

The five forces analysis on gaming industry essay sample

[Entertainment](#), [Games](#)



Every man in the business uses five forces in order to progress in company's industry. The five forces are customers, entrants, substitutes, supplies, and the nature of rivalries. These elements not only show the state of company but also why some of them are so successful then the others. In this analysis we will see how these five forces relate to the video game industry, how strong each force is, and answer the question of whether it is an attractive industry for Sony to be in, in 2008.

The most recent new entrants into the gaming industry in the past five years have been Microsoft and Sony, Microsoft known for their most popular computing programs and Sony known for basic platform gaming, and high quality electronics. But even companies as Microsoft and Sony, who have been successful in others industries, must go through tough times and solve unpredictable problems outside the company but even in the 'heart' of company. The barriers that were hit when entering the gaming industry are internal policies of company marketing changes and economics scale. Now there are three big companies in gaming industry and no space left for the others, because of Microsoft and Sony, the most advanced gaming experience out there, enter the market and become almost unbeatable opponent. Whereas Nintendo went towards more user friendly for all ages, in which has now lead them to dominate the video game industry based on sales and income.

One of the biggest forces in gaming industry would be the bargaining power of buyers, or customers. Their power, determine the terms and conditions of sale, and the idea in which a company's research and development company

should start investigating. As decades past in the gaming industry, we saw a change in terms of what the customers wanted. Which then lead companies like Sega, Sony, and Microsoft develop faster and more realistic games which lead to side accessories such as dvd players and internet accessible. While the Wii is not the most powerful console, it was able to produce innovative capabilities, in order to appeal to a much more board fan base, and not just the traditional gamer. The Wii's popularity ranges from young children to the elderly. With its wireless, motion sensing controls, the Wii made almost \$4.9 billion in 2007. Its competitors, Microsoft and Sony both produce losses of over \$1 billion in the same year. That just proves how important the customers is, and that the Wii did so well because it satisfied the customer, and not just met certain computer specs. Focus on the people all ages brought to Nintendo success and big sharks such a Microsoft or Sony could only be angry.

Suppliers in terms of analyzing company's industry determines the prosperity that either granted taken away from the buying company that uses their products to produce their own. Based on the case study, Sony has had problems with their production which gave Microsoft the lead to come out with Xbox 360 before PS3 by Sony. So in terms of supplies, if a supplier raise their products costs the company that would be receiving these parts would have to increase their prices which in return may turn off certain buyers away from buying their product. Based on the case study, there was not sufficient evidence to do a full analysis on the gaming industry.

Substitute products is the threat that comes along when a competitive alternative product comes along that could disrupt the potential growth of the gaming industry. The case of study did not discuss substitute products in general, but one product that could be seen as a substitute is PC games, in which Microsoft was formerly involved with. As they entered the video game industry because of the lack of popularity from the PC industry, in which they dominated.

In the video game industry, rivalry among competitors seems to be driving force. Everyone wants to have the best and most popular console.

Companies will even lower prices in an effort to sell more (even if it affects profits), just to win. The main competitors in the video game industry are Microsoft, Sony, Sega, and Nintendo. In this case, firm rivalry is the strongest out of all five factors. As previously discussed, Nintendo has always put up good numbers because of the ease of use in their systems, and the wide fan base they have attracted. Sony and Microsoft have been directly competing with one another, for the most powerful machine. While they have both succeeded in producing incredible consoles, they have fallen behind Nintendo in the most important area, which is amount sold.

In conclusion, the video game industry is one of the most competitive industries, because there is not much opportunity to make money.

Microsoft's Bill Gates knows he will not win in this generation of console, but as he said " I spend as much money as it takes" to be a number one in gaming industry. This might as well be the end of Sony, because it seems unlikely that they can continue losing money, and compete with Microsoft for

that ' hardcore gamer' audience. The industry in 2008, is not an attractive one for Sony.