

Marketing guru predicts the Next Big Thing in video games

August 26 2009, By David Thomas

Nintendo calls it the Wii Remote. You call it the Wiimote. Al Ries calls it a motion-detecting wand.

I love Al Ries.

Marketing guru, author and chairman of Ries & Ries Focusing Consultants, I've always thought of Ries as a sort of Nostradamus of product markets. But unlike that famous 16th-century French seer, Ries doesn't bother with obscure quatrains and references to owls ripping out the guts of hoary beasts. Nope. Ries studies why products succeed and fail, and summarizes his findings in an ongoing series of books as amusing to read as a consumer as they are important for people in the business world to digest.

I like Al because he puts his mouth where other people put their money. And in 2001, he made a bold prediction in an interview I did with him: The Nintendo GameCube and the Xbox would flounder, and the PlayStation 2 would dominate the gaming market.

These days, that's old news. But at the time, it was a prophecy no one wanted to utter. And the angry e-mails I got from Nintendo's PR team at the time said it all. "Who is this guy? And what does he know about games?"

About games? Pretty much what he reads in the papers and sees on the store shelves. About marketing? A lot. And he didn't need tea leaves to

tell that Sony had already won the leadership position in the game market at that point and that, short of a disaster, it wasn't going to lose it to the runners-up. In AI's world, a better product never beats an established product. Betamax never displaces VHS. New Coke never has the appeal of the original. You can build a better mousetrap, but people will only want a machine that trains mice to march out the kitchen in a smart little parade. Different always beats better.

In his new book with daughter Laura Ries, "War in the Boardroom: Why Left-Brain Management and Right Brain-Marketing Don't See Eye-to-Eye -- and What to Do About It" (HarperBusiness, \$26.99), Ries continues to bang the drum for products that focus on a single brand category, and put "new" ahead of "better" -- those that get into the mind of the consumer first, and the triumph of understanding what the world looks like for a consumer rather than from the boardroom. Among the hundreds of examples he uses to make his points, Ries tips his hat to the remarkable success of Nintendo, a company that won with the Wii in a textbook understanding of the principles of marketing. Motion control packaged in a past-generation console beats "Star Trek" technology in the service of the same old thing -- Wii beats PlayStation 3 and Xbox 360. Game, set and match.

But things keep changing, and to help get a handle on the next big thing in gaming _ Advanced motion controls? The PlayStation 4? A "World of Warcraft" killer? Digital distribution? Apple? -- I asked Ries to dust off the crystal ball and talk about the future of the game business.

What's next? Here's his analysis:

Q: The video game industry feels like it is approaching a big transition. The three consoles are reaching their peaks, online distribution of games looks to change how games are bought and sold, the newness of the Wii's motion control is wearing off, and new competitors -- like the iPhone

and even talk of Apple entering the console market -- raise a lot of questions as to "What is next?" What general thoughts do you have about how the game market has developed and where it is likely to go next?

A: The video game market has developed like every other market. Over time, it diverges and becomes two or more separate markets.

Broadly speaking, today there are three video game markets: One, the serious, heavy-duty market represented by PlayStation and Xbox; two, the broader consumer market represented by Wii; and three, the portable market represented by iPhone and dozens of similar devices.

Today, the video game market is in a trough, waiting for the next revolutionary development. What that might be, I have no idea. But my feeling is that there is intense pressure on Sony and Microsoft to come up with this revolutionary development. They both feel burned by that upstart Nintendo Wii.

Nintendo is probably sitting back and gloating in its success. So you can expect a raft of games from it, all using its unique wand.

The portable market is driven by novelty. There are going to be many, many different types of games, all sold at low prices and delivered online.

If the iPod held a thousand songs in your pocket, the portable video game market is headed that way. A thousand games in your pocket.

Q: In your books, you suggest that brand leaders are usually focused on a narrow category easy for the consumer to keep in mind. How are the big three console makers stacking up?

A: Sony is the leader in electronic products. Microsoft is the leader in

personal computer software. Nintendo is the leader in video game consoles.

When you sell video games, a narrow position (Nintendo) is better than a broad position (Sony), which is better than Microsoft's position, which the consumer does not connect with video games.

Q: OK, looking at Microsoft, Sony and Nintendo, what opportunities do you see for each company? What advice would you give them for growing their business in current or new categories?

A: New and different, rather than "better." Both companies made strategic errors with PlayStation 3 and Xbox 360. They focused on "bigger, better" while Nintendo focused on "different."

Different always wins.

They should both start with a clean sheet of paper and say, "How can we design a video game system that is so unique and different that it will capture the attention of gamers everywhere?"

Q: The Wii won big with its innovation around the motion control. Now Sony and Microsoft plan to follow up with even more advanced motion-detecting devices. I assume that you would suggest that this isn't a good brand move, because better won't displace first in mind. That said, what can Sony and Microsoft do? Don't they need to keep up technologically in order to provide the best possible platform for their games? What do they need to keep up with Nintendo?

A: You can't make a conclusive argument that an advanced motion-detecting device won't work for Sony and Microsoft. It depends on whether either company can patent its technology in order to keep it out of the hands of Nintendo. It also depends on whether either company can

convince the consumer that its technology is "different" rather than just marginally better.

On the other hand, that's a difficult strategy to undertake.

The 2-oz. "energy shot" pioneered by a brand called Five-Hour Energy is perceived by the consumer as a different category than the 8.3-oz. "energy drink" pioneered by Red Bull, the leading brand. So even though Red Bull has introduced an energy shot, the product is unlikely to overtake the first brand in the mind, Five-Hour Energy shot.

Q: What new brand category do you think has the most promise in video games? Portable gaming? New ideas (like the Wii)? Digital distribution? Online games such as "World of Warcraft"? Or something else?

A: Ah, that's the rub. It's easy to see that the winner is going to be new and different, but it's extremely difficult to figure out what that should be. I don't think anyone ever predicted that a motion-detecting wand might form the basis of a totally different video game. That was a stroke of genius.

In general, however, I would say that your best chance for success is a new idea like Wii.

As far as digital distribution and online games are concerned, they are probably going to get more important. But these are not breakthrough ideas, and the video game industry is ready for the next breakthrough. I can't wait to see what it might be.

Q: What does the video game industry need to do to grow the current brand categories? As many people that play games now, there are still many more that don't!

A: Every industry reaches a point of saturation. The beer industry would really like more people to drink beer. But you know what? In the past 40 years, the percentage of heavy beer drinkers has remained remarkably consistent.

My feeling is that the video game industry is like the beer industry. The percentage of heavy gamers is probably going to remain pretty constant. That's why you have to attract their attention and their money with new and unique video game concepts.

It's what the beer industry did with microbrew (Samuel Adams), Mexican (Corona), lime (Bud Light Lime), white beer (Blue Moon), etc. Are more people drinking beer? No, but the companies that introduced new beer concepts are certainly benefiting from their innovations.

Q: What are the biggest threats to the ongoing health of the [video game](#) business?

A: I don't know, but the threats will come from the outside. Midnight basketball?

When I was a kid, every kid I knew spent their entire free time outside playing some sort of sport. Baseball, basketball, football, you name it. Now most of the kids are instead watching television or playing with their [Nintendo](#) DSes.

It might be nice if someone could invite an exciting concept that took place outdoors and included a great amount of physical exercise. I thought go-kart racing might take off, but it never did. (I used to own one and it was more fun than anything I ever did, except the State of New York made it illegal and we have to drive all the way to New Jersey.)

Q: If Apple really wants to play in the games business, how should it go about it?

A: Maybe an iGames replica of iTunes. Stock and sell a vast array of unique and unusual games for a fixed price. (A low fixed price.)

Q: Finally, based on what you can see, who do you see winning in the market as the [Wii](#), PlayStation 3 and Xbox 360 start to transition out?

A: I see the three brands drifting along with little changes in their existing [market](#) shares. We'll wait for the next round to take place.

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