

MICROSOFT XBOX GAME PASS: OPTIMIZING IN DIGITAL TRANSFORMATION

By: Michael Nguyen



Agenda

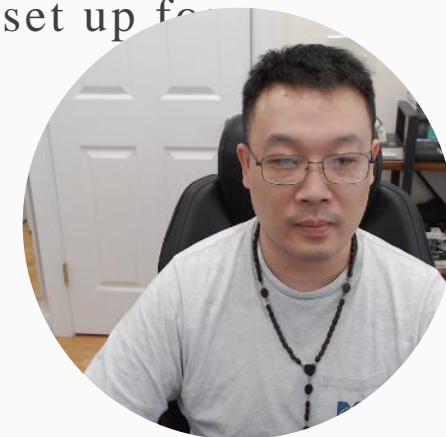
- Technology Exploitation/Digital Transformation
- Market Expansion
- Products & Services, SWOT/Porter Analysis
- Reduce Costs
- Business Evolution





Introduction

Phil Spencer, who is the CEO of Microsoft Gaming was considering strategies to increase revenues and subscribers for Xbox Game Pass in 2022. Revenues and subscriber growth had fallen short unexpected in recent years, and Spencer needs to figure out how to meet the aggressive growth goals the company had set up for the service.





Technologies Exploitation /Digital Transformation

- 25 million subscribers
- \$2.9 billion in revenue in 2021, which accounted for nearly 20% of the total Xbox revenue of \$16.3 billion
- It is the leading subscription service in the industry with higher revenues than services like PlayStation and Nintendo Switch Online

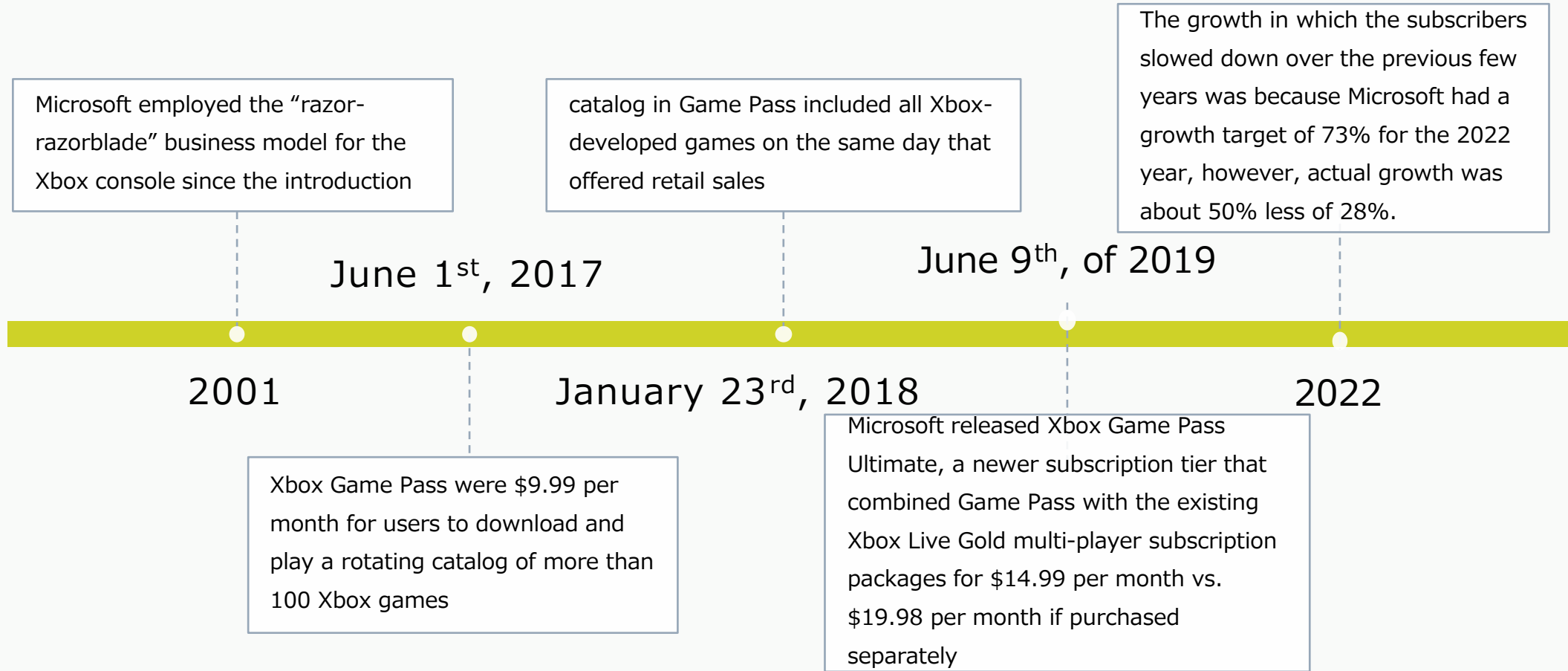


"We lost the worst generation to lose in the Xbox One generation, where everybody built their digital library of games."

Phil Spencer

Microsoft Xbox Game Pass: Optimizing in Digital Transformation





Xbox Game Pass Timeline



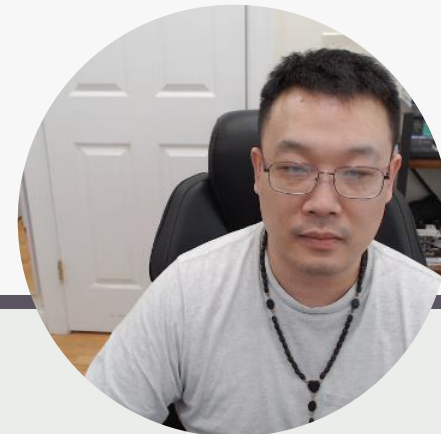
Market Expansion

Optimize Subscription

- Silver - 75% Subscriber
- Gold - 15% Subscriber
- Platinum - 10% Subscriber
- Ultimate - ?

Reduced Cost in Xbox Game Pass

- Proposed \$10.00 vs. \$14.99
- Proposed \$24.99 vs. \$14.99
- Proposed \$39.99 vs. \$14.99
- Ultimate Game Pass, wasn't made yet



SWOT & Porter Analysis

Strength/Weaknesses

- Reduced cost would expand the competitive advantages over other companies, e.g., Nintendo, PlayStation, PC, and Mobile Devices.
- In 2020, 100 Million Active Users.
- Mobile Games is The Next Big Thing, whereas Console only had 28% in Revenue.

Opportunities

- \$184 Billion in 2022 by Mobile Gaming Market of 50% in Revenue.
- By 2027, \$376.70 Billion.
- Total Addressable Market (TAM).

Threats

- Threat of new entrant
- Threat of Substitution.
- iOS & Android Devices.

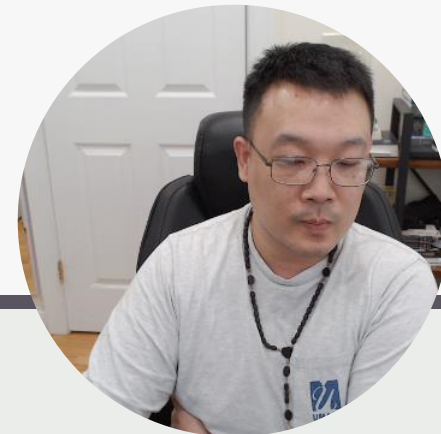


Exhibit I: Proposed Usage-Based Pricing Plan for Xbox Game Pass

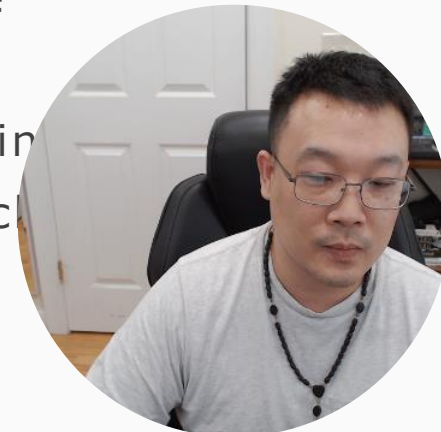
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	Silver Tier	Gold Tier	Platinum Tier
Target segment	Minnows	Dolphins	Whales
% Current Xbox subscribers)	75%	15%	10%
Average usage level	4 sessions/wk x 60 mins/session = 1,000 mins/month	8 sessions/wk x 60 mins/session = 2,000 mins/month	20 sessions/wk x 90 mins/session = 7,200 mins/month
Current subscription price	\$14.99/month	\$14.99/month	\$14.99/month
Current price/minute	1.5 cents/minute	0.75 cent/minute	0.2 cent/minute
Proposed usage-based price	\$9.99/month	\$24.99/month	\$39.99/month
Proposed monthly usage limit	1,000 minutes	3,000 minutes	Unlimited
Proposed price/minute	1 cent/minute	0.83 cent/minute	0.55 cent/minute (at 7,200 minutes)
Proposed price/minute over usage limits	0.5 cent/minute	0.5 cent/minute	None
Additional benefits	None; limited to 100 game titles	Expanded catalog Exclusive first-party titles VIP Tier 1 benefits	Largest catalog Exclusive first- and third-party titles Pre-release exclusive window VIP Tier 2 benefits (e.g., battle passes, IAP offers, Boosts) Support hotline

Source: Created by the author.

Reduce Cost

- Optimize the existing business model by offering Game Pass on other platforms, building a gaming store, modifying prices and tiers, or leveraging Xbox All Access
- Transform the business model by charging subscribers base on their usage
- Improve profitability by rewarding loyalty and reducing customer c

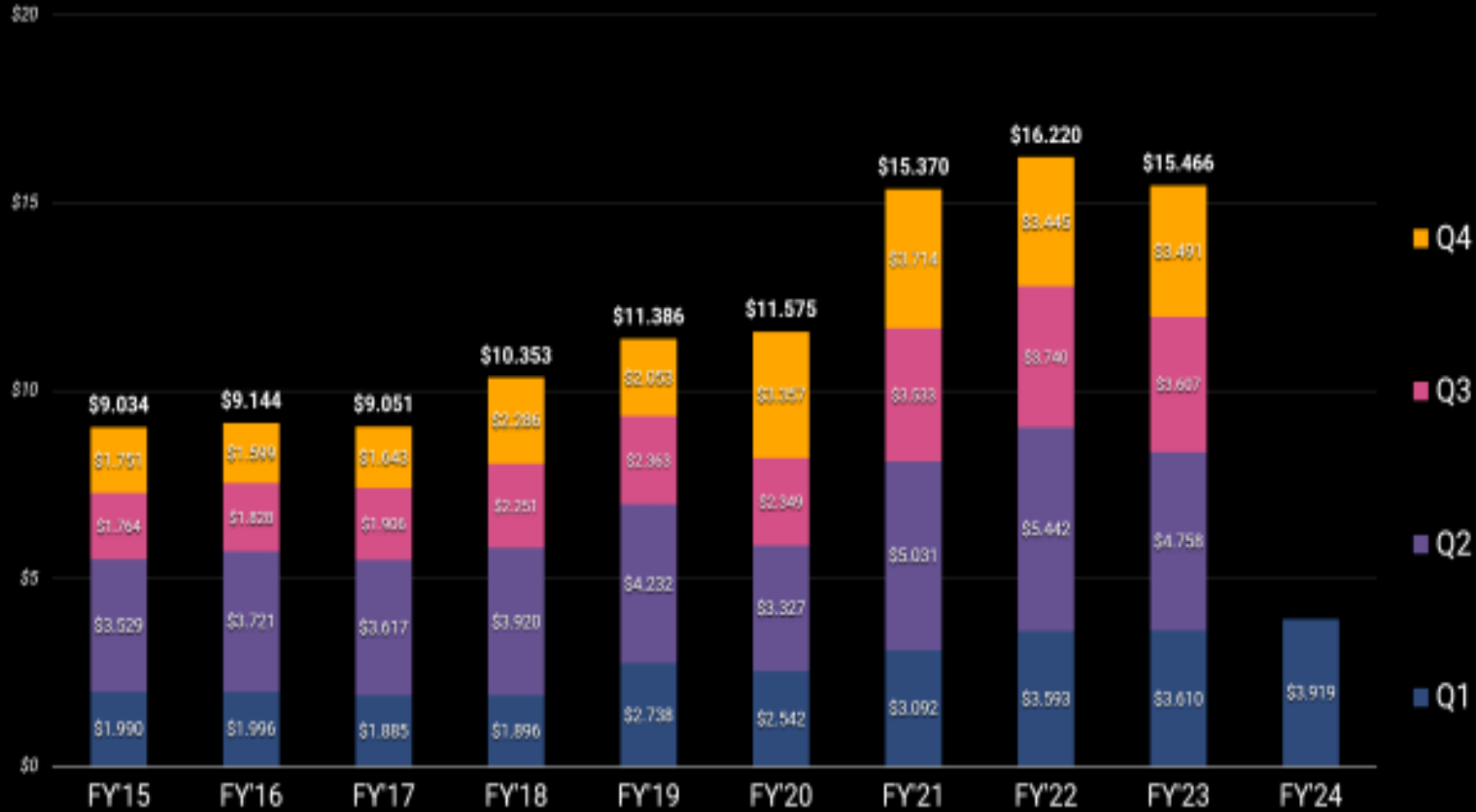




Xbox Gaming Quarterly Revenues

In billions (\$), 2015 - Present, fiscal year runs July - June

@DeekeTweak



Profitable in Reduced Cost

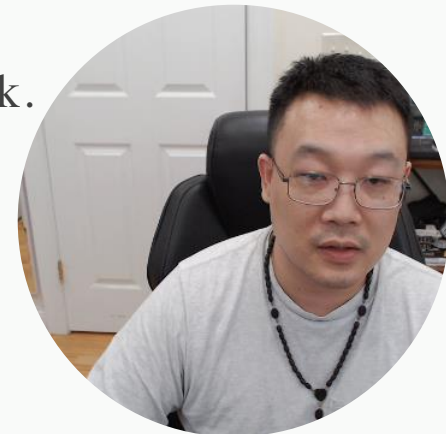




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Business Evolution & Conclusion

By introducing Xbox Game Pass, Microsoft made a digital transformation, an impact on the economy, something that a smaller company otherwise would not be able to. Moreover, generating revenues for company, however, making Spencer and his Xbox team a strategic choice to meet an aggressive growth in business goals. The team research the costs, benefits and risks of the business before implementing the hypothetical framework.



THANK YOU



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Presentation Title