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Microsoft: 'Wii, too!'

Puget Sound Business Journal (Seattle) - May 18, 2007 by [Linda Thomas](#) Contributing Writer

Microsoft plans to expand its own gaming audience this fall with new Xbox 360 games designed to appeal to all ages.

The strategy to bring families together in the living room to play video games was in place before the success of Nintendo's Wii system, according to a Microsoft Corp. executive.

Although Nintendo's Wii console has lower-resolution graphics than both Microsoft's Xbox 360 and Sony's PlayStation, it has been the gaming story of the year in terms of sales, profits and interest among nontraditional gamers.

"The Wii exceeded everyone's expectations, including theirs," said Jeff Bell, corporate vice president of global marketing for Microsoft's Interactive Entertainment business, of Nintendo. Bell said he's "thankful" for Nintendo's success because it shows that "people want simple fun."

"That encourages us," Bell said, "because that's the way our strategy has been evolving."

Microsoft's first independent venture into the video console business started in 2001 with the debut of the Xbox. The company sold about 24 million units worldwide before the release in 2005 of a successor, the Xbox 360. The console has three configurations, including a high-end version released in April called the Xbox 360 Elite. That system has a 120-gigabyte hard drive -- six times that of the standard Xbox 360.

A focus on hard-drive storage and graphics has kept Microsoft locked in a battle with Sony.

Sony has sold 3.2 million PlayStation 3 consoles worldwide since its November 2006 debut, and continues to sell its popular PlayStation 2. Microsoft has sold nearly 10 million of its Xbox 360 units worldwide since late 2005 and it expects to sell another 2 million by the end of June.

The success of the Xbox 360 depends on who's looking at which numbers. Financial analyst Roger Ehrenberg said gaming overall is a "disastrous endeavor" for Microsoft from an investment perspective.

"They've invested over \$20 billion in the past five years in this business (the Home and Entertainment division overall) and have incurred substantial losses, with an unclear path toward profitability. Their strategy is unclear," said Ehrenberg, president of New York-based Monitor110, which provides financial intelligence to institutional investors.

But when it comes to the Xbox 360 specifically, Bell said Microsoft expects to turn a profit in 2008.

Bell, who came to the company almost a year ago from DaimlerChrysler, said the strategy from the beginning has been to offer "choice and value."

Part of the company's effort to expand the audience for Xbox 360 includes new video games for the

fall that are based on popular board games.

Bell wouldn't drop any more hints, but did say the company is positioned to attract the "family and social gaming" crowd for the holidays. And while Microsoft's target audience includes hard-core gamers, he said the company is beginning to reach out to everyone "whether they play for five minutes or 15 hours."

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