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PlayStation 4 vs. Xbox One

Competitive Analysis of the Video Game Industry

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TEACHING NOTE

1. Model Solution

After addressing the established approaches to strategic management and link those to the Triangle of the Delta Model, the students should analyze the features of the new video game consoles Xbox One and PS4 against the background of the video game console industry and evaluate the thereby created value for customers based on the Triangle. The summarized findings for the Xbox One and for the PS4 are portrayed in the following Figure 1.

The claim that Microsoft followed a sophisticated online content strategy can be confirmed, whereas in case of Sony, the total focus of the strategy on setting the PS4 apart from the Xbox One can be partially confirmed. Microsoft initially planned to enhance their online capabilities by fully implementing cloud-based technologies. But due to the negative reception by the video game consumers, this strategy was abandoned. Instead, a partial use of cloud-based technologies for digital content and savegame management was used instead, but the focus on a comprehensive bundle of online content by offering more than 170 apps remained.

Sony did position the PS4 as an opposition to the Xbox One in terms of price, adherence to dominant design and issues regarding region lock. However, the PS4 did also focus on the growing video game streaming communities and offered them an efficient solution with the Share button and free editing software. To better display the difference in the strategic position between Microsoft and Sony, the following Figure 2 combines the Triangles of the respective consoles. The positions which are shared among the two are in bold letters. Microsoft's exclusive positions are written in italics, whereas the ones from Sony are marked in a different font.

This analysis demonstrates that strategic decisions can be explained using the Triangle. However, those decisions constitute just a snapshot of the introduction phase. At time of analysis both consoles have not yet reached their first year on the market. Therefore, changes in the strategic positions are expected to occur and did occur several times as in the case of Xbox One. Each change has to result in a reassessment of the Triangle of the respective console.

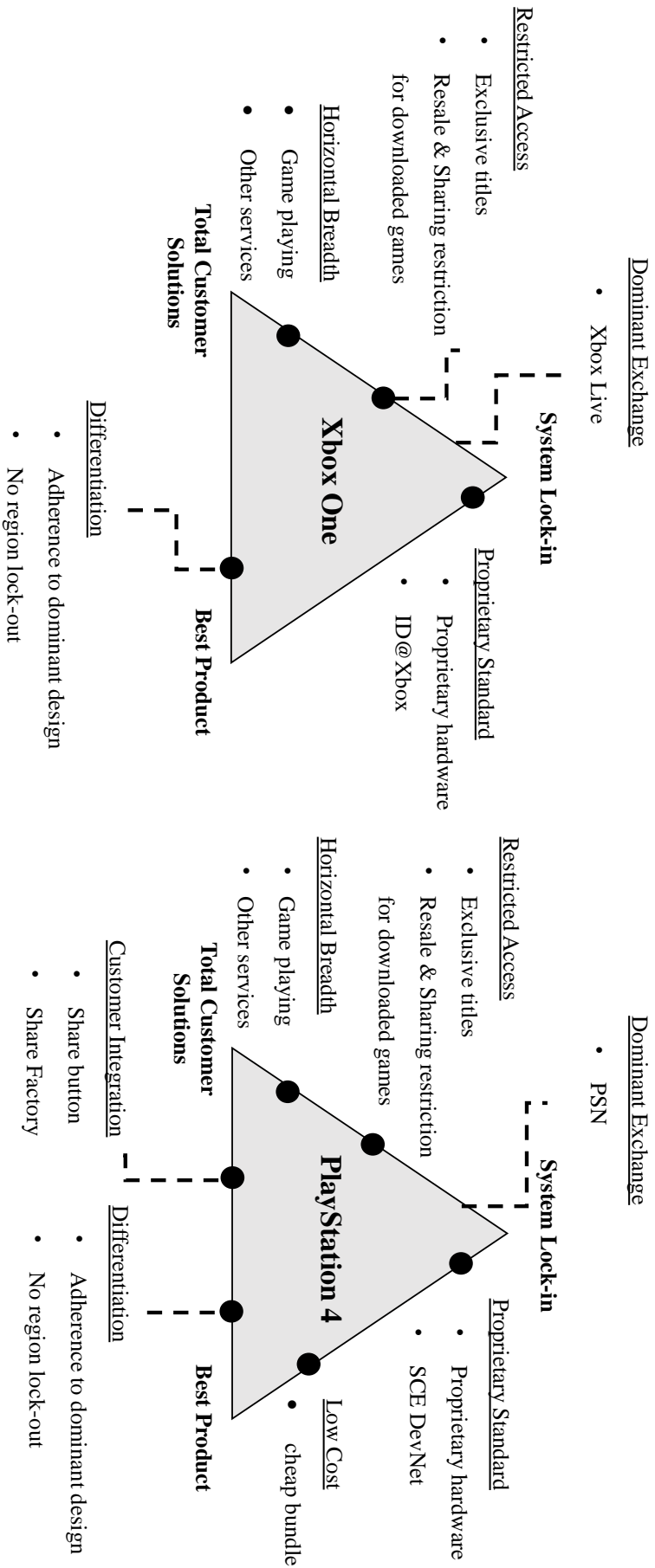


Figure 1: The complete Triangle for Xbox One and PS4

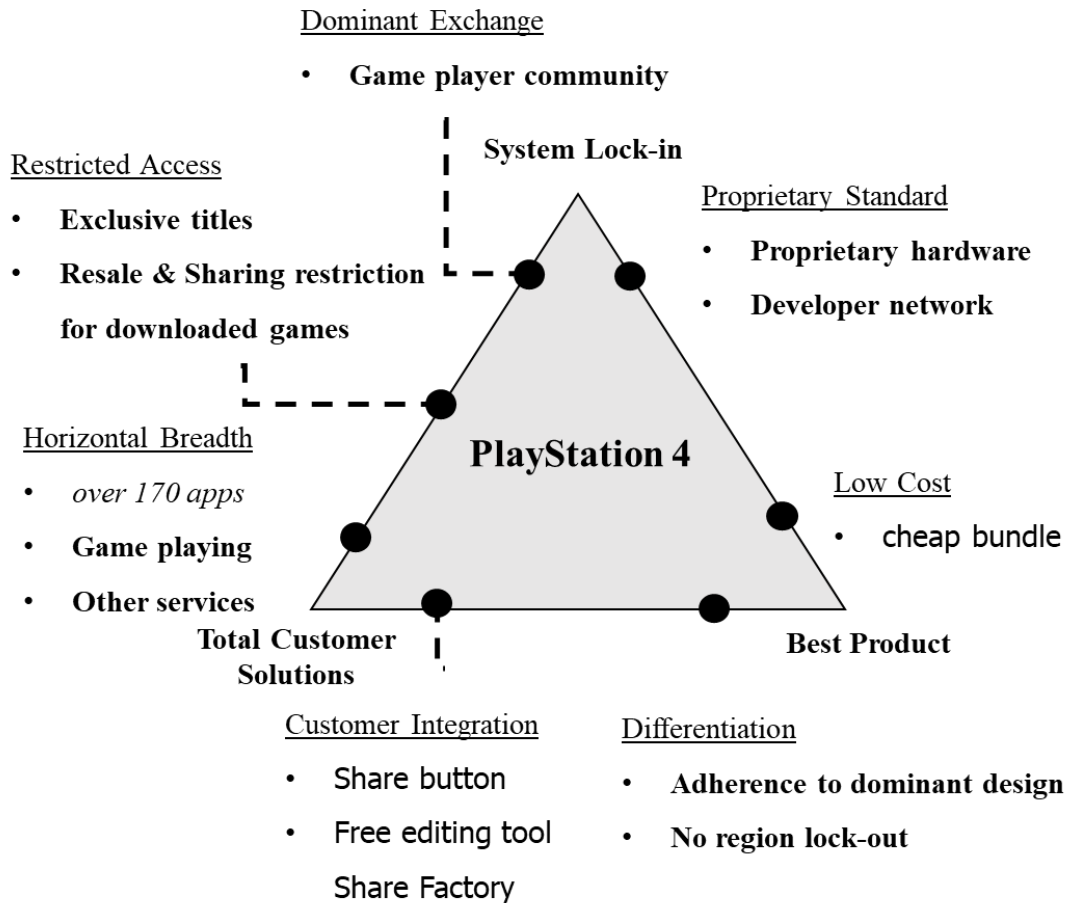


Figure 2: Similarities and differences between Xbox One and PS4

2. Recommended Literature

Hax, A.C. (2010). The Delta Model. Reinventing Your Business Strategy. New York et al.: Springer;

Hax, A.C. & Wilde II, D.L. (2001). The Delta Project. Discovering New Sources of Profitability in a Networked Economy. Basingstoke, New York: Palgrave.

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