

Case Studies: XBOX Live, a unified Sales Platform and Nico Nico Douga, a japanese video service

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Xbox Live, a unified digital sales platform

1.1 The situation

In 1999, Sega launched their Internet Service "DreamArena". (In Germany, in conjunction with O2/Viag Intercom) Besides an online gaming service for games like "Chu Chu Rocket", DreamArena provided news, a chat program, an own search engine. Sega ended the DreamArena in 2003.¹ Microsoft was involved in the creation of the DreamCast and provided a version of Microsoft Windows CE as an operating system of the Device, as well as development tools (compatible with Microsoft Visual C++) and DirectX, to ease game development and to help cross development of PC and Dreamcast Software.² So, the DreamArena was a kind of predecessor of Microsoft XBOX Live.

Because Sega's Dreamcast was in Trouble, Microsoft thought about buying Sega and using it to develop a new device for Microsoft. But these plans were scrapped because Bill Gates thought that Sega was economically too weak to beat Sony and their Playstation brand. Because of this, Microsoft decided to develop a device by themselves. This device became the Xbox.³

It is likely that Microsoft cooperated with Sega on the DreamArena to have a rather cheap testing ground for a console online service with the benefit of harm reduction. (A failure would mainly be the disadvantage of Sega and not Microsoft. And when Sega failed, Microsoft had been able to search for a new partner or to develop a system by themselves.) The cooperation was also a way to safely introduce themselves into a "new market" with the help of Sega as a more experienced partner.

(For Sega, it might have been better if Microsoft had overtaken them and Microsoft would immediately have had access to a large number of video game brands. (where many of them were unused since decades.) So, it might have been an advantage for Microsoft if they had bought Sega.)

Microsoft launched their service in 2002. To be able to provide a better online experience, they restricted the service to people with DSL connections and included a built in DSL connection within their device. (This provided a market advantage against Sony,

¹ Vgl. Sega-dc.de (2012)

² Vgl. Microsoft (1998)

who preferred to let users buy their modem separately.) The XBOX Live Service is cut off from the normal internet. One USP of XBOX Live was that it was the first service which offered voice chats for video game console users. With the successor to the XBOX, the XBOX360, Microsoft increased the degree of integration between the console and Xbox Live. Aside from the subscription based membership, they started to offer a free membership with decreased functionality, introduced online gamer profiles. In 2005, Microsoft introduced a shop system with a virtual currency, where Players were able to buy downloadable content within XBOX Live. Later, Microsoft cooperated with other companies to include services like Netflix into XBOX Live. ⁴

In 2006, Microsoft started the initiative "Live anywhere" to connect Cellphone, Xbox and PC gaming. One aim of this initiative is to enable competitive gaming across several platforms. ⁵

Xbox Live was integrated into the Windows 8 operating system as well as Windows Phone. ⁶

It is likely that Xbox tries this integration strategy to compete with Apples AppStore, which is also accessible on nearly every apple device. The benefit of this strategy is that products can run on multiple devices and so, users possessing more than one Microsoft device are able to gain advantages. (And because of the strong network integration, users already owning Microsoft devices would also buy new Microsoft devices, instead of competitor products.) There is the question if this integration strategy could do harm to the product as this could possibly imply that products scheduled to work on Xbox Live compatible devices have to be adapted to the lowest common denominator, thereby possibly sacrificing the full potential of better systems.

This locked in strategy also makes it cheaper for third party developers to support many Microsoft devices, while it could possibly more expensive to support Microsoft as well as other platform providers.

With the XNA Game Studio, Microsoft provided a platform enabling independent developers and users to develop games runnable on Xbox and to apply these games for an Xbox Live release. XNA Game Studio was discontinued in 2013. ⁷ The development software "Project Spark" is a game editor for Xbox and Windows which is a kind of

³ Vgl. Karmali (2013)

⁴ Vgl. Futter (2013)

⁵ Vgl. Klaß (2006)

⁶ Vgl. win-8.de (2011)

⁷ Vgl. Steinlechner (2013)

Successor to XNA. It also allows automated terrain creation and offers a shop for graphical objects. It also allows Motion Capture via the use of Kinect.⁸

Project spark is a development in a right direction because in game development, a graphics engine is the most complicated thing. It would be better if Project Spark would be integrated into solutions like Unity and Unreal Engine, so that users can easily develop titles for many platforms and not just for XBox.

A negative aspect of Project Spark is its reliance on the object store for graphics. Because of the impossibility of adding own graphics, Project Spark is only useful for amateurs who want to "try out". For serious game development (even in a hobbyist perspective), it must be possible for users to determine the graphics of their product. Ofcourse, this could be a potential for trouble because Free graphics would make it possible for users to produce and share copyrighted content on microsoft platforms. (For example, rebuilding props from TV Shows or movies. Film Studios are not really tolerant of fan gaming.) Because these items could then be shared via microsoft networks, in a judicial sense, Microsoft could be held liable for these copyright infringements. But nevertheless, if they really want to provide a game editor which is powerful, they have to include a model importer, or else, it's only useful in an extremely limited way. (And these anti fan gaming cease and desist letters are also among the most questionable parts of copyright law. It might help the world far more if the law gets changed, so fan games can't get sued anymore.)

Microsoft also produced own video content purchaseable on XBox Live. For example a documentary about the archeological excavation of the Atari video game E.T. (A game which had the reputation of being one of the worst games ever released and it's said that this game is was the cause of the great video game industry crash of the 80s.)⁹

Judging from this, Microsofts main strategy is obviously to turn XBox Live in an "all in one" provider, where users can do and buy anything which is possible to do online. Therefore, possible fields of expansion could be Music and of the creator site, the possibility for users to build and host own homepages within the Microsoft Network. (Although, in times of social media, the importance of homepages declines rapidly and more people use online profiles instead of homepages. The personal homepage was more a topic of the 1990s. Perhaps, because of this, instead of the own personal homepage, it would be more reasonable to learn from failed concepts like VRML and offer a personal virtual homeworld for the player. VRML failed during the 1990s, but

⁸ Vgl. Steinlechner (2014)

⁹ Vgl. Steinlechner (2014) (b)

because of the online gaming capabilities of the XBox, the technology of transmitting and controlling virtual 3d worlds is already present within the XBox. Like with Project Spark, Microsoft could offer a store for models to decorate the virtual world, or, like achievements, games could offer players to use parts of their 3d models in their virtual home. For example, after a player destroys an enemy robot in a science fiction game, he could be allowed to copy the model of the enemy on his hard drive to place it in his virtual world. From such a concept, both fields, gaming and web 3d could benefit.)

The main competitor of Microsofts Approach would be Apples iTunes and AppStore, because they have a similar concept. (Without offering a multiplayer network.)

1.2 Suggested general Strategies

Microsoft should start to further this integration and offer music downloading and streaming.

The strategy in regards to competition should focus on Sony as the main competitor. Sony bought Gaikai as a possibility to enable cloud gaming.¹⁰ This is an interesting development and could give Sony an advantage over XBox Live. On the other hand, with cloud gaming, players don't really own their games, but purchase access from the server. This is not customer friendly and unless there is a flat rate, this could cost too much money for many player. And to stream a game which is several gigabytes large, people need very fast internet connections.

The Playstation Network allows users to record gameplay footage and to upload it on Twitch. (Enabling other people to watch it.) (The Playstation even has a special button on the gamepads for this function.)¹¹ This is not a necessary feature, but this free uploading possibility is basically a form of free advertising for Microsoft. (And ironically, users are happy and extremely thankful to be able to make free advertising.) Because of this, Microsoft should try to offer a similar service with XBox Live. Perhaps, such a service could be combined with a reward system for uploading many videos or uploading especially good videos. One reward could even be Microsoft points or free subscription months. (Especially as a strategy to establish Microsoft on a new streaming provider, such a strategy could be extremely powerfull, as it encourages the users to share more videos and thus, enable Microsoft to grow on this service.)

¹⁰ Vgl. Sakr. (2012)

¹¹ Vgl. Martin (2014)

(Microsoft should perhaps directly compete with Sony and also include twitch, so, users can compare video games from Sony Playstation 4 and Microsoft Xbox One directly, which could help in their buying decision. From a corporate communications perspective, this says that Microsoft is not too afraid to compete directly with Sony. This could be interpreted as an extremely positive signal by investors, but will also result in a more heated competition with Sony. Sony could be provoked to start a campaign to directly show that their device is more powerful than the Xbox, similar to the Advertising campaign „Sega does what Nintendo“t“, done by Sega in the early 1990s. This could possibly result in bad press for Microsoft. But these types of campaigns are not really common, today. Today, most video game corporations aren't interested in directly attacking the competition, but instead in providing better products. But everything can change and because it is not common now, it doesn't mean that it won't happen in the future.

This danger is ofcourse a chance for Microsoft. They could become the attacking party and starting an advertising campaign to show that their games look better than the games on the competing devices. (Although such a campaign could backfire as „unfair sportsmanship“.)

As more and more games are multiplatform, it is questionable if such campaigns would have enough inter console differences to highlight.)

A huge problem with online services are mandatory system updates. Update time can last up to several hours and for users, it can be pretty annoying if they just want to do small things online, with their consoles, but before they can do it, they have to wait several hours till the updates are downloaded and installed. To solve this problem, updates should only be done if necessary (instead of as much as possible) and maybe, some lower priority updates should be turned optional, so that the users can access the network without updating their devices.

Nico Nico Douga, a japanese video service

1.3 Overview and history

Nico Nico Douga is a japanese video hoster, which started to operate in 2006. At first, they were an application which used youtube as storage space (and did not host anything by themselves), but they needed too much bandwidth from youtube. Because of the high amount of traffic they produced, google forbid Nico Nico Douga to use any of their services, anymore. Nico Nico Douga responded by setting up servers to build up an own video storage. It is offered in the languages english, japanese and chinese.¹²

Comments in Nico Nico Douga are not displayed under the video, but on the video itself. Aside from user generated content, like for example Netflix or Amazon, Nico Nico Douga produces own content (for example, „official animes“) which is viewable on the site. Nico Nico Douga has 32,15 million free and 2 million paying members. (this makes almost every fourth citizen of japan a member of Nico Nico Douga.)¹³ Approximately 67 Percent of Nico Nico Douga users are male. And 33 Percent are female.¹⁴

(Among the original content of Nico Nico Douga is „Sailor Moon Crystal“, a remake of the old anime. In america, the series is also licensed to Hulu and crunchyroll, but in many other countries, Nico Nico is the sole provider of the series. Sailor Moon Crystal is among the very few series which are also available in german and not only in chinese, english and japanese. Every episode is watchable for free for a duration of 2 weeks. Afterwards, users are required to pay. Series like Sailor Moon Crystal are later released on Blue Ray. (So, in fact, Nico Nico has got the same business model with original productions, like Netflix and Amazon.)¹⁵ This might in fact suggest a cooperation between Nico Nico Douga and Hulu.)

It is recognizable that the ratio between paying and non paying customers of Nico Nico Douga is extremely bad. To be more profitable, they should improve that rate and turn more customers into paying customers. On the other hand, they seem to be profitable enough to produce own shows. Because of this, gaining new paying customers might not be necessary for their survival on the market.

¹² Vgl. jiro (2013)

¹³ Vgl. Dan (2014)

¹⁴ Vgl. Vocaloid Wiki (2014)

¹⁵ Vgl. Sailor Moon German (2014)

The overall user base seems to be large enough and that it's one quarter of all Japanese citizens might even suggest a market monopoly in their home market. Nevertheless, they should use their ideal situation to even enhance this market dominance. (If their share is one quarter, it could become one half, with the right strategy.)

On the other hand, it is pretty clear that they won't be able to reach a similar market monopoly in the western world, where other companies like Youtube, Vimeo or Dailymotion operated since a far longer time and are in a much more powerful position than Nico Nico Douga.

The gender ratio is strongly male dominated. There should be done something to equalize this a little bit, because women (and especially teenaged girls) are a very important target group for the music business, which is an important part of video sharing sites. (And in many cases, women can become the hardcore fanbase a video sharing site needs. The fanbase of Tokio Hotel or Justin Bieber show the profit possibilities a huge female fanbase offers.

(Sailor Moon can be an important starting point to increase female audience. They should try to increase that. Perhaps, they could turn this in a strategy and produce more remakes of old/classic magical girl shows. For example, of Kamikaze Kaitou Jeanne, Wedding Peach, Pretty Sammy, Creamy Mami, Hana no ko Lun Lun etc. They could also start with other classics for a female audience, for example Lady Oscar/The Rose of Versailles. With many of these series, they could build a reputation on the market and use it as a USP. Perhaps, on historical settings like Lady Oscar (French revolution), they could cooperate with TV stations specialising on history documentaries (like the history channel) and use that as an additional USP.)

Nico Nico Douga is also one of the most important places for the „Vocaloid“ music synthesizer software and Nico Nico Douga spawned commercial music bands like „Supercell“. ¹⁶

1.4 Suggested Strategy

Nico Nico Douga should not try to compete with Youtube and others in the west, because they are too unknown in the west and the competition is far too strong to make such a strategy possible. At the same time, Nico Nico Douga is strong in areas of Jap-

¹⁶ Vgl. Vocaloid Wiki (2014)

anese entertainment media, which is a Niche in the west. And in that area, Nico Nico produces high quality original content like Sailor Moon Crystal. This could serve as a base to establish Nico Nico Douga worldwide as a streaming platform for japanese products.

(Because of the niche nature of anime in the west, they should also run an advertising campaign trying to get a reputation of offering a „special product“, because that might help them to establish themselves in the market..)

The nearly worldwide release of Sailor Moon Crystal was already a good beginning for this direction. To establish themselves in such a way, they could either start their service by themselves or they could ally themselves with companies which are bigger in the west, like Hulu and Netflix. (So, basically, Nico Nico Douga would overtake the anime branch of these streaming services.)

Such a cooperation would grant the benefit of having a greater audience faster, and to be able to profit from the size of the partnering platforms.

As a further way of integration, they should cooperate with gaming systems like Nintendo E Store, Playstation Network and Xbox Live and should working on a good integration there. (Almost every huge gaming franchise like Final Fantasy, Street Fighter, Pokemon etc. has an anime adaption and it is possible that many anime fans got into anime because they watched the animated adaptations of their favourite video games. So, it is logical to seek such an alliance. It might perhaps more logical to seek an alliance with gaming companies like Nintendo and Sony, which are perceived as japanese, than with the american company Microsoft, but on the other hand, a wide user range is more useful than a small user range. So, a major network like Xbox Live should not be left out. Even if the Xbox is not very popular in japan, which could make such a service less interesting in their homeland japan.) Ofcourse, such a cooperation should include the possibility to pay at Nico Nico Douga by using the virtual currency systems of Nintendo, Sony and Microsoft. (It would just make things unnecessary complicated if users of a video game console would also need a Nico Nico Douga account. It would be more comfortable to have one account for everything. This would also ensure that more people would be willing to tryout this service.)

Perhaps, they could cooperate with the service providers for special events where some media are published, for free, as an advertisement, to be recognized more.

As many animes are based on games and many japanese games are based on animes, they could also do a special offer in conjunction with video game developers,

which would mean if people buy the anime, they get a discount for the game and people who bought the game get a discount for the anime. As an Alternative to this proposal, (which is ofcourse not mutually exclusive to the other strategic proposal) they could help to build a connection between Anime and Game Producers, so that people who watched the Anime could use something from it in their game. This might range from simple knowledge about secrets of the game told in the Anime (like Nintendo did with the Pokemon Anime) to the inclusion of optical codes , scannable with a smartphone or other type of camera, which would be interpreted by the game and then grant the players special things in the game. (like for example additional weapons.)

Nearly every country in the world has its own set of anime publishers which act rather independently. Nico Nico douga should seek cooperations with them to be able to offer their portfolio also over webstream and to be able to have nearly worldwide releases of animes. (which is rather unlikely today, to have animes released at the same time, worldwide. Not even Ghibli movies which won oscars.)

For promotion, they should be present at Anime Conventions (A fan meeting where new releases and products are presented.) like the Animagic, the Japantag in Duesseldorf (this could be an efficient way for guerilla marketing plans because there is always press and television, and the event doesn't require participants to pay entrance fees.) as well as the anime con of paris, wich is the biggest anime convention in europe.

(Similar to other anime providers, they could also seek to establish a presence at the gamescom in Cologne, furthering their connection with the game industry.)

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