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Executive Summary

Square Enix is a prevalent company in the video game industry, but it has effectively pigeonholed itself by becoming a company that is known almost exclusively for its role-playing games. While *Final Fantasy*, *Kingdom Hearts*, and *Dragonquest* have brought the company great success, we believe there is room to grow within the industry. By exploring new genres like Action and marketing more aggressively in the European Union and North America with these games, Square Enix can potentially gain new loyal customers while maintaining the fan base it has already established in Japan. As the world becomes more connected, targeting one country too heavily could be harmful, because other companies that appeal to a wider consumer base may end up taking market share from more niche companies. Square Enix's sales in Europe are particularly low, with below 0.1 unit sales per person in the European Union, so a more aggressive marketing strategy in this region may help to increase market share for Square Enix. An easier way to get European consumers interested in the games being marketed is to explore new genres as well. Particularly the action genre--being the most popular worldwide-- is not too much of a step away from the role-playing genre, so taking these few steps would be suitable next steps for Square Enix if it were looking to expand beyond the strong presence in Japan with the popularity of role-playing games.

Square Enix's Path to Expansion

In the following brief, we will discuss how Square Enix as a company can increase its market share by entering a new market segment. The video game industry is a complex one full of different demographics and markets, and there are always new markets that can be pushed into for a company like Square Enix. Square Enix has managed to create a name for itself in the video game industry since being founded in 1975, and they don't look to be slowing down any time soon. However, with an ever changing landscape and consumer tastes evolving every day, there is always room for improvement. Square Enix has seen success in the areas and genres it has become most known for, but we believe that with more aggressive marketing in underperforming regions and exploration/development of new IPs in other genres outside of what Square Enix has already found success in, Square Enix can potentially increase its market share while refreshing the brand's image at the same time.

The Dataset that we used to perform our analysis was found at <https://www.kaggle.com/gregorut/videogamesales/data>. This dataset contains a list of video games that have sold over 100,000 copies, in rank order (essentially a ranking of best selling games of all time, up to 2016.) The data set contains the Video game rank, title, platform, year, genre, publisher, total sales in North America, total sales in Europe, total sales in Japan, total sales in the remaining regions of the globe, and the total sales that the game has made. (All sales figures are represented in millions.) We will use this data to attempt to find areas Square enix may not be currently taking advantage of, and we will attempt to make recommendations on what Square Enix can do in order to expand into these areas.

Currently, Square enix has dabbled in multiple genres throughout their time publishing Video Games, but their main focus has been on role-playing games. Square Enix is perhaps most well known for their *Final Fantasy* and *Kingdom Hearts* series, which both fall into this genre (with *Kingdom Hearts* crossing over into the Action Category, Square Enix's second most popular genre). In the Data we have explored, Square Enix has more titles appear in the dataset from the Role-Playing genre than all of the others combined, so there is definitely room for exploration of other genres. Pictured below is a graph of the total number of Square Enix's games that have appeared in the data set. As you can see, Square Enix prioritizes Role Playing and Action games much more than the other genres it has dabbled in, so the possibility certainly exists that success can be had within other genres.

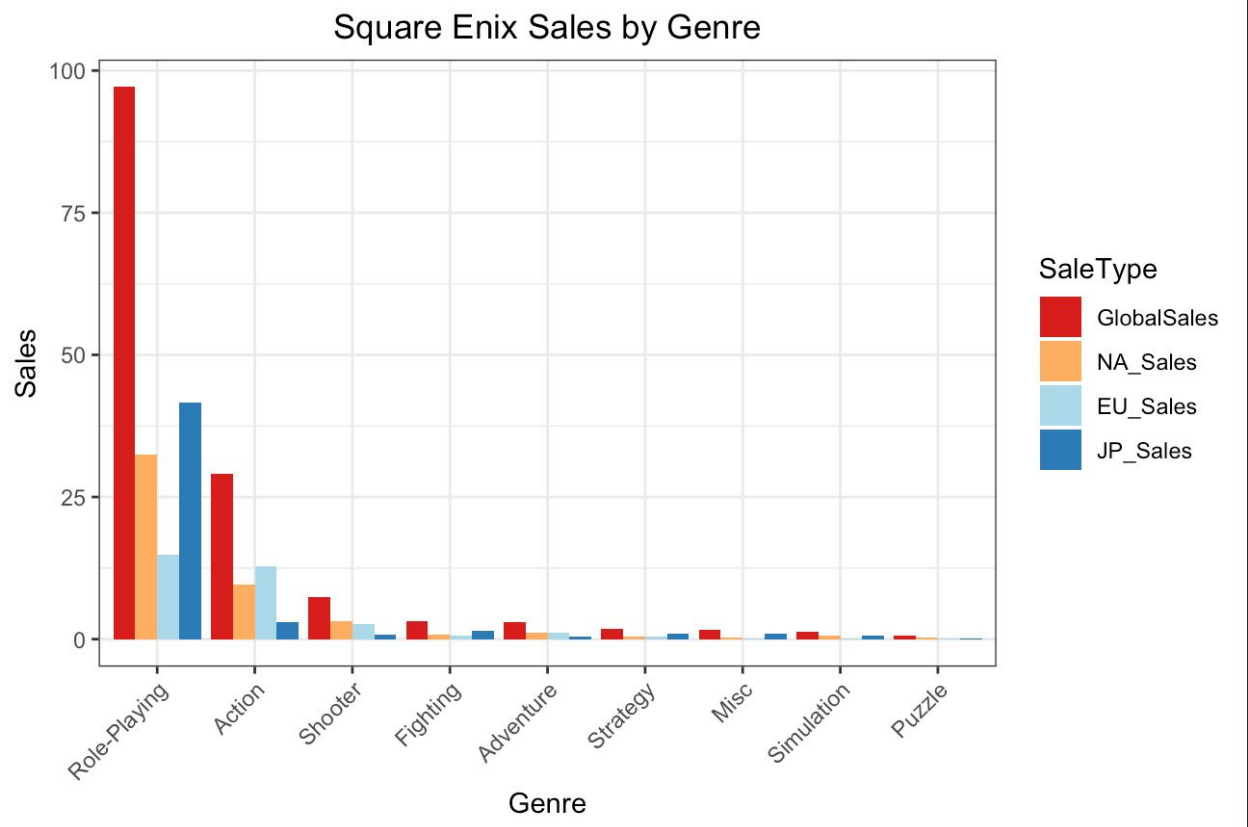


Fig 1

It is difficult to easily predict how well a game will sell, and a lot of it can come down to how well games are received critically as well as word of mouth, but market trends and their influence on consumer tastes also play a part in how many units a particular video game may sell.

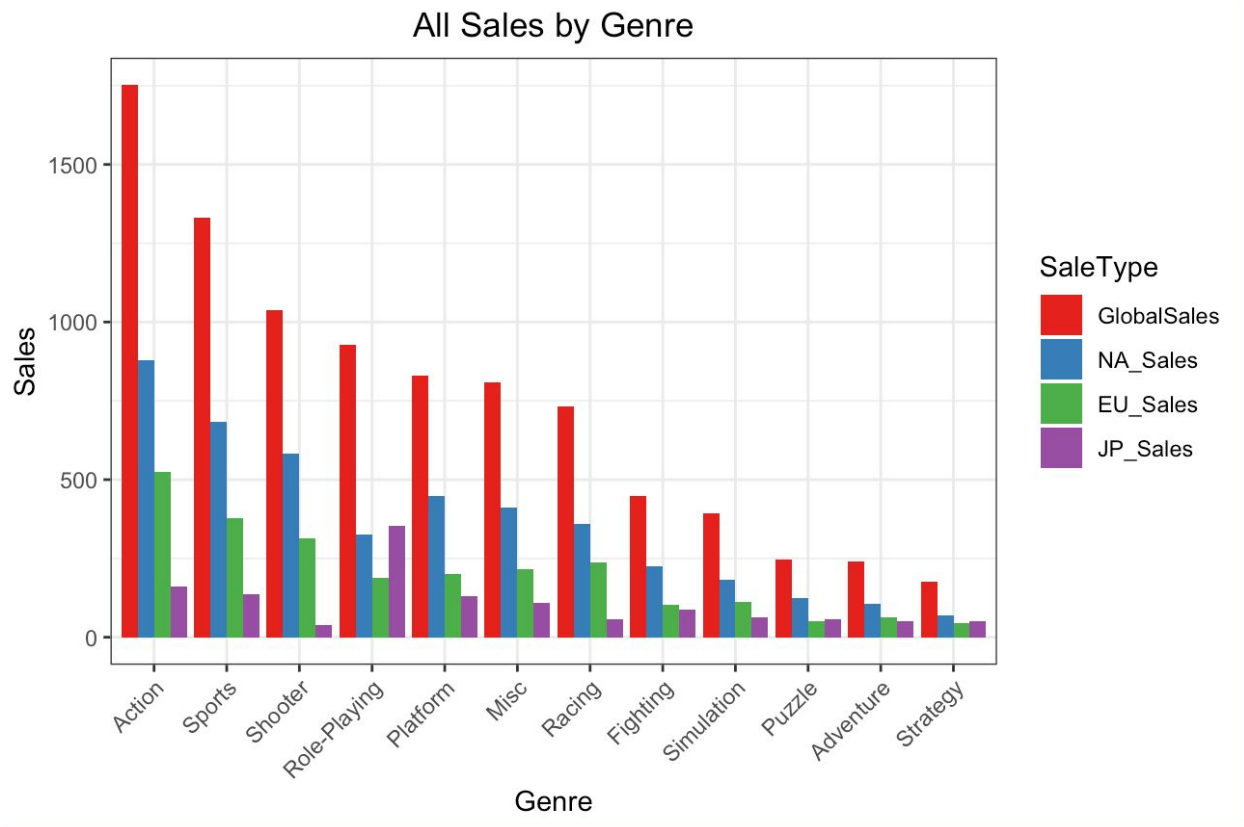


Fig 2

As shown above, the most popular genre of the games in our dataset is Action, followed by Sports, with Misc and Role-Playing coming next. Square Enix does have experience with Action games, which may play to its benefit if attempting to move out of the Role-Playing genre. Moving into a more action-oriented direction with a new project may be one way that Square Enix can increase its market share and add to its already impressive catalogue.

To gain a better understanding of what makes a game sell well, we checked for correlations between genre of a title and its global sales, and what we found was potentially useful.

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Coefficients:
              Estimate Std. Error t value Pr(>|t|)
(Intercept)    0.50876   0.03450  14.746 < 2e-16 ***
GenreAdventure -0.32525   0.06459  -5.036 4.86e-07 ***
GenreFighting   0.00588   0.07715   0.076 0.93925
GenreMisc       -0.01760   0.05894  -0.299 0.76520
GenrePlatform   0.33118   0.07404   4.473 7.83e-06 ***
GenrePuzzle     -0.03180   0.08613  -0.369 0.71194
GenreRacing      0.09971   0.06572   1.517 0.12923
GenreRole-Playing 0.12089   0.06278   1.926 0.05419 .
GenreShooter     0.26371   0.06534   4.036 5.49e-05 ***
GenreSimulation -0.03959   0.07563  -0.523 0.60071
GenreSports      0.04428   0.05299   0.836 0.40337
GenreStrategy   -0.25533   0.08479  -3.011 0.00261 **
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Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 1.401 on 8287 degrees of freedom
Multiple R-squared:  0.01225,    Adjusted R-squared:  0.01094
F-statistic: 9.341 on 11 and 8287 DF,  p-value: < 2.2e-16

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Fig 3

As it turns out(pictured above), there is a slight correlation between genre and global sales, and while that does not necessarily imply that the genre of the game is what *drives* those sales, there must be a reason why the genres that perform better do so. It is worth exploring for Square Enix to break into other genres (namely action, the most popularly occurring genre in the dataset) to see if a focus on new types of games would make Square Enix's products more accessible to a wider audience .

In order to successfully enter a new market within video games, the product that is introduced must be of sufficient quality, which is why it is recommended that Square Enix starts with crossover titles before moving into completely new genres in order to avoid shock to consumers who may be used to Square Enix's specific, current style of video games. As we all know, consumers--especially those of art--may be turned off if a product or company they are loyal to suddenly tries to change things too drastically. Luckily, Square Enix already has respectable credentials in the Action genre, which is the most popular genre in the dataset we explored as a whole.

Square Enix is most prevalent in Japan, with North America being their second most lucrative region, followed by the European Union. This would make sense due to the fact that they are a Japanese based company, but this also opens them up for expansion into other markets that are relatively untapped. Pictured below is the total sales in millions of units that Square Enix has achieved in each of 4 specified regions.

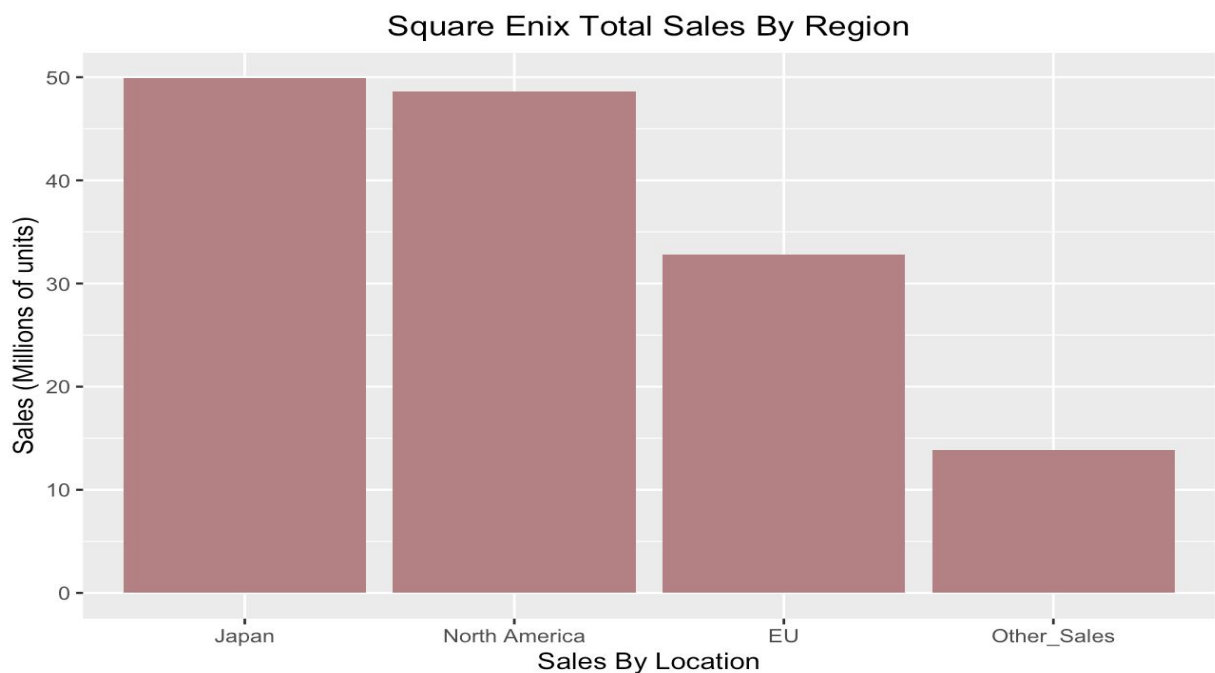


Fig 4

This gives us a decent idea of the total success that Square Enix enjoys, but to get a better idea of their real market prevalence, we also looked at the number of game sales per person in each of the specified regions (excluding “Other”, as these numbers would be negligible). Population data for each region was obtained from sources listed in the code submitted alongside this report.

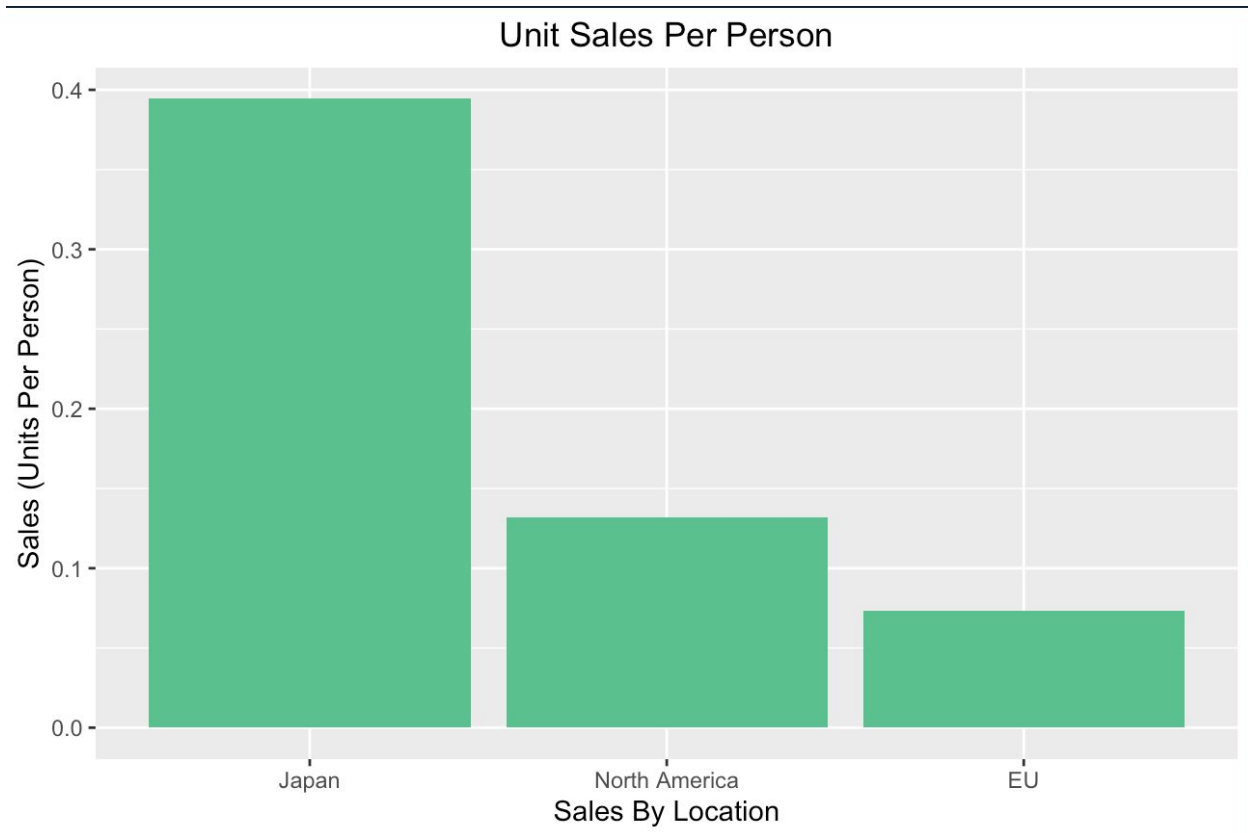


Fig 5

When Looking at a measure like this, the gap in sales between Japan and the rest of the world becomes much more apparent. While Sales in North America and Japan are relatively comparable in unit sales, their sales per person vary much more. Square enix has sold approximately 0.4 units per person in Japan, but that number drops to just above 0.15 in North

America and even lower to below 0.1 in the European Union. The European union has a population that is the highest of all 3 of the major regions we are examining, and they also have not only the lowest units per person sold, but also the lowest sales in general. Square Enix has a lot of room to grow in this region, and breaking into the action genre more would make it easier to market to a European audience.

Square Enix is already a successful company, but like all things there is room to improve and build upon the success that is already in place. Role-playing games are most popular in Japan, and Square Enix effectively has the market cornered on the most successful role-playing series. That being said, there are gaps in their catalogue that attempting to fill may prove lucrative in the long term. As explored in this report, there is a correlation between game genre and how it performs globally, and action is the most popular genre worldwide. Luckily, Square Enix's second most common genre among their published games is already action, so breaking into this market should not prove too difficult. Starting with crossover action-RPG games would help to mitigate any blowback from consumers who have grown used to Square Enix's style. We are not suggesting shifting away from Square Enix's current market, as there has been great success with Role Playing games, but expanding into areas like Europe and North America will be easier if the games being marketed are more suited to the tastes of the consumers in those regions.