



Group 9



## Xbox launch in Korea

Keerthi Kumar Chella, Praba, Prabhu, Praveen Rajkumar

# TheCaseSolutions.com



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# Agenda

- History & Background Info
- Case Summary
- Gaming Console Market
- Competitive Landscape
- Company/ Industry/ Challenges
- Recommendations
- Implications & Takeaways

## History of Microsoft and THE XBOX

- Founded in 1975 by Paul Allen and Bill Gates
- Revenues of 25 billion and over 47,000 employees
- Products - Windows, office, IE, Bing, One Drive, Safety and Security, Cloud and online services, Microsoft and Nokia Devices and Xbox

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# Case Summary

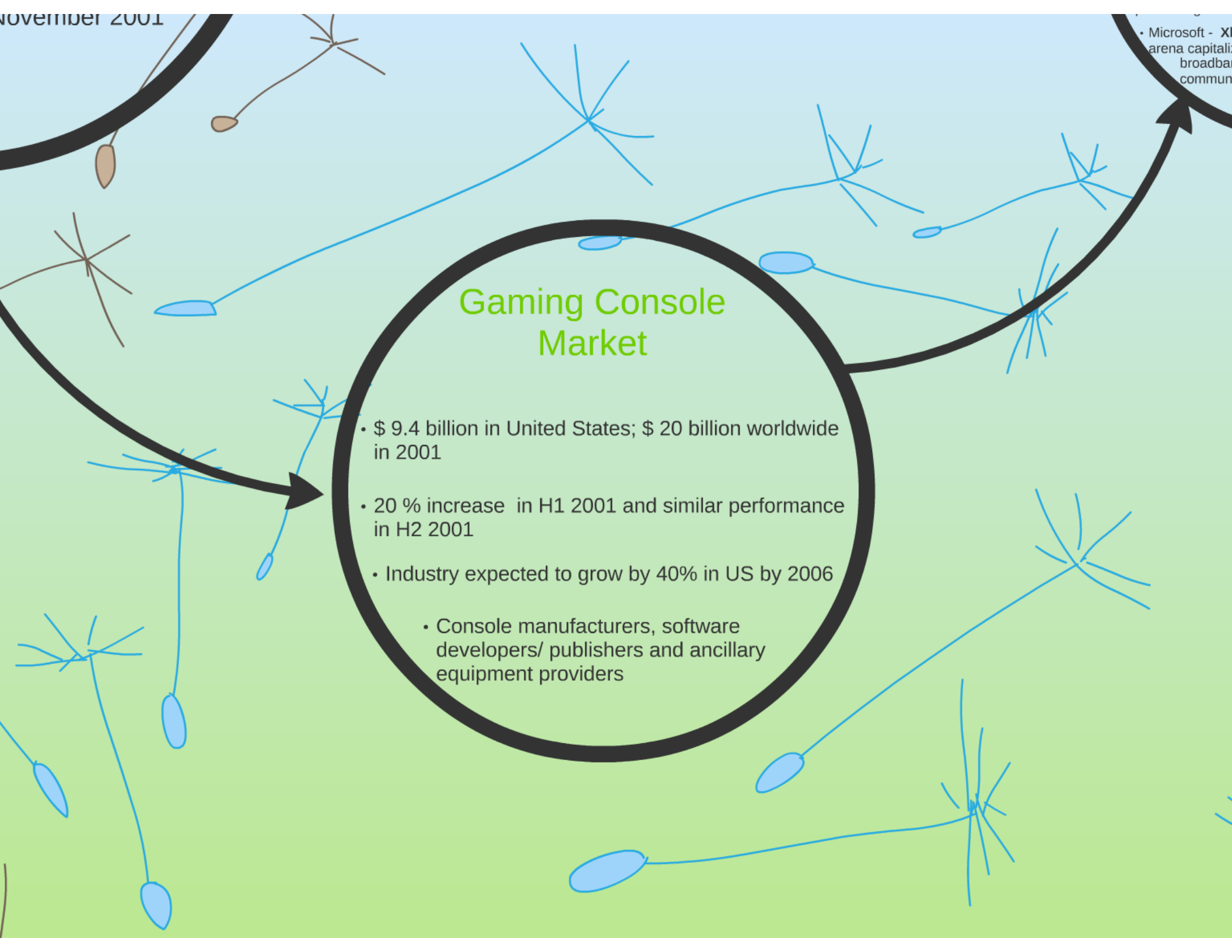
- Introduced in March 2000 by Bill Gates at Game Developers conference in San Jose
- Microsoft's first major gaming console having stiff competition from Sony, Nintendo and Sega
- Cash allocated - \$ 500 million for first 18 months
- Broad band gaming
- \$ 2 Billion over five years
- Product launched - 15th November 2001

# Gaming Console Market

- \$ 9.4 billion in United States; \$ 20 billion worldwide in 2001
- 20 % increase in H1 2001 and similar performance in H2 2001
- Industry expected to grow by 40% in US by 2006
- Console manufacturers, software developers/ publishers and ancillary equipment providers

## Gaming Console Market

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# Competitive Landscape

- August 2002, Sony was the industry leader in gaming console, while Microsoft and Nintendo were struggling
- Nintendo - **Gamecube** a gaming console excluding DVD capability and broadband gaming priced at **\$ 149** compared to Playstation 2 and Xbox at **\$ 199**
- Sony - **Playstation 2**. Sales revenue of **\$ 58.5 billion** for fiscal year March 2001 has the largest software library positioning as family entertainment center
- Microsoft - **Xbox** a newcomer in gaming console arena capitalizing on the software expertise. **POD** - broadband gaming, movies, music and communication services

# Competitive Landscape

- Xbox Live - Online gaming console(fall 2002)
- Xbox Live - Gamers connect over Xbox live service managed by Microsoft
- Xbox Live starter kit (headset+microphone+one year subscription+ software utilizing broadband connection = \$ 50)

## Korean Market

- Xbox launch - December 23, 2002
- **Problem areas**
- PC gaming strong compared to console gaming
- Invest in educating and communicating console value proposition
- No Red carpet welcome (virgin market)
- \$ 320 billion industry with 60% broadband penetration among households
- PC Bangs (specialized gaming room)
  - over 20,000 Bangs (specialized gaming room)

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- Xbox launch - December 23, 2002

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  - over 20,000 Bangs
  - specialized gaming room

## Market Research Study

### Market Research Questions?

- Which games should be a build for Korean gamers?
- What are the local customization games for local market?
- Market segmentation?
- Secondary market data available for relaunch activities only. Post launch?
- Which games should be a build for Korean gamers?

## Research Methodology and Findings

- June 2002, a qualitative study with focused groups and quantitative study consisting of phone interviews was done

### Report Objectives

- Demographics
- Game behavior/ Attitudes
- Game preferences
- Purchase intent
- Purchasing behavior
- Brand/ Product awareness
- Product Ownership
- Localization attitudes
- Qualitative study - 4 focused group( 3 M and 1 F) of 14 to 26 years
- Quantitative study - 350 telephonic interviews.
  - Age between 10 to 30
  - Primary gamer in household
  - Minimum game play of one hour per week

# Market Segmentation

## Hard gamers (34%)

- Age - 13 to 17 years
- Early adopters
- Committed Gamers
- Passionate hobbyist
- Great interest in buying gaming console

## Serious gamers ( 37%)

- Age - 13 to 24 years
- Followers of early adopters
- Rely on friends for gaming information
- No interest to console gaming
- Own and spend a moderate amount on PC titles

## Casual gamers ( 29%)

- Age - over 18 years
- Own fewer titles of games
- Expresses some/minimal interest to console gaming
- Rely on friends for gaming information

# SWOT Analysis

## **Strengths**

Segmentation  
Localization  
Market Research  
Investment in online Gaming

## **Opportunities**

Cloud based products  
Improved market research  
New exclusive games

## **Weakness**

Late Entry to the industry  
No Secondary data for console market  
in Korea

## **Threats**

Sony and Nintendo online integration  
PC gaming



## Recommendation

### Localization

- Translating documents into host country's language
- Converting in-game dialogue with subtitling or recreating the dialogue scenes
- Placing local symbols and objectives in the game (Korean cars, racetracks)
- Great interest in buying gaming console

### Genres

- Real Time Strategy
- Role Playing Games
- Action Games

### Other..

- Console Awareness (36% - PS 2, 18% - Xbox, 10% - Gamecube)
- Launch Xbox in fall 2002
- Launching mix of genres focusing on strategy Games
- Focus on strategy, Role Playing Games and action games



## Recommendation

- Software license issues needs to be resolved
- Social element of online gaming to be included

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