



XBOX 360 or Playstation3

Living Case Transcript

“A clash of the titans...the game is afoot”

Welcome to another Living Case here on Marketing to Win dot net... my name is Randy Harrison. If this was a movie, it would be called clash of the titans, and no, this is not about mythology either but rather a story taking place today on the marketing stage.

Right now, we see the buzz about this product literally everyday... shoppers attempting all sorts of tricks... traveling outlandish distances at all hours of the day or night to get it, if they are extremely lucky... or bidders willing to pay thousands of dollars for one even though it boasts a retail price of only \$399... all this because supplies are short or nonexistent for one of the must have hot products of the year.... Microsoft's Xbox.

The launch of the Xbox this past November was the first salvo in the next phase of the game wars... a ritual that just like clockwork that takes place every five years, where innovation takes the gaming technology to the next level of realism and action, turning the now \$25 billion and growing market topsy turvey as the titans Microsoft and Sony... along with Nintendo compete vigorously to win the lion's share of this ever more mainstream market.

At the number 2 position, Microsoft is playing a high risk game... transforming itself into a hardware slash product company along with its software business and also seeking to capitalize on being first to market for this next generation of consoles by attempting to exploit first mover advantage and seize market share over industry leader Sony.

We thought it would be interesting to take a detailed look at what is going on at what could be an exercise in futility and why it the onus is squarely on Microsoft. We will also take a look at what a Marketing to Win strategy could look like, in this case from the Sony point of view, just to show all of us the enormity of the challenge in front of Microsoft, who is throwing everything it can into making this product launch successful and selling upwards of 3 million consoles by year's end.

We know that at different times during the product adoption lifecycle, especially in tornado like conditions, part of the marketing game falls squarely on meeting the demand that has been created. In other words the supply chain has to deliver, and if any bugs arise, we have the potential for a very big marketing problem. This is certainly the case in this sector. As I record this, there has been an issue with heat and melting DVD's. If this is a prevalent issue... all bets are off for Microsoft. My guess is however, that they will not stumble here.

A larger issue is the notion of what the first mover advantage represents. If Microsoft was the only one coming out with this new generation player, first mover advantage would be a big deal... a true dragon killer in innovator's dilemma fashion. Industry leading Sony would be vulnerable and the market there for Microsoft's taking. However, we know that this is not true. Sony's new Playstation3 is set to be launched this Spring and will, if expectations are to be believed, raise the features bar even higher than Microsoft with a new specially designed, high speed chipset and "blue ray" DCD player which shatters previous storage limitations with over 50 gigabytes of capacity that promises even greater

realism and action. Plus it will be an even more expandable platform than Microsoft's.

What this means then, is that the X-box, when all is said and done, will no doubt gain traction in the early markets. These are the serious gamers that just have to have the latest and greatest console no matter what the cost or effort to get one. Oh, and did I mention the cost? \$399 for the full featured X-box. The majority markets is where the real numbers lay... where consumers embrace competition and seek out the market leader once leadership has been established, will most assuredly wait and buy one unit from the established leader, especially considering the upfront investment required. If Sony delivers the goods this Spring, the most Microsoft can hope for is a strong toehold in the early markets with perhaps some incursion into mainstream segments who don't want to wait. This is one reason why fulfilling demand now is so essential, the waiting game helps Sony at Microsoft's expense.

This is also why leadership is so essential. As you will see in the leader diagram (see chart), Microsoft has to climb a steep hill and throw everything it has in order to dislodge the entrenched leader Sony. While Sony can more easily fend off even the most fierce the invasion with minimum resources.

I hate to use battle metaphors, but they work, and here the battle of Gettysburg comes to mind, where a handful of union defenders successfully kept the bulk of the confederacy at bay by controlling that strategic hill and effectively sealed the south's fate for the Civil War.

So all things being equal, Marketing to Win has a couple of high-level strategies in mind. First, we are surprised that Sony, who has missed opportunities in other segments such as the "Walkman"/portable music space where through apparent indifference, they lost the market to Apple and the i-pod, would not be strutting its stuff by doing some FUD style awareness activities to keep mainstreet markets

on the hook and out of purchase mode until the Playstation launch. As we know, F-U-D is Fear, Uncertainty and Doubt... and I believe Sony could effectively employ a teaser marketing program... you know, the "its coming" type of thing quite effectively through traditional and online channels.

Also, Sony could take this even farther and set up an advance sale/member program with special incentives for buyers who were willing to pony up the cash now. Not only would this have given Sony some sales play during this holiday season, they could have captured data and built relationships with clear early adopter and motivated early majority types that could drive long lasting value to Sony further down the road.

As for Microsoft... we all know that these consoles are not just gaming machines, but also very powerful devices that have the capabilities to serve our digital hub, seamlessly connecting our telecom, media, broadband and other devices through our homes and literally our lives. Some say games are the Trojan horse... the winner of this gaming war's operating system will become the de facto standard, the tune that all others who want access to our homes will have to dance to.

It is not our task today to get in to the merits of each system... only to suggest if we were king of the jungle... changing the game. Why simply go after games and the gaming market? Why not create a compelling home entertainment bundle and also position the console as an inexpensive hardware/software system for the home. Perhaps in partnership with say a Voice Over IP partner, of which they are many, that could tie in VoIP and cell service, along with add on accessories that can add other capabilities?

I realize that we are now starting the product cycle all over again and that they have tried things like this in the past. However, why not have a couple of hooks in the water at the same time?, and leverage the high appeal and demand to

engage another market and build a new market at the same time? This is where a first mover advantage could have long term benefits with Microsoft the leader and the onus on say Sony, to overcome. Lose a battle, win a war.

If you heard the earlier podcast on the Apple i-Pod, you know that we don't have to play the lifecycle in linear point "a" to point "b" fashion. We can turn time and space upside down to leverage the full lifecycle to our advantage. In the case of Microsoft, instead of being in the unenviable position of mounting a frontal assault on the market leader, they could change turn the whole thing around and use the "tornado" effect they have created to lodge themselves on top of the newly emerging home entertainment hill at the same time.

And lastly, we haven't even discussed Nintendo, whose Revolution console is very cool, and of course we know Apple with the i-Life software suite and Mac Mini is there too... and did we mention that they are moving their chip architecture to Intel? Could that mean that gaming capability is just around the corner? All we can say to our Marketing to Win community is buckle up, it will be a great ride!

As always, we welcome your ideas on this living case and any suggestions you may have for future cases as well. Please click on the link or e-mail me at randy@marketingtowin.net.