

THE HUB

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BEST PRACTICES

Microsoft's Halo Effect

Peter Moore, global marketing chief of Microsoft's Xbox explains how *Halo 2* videogame sales blew past any first day opening movie that's ever been recorded—and how difficult it can be to keep a hot brand cool.

The first-day sales of *Halo 2*—at about \$125 million—was even bigger than the opening day box-office for *Spider-Man 2*. How did that happen?

When we look at where our place as an industry lies within the other broad-based entertainment industries, a game like *Halo* really symbolizes the power our medium has to drive consumer passion, and, quite frankly, a call-to-action to retail unlike anything else. Videogames seem to be outstripping just about anything else that's out there right now.

But there's more to the launch than just making the game available.

We teased the release in print using *Master Chief*, who is the icon, the savior, as always. He was in some double-page printouts, primarily in gaming publications. There were also 60- and 30-second network and cable-TV executions of commercials that helped build *Halo 2* into a pop cultural phenomenon—not just a video cultural phenomenon. Then everything culminated at 12:01 a.m., on November 9th, 2004.

What makes *Halo 2* so special?

The combat, the storyline, is so deep. Fundamentally, at its core, it's a classic story of Earth (or humankind) being attacked by outsiders. In this case it's aliens. The way that the combat takes place—the storyline behind what's going on here between Earth and the bad guys (known as the Covenant)—is phenomenally deep, to the extent that we sold

novels that gave the backdrop to the story and took it into different places than the game goes.

If you've ever had your hand on the control and played *Halo* multiplayer at a Local Area Network (LAN) party, where you actually link as many as four Xboxes together on multiple TVs, you'll know what I mean. Up to 16 guys can go at it by putting their controllers into ports, and off they go. These sessions can last up to 10 hours, nonstop, where you play games, try to capture levels and defeat the invading army. It's fascinating stuff, it really is.

You've said that your vision of the future of gaming is online.

We truly believe that gaming is no longer a solitary experience. Microsoft certainly is in the vanguard of that idea. Multi-player gaming from the console into the living room with two or more players playing, connected to each other, has been a development that we have all enjoyed in the industry in the last three or four years.

But more recently, in the last two-and-a-half years or so, you've seen the growth of online gaming as a real—I wouldn't say a mainstream—activity amongst gamers, but bordering on something that people start to expect in their gaming experience. They start →



← to enjoy reaching out to play with anybody anytime.

So, we've now built up the Xbox Live service to include 24 countries, and have more than one million paying subscribers at this point, with growth plans to increase that by another 50 percent this fiscal year. We really truly, honestly believe that this is the future of gaming.

There will be a situation, in a couple of years from now, where an off-line game experience will seem awfully hollow. That is something that we are marching towards very aggressively, as you can see with the way people are embracing Xbox Live.

How does your marketing strategy support that vision?

Well, it's really with the content. It's with the experience of the games. It's no good having the service and building out all the data centers and the incredible investment we're making in time and people and dollar resources, if we don't deliver the experience that people actually want to have online.

We have certainly been able to prove that out with games such as, for example, in our *Microsoft Game Studios*, with *Project Gotham Racing*, and with our partners — *Ubisoft* being one that jumps to mind, and also in the early going, with games like *Ghost Recon*, which were very, very successful.

As we go forward, you're going to see almost all games have some kind of an online element — whether it's the ability simply to look at scores, or as huge as massive, multiplayer games, where thousands of people could be playing at the same time. That is the continuum that we see online, but all games going forward will have some ability to go up to a server and either bring down information or send up information. It'll seem weird if a game is completely off-line in the future.

Is your strategy different in Europe than it is in North America?

We are trying now to globalize our marketing message, something that has never been done in our industry before. Typically, the marketing message has been regional, if not local. Now we have this

incredible vehicle called Xbox Live, which gives us the opportunity to speak with one voice to a consumer, whether in Beijing, Bangkok, or Barcelona.

Certainly soccer was one area we felt required no translation, no real localization and no explanation of the rules. It crosses all boundaries, all continents, and the ability for someone to play a game against somebody else 5,000 miles away — the identical game and they both totally understand what's going on — it's an incredible experience. Having already done it myself — it blows me away.

So, that and some other media deals that we haven't announced yet are great examples of the things that we're trying to do to globalize our message so that when you get off a plane anywhere in the world you feel that Xbox has the same positioning, the same statement to the consumer, and stands for the same things. Typical to our industry, it's been very, very regionalizing. You can even see different taglines depending on which continent you're on.

You cut your teeth in marketing at Reebok. Are there any lessons from your time there that you are now applying at Microsoft?

Very much so. One of the bigger challenges we face right now is that we're dealing with a consumer who plays hide-and-seek with brands, and who is very difficult to get to. That's the 14- to, let's say, 28-year-old male — very much a similar demographic to what we had at Reebok. We were looking for ways to be relevant, pertinent, to be, quite frankly, "cool" to that consumer.

At times we were successful and at times we were a little less successful. The ability of a consumer to embrace what your brand stands for is a very fleeting opportunity that needs to be grasped.

There are companies that are able to do that and sustain and maintain their "coolness" for years on end. Then there are other companies that have it in their hands for a few moments, but then do something to disenfranchise themselves with the consumer and are no longer cool anymore.

Certainly, you can count the former on one hand and you can count the latter in the hundreds of brands that, I think, are like meteors — they just streak across the sky and burn brightly for awhile, but then they just end up in the New Mexico desert somewhere.

How has the development of games changed over the years since your days at Sega?

It certainly has gotten a lot more expensive! Gamers are expecting more and more. They're expecting deeper, immersive, richer storylines, fuller character development, a game played at 20, 40, 60 hours of unique game play, and replay value. Online gives further extensions, and developing games so they're playable online is another set of technical riddles that have to be overcome.

Treating games with high definition is going to be even more expensive. But games must keep pace with the technological expectations of the consumer, particularly the gaming consumer, who tends to be a little bit savvier than the average consumer. And if that is what it's going to take, then that is what we're going to give them.

You have 1,500 people in your department. How do you keep them all on the same page and motivated?

We have a very creative vision for the product — a very creative vision for what Xbox stands for versus the competition. There is a subculture that's developed within the Xbox group that's a little different than the Microsoft culture, which is, in itself, very strong.

We have a different physical location. We're still in Redmond, Washington, but away from main campus. We're totally focused on creating great games and supporting them with great marketing and making sure that consumer satisfaction levels are at unprecedented highs.

We see our consumers as partners in this enterprise, and we do nothing to let them down. The quality of what we do, and the quality of the support we provide if things go wrong, is really integral to the way we operate. It's a little different

than the regular Microsoft culture, but certainly driven by the same core elements of making a difference and that's certainly what we believe we do in the video game world.

The gaming culture clearly is very different than what one would think of, in terms of the Microsoft culture, which is somewhat corporate. From a branding context, how do you reconcile that?

Well, one of the things we have reconciled is that the Microsoft brand does have some very core attributes that gamers look for — the ability to drive the difference with great software.

We're in the software business here, and while the great majority of people think of Microsoft as productivity software, or information software, we're in the entertainment software business.

But on a core, fundamental, basis, what we try to do is make a difference with our software, and really start to realize people's potential. We look at ways to be able to drive a similar message with games.

Is Bill Gates a gamer?

Bill, interestingly, is. He is more of a racing gamer, so *Project Gotham* has always been the game that he enjoys. The first time I went to his house, I was stunned to find an arcade machine in his front lobby, a racing arcade machine.

Bill keeps a very close eye on the business, and enjoys playing the games. He would probably tell you that he's not a very accomplished gamer, but like most people, enjoys playing the games and certainly there are three or four of them he can hold his own at.

What do you see ahead for Xbox?

This is an exciting time for our industry. This is very much a mainstream situation at Xbox with regard to what videogaming will be about in the future. And, of course, there's a bigger play here as well — that is, what entertainment overall is going to look like in our living rooms over the next four or five years. We truly believe that videogames will be a core part of that entertainment experience. ■

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