

# Microsoft's marketing strategy for the xbox 360



## 1. What are the key elements of Microsoft's marketing strategy for the Xbox 360?

Microsoft introduced the new Xbox 360 using a direct-to-consumer approach, putting it in the crosshairs of its target market 4 days before the launch of its competitors. This direct-to-consumer strategy gave the new Xbox an advantage and transformed the game industry's marketing and product development practices. The software giant unveiled the Xbox 360 during a pretaped MTV broadcast, unveiled the Xbox 360 to consumers four days before Sony and Nintendo to become the first to reveal details of a new console. Microsoft "jumping the gun" was a ploy to get advantage from the games foothold it got with its first Xbox, launched in 2001, and to get a jump on its competitors.

In revealing and promoting its new console through nontraditional means with multiple partners and six months before shipment, Microsoft stood to create goodwill with demanding gaming consumers and beyond. Talking to consumers now and bringing the Xbox 360 to stores before the end of 2005, probably long before Sony or Nintendo's new devices, will give Microsoft a big perceived lead in the market.

## 2. What are the similarities and differences compared to past product rollouts within Microsoft and compared to the rest of the industry?

The direct-to-consumer strategy was very different from how Microsoft normally rolled out new products. Usually the laggard in gaming technology, this gave Microsoft a perceived advantage over their competition. Microsoft's goal was to decrease the sales of both the Xbox1 and the Playstation 2, as

well as get an advantage over the forthcoming Playstation 3. Microsoft's competitors limit the company in terms of both price and performance. Therefore, Microsoft had to provide a console that provides customers a gaming experience that is at least as good as its competitors at a price that they are willing to pay. Microsoft needed to offer a similarly compelling platform even though it was coming to market six months sooner. Microsoft has benefited from its competitors' establishment of the video gaming market and the growing acceptance of video gaming as a leisure activity worldwide.

3. Could Microsoft be considered one of the best and worst examples of marketing success in America during the 1980s and 1990s? Discuss.

In 1989, Microsoft passed Lotus to become the world's largest seller of software worldwide. At that time, the company boasted the broadest array of software products and applications as well as the highest profit margin in the industry, at close to 25 percent. Launching a new product under a strong existing brand name gives the new brand instant recognition and credibility while using much less advertising outlay.

Microsoft was a very successful marketer in the 1980s and 1990s in many respects because it was able to convince corporations that its less technically capable and less innovative products than those produced by others, such as Apple and UNIX, were nonetheless the best choice for businesses operating personal computers. Microsoft also successfully convinced businesses to upgrade software frequently, even in the absence of major innovations. On the other hand, more recently the company has fallen

into disfavor as its anti-competitive practices became widely known and companies and consumers have become more aware of its shortfalls.

4. Do any of the Microsoft strategies contradict future issues that Microsoft and other technology-oriented firms should prepare to deal with in coming years?

Given the level of consumer interest and the connectivity potential of new consoles, it can only be a matter of time before companies start using different means to test out game ideas and distribute freebies like demos, beta versions, and coupons. Building on the interactive campaigns, Microsoft takes the gaming experience out of the living room.

Although gaming is a rapidly growing market, Microsoft's ultimate goal is to provide the hardware and software "brains" for delivery of all types of entertainment through consumer electronics. Producing a console with many capabilities that is viewed as being highly innovative is critical to gaining consumers' trust so that they will rely on Microsoft for more than just gaming and PC operations. In this regard, Microsoft's strategies fit well with the future issues it is likely to encounter of continuing slow growth in PC sales and a need to increase its growth through both gaming and receiving a greater share of consumers' home entertainment expenditures.