

# Five forces analysis of video game console industry



Threat of Substitutes: The main substitute for a video game console would be a personal computer.

They can both be used for playing different types of video games and be used for entertainment. The threat of this substitute edging out video game consoles is very low, because they are not completely similar. If anything, video game consoles are edging out personal computers in the gaming industry. The threat of substitutes in the video game is not very high.

In 2008, this was not a very strong force in the video game industry. Threat

of New Entrants: In 2008, the threat of new entrants was not very high.

Sony's Playstation, Microsoft's Xbox, and Nintendo's gaming systems were very well established names in the industry. The brand identities of these products were so strong that it would be very difficult for a new player to enter the game at this point in time. Many years prior to 2008 this was not the case. Many new companies tried to enter the market, some, like Microsoft, succeeded, others, like Sega, did not fare as well.

In 2008, the Threat of new entrants, is not a strong force in this industry. The cost required to develop and manufacture a product that could be a decent a competitor in this market is too great for a non-established company in this industry to be able to compete. The technology that is needed to be successful at this point is too advanced for new competitors to achieve.

Although at times the threat of new entrants might have been a concern for this industry, in 2008, the three current competitors had much to strong a hold on the industry.

**Bargaining Power of Suppliers:** Suppliers do have an effect on the video game console industry. For starters the suppliers who develop the technology for these consoles can also use their products in other electronics including televisions, and especially computers. If the suppliers stop working on new ways to create technologically advanced parts that companies can use in their video game consoles, the industry would be very adversely affected. Suppliers are also working on advances for and are selling their products to competitors as well. Without the suppliers the video game industry would struggle. On the other hand the individual companies do have some ability to develop their and manufacture their own products and technologies.

Because of this the bargaining power of suppliers plays a moderate role in the industry. **Bargaining Power of Buyers:** In 2008, the bargaining power of buyers did not play a huge role in the video game industry. Buyers were very intrigued by these products and were willing to pay fairly high products to get them. In the future that may not always be the case, since prices are often fueled by demand, if the draw to video game consoles drops significantly then the power of buyers will have a greater role. In 2008, there were an abundance of buyers, more than the supply could meet in many cases. Buyers like their brands and they trust the products that are being made so they are generally willing to pay a fairly high price for these products.

**Intensity of Rivalry Among Competitors:** In the video game industry, this is a very strong force. For years in the industry no one company could hold the most popular console for more than one consecutive generation. The rivalry <https://assignbuster.com/five-forces-analysis-of-video-game-console-industry/>

among competitors is very strong. Each holds its own powerful brand identity, and Sony, Microsoft, and Nintendo all want to be leaders in the industry. They each may have their different approaches to getting on top, but they all have the same ultimate goal. Microsoft and Sony mainly focus on creating consoles with the most advanced technologies appealing to more experienced gamers.

While Nintendo tries to appeal to a much wider audience. Summary: In 2008, the video game industry was a very attractive industry to be in. Companies that had already made a name for themselves in this industry were doing very well. The most prominent factor in the industry at this time was rivalry among competitors, which can in many ways be beneficial to success. The other factors were not that strong, creating few barriers to success in the industry.

The video game industry was prospering as buyers were excited about the products and the companies in the industry were very receptive to the different demands of the buyers. The video game industry was very successful during this time.