

Brand Finance® Brand Stories

Xbox 360 vs PS3 vs Wii –
“Game on”

'Game on'

Xbox 360 vs PS3 vs Wii

Relatively few people outside the video gaming industry realise the sheer size of this sector. In 2009, computer and video games software sales in the US were US\$10.5 billion. This was just US\$100 million behind total US box office takings for the same period. In this context it is unsurprising that the three largest home console brands, Microsoft's Xbox (207th), Sony's Playstation (316th) and Nintendo's Wii (318th), feature prominently in the 2011 BrandFinance® Global 500.

Playstation arrived in the 1990s and ever since the arrival of Xbox in 2001, the two brands have competed head-to-head, particularly for more committed 'hardcore' gaming audience. Xbox's latest iteration, the Xbox 360, was released in 2005, while the third outing for Playstation, the PS3, was launched in 2006. The Xbox 360 has tended to outsell the PS3 by a small margin; 55 million units compared to approximately 50 million. This is due in part to the massively successful Halo franchise, exclusive to Xbox, and Microsoft's online multiplayer gaming service Xbox Live, which receives fairly universal praise for its ease and usability. Xbox Live continues to grow with currently more than 25 million subscribers, a significant revenue stream for Microsoft. As a result, Xbox has emerged ahead of its rivals in this year's Global 500, with a brand value of US\$4.72 billion.

Despite marginally losing out to Microsoft, Sony should not be too disappointed with its performance. Since its launch, the PS3's initially limited range of desirable game titles and higher price point were considerable disadvantages. However, game developers have slowly come to grips with the machine's hardware capabilities, and the number

and quality of games soon increased. Crucially however, Sony envisaged the PS3 as far more than just a games console. The PS3 has been used as a loss leader to trump the competition in the broader electronic entertainment category; the company made a staggering US\$3 billion loss on the first 41 million units sold. There is method in the apparent madness, as every PS3 has been a 'Trojan Horse' for Sony's blu-ray disc player. Mindful of having lost the VHS-Betamax format war in the 1980s, Sony were determined it would not happen again given the importance of the high definition DVD market. Having learnt from their mistakes, Sony's blu-ray format has eclipsed Toshiba's rival HD DVD format. However, Playstation has recently suffered from a major security breach in Sony's online gaming and digital media distribution service, where more than 70 million users had their personal information stolen. Though this is not represented in this year's figures, it will almost certainly negatively impact its brand value next year.

Sony and Playstation have the monumental task of convincing its users that their personal and financial details are safe in their hands. If Sony is able to mitigate the negative customer perception effects of the security breach, they will be in a strong position to build on their US\$3.34 billion brand value and challenge Xbox's position as the number one home gaming console brand over the next year.

The third player is the Wii, produced by veteran console manufacturer, outsells both Xbox and Playstation, with 80 million units sold. Nintendo have traditionally targeted a slightly younger audience, with simpler gameplay and friendly, colourful characters such as Mario. This distinctive approach has been extended with the Wii, which has not only targeted younger gamers, but has created a huge

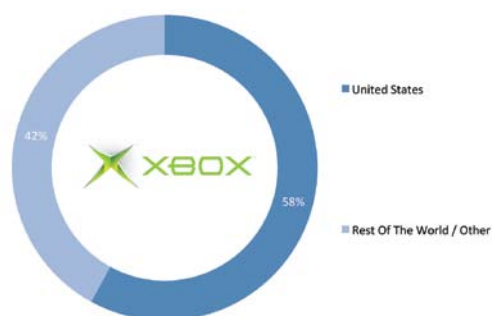
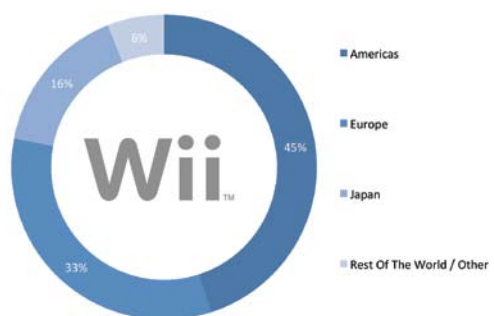
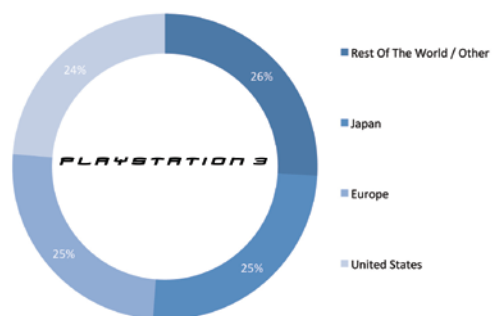
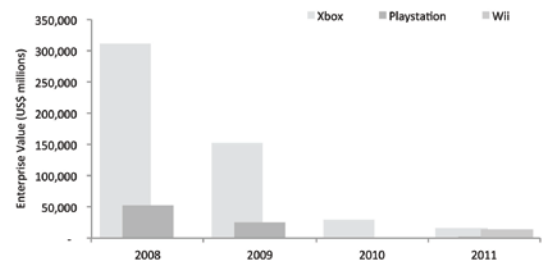
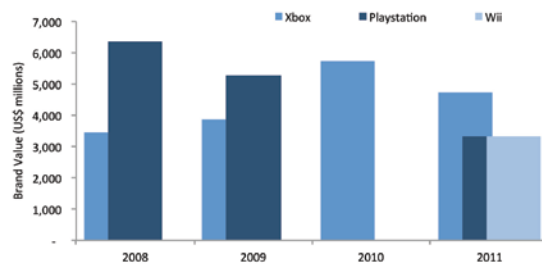


new market of casual gamers which is less male-focused and more family-oriented than traditional gaming audiences. Titles such as Wii Party encourage group participation and a reduced time commitment, while the Wii Fit device encourages adults to use the console as part of their fitness regime. As well as its shrewd identification of new markets, key to the Wii's success to date has been its motion sensitive controllers, which were a unique selling point for four years following the 2006 release.

This novel and engaging feature, though unchallenged until late 2010, now faces stiff competition from Playstation's 'Move' and Xbox's 'Kinect'. The latter has taken motion sensitive controllers to the next level by eliminating the need for a hand-held device, instead relying on a camera and body-movement sensor. It has proved to be a phenomenal success, shipping over 10 million units and becoming the world's fastest selling consumer electronics device according to Guinness World Records.

As a result, Nintendo are planning on releasing the next iteration of the Wii in 2012 which is rumoured to be more powerful than both the Xbox360 and the PS3 and offer high definition video output. Wii's brand is valued at US\$3.32 billion which places it just behind PlayStation.

The next couple of years will be a dynamic and interesting time in the home console market. The key question for Nintendo is whether its forecast innovations will be sufficiently appealing to allow it to successfully compete against Xbox and Playstation, or whether it will suffer in the long-term from its lack of appeal to the hard-core gaming audience.



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