company¹⁶ it is shown that the age average was changed because of the nature of console. For example Wii's focus group is 6-11 ages old but the focus group of PlayStation 3 is much more older which is between 25-34 years. So although it is not easy for a console producer to focus an age group it is a fact that customers of products are mainly children and teenagers.

Gender:

Like the age gender also differs from console to console. In 90's computer games sector is dominated by males like a percent of %90. But by the development of the sector and the sectors focusing on female potential users today more and more female customers start to demand game consoles. Today nearly 1 of 3 game console users is women. Interestingly in Wii which has the remote-motion sensitive joy pad female users are more than males.

¹⁶ http://www.afjv.com/press0904/090420_video_gamer_survey.htm

Console Usage (in Minutes) By Gender - June 2009



As we can see another point in the graph in the graph¹⁷ where xbox360 has male dominance on the contrary Wii has female dominance in console usage in minutes. In our product PlayStation 3 the ratio of male and female user is very close.

2) Economical Tendencies:

It is very obvious that game console is a luxury and it is the first product that can be sacrificed in bad economic situations. We can say that Game console market is very dependent to the situation at world market. This product is not used for other production like raw materials or it is not a necessity like food. So the purchasing behaviour of customers is very crucial for PlayStation 3 too. It can be said that the year 2009 because of the financial crisis is not a good year for the sector. Like all other sectors game console sector was diminished but the percentage is much more critical and also much more dramatic. In the first quarter of 2009 PS3 sales drop from 1.6 million to 1.1 million¹⁸ which makes an %33 decrease when the amount of decrease of GDP's are from %5 to %20. This data shows us that how vulnerable is the market to general economic conditions.

¹⁷ <http://blog.nielsen.com/nielsenwire/wp-content/uploads/2009/08/console-gender-june09.png>

¹⁸ <http://www.gamespot.com/ps3/action/infamous/news.html?sid=6214443>

3) Sectoral Structures:

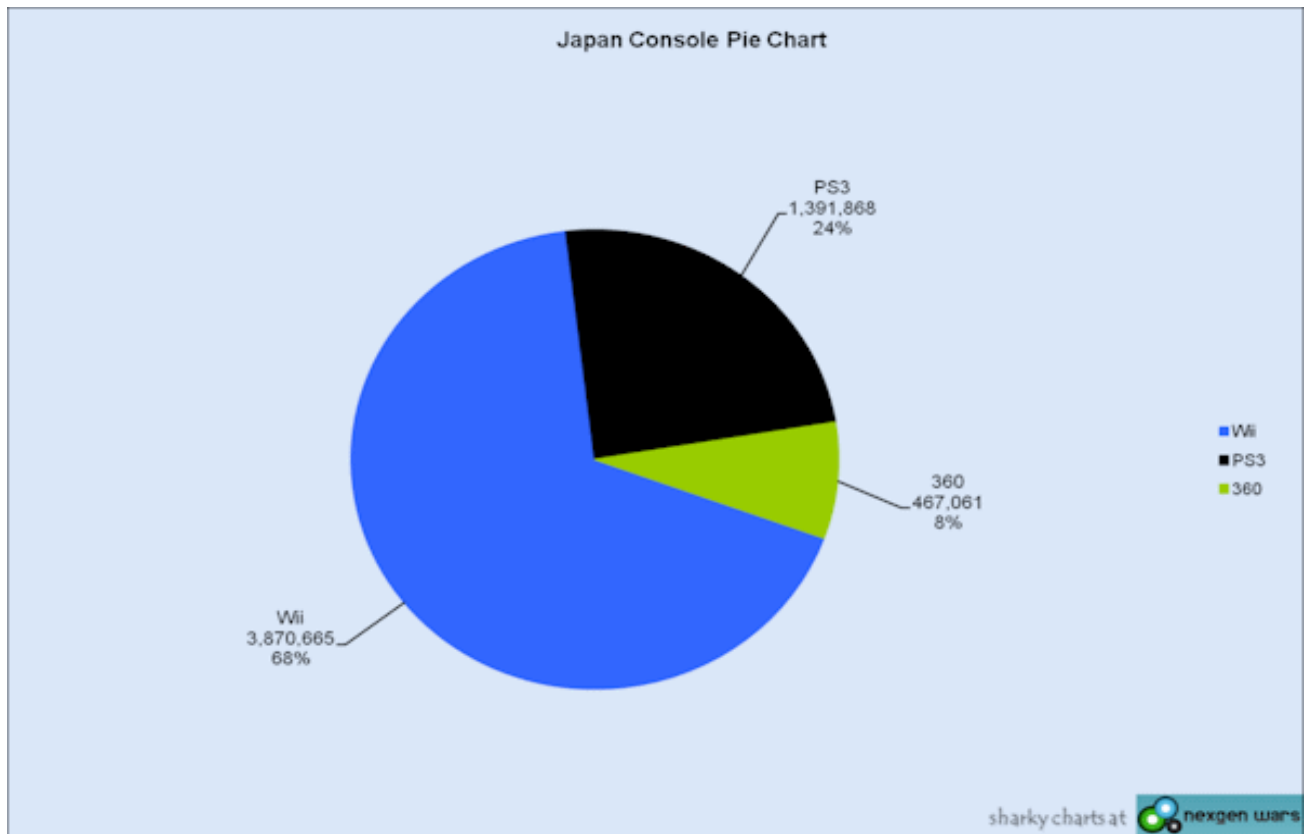
As a sector game console sector is not easy to enter. Creating a game console needs technology, very big financial support and also you have to be a trusted label to be in this sector. In world there is no control or regulation about this sector or a control of competition. Today we saw mainly 3 big players in the sector which are:

- Microsoft XBOX 360
- Nintendo Wii
- SONY Playstation 3

Even though there is a few competitors in the market the level of completion is very high because of the fatal structure of market. It is historically shown that when one game console dominated the market the sales of others are not just decrease but the profit of that firms can not cover the expenses of console. So the market in time becomes a type of monopoly. This market structure makes competition inevitable.

4) Social and cultural Issues:

Game Consoles first used and become extensive in USA and Japan which are rich nations of course. Apart from their wealth the culture, social life and life style of these countries made the growth of game console sector much easier. We have to emphasize that cultures that do not support individualistic values or western style of life, this product can not be sold easily. Apart from that to use that product a household must have the sufficient background as LCD-Led TV, sound systems etc..



5) Political and Legal Environment.

As a new sector, there is no rooted legal structure for game console. Mainly the sector has 2 main legal issues between governments and legal instruments

- Violence-+18 themes in the games
- Piracy

In recent years because of the rising age of console gamers the subject and theme of games are also changed by time. Starting from Pacman just a chubby ball eating points is not sufficient for today gamers. There is a demand for fight, war and gore games too and game console producers have to satisfy this need. But this creates a legal problem. Although games which have +18 sign can only be sold to adults, for some legislative decision makers this is not sufficient too. Some countries banned games which the government officials think that they can be harmful for the teenagers and the children and a +18 sign is not sufficient for protecting them from violence in the games.

Piracy issue is the most important problem of market. Console companies get profit from not only console but from games too so a person which gets the console originally but cracked it and use cheap pirate software is a direct problem for producers. Although companies spent millions to avoid piracy until today only PlayStation 3 can protect its system from piracy.

PRIORITY MATRIX

	HIGH	MEDIUM	LOW
HIGH	Demographic Issues	Economical Tendencies	Anti-Piracy Policy
MEDIUM	Gender	Legal Environment	Social Issues
LOW	Sectoral Structures	Cultural Issues	Political Environment

INDUSTRIAL ANALYSIS (Porter's competitive analysis)

Rivalry among existing firms:

- **High Industry Growth Rate:** Game console industry expected to be grow app % 13 at 2009 inspite of the economical crisis at 2008 and 2009.¹⁹ Eventhough the growth rate changes from market to market and country to country, there is a general tendency of dramatic growth in game console market. This is a fact that increase rivalry because there is always new customers at market for game console products.
- **Number of Competitors:** Game console market is huge at both amount of sales and potential customers but it is a fact that there is not too much producers that take to the risk to enter this market. As we described above at 2009 there are 3 major players at sector which are XBOX 360, PlayStation 3 and Wii. The number seemed to increase at future but today mainly this 3 firm dominate the market.

- **Product and Service Characteristics:** Game console is not a commodity, although they have similarities they are all unique in their nature. This is a fact that makes brand loyalty much more important because of the uniqueness of all products.
- **Amount of Fixed Costs:** Producing a game console is an unbelievably expensive project. Microsoft spends app 3 years to develop Xbox360.²⁰ Additionally creating a new console is totally dependent the usage of new technology so it needs an effective research and development program. Additionally it is impossible to make business in this sector short-term like with 1 or 3 years plans. A producer must forecast and plan at least 5 -10 years after getting the decision to come into market.
- **Capacity:** Once the research and development was finished the mass production of console is not something very costly. Today the best consoles sold between 300-500 € in Europe. So the main cost of a console producer is not about storage or production capacity, the main expense is to create a new console. Because of that after finishing the development of a new model all firms try to sell as much as they can to close their fixed costs. This is a fact that directly make market very brutal in terms of competition.
- **Height of Exit barriers:** The exit barriers are not very high in game console market because the production lines can be used for also PC or electronics production. But again the high expense of researching a new console made company insist on their products continuously.
- **Diversity of Rivals:** It is not easy to say that game console sector has a diversity of rivals but inspite of the few number of rivals the characteristics of rivals are totally different. Microsoft (a software producer) , Sony (An electronic producer) and Nintendo (a computer game and console producer) had different objectives and different ideas about game console world.

RESULT: Although there is not much producers the rivalry is very strong at the game console market

Threat of New Entrants:

²⁰ <http://www.xbox.com/en-GB/>

- **Economies of Scale:** Scale economies in production and sale of game consoles made the existing firms extremely advantage about new entrants. As we can see only firms that are already have big financial, technological and brand power (SONY, MICROSOFT, NINTENDO) can be effective in the market and can survive from past until today.
- **Product differentiation:** Sector is not a sector that allows differentiation of products because the expense of creating a console is already very expensive. Mainly differentiation is in terms of supporting equipment of main consoles or in portable game console models. But this is not a strong factor that effect the nature of industry.
- **Capital Requirements:** Again the research and development cost creates a very harsh barrier. We also have to add the cost to create a brand by advertisement and marketing because the brand name and triteness of the brand name is a direct factor that affect the sales and market share of a console.
- **Access to Distribution Channels:** It is impossible to enter the market without an already exist global distribution channel. All game software developers, Distribution centres have special agreements with SONY and Microsoft can be used for distribution of these consoles too. Entering to this market without the support of an electronics giant is a kind of suicide
- **RESULT:** Because of the high price of researching and developing and the need of a strong brand market is very hard to enter for new players.

Threat of Substitutes:

- In first look it seems that there is no substitute for game consoles but all game consoles have a very powerful and much older substitute. In fact we can say game consoles are all substitutes of this product. This product is named PC. Although today's high customer number of consoles PC still dominated the gaming world. Nearly all games produced for consoles are also produced for PC but not all PC games are produced for consoles. In addition to that consoles because of their joypads are not very useful for the games using mouse like strategy games or card games. If you take into account that Solitaire is the most played game today, the weakness of industry is much more understandable.

Additionally, PC has much more functions than a game console. Although today all consoles have excess to internet, console usage for searching or surfing is very immature at the

moment. Apart from that consoles do not have capacity to use programs, they are just tools to play games but for PC gaming is just a function.

PC is a much more useful product in terms of upgrade too. Once a console was purchased it can only be upgraded by getting a new console which is much more costly but a PC can be upgraded partially time to time to catch the latest technology and play the latest developed games.

Another point is the need of high resolution HD quality television for consoles which makes a console purchase much more expensive. It is a fact that HD quality is not a must for game consoles but it is complementary for a successful and satisfactory gaming experience. A sound system also will help to get maximum satisfaction from a console.

Although PC is a strong substitute, why people still purchase consoles:

1. TV compatible and HDMI support
2. High graphic performance because of their lack of system software
3. Brand and advertisements
4. Easy usage for children
5. Complimentary bundles, equipments.

RESULT: PC is a very important substitute for game console which is still the mainstream of gaming market

Bargaining power of Buyers:

- A buyer generally only gets one console. Game console business is not a wholesale activity, it is mainly a retail sales business. So individually buyer do not have a force to unite or demand a discount from SONY or Microsoft individually.

- A game console is very hard to be produced or duplicated. It can be copied by technological means but sell it effectively is impossible without a brand.
- Because the product is not a commodity or a standard product, it is not possible to find another supplier that can produce the same product in lower price. Buyer must choose one of three main products.
- Changing a supplier is very costly for a buyer because all game softwares, bundles and equipments have to be changed after the change of console.
- Some buyers to sell the product like bookstores or technology markets have to present both products for the name, reputation of their sales centre. So centre like Teknosa do not have power over Sony to get PS3 on lower prices but sometimes they can agree special campaign not for decreasing the purchase price but for increasing sales by promotion.
- The quality of the product is everything in game console sector because simply the sector is for entertainment. A low price but problematic product makes a lot of difference.

RESULT: Buyers are very weak in game console sector because they have just few product and have to choose one of them

Bargaining power of Suppliers:

- The suppliers of industry are too many in terms of companies. Chip-board-graphic card suppliers are very eager to work with game console producers because once they accept a model of them, this means an order of app 1 million pieces of it.
- The items used are not unique.
- It is possible for suppliers to integrate forward. For example both Nintendo and Sega are just game and hardware suppliers of Atari first. Although because of the label values today this integration is much more harder.
- Once a console maker decide to get a product it means a huge sale. Sony and Microsoft mainly produced their raw material by themselves too. When they supply some material from outside, firms selling their services and product too these mainly become the only supplier but just supply the needs of that company. So the buyer either become totally dependent or merged by the console producer.

- **RESULT:** Suppliers are very weak in game console sector because all major game console producers have the power to produce their own raw material by themselves without need of a supplier.



TOTAL SALES OF PlayStation 3 and Playstation 2

Unit Sales of Hardware (since April 2006)

Game Consoles

PlayStation®3 Worldwide Hardware Unit Sales (Unit: million)

	Q1	Q2	Q3	Q4	FY(*)
FY2006	-	-	1.7	1.8	3.5
FY2007	0.7	1.3	4.9	2.2	9.1
FY2008	1.6	2.4	4.5	1.6	10.1
FY2009	1.1	3.2			

Unit Sales of Hardware (since April 2006)

PlayStation®2 Worldwide Hardware Unit Sales (Unit: million)

	Q1	Q2	Q3	Q4	FY(*)
FY2006	2.3	3.4	6.7	2.4	14.8
FY2007	2.7	3.2	5.4	2.4	13.7
FY2008	1.5	2.5	2.5	1.4	7.9
FY2009	1.6	1.9			



SWOT ANALYSIS

STRENGTHS:

1. Sony's eagerness to focus on game console market and PlayStation 3.

Sony is willing to understand the potential of game console market and the future development of market. Sony focus to PlayStation product and they do not have hesitations to spend more effort to develop it.

2. Financial and Operational Strength of SONY.

Sony is a giant electronics producer which has thousand of sales points, distributors and a powerful financial structure.

3. Research and Development Orientation:

SONY's general tendency to give maximum importance to research and development activities is a very suitable policy for game console market.

4. Name Recognition:

PlayStation brand has a very good reputation in sector. The unachievable success of Playstation 2 made the users of Playstation 3 more confident about the product they get. Additionally SONY guarantee and name was very beneficial for the sales of PlayStation 3 because of the credit of companies name

5. Rate of Reclamations and production errors

According to the statistics Playstation 3 is widely the most long-lasting and less problematic console at the moment

6. Successful Internet Usage

Dominantly PlayStation 3 has much more capability and efficiency in the usage of internet compared to other consoles.

7. Successful anti-piracy and security policy

Today PlayStation 3 is the only console that can not be cracked. So all the games and software of the product have to be purchased originally which make the firm much more profitable from game software sales. Additionally because of the lack of copy games game producers day by day prefer to make games just for PlayStation 3 console because of the protection of their profits from piracy.

8. PlayStation mania.

There is a fan group of PlayStation that support the supremacy of this console in every forum or debate. This group can be called fanboys and other companies do not have a mobile marketing group like that without any cost.

9. Sponsorships and advertisements.

Weaknesses

1. Late Date of Release:

PlayStation 3 was release approximately 1 year later than Microsoft XBOX 360 and can not advance over it in the name of technology. Additionally before Playstation 3 was released most of the former Playstation users had already started to use XBOX 360 and they did not prefer to change their console.

2. High Price:

Playstation 3 console and the games of it had a relatively high price when compared with XBOX or Wii

3. Technological Underdevelopment:

In spite of all their research and development activities PlayStation is technologically backward than XBOX 360

4. PlayStation 3 is just an upgrade to PlayStation 2

Playstation 3 cannot success to make a revolutionary change in computer gaming like wii make by motion capture remote controllers. Instead they trust the success and brand name of PlayStation 2

5. Blue-ray players low quality

Although Playstation 3 is the only console that have Blue-Ray player, the effectiveness of Blue-ray player is very insufficient.

Internal Factor Analysis Summary (IFAS)				
Internal Factors	Weight	Rating	Weighted Score	Comments
<u>Strengths:</u>				
-Focus on the market	0.2	4.3	0.86	
-Financial&Operat. Strength	0.15	4.5	0.675	
-R&D	0.05	3.2	0.16	
-Brand recognition	0.05	4.2	0.21	
-Successful security policy	0.05	3.3	0.165	
<u>Weaknesses:</u>				
-Late Date of Release	0.15	4	0.6	
-High Price	0.2	4.2	0.84	
-Technological Underdevelopm.	0.05	3.8	0.19	
-Insufficient product develop.	0.05	3.9	0.195	
-Low Quality	0.05	2.7	0.135	
<u>TOTAL</u>	1		4.03	

OPPORTUNITIES:

1. Opportunity to make new customers because of the continuously growing market

There is always potential in this market because of the immaturity of game console market today

2. Having a partnership with Wii or Sega

This kind of a possibility will make a new image to PlayStation and also can give new revolutionary ideas to firm

3. SONY power:

With the force of Sony Playstation will become much more widely in future.

- 4. Online game and software sales will change the purchasing habits of the users and make people more bonded to PlayStation**
- 5. The portable (PSP) success and monopoly**

Although PlayStation do not have a decisive success PSP is still the major player of portable consoles market.

- 6. Sony as a sound system and LCD television producer can produce PS3 compatible systems or televisions which will increase the sound and graphics quality of the console which is not sufficient at the moment.**

THREATS:

1. Global financial crisis

Because of the latest financial crisis all sectors like game console sector was effected and this effect seemed to continue at 2010 too.

2. Security issues:

At the moment Playstation is the only non-cracked console at the market but there are some rumours which emphasize that console will be broken at 2010

3. Strong rivalry of Microsoft:

Microsoft as a company that sold %90 of the system programs of personal computers has a very huge influence over game producers and software companies. So for Microsoft it is easier to contact with game design companies and persuade them to produce XBOX 360 only games and softwares

4. Market position of PlayStation 3

At the moment among 3 major rivals Playstation 3 has the smallest market share in whole world sales

5. Technological advancement:

After Wii's revolutionary ideas and Xbox usage of netter technology before Playstation 3, at the moment PlayStation is technically backwards of its rivals which can be very fatal in game console market.

6. New producers prepare to enter into market and both will have some new idea to make a difference

External Factor Analysis Summary (EFAS)				
External Factors	Weight	Rating	Weighted Score	Comments
<u>Opportunities:</u>				
Continuously growing market	0.1	4	0.4	
Having a partnership with Wii or Sega	0.05	2	0.1	
SONY power	0.1	3.2	0.32	
Purchasing habits of the users	0.15	4.2	0.63	
Success and monopoly	0.1	3.3	0.33	
<u>Threats:</u>				
Global Financial crisis	0.15	4.5	0.675	
Security Issues	0.05	3.1	0.155	
Strong rivalry of Microsoft:	0.15	4.4	0.66	
Market position of PlayStation 3	0.05	3	0.15	
Technological advancement	0.1	3.6	0.36	
<u>TOTAL</u>	1		3.78	

Recommendations –Short term

Lower prices for gaming consoles

Increased downloadable content on PlayStation Network

Customized gaming consoles bundle packages

Recommendations -Long-term Recommendations

Develop related industry productsHDTV, Audio Player etc.

Ask game producer to develop TWO editions to each game

Enhance anti-copy technology

Peripheral products, Tees, toys etc.

Cooperate with other game media, PC etc.

Collaborate with Nintendo and Microsoft to gain market dominance

CONCLUSION

Game console sector is a very young, dynamic and willing to grow fast in future like in 2000's. For SONY, Playstation 3 is a key element to continue its existence in the market and it is essential for gain comparative advantage over its rivals.

SONY as the dominant of nearly all 2000's in the sector has not a comfortable place because of his new rivals and the lack of capability of Playstation to compete with other products. But Sony is not a firm that will give up a market which promises very good profits and a bright future for the participants. So it will be not so illogical to wait a counter attack from Sony for capturing its throne again.

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