

Home video game industry



**ASSIGN
BUSTER**

1. Why the rapid growth of Atari? Why the 1982-85 collapse? How did Nintendo rebuild the industry? What was its strategy? The reason of rapid growth is the Atari's products are highly differentiation. Atari is the first company enters the market, although some companies enter the market later, but Atari already build the reputation of highest technology support and the popular games provider to the customers. In the production competition, the Atari is the cost leader because they enter the market first, they could provide more high quality product with low cost.

I think the home video game was accepted by the people who live in the 1970s and the demand of home video game increase rapidly at that time. There are some reasons leads the collapse of 1982-85. First, I think the substitute threat is the most vital reason. The Famicom seemed the product to replace Atari's product. Second, a large number of independent companies were produce hundreds of games for Atari 2600. The quality of the games cannot maintain at the same level of the Atari's product used be.

And the excess capacity of cartridge leads the price decrease speedily. Third, new technologies strike, personal computer computers take the place.

Finally, the company fails to expect the demand of that period of time what cause them over stock, and they do not obtain the license of Donkey Kong. With the rival in the same market, Atari also do not well. Nintendo use both cost leader and differentiation strategy. In order to keep costs down, Nintendo refused to use 16-bit processor. Nintendo approached the engineer of chips keep in 2, 000-yen.

At meantime, the chips, memory and the games are better performance than other companies. Nintendo provide cheapest, faster version of the console to the market, then strength on the software product such as games. The licensing program makes it possible strict control the quality of the supply and video games. They try to expend distribution channel.

2: How was Nintendo able to capture value from the home video game business? First, Nintendo provide a cheaper and higher performance product to customers. Second, Nintendo provide more complex or attractive games to customer.

Third, Security chip in place to avoid counterfeiting and lock out competitors which means the products is hard to imitate Forth, the licensing program help the company more ability to satisfy customer's more games need and control the quality of the cartridges. Finally, I think the company has the capability to exploit their product like smaller console, more high quality photography.

3: How was Sega able to gain market share from Nintendo? Sega invest heavily in technology development. Sega was launched 16-bit arcade machine earlier than Nintendo. Nintendo want launch the Super NES until the 8-bit market was saturated.

It lead the Genesis two year early enters the market. And Sega take the same strategy that focus on develop of games. So Sega provide more games to customer than Nintendo. Furthermore, Sega take aggressive price strategy. In the same game, Sega provide a more daring screen experience

than Nintendo. Sega also have an aggressive marketing strategy and position on teenagers.

4: Evaluate the competitive strategy of 3DO. What flaws can you see in 3DO's approach? 3DO want differentiate their product. They use a CD- ROM to store games. CD could provide larger capability, graphics processing capabilities and other advantages than cartridge.

The company was to license its hardware for free. I think they want to attract the game designer, so the company could launch a series of games to grab market share. However, I think they charge too high price premium. It is a powerful console but without enough games could be played on it. They ignore that it need spend a large amount of money to develop a game and a lot of time to develop the game. I think the core problem is 3DO is a good product but without support software. Of course, the rival companies' new product with huge less cost and more games software is another reason 3DO fail.

5: How come the Sony Play Station has succeeded where 3DO failed? Sony solve the problems of the 3DO failed, first the initially price is \$299 in American market. Sony also provided approximately four thousand game development tools to licensees in an effort to help them speed games to market. I think the marketing strategies are also their strength. They target its advertising on male eighteen- to thirty- five-year-old. They put the PS in Hollywood movies. Sony build good relationship with retailers, help them to sell the PS. Sony prelaunch work was rewarded with strong early sales. Sony takes aggressive price strategy.

6: What drove Microsoft's decision to enter the industry with its X-box offering? I think the Microsoft enters the market because the threat of substitute. First computer game and home video game are each substitute, and Microsoft the Internet-ready consoles might take over web-browsing functions. Microsoft have their. Microsoft thinks they have their own competitive advantages. They think the Xbox technology is based on familiar PC, it would much easier for software developer to write games, and it would be relatively easy to convert games from the PC to run on Xbox.

Microsoft is participating in the PC game industry what is easy transfer to Xbox. Microsoft is good with their suppliers and mass production will decrease cost.

7: What lessons can be learned from the history of the home video game industry that has been used to help launch the Sony PlayStation II and Microsoft's X-Box? Do Microsoft and Sony appear to have learned and applied these lessons? I think the first one launch the product with new innovation is always more successful than follower in home video game industry. Of course if the first launcher technical backward the follower, the high technical support company win the competition.

In the competition of Xbox and PS2, they almost provide the same quality and game experience to the customer, so PS2 is the leader in the market. It is the reason why Xbox 360 takes the competitive advantage compare with PS3. In order to build the high barrier of enters; the price reduction is always the strategy. So Xbox 360 launched with an aggressive price. The customer responsiveness is an important element. Like demonstrating leadership,

Xbox is hard to enter to Japanese market. A good hardware needs software support. The Complementors is also very imperative. I think PS3 fail to compete Xbox 360 is lack of games could be played on PS3.