



## Situation

After the disastrous public reaction to the Xbox One's unveiling last May (see fig. 1), reversal of anti-consumer policies in June (fig. 2), and PR backtracking throughout 2013 (fig. 3), Microsoft has struggled against rival Sony and its Playstation 4. As of May 18, 2014, the PS4 has outsold the Xbox One in all territories. Its 115,000 units in the US is lower April performance than all but one of the Xbox 360's (NPD Group). There are several potential causes:

- The XB1 has been \$100 more expensive than the PS4
- The XB1 has launched in only 13 territories, compared the PS4's 48
- Microsoft has had difficulty communicating the XB1's unique brand proposition, positioning the device as an all-in-one entertainment machine rather than a traditional games-first console
- Customer confusion over reversed policies
- Customer satisfaction with previous generation hardware and software
- The XB1 has less powerful hardware than the PS4 (~50% weaker GPU)
- The XB1 has, until recently, included the Kinect camera in the box, sparking privacy concerns
- Xbox Live Gold has been \$10 more expensive per year than Playstation Plus
- The XB1's most important game, Titanfall, was also released on XB360 and PC (but not PS4)
- A \$400 million investment Microsoft made in marketing with the NFL will not reach audiences until the football season begins in September
- Playstation's brand value did not diminish in Europe and Japan in the seventh generation.

For background information on the botched Xbox One rollout, read the following summaries:

- <http://www.computerandvideogames.com/424103/features/timeline-the-xbox-one-troubles-and-turnarounds/>
- <http://egmr.net/2013/07/a-comprehensive-timeline-of-microsofts-xbox-one-pr/>

Microsoft's policy shifts continue, with recent changes including:

- Releasing a new, \$399 Kinect-less sku launching in June
- Removing Netflix and other apps from behind the Xbox Live Gold Paywall to match Sony's Playstation Network
- Altering Games With Gold policy to receive more third party games to match Sony's Playstation Network
- Installing a new head of Microsoft Studios (Phil Spencer)

Before 2013's public relations fiasco, most industry observers expected Microsoft to dominate the eighth generation. The former head of EA, John Riccitiello, even told Wedbush Morgan Analyst Michael Pachter that Microsoft would "eat Sony's lunch" (Pachter). In the seventh console generation, Microsoft

quadrupled the total sales of the original Xbox, stealing significant market share from Sony, especially in the US and UK.

If 2014 trends continue, those gains will be reversed, undermining substantial corporate investment. One analyst, Rick Sherlund, believes Microsoft loses over \$2 billion per year on the Xbox brand—the company masking the hit with profitable Android licensing deals (Chalk). Moreover, Bill Gates was recently quoted supporting the idea of new CEO Satya Nadella splitting Xbox from the parent company, perhaps as a precursor to selling the brand (Thomas).

The past two decades are littered with video game companies that saw temporary success and then disappeared from the scene: Atari, Commodore, 3DO, Sega, Philips, etc. The danger for failure is real, even for a giant like Microsoft.

### **Challenge**

Your consulting firm has a meeting Wednesday, May 21<sup>st</sup> with Phil Spencer, the new head of Xbox. At stake is a multimillion dollar contract for your fledgling company. Sell Microsoft on your marketing ideas for the Xbox brand.

You have a new product to push (Kinect-less sku), new games to promote (Halo Anniversary Collection in 2014, Halo 5: Guardians in 2015), and a potentially huge budget (perhaps several hundred million dollars, depending on the scope of your proposal). Generate a multi-channel strategy to take on Sony and help Xbox recover ground in the console war.

In your 6-7 minute group presentations, your team might discuss:

- Your new slogan/campaign
- The philosophy/theory behind your idea
- Target demographics for your campaign
- What you see as the unique selling point(s) of the XB1 (what you choose to highlight in your campaign)
- What you see as the major weaknesses of the PS4 (what you choose to exploit)
- Implementation/Time Tables/Channels/Campaign details
- Evidence for your campaign's eventual success
- Costs

Your team should prepare a Visual Aid for your meeting Wednesday and a small Works Cited page. Phil Spencer is eager to hear your proposal, so your team should be ready to answer questions from his executive group after your speech. All team members should speak during the presentation.

### **Works Cited**

Chalk, Andy. "Microsoft Loses \$2 Billion Per Year On Xbox, Analyst Says." *The Escapist*. [www.escapistmagazine.com](http://www.escapistmagazine.com). Nov. 8. 2013. Web.

NPD Group. "April Sales Results." NeoGAF.com. [www.neogaf.com/forum/showthread.php?t=819775](http://www.neogaf.com/forum/showthread.php?t=819775). May 15, 2014. Web.

Pachter, Michael. "Will Titanfall 2 be Xbox exclusive?" *Pach-Attach*. GameTrailers. [www.gametrailers.com/videos/f82fvz/pach-attack--will-titanfall-2-be-xbox-exclusive-](http://www.gametrailers.com/videos/f82fvz/pach-attack--will-titanfall-2-be-xbox-exclusive-). March 1, 2013. Web video.

Thomas, Kahlil. "Microsoft To Spin Off Xbox? Bill Gates, Shareholders Consider Split From Video Game Giant." International Digital Times. <http://www.idigitaltimes.com/articles/22924/20140505/microsoft-spinoff-xbox-bill-gates-shareholders-consider.htm>. May 5, 2014. Web.

## Figures

1.



2.



3.

