

Microsoft offers \$99 Xbox consoles with a catch

May 8 2012



Photo illustration shows models demonstrating the new motion-sensor system for Xbox 360 videogame. Microsoft began testing whether a pricing strategy that has been a hit with smartphones will invigorate sales of its Xbox 360 videogame consoles.

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The technology titan began offering four-gigabyte consoles bundled with Kinect voice-and-gesture sensing controllers at select Microsoft stores in the United States for \$99.

The catch is that buyers must subscribe for two years to the [Xbox Live](#)

Gold online service for games, films, music and play. The monthly [subscription fee](#) was \$15, bringing the total cost to about \$460 over time.

Paying for the console, Kinect, and Live memberships up front at prices advertised online Monday indicated that buyers would break even or perhaps save as much as \$40 by paying up front.

The tactic of subsidizing hardware with an eye toward profiting in the long run has served telecom carriers well when it comes to smartphone buyers who snap up handsets at heavy discounts but lock into contracts for service.

Microsoft said in its [quarterly earnings](#) report last month that market-leading sales of Xbox consoles had softened.

Money taken in by the company's Entertainment and Devices Division that had been ablaze due to Xbox and its Kinect accessory dropped 16 percent to \$1.6 billion in the recently ended quarter.

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Citation: Microsoft offers \$99 Xbox consoles with a catch (2012, May 8) retrieved 24 April 2024 from <https://phys.org/news/2012-05-microsoft-xbox-consoles.html>

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