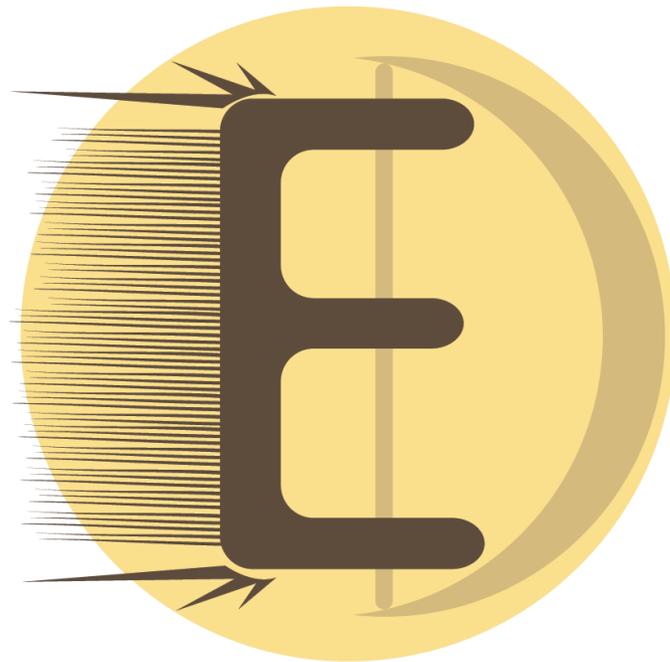


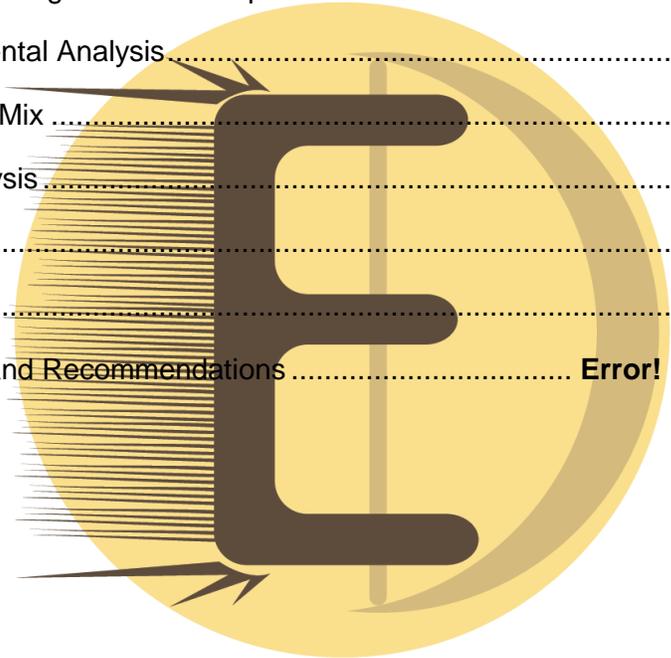
Microsoft Xbox: Strategic Marketing Plan



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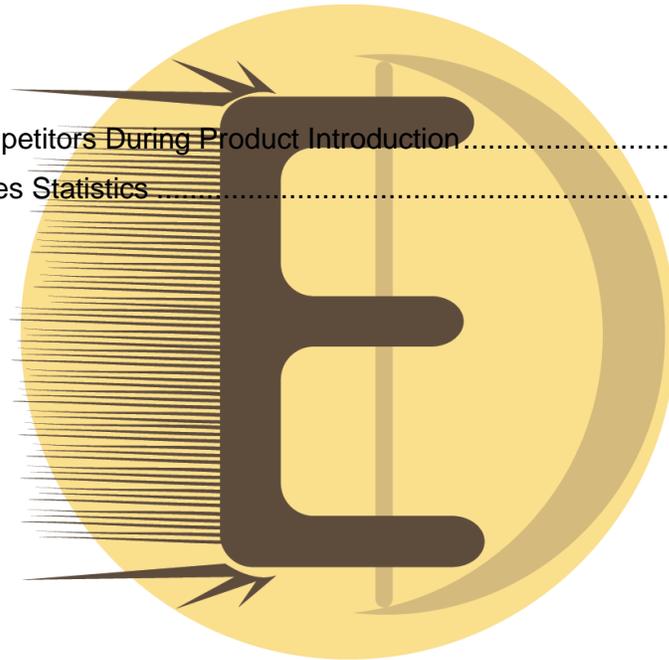
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1.0. Introduction

Chernev (2009) states that in an organisation, strategic marketing planning is believed to be a process involving environmental analysis, market competitiveness and the related business factors that affect an organisation by helping it recognise the various market opportunities and threats that come in the way of the market before arriving at future market trends. Mooradian et al., (2012) further add that it is imperative that effective objectives are set by organisations which have an important role in the formation of objectives in terms of marketing objectives, market targeting strategies and marketing programme positioning that identifies and meets the requirements of the market. An effective analysis of the marketing strategy of Microsoft has been conducted in this report, especially the Xbox line of products. The aim of this report is to draw a comparison between the campaigns of X-Box and X-Box one, where the former was effective and the latter disastrous.

1.1. Company and Product Introduction

Bill Gates and Paul Allen together in 1975 founded Microsoft Inc. Until 1981 the company only sold BASIC computer program languages and then later it launched a 16 bit operating system for personal computers that were designed by the company (Ichbiah et al., 1991). In the year 1985, the company collaborated with PC giant IBM and focused on the productivity and development of a new generation of products that included both software and hardware. Moving ahead, in the year 1990, the company sold goods worth one billion. The company ever since, has gained wide popularity for its Windows operating system (Windows XP, Windows 7 & 8) (Gates, 2008).

The company ever since has been trying to expand its product portfolio by venturing in the home entertainment industry, the videogame industry in particular. Some experts considered this to be risky as the products required a great deal of investment (Halter, 2006). Nevertheless, soon it was discovered Xbox proved to be a competition for Nintendo and Sony with its increase in the market share. The success of Xbox gave way to the Xbox 360, which made Microsoft a market leader (USA today, 2005). Additionally, the huge success of Xbox 360 was observed with millions of the products that were sold around the world. Along with the Microsoft One strategy Microsoft aimed at launching X-box One as a part of it. However, it has been reported in recent reports that this product has been rated low in its review in terms of proposed marketing strategy.

1.2. Market Share and Competitors

In 2001, upon its introduction in the international market, the Xbox faced solid competition from its main competitors which were Sega's Dream Crest, Nintendo's Gamecube and Sony Playstation 2 (PS2) (Teamxbox wikidot, 2013). Nonetheless, despite being the new entrant, Xbox is till ranked second to the PS2 in the market by a huge margin in the year 2002. The various gaming consoles that were available in the market upon the introduction of Xbox are identified below.

Table 1: Xbox Competitors During Product Introduction

Company	Console Name	First Launched	Price	Size Processor
Microsoft	Xbox	November 2001	\$ 299	733MHz chip
Sony	Playstation	October 2000	\$ 299	300MHz chip
Nintendo	Gamecube	November 2001	\$ 199	485MHz chip
Sega	Dreamcast	September 1999	\$ 150	200MHz chip

Source: Teamxbox wikidot (2013)

Post this Xbox 360 was introduced in the year 2005 which was considered to be the first console to be deemed as the next generation. With Xbox 360 Microsoft aimed at promoting it as integration to the home entertainment system rather than just a gaming console (Gaudiosi, 2007). According to Jacobsson (2009), the consumers preferred Xbox 360 because the Xbox Live feature that enabled the gamers to connect online and hence proved to be a rival to the market leadership of Sony Playstation. The launch of Xbox 360 and Xbox Live proved to be the game changers in the videogame industry. Through Xbox live, around 17 million users were able to connect and communicate online that lead to an increase in the sales and also lead to a decrease in the economy(Technewsworld, 2009). The primary advantage offered by Xbox Live as compared to its competitors was the fact that it was the only unit to be compatible with the Gears of War and Halo series, the most popular games at that time (Thompson, 2007).

Brain (2011), observed in the statistics that the total number of Xbox live, Xbox 360, and Xbox original were 31 million, 59,400,00, and 24,750,000 respectively. Other related statistics are identified in the following table.

Table 2: X Box Sales Statistics

Xbox 360 Statistics	Data
Xbox 360 Total Console Sales	59,400,000
Halo 3 (Best Selling Game) Sales	15,750,000
Xbox 360 Original Sales Price	\$399
Total Xbox 360 Games Sold	384,000,000
Total Xbox 360 Game Titles	963
Xbox Original Statistics	Data
Xbox Total Console Sales	24,750,000
Halo 2 (Best Selling Game) Sales	8,000,000
Total Xbox Games Sold	104,000,000
Total Original Xbox Game Titles	478
Xbox Live Statistics	Data
Number of Xbox Live Subscribers	31 Million
Average Xbox Live Gamerscore	11,286
Highest Gamerscore to date (3.11.2011)	540,563

Source: Statistics Brain (2011)

In the following figure 1, the total yearly hardware units of Xbox, PSP, Wii and DS that were sold have been identified. It can be clearly observed that the sales of Xbox 360 show an increase and the related sales of Nintendo products (DS and 3DS) show a decrease. For example, in the year 2006 it can be observed that the DS sales ruled the market, whereas in the year 2011 the sale of 3DS was observed to be 10 million units. Additionally it can be observed that the sale of Xbox was 7.6 million units in the year 2006 and they rose to around 14 million units in the year 2011 (VG Chartz, 2013). Considering figure 2, which identifies the sales in the last month, it can be observed that the introduction of Xbox One had very less impact on Xbox 360, PS4 and Wii. Xbox One when introduced had an impressive sales figure of 1000,000 units which dropped to 400,00 units by December 2013 (VG Chartz, 2013a).

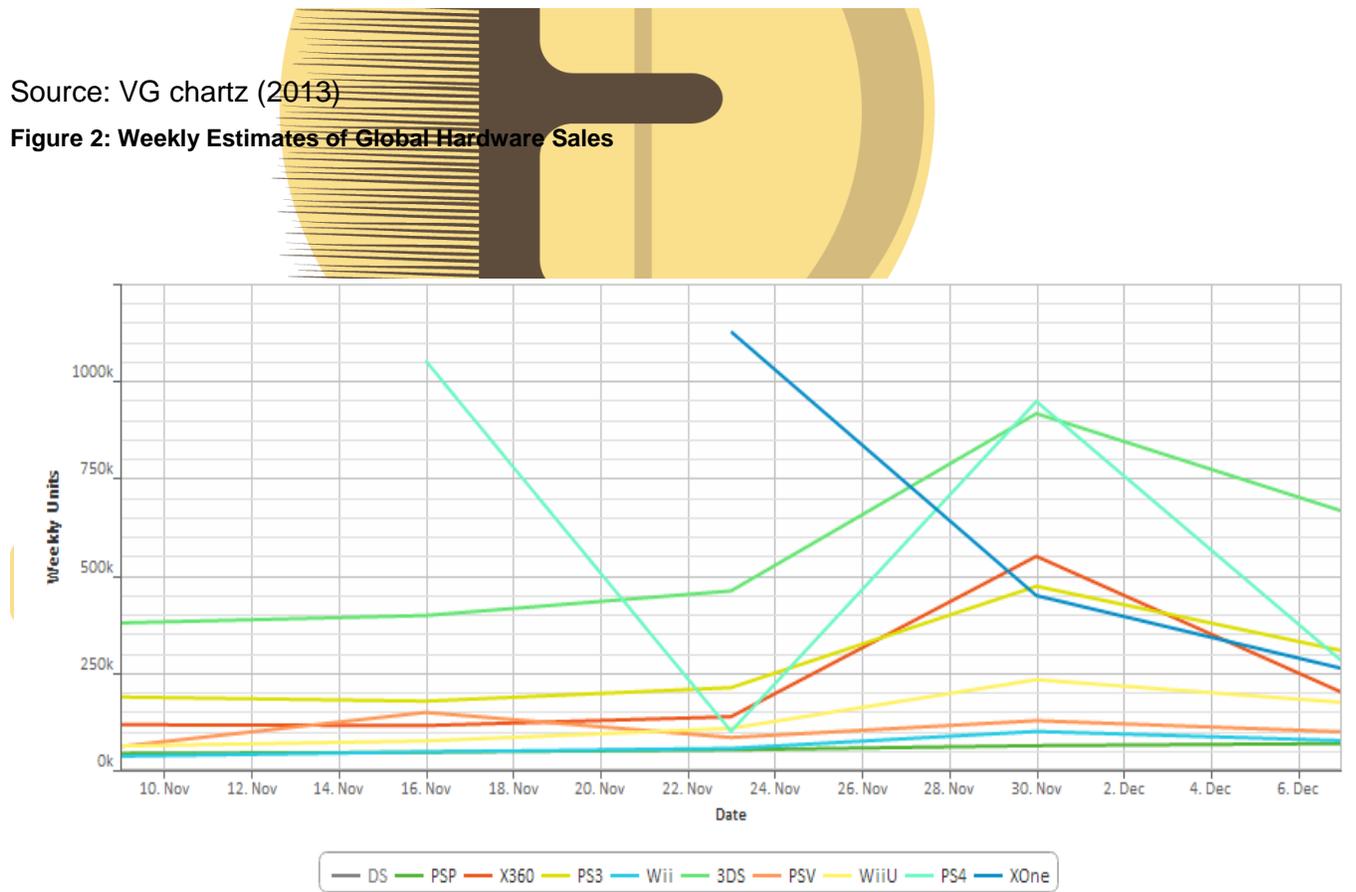
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Figure 1: Yearly Estimates of Global Hardware Sales



Source: VG chartz (2013)

Figure 2: Weekly Estimates of Global Hardware Sales



Source: VG chartz (2013a)

2.0. Marketing Strategies of Xbox: Inputs and Discussion

2.1. Environmental Analysis

Brady et al., (2007) suggest that included in the environmental analysis is the conclusion of the potential threats that are associated with new entrants that come in the market, gaining knowledge about the competitors along with their sales strategies and determining the presence of other environmental factors that can impact product sales. Further Guido et al., (2013) indicate that associated environmental factors should be identified in any strategic marketing plan so that the marketing strategies can be better placed. Hence, the environment of Xbox has been examined shortly in this section.

Porter's analysis is the first environmental analysis to be carried out. This analysis enables the identification of competitiveness of the product/organisation in an environment provided (Morgan, 2013). It can be clearly observed from the analysis that Xbox faces high threats from its competitors. Additionally it can also be noted that Microsoft is taking measures to meet this threat by introducing new innovations. Porter's analysis has been identified in the following figure 3.

PESTLE analysis that can be observed in the following figure 4 enables the identification of social economic and political conditions (Morgan, 2013). It can be clearly observed in the analysis, the existence of certain concerns on the social and legal front with regards to the games that are promoted for the video gaming consoles.

Figure 3: Porters Five Force Analysis



Source: Author (2013)

Figure 4: PESTLE Analysis



Source: Author (2013)

2.2. Marketing Mix

It has been noted that the aim of Xbox has been primarily the younger generation, specifically men between the ages 15-30 with a few games also being targeted at women. The product aims at providing a source of entertainment that can be used to spend time with family and friends which promotes social gathering and interaction. Although when introduced, these games became very popular in Europe and the US, Xbox now has reformed into a global product that aims at meeting the needs of people from different backgrounds and cultures.

Product

Each generation of the Xbox products varies. In this section Xbox 360, Kinetic and Xbox one have been reviewed.

- Since Xbox 360 Arcade had 256 MB storage, wireless controller, high definition graphics and a price of \$ 200 made it an effective seller in the market. When it was launched, the customer service and marketing strategy was to offer a 3 year hardware failure warranty and in addition, made sure the availability of a vast range of accessories and games that could be upgraded (Eurogamer, 2009).
- On the other hand, on a price of \$ 300, Xbox 360 Elite along with the basic features that were available in Xbox 360 Arcade also had a headset, HDMI port and 120 GB storage space. The ability to upgrade Xbox Live and the backward compatibility were its primary competitive advantages.

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- The introduction of Kinetic, the Xbox motion controller, to Xbox 360 proved to be a game changer. The sale of the product was recorded in the Guinness Book of World Records as the fastest selling electronic and was also one of the largest sold out products. Post this another version called the Microsoft Avatar Kinetic was introduced in the market that enabled access to social media (Mashable, 2011).

The first step that Microsoft has taken to promote its One Microsoft strategy is the introduction of Xbox one in 2013. The operating system used in the product is Windows 8 and provides the users with the option to use Microsoft Kinetic, Microsoft skydrive, and Skype application. Microsoft promoted the product with a living room set-top box that could be used to stream videos online or watch live television.

Pricing

At the launch of Xbox, effective pricing strategies were followed by the company wherein the product was offered as bundle that included the console with 19 games that included Project Gotham Racing and Halo at a price of \$ 299 which was the same as PS2. Xbox was received largely in the market as it offered 19 games with it, which caused the total revenue of the console industry to fall by 13.3 billion (32%) in the last six years. The report suggests that companies are making efforts to reduce the cost of their consoles to increase sales. Additionally it has been note that Microsoft in its efforts to promote its Xbox One strategy is the reduction in the total costs by providing access to online streaming and controlling television. Further in the year 2009, efforts were taken by the company to broaden their customer base by keeping the focus on promoting users from the basic Xbox product to the more elite ones. In efforts to heighten the number of subscriptions to Xbox live gold, the company presented a programme that would cost just \$ 4 per month, and as a result the total sales of Xbox Live Gold membership increased by 40% (G4TV, 2009). Another aspect to be considered here is the fact that over the years Microsoft has kept the price of its products lower than that of its competitors. For example, even though the cost of manufacturing Xbox 360 comes to around % 552, it was still sold at \$ 400 (Landes, 2013).

Distribution

Multiple distribution strategies have been adopted by Microsoft so that it can reach its target customers which include Best Buy, Tesco, Walmart, Target and Amazon.com on the Internet as its primary distributors. Microsoft uses the same distribution strategies as used by its competitors, barring minute differences.

Promotion

With reference to the sale of Microsoft Xbox 360, it has been observed that the company has adopted a multitude of promotional activities. For the promotion of the product on television, several advertisements are screened globally. It has also been observed that the company is using various online marketing strategies like social media marketing, banner ads and websites. The promotion of the Xbox “Live the Moment” strategy was considered as one the largest efforts undertaken by the company to promote the product. The aim of the advertisement was to convert or evolve the X360 from one which is considered to be a gaming platform to one which is largely entertainment in nature. The company argues that the efforts are taken “It’s about real people having emotional and connected Xbox gaming and entertainment experiences with their friends and family.” The marketing was launched as a pre Christmas approach by Microsoft (Ivan, 2008).

According to Landes (2013) Microsoft has adopted a supply and demand strategy as their promotional strategy. The supply of the product was relatively less when it was introduced. It was observed that the increase in the demand of the product lead to bidding wars on various online websites including Amazon and eBay. Though this strategy did not result in effective increase in revenue, it created interest and bidding wars and gave way to several press releases. Joseph and Shields (2013) identified in the same line a big promotional event for the launch of Xbox One, wherein a worldwide countdown was hosted by Microsoft that extended across, the US, Spain, Brazil and the UK. Another attempt made by the company was to promote native advertising content in order to boost sales of the product.

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3.0. Critical Analysis

3.1. The Good

Gates (2008) argues that the strategies that Microsoft adopted to launch and market the Xbox initially was a part of their planned business approach. It can be noted that the launch of Xbox was believed to be a part of the Microsoft’s strategy to “steer the digital environmental revolution” and an effort to promote their authority in the video gaming market in terms of technology. Further, Teambox Wikidot (2013) adds that the company’s technological superiority and a market strategy that was financially strong enabled Xbox to achieve an extensive market share upon its launch. According to Chernev (2009) the support that the parent company

provides in terms of technology and finances affects the efficacy of a marketing strategy, particularly in the case of a new product. On this note, it is fair to say that Microsoft took enough measures to invest suitably when launching their flagship model. Landes and Landes (2013) claim that the efforts that Microsoft undertook in order to build the brand awareness of Xbox were widespread as the company spent a total of \$ 500 million which also included a campaign for promotion and integrated distribution. According to Brady et al. (2007), the success of a market strategy can be achieved if the product marketing approach is an integral part of the business objectives of a company, as can be seen in the case above.

Secondly, the company promoted specific product implementations in order to create competitive advantages in the field of the gaming industry. For example, Brady et al., (2007) argue that several game developers found applications with the product because the code that the company promote was similar to the operating system used by the developers hence making it easy for them to develop particular games. Burton et al., (2012) suggests that the aim of marketing strategies should be to identify numerous innovations and ensure that they are communicated clearly to the consumers. As it can be observed in the above case, a strategy was adopted by Microsoft when promoting Xbox Kinetic and Xbox Live.

Brady et al., (2007) add that the final objective for an effective market strategy is the necessary promotion of marketing decisions that would prove to be vital for the company to perform well financially. From the beginning of this study, it can be observed that Microsoft has caused a shift in the overall sales by establishing their market share in the videogame industry. Therefore, it can be concluded that they have promoted an effective market strategy.

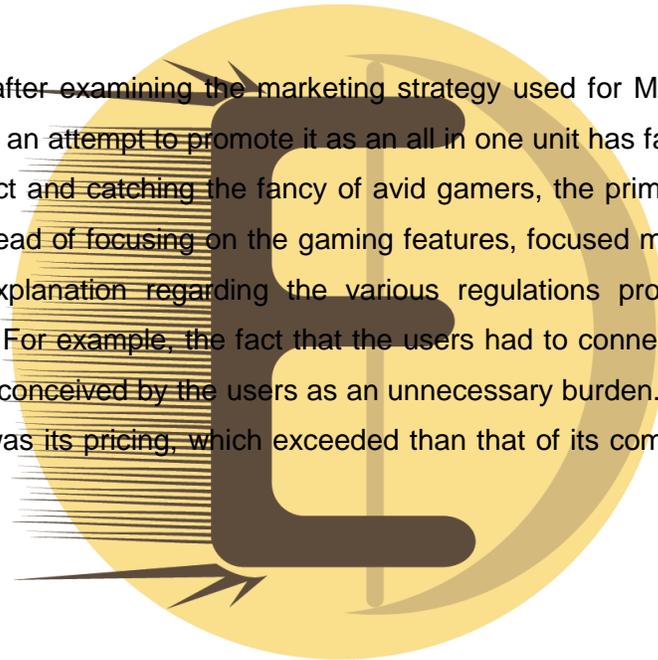
The company has successfully integrated social and legal concerns with the associated economic issues by the means of their pricing strategy. For example, it is clear from the Microsoft (2013) report that the company has made efforts to make sure that appropriate warnings are given regarding any games related to the Xbox including the user developed games. There are as many as six age group categorisation that the company promotes, which are 3+, 7+, 12+, 16+, 18+ and Adult only. This clearly proves that the company has taken efforts to minimise the risk of the videogames contributing to violence and desensitising children. Phil Harrison, the corporate vice president of Microsoft, stated that while the progression of visual reality that leads to violence images on games surprises him, they at Microsoft take measures

to make sure that the most appropriate rating system is followed and it is considered when the marketing is carried out.

3.2. The Bad

In the previous sections it is shown the company made various attempts in order to promote effective marketing strategies that would further promote the sales of Microsoft Xbox 360. Nonetheless, several drawbacks have been found to be associated with the marketing strategies used for the Xbox One.

Several reviewers after examining the marketing strategy used for Microsoft Xbox One argue that the company in an attempt to promote it as an all in one unit has failed in meeting the basic needs of the product and catching the fancy of avid gamers, the primary targets. It was noted that the launch instead of focusing on the gaming features, focused more on the add ons. The absence of any explanation regarding the various regulations proved to be another bad marketing strategy. For example, the fact that the users had to connect the box online at least once in 24 hrs was conceived by the users as an unnecessary burden. The last factor that went against Xbox one was its pricing, which exceeded than that of its competitor PS4 (Eurogamer, 2013).



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