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**TWENTY YEARS OF THE *MICROSOFT XBOX*, FROM THE
CONSOLE TO THE *GAME PASS*: THE KILLER
ENTERTAINMENT APPLICATION FOR THE NEXT DECADE**

SUMMARY: 1. Introduction. – 2. The state of the art of “*onlife*”. – 3. The state of the art in the gaming industry. – 4. Twenty years of *Microsoft Xbox*. – 5. The era of Phil Spencer, the “last man at the table”. – 6. *Xbox Game Pass*. – 6.1 About the *Game Pass* and its business model. – 6.2. Marketing strategies and tactics. – 6.3. Similarities and differences: with *Big Tech*, *Spotify*, and *Netflix*. – 7. *Epic Games* vs. *Apple*: a legal battle by ‘proxy’? – 8. Conclusion.

1. Introduction

Over the last decade, scientific literature has looked at video-game streaming in terms of a passive phenomenon: public viewing through video streaming platforms, of streamers who actively play the games.

'Followers' could only interact by sending messages, emojis or gifs on the video streaming platform chat (not on the video game) and at best, they could try matchmaking, separately and *motu proprio*, in order to enter the same match being played by the 'influencer' in real time^{1 2 3 4 5}.

In fact, without a scientific article⁶ and unlike the video streaming (*Netflix*) and music platforms (*Spotify*), and the above-mentioned passive video game use (*Twitch.tv*), the concept of active gaming via streaming can be defined a phenomenon of scientific literature that is still almost completely unexplored.

This is perhaps because the passage from razors-and-blades business⁷ to subscriptions in the console market (as a first step towards increased user spending) is being implemented by a company that already operates in the market (and not a disruptive startup), as well as a graft that increases the equally traditional "two-sided market" strategy⁸.

This preliminary consideration gives rise to the following questions that this paper will endeavour to answer: is abandoning the established business model of the video games industry for a monthly subscription viable, and why? Who is doing this? Why is it only happening now, so many years on from video and music streaming services? What are the similarities and differences compared to *Netflix*, *Spotify*, the arrival of *Big Tech* and the reaction of 'traditional' competitors? And above all, is this the key to ousting the current leadership and forming a monopoly^{9 10}?

2. The state of the art of "onlife"

The "next big thing" might not necessarily be "the" 'thing', *ab origine* and *ex novo*, never seen before – like the electronic revolution¹¹ –, it may actually be a group of ingredients dictated by the wealth of innovations occurring in the meantime and connected to one another, even if apparently

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¹ Y. Li - C. Wang - Jing Liu, *A Systematic Review of Literature on User Behavior in Video Game Live Streaming in International Journal of Environmental Research and Public Health* 17:9, 2020.

² X. Xu - X. Luo - K. Wu - W. Zhao, *Exploring viewer participation in online video game streaming: A mixed-methods approach in International Journal of Information Management* 58:102297, 2021.

³ L. J. Cabeza-Ramírez - J. Fuentes-García - G. A. Muñoz-Fernandez, *Exploring the Emerging Domain of Research on Video Game Live Streaming in Web of Science: State of the Art, Changes and Trends in International Journal of Environmental Research and Public Health* 18:2197, 2021.

⁴ M. R. Johnson, *'It's like the gold rush': the lives and careers of professional video game streamers on Twitch.tv in Information, Communication & Society* 22:3, 2016, 336-351.

⁵ G. Nascimento - M. Ribeiro - L. Cerf - N. Cesário - M. Kaytoue - C. Raïssi - T. Vasconcelos - W. Meira, *Modeling and Analyzing the Video Game Live-Streaming Community in 9th Latin American Web Congress*, 2014, 1-9.

⁶ M. Carrascosa - B. Bellalta, *Cloud-gaming: Analysis of Google Stadia traffic*, in *arXiv:2009.09786*.

⁷ R. S. Lee, *Home Videogame Platforms in The Oxford Handbook of the Digital Economy*, 2012.

⁸ J. C. Rochet - J. Tirole, *Platform Competition in Two-Sided Markets in Journal of the European Economic Association* 1:4, 2003, 990-1029.

⁹ M. A. Cusumano - G. Annabelle, *The elements of Platform leadership in MIT Sloan Management Review*. 40:3, 2002, 51-58.

¹⁰ H. R. Varian, *Economics of Information Technology in Delivered at Bocconi University, Milano, Italy, on November 15-16, 2001*, 2003.

¹¹ M. Knell, *The digital revolution and digitalized network society in Review of Evolutionary Political Economy* 2, 2021, 9-25.

distant and even opposite (machine learning, big data, space economy, subscription economy, computing power, 5G, and artificial intelligence), which together, combined in a resulting almost infinite alchemic mix, will create something disruptive. Just like a potion which, using the same ingredients (even basic and fundamental), in certain dosages and mixes can be lethal, while in other variations, however, can become a vaccine, medicine, or an alchemic magic capable of revolutionising the world.

This can be seen specifically in the “digital attention economy”¹², where the infosphere society¹³ that lives in our now characteristic “onlife”¹⁴ is where every entity, be it individual or corporate, ‘fights’ to stand out.

All this without the different ‘boundaries’ of the past. For example, one might say that the whole entertainment sector today (regardless of whether it is “real” or “virtual”) competes on the same level: our finite lifetime. What this means is that where TV used to contend space within its own sector (public or private, cable or digital, pay or “free”), video games among the different publishers (PC and fixed or handheld consoles), and the film industry with box office receipts, this has now entered a form of fluid competition (but also integration) with other areas in life. Even ‘offline’ entertainment, such as tourism, socialising, and travel. Sometimes in a genuine juxtaposition (the time ‘spent’ playing video games is not spent watching a movie) and sometimes, in a more insidious form of integration (playing video games on a PC while listening to a personal playlist on *Spotify*).

All of these apparently separate and even opposing sectors compete in the same field: that of our time. Time is even more precious and in short supply, if it is – as is the case – fixed within the so-called room allocated to it in our free time, a blessing, and a curse in our post-contemporary society. This is a particularly precious, profitable moment, since it involves our passions and interests, and means we spend the funds we allocate happily and with a higher degree of irrationality^{15 16}.

In terms of platforms, expanding or intensifying that time is essential, above all when considering an unchanging day of 24 hours. Therefore, in those abundant hours of free time, entertainment is now in a fight that sees everyone pitted against everyone else, where the ‘ultimate’ and ‘definitive’ competition has shifted to the world of sleep: “We are competing with sleep”, to use the words of *Netflix* CEO Reed Hastings¹⁷. For a “philosophy such as conceptual design”¹⁸ where the winner will not just be the most engaging service, but the instantaneous, ubiquitous entity, able to provide everything, right away, across the board, continuously, as well as at an affordable price and with an expandable, gargantuan, seamless offer that is both different and differentiating. Engagement that is easy to explain and intuitive to handle (*recte*: launch) and which, on its own will be able to keep consumers glued to its services so that they need no encouragement to spend more than the subscription fee.

How? By getting them involved.

¹² E. Pilipets, *From Netflix Streaming to Netflix and Chill: The (Dis)Connected Body of Serial Binge-Viewer in SAGE Journals - Social Media + Society* 10-12, 2019, 1–13.

¹³ L. Floridi, *The Fourth Revolution: How the Infosphere is Reshaping Human Reality*, Oxford, Oxford University Press, 2014.

¹⁴ L. Floridi, *The Onlife Manifesto: Being Human in a Hyperconnected Era*, Oxford, Springer, 2014.

¹⁵ R. W. Belk - G. Ger - S. Askegaard. 2003, *The Fire of Desire: A Multisited Inquiry into Consumer Passion in Journal of Consumer Research* 30:3, 2003 326-351.

¹⁶ E. Dunn - D. T. Gilbert - T. D. Wilson, *If money doesn't make you happy, then you probably aren't spending it right in Journal of Consumer Psychology* 21(2), 2011, 115–125.

¹⁷ Thomson Reuters Streetevents. [Transcript NFLX - Q1 2017 Netflix Inc Earnings Call Event](#), Los Gatos (California), United States of America, 2017, spec. 10.

¹⁸ L. Floridi, *Pensare l'infosfera. La filosofia come design concettuale*, Milan, Raffaello Cortina, 2020.

Netflix is an archetypal model for this type of business; it is no coincidence that the largest entertainment subscription ever to exist – with over 200 million subscribers¹⁹, followed by the all-inclusive and thus, different (but no less efficient) *Amazon Prime*²⁰.

This is why *Microsoft* inaugurated its subscription entertainment service through the *medium* where none of the other Big Tech companies (*Apple*; *Google*; *Amazon* or *Facebook*) excels: video games.

This is a medium that through the composition and need for interaction involved in a video game would guarantee a high degree of involvement, which, if expertly encouraged, ensures a conversion rate able to boost consumer spending to well above the price of a subscription²¹. More than any other use (for example, viewing a movie, which is an intrinsically passive act in itself), interaction has a leverage effect²², activating – “the perfect business model”²³, first and foremost to boost subscription renewals from paying users and secondly, to trigger the instinctive excitement and emotions of extra purchases.

The subscription, in any case, is not the consumer’s sole purchasing moment, it is just the beginning.

For the first time, it would seem that at the right time, with the right resources (tens of millions of euros), with the necessary technical and engineering potential from the cloud²⁴, out of all those on the *Azure* server farms^{25 26 27}, with a twenty-year vertical background in video games²⁸ and annexed offer – for a business that is difficult albeit undergoing growth^{29 30 31} – the only other “\$2 trillion company” in existence³²: *Microsoft*.

The commercial ambitions of this company have shifted from institutional offices (*Microsoft Office*) to home desktops (*Microsoft Windows* for personal computers), and into living rooms (*Microsoft Xbox*), finally able to potentially conquer all of our free time through each and every device connected to the internet and with at least one screen, via the *Xbox Game Pass*.

3. The state of the art in the gaming industry

But what is the gaming industry, in diachronic, synchronic, and prospective terms, including in the future, and how much is it worth?

¹⁹ S&P Global Market Intelligence. [Netflix, Inc. NasdaqGS:NFLX FQ1 2021 Earnings Call Transcripts](#), Los Gatos (California), United States of America, 2021.

²⁰ J. Bezos, [2020 Letter to Shareholders](#), 2021.

²¹ Y. Huang, - S. Jasin - P. Manchanda, ‘Level Up’: Leveraging Skill and Engagement to Maximize Player Game-Play in Online Video Games in *Information Systems Research*, 30:3, 2019, 927-947.

²² D. Their, [Game Pass’ Massive Growth Is Bringing Developers Some Surprises](#) in *Forbes.com*, 19 March 2021.

²³ D. Bass, [An Endless Stream of Games Is the Perfect Business Model for a Pandemic](#) in *Bloomberg.com*, 27 August 2020).

²⁴ M. Baqer Mollah - K. Reazul Islam - S. Sunbeam Islam, *Next generation of computing through cloud computing technology* in *IEEE 2nd International Conference*, 2012, 129-134.

²⁵ W. Cai - R. Shea - C. Y. Huang, - K. T. Chen - J. Liu - V. C. M. Leung - C. H. Hsu, *A Survey on Cloud Gaming: Future of Computer Games* in *IEEE Access* 4:1-1, 2016, 7605-7620.

²⁶ A. Bridgwater, [Building Games In The Cloud, Microsoft Azure Developers Level Up](#), in *Forbes.com*, 11 June 2021.

²⁷ D. Gallagher, [Microsoft Has the Right Pieces for Game Streaming](#), in *The Wall Street Journal*, 11 June 2021.

²⁸ D. Takahashi, *Il fattore X*, Perugia, Multiplayer Edizioni, 2006.

²⁹ T. Amini, [Why It’s So Hard To Make A Video Game](#), in *Vice.com*, 19 October 2016.

³⁰ M. Berg - B. H. Engström - M. Hellkvist – P. Backlund, *What Empirically Based Research Tells Us About Game Development* in *The Computer Games Journal* 8, 2019, 179–198.

³¹ J. Batchelor, [What do Stadia’s struggles mean for game streaming?](#), in *Gamesindustry.biz*, 10 March 2021.

³² R. Vlastelica, [Microsoft Rises to Join Apple in Exclusive \\$2 Trillion Club](#), in *Bloomberg*, 22 June 2021.

“A video game is a work that causes the biosphere to interact with the infosphere: it is human interaction with a digital reality which, via images animated in an input-output mix using hardware and software, provides an experience. Interaction is therefore the quintessence and the discrimen of the video game medium”³³.

In commercial terms and among the various other media, the video games market can now be classified as a genuine *medium*³⁴ and also as the tenth art³⁵. It is one of the most recent arts, although it is also closed to achieving its first half-century of life.

“Video games were in fact created in US science labs in the 1950s, within a Cold War setting, as initial basic interactive experiences with minimum entertainment. They only became commercially established decades later, in 1972, with *Pong*^{36 37}, the first mainstream video game from *Atari*^{38 39}.

A continuously growing market, which by the end of this decade (2030) is envisaged as being worth €382 billion. While the total value of the industry was €60 billion in 2012⁴⁰ (Clement, 2021), in 2020 it reached €118 billion⁴¹ and looks to reach €200 billion in 2024. This means it has almost doubled (+97%) in value in less than eight years (2012-2020), with hypothetical growth of 70% in half the time (2020-2024). In a decade (2020-2030) also achieving an unusual +224%⁴².

Without considering that in ‘traditional’ conditions, such as the financial recession (2008) – i.e., not due to an event considered scientifically probable^{43 44 45 46} but not so tangible as to be feared⁴⁷, such as the result of lockdowns during the COVID-19 pandemic –, the industry has shown itself to be countercyclical, at least in the short term. The same year, video gaming achieved its record – a ‘mere’ €20 billion⁴⁸.

³³ M. Valentini - C. Tonini Cardinali. 2021. *Gioco, attività motoria, disabilità*, Rome, Edizioni Anicia, 2021, p. 87.

³⁴ C. Steinkuehler, *Videogames as a serious medium* in *On the Horizon* 24:2, 2016, 175-178.

³⁵ J. Bourgonjon, - G. Vandermeersche - K. Rutten - N. Quinten, *Perspectives on Video Games as Art*, in *CLCWeb: Comparative Literature and Culture* 19:4, 2017.

³⁶ H. Dustin, *Game On!: Video Game History from Pong and Pac-man to Mario, Minecraft, and More*, New York, Feiwei & Friends, 2017.

³⁷ S. L. Kent, *The Ultimate History of Video Games: From Pong to Pokemon - The Story Behind the Craze That Touched Our Lives and Changed the World*, Roseville, Prima Publishing, 2001.

³⁸ H. S. Warshaw, *Once Upon Atari: How I made history by killing an industry*, USA, Scott West Productions. 2020.

³⁹ L. Federici, [Women in Film, Television & Media π: il medium videoludico, la donna e la narrazione \(anche\) mafiosa attraverso la ‘decima arte’](#) in *LinkedIn*, 4 May 2021.

⁴⁰ J. Clement, *Value of the global video games market from 2012 to 2021*, Hamburg, Statista, 2021.

⁴¹ SuperData, [Superdata: 2020 Year In Review](#), 2021.

⁴² The Business Research Company, *Video Game Software Global Market Opportunities and Strategies to 2030: COVID-19 Impact and Recovery*, Dublin, Research and Markets, 2020.

⁴³ D. Quammen, *Spillover: Animal Infections and the Next Human Pandemic*. New York) W. W. Norton & Company, 2012.

⁴⁴ R. Preston, *The Hot Zone: The Terrifying True Story of the Origins of the Ebola Virus*, New York, Anchor Books, 1995.

⁴⁵ S. S. Morse, *Emerging Viruses*, Oxford University Press, 1993.

⁴⁶ B. Fields, *Genetically Altered Viruses and the Environment (Banbury Report)*, New York, Cold Spring Harbor Laboratory Press, 1986.

⁴⁷ B. McKay - P. Dvorak, [A Deadly Coronavirus Was Inevitable. Why Was No One Ready?](#), in *The Wall Street Journal*, 13 August 2020.

⁴⁸ B. Sinclair, [NPD: 2008 game sales reach \\$21 billion, Wii Play sells 5.28M](#), in *GameSpot*, 20 January 2009.

This type of resilience has been stressed coinciding with the shock of SARS-CoV-2, where all forecasts were underestimated⁴⁹, leading in fact to the most “rapid growth” in turnover among all other forms of entertainment⁵⁰.

After emerging from the dark places open to the public – video arcades – today, gaming has become an integral part of post-contemporary society, and this is the reason for the ‘battlefield’ between entertainment industry giants: *Netflix* included^{51 52}.

A dimension that is not only outside the real world but which could even go so far as to ‘replace it’ (virtual reality) or integrate it (augmented reality).

To sum up, therefore, video games are worth more than sports⁵³ and films⁵⁴ combined⁵⁵, totaling more than one and a half times Hollywood and the music industry combined – i.e., four times the income of the film industry and almost three times that of music⁵⁶ –.

Within this (infra video gaming), the richest area with the highest year-on-year growth is that of smartphones, which is equal to 2.2 billion gamers (non-existent before 2007); this is followed by consoles and tablets; in fourth place, but with a significant 21% (over one-fifth of the total), the atavistic PC segment; and still marginal (2%) are browser games⁵⁷.

China is the top national market, followed by the USA⁵⁸. Italy, with its record spending in 2020 is one of the smallest – almost equivalent to Spain – at €2.18 billion⁵⁹, but in any case, within the world’s top 10⁶⁰.

Referring specifically to software and concerning the most important brands, *Minecraft* from *Mojang* (owned by *Microsoft*), officially released in 2011, is the single most successful video game in the *tandem* formed by longevity and sales of all time. Looking at the last available quarterly figures it is, in fact, close to reaching sales of 250 million copies. Nevertheless, the *medium’s* most iconic series is the “criminal epic, *Grand Theft Auto*”⁶¹, the intellectual property of *Rockstar Games* owned by *Take Two Interactive Software*, and a video game aimed exclusively at an adult audience (PEGI +18). In fact, the best-selling video game of all time, *Grand Theft Auto: V* comes from here. Released in 2013, especially thanks to its online service, it is about to become the first single game to achieve sales of €10 billion^{62 63}.

⁴⁹ NPD, [Quarterly US Consumer Spend on Video Game Products Reached the Highest Total in US History in First Quarter of 2020](#), 15 May 2020.

⁵⁰ L. Ortiz - H. Tillerias - C. Chimbo - V. Toaza, *Impact on the video game industry during the COVID-19 pandemic* in *Revista Athena en Ciencias de la Ingeniería* 1:1, 2020, 5-13.

⁵¹ N. Wingfield - J. Toonkel, [Netflix Seeks Executive to Expand Game Efforts](#), in *The Information*, 21 May 2021.

⁵² J. Alexander, [tweet](#) in *Twitter*, 21 July 2021.

⁵³ PWC, [2021 Sports Outlook](#), in PWC, 2021.

⁵⁴ Motion Picture Association. [2019 THEME Report](#), in *Motion Picture Association*, 11 March 2020.

⁵⁵ W. Witkowski, [Videogames are a bigger industry than movies and North American sports combined, thanks to the pandemic](#), in *MarketWatch*, 22 December 2020.

⁵⁶ MyBoosting.GG, [The Video Games Industry is Bigger than Hollywood](#), in *MyBoosting.GG*, 2020.

⁵⁷ WePC, [Video Game Industry Statistics, Trends and Data In 2021](#), in *WePC*, 2021.

⁵⁸ J. Clement, *Value of the global video games market from 2012 to 2021*, Hamburg, Statista, 2021.

⁵⁹ IIDEA, *I videogiochi in Italia nel 2020*, Rome, IIDEA (Italian Interactive Digital Entertainment Association), 2021.

⁶⁰ Newzoo, [Top 10 Countries/Markets by Game Revenues](#), 2021.

⁶¹ D. Kushner, *Wanted: la storia criminale di Grand Theft Auto*, Viterbo, Multiplayer Edizioni, 2012.

⁶² M. A. Cherney, [This violent videogame has made more money than any movie ever](#), in *MarketWatch*, 9 April 2018.

⁶³ Take Two Interactive Software, [Financial Informations - Quarterly Earnings](#), in *Take Two Interactive Software*, 2021.

If the 20th century was all about the seventh art, then the 21st century might therefore be that of video games, because the *quid*, going back to the *incipit* of the alchemic and magical mix that is being set out, is in the new generations.

Millennials⁶⁴; Gen Z⁶⁵ and Alpha⁶⁶, with the arising changes in habits, have now in fact introjected video games as an unavoidable part of their lives, a fact that can also be seen in first-person video gaming, for example, with the growth, in quality and quantity terms of viewers in streaming. This is even true for *eSports*, “a new Web-specific genre of entertainment that is not available from traditional broadcasting methods”⁶⁷, to the detriment of large-scale events in ‘traditional’ sports, such as football, as stated in the words of Andrea Agnelli, President of *Juventus Football Club*, the day after the failure of the *Super League*: “Younger people want to see big events [...]. [We need to] go out and create a competition that simulates what digital platforms do, [squaring up to] competition from [video games] like *Fortnite* or *Call of Duty* [which are], the real centre of attention for today’s youth”⁶⁸ (Molinari, 2021).

The ‘victory’ is for video games, especially if based on a successful business model that is tried and tested (*Netflix* style) but for the first time, thanks to technological progress (low-level latency, stable, ultra-fast connections, lower operating costs, cloud strength and machine learning) able to make the gaming experience as instantaneous as it is pleasurable. Because, until now, unlike for videos and music, the video game experience has been based on continuous, reciprocal feedback (from the player to the game and vice versa), where victory or defeat depends on fractions of a second, making it impossible to create a ‘replacement’ for a console or PC.

This ‘miracle’ now seems possible with *Microsoft*, because it has acquired interdisciplinary knowhow and a unique competitive advantage that has allowed it to create a new ecosystem and a brand-new business model. For a change in paradigm which, for the first time since the invention of the *medium*, could shift the focus from hardware specifications (cabinets; PCs; handheld consoles; fixed consoles and hybrid consoles), to ‘simple’ videogames: anywhere and on any device. This guarantees easy, effective gaming experiences, offering top quality and hundreds of video games. This is possible simply by signing up for a monthly subscription with a current value thirty times lower than the price of a new console and in any case, up to six times lower than the purchase price for a single video game.

The body of users that *Microsoft* is aiming for is now clear, expanding its market from its historic maximum of 155 million devices (the sell-out of the most sold console ever, the *PlayStation 2*), to billions of devices, regardless of brand (desktop PCs, laptops, tablets, smartphones, cars, smart TVs, handheld and home consoles, or browser windows). Considering that the video game business for consoles has always worked using the razors-and-blades model⁶⁹, with hardware sold at a loss⁷⁰ to generate income *ex post* exclusively with the sale of video games (software).

Consoles that also need to be renewed after a certain period, with every tech upgrade, which occurs every seven years on average and requires the consumer to spend about €400.00. The

⁶⁴ Nielsen, [Game On: Video Games are a Staple Among Millennials’ Media Diets](#), in Nielsen, 6 June 2019.

⁶⁵ K. Westcott - J. Arbans. [Gen Z gamers are poised to shake up the media and entertainment industries for good](#), in *Fortune.com*, 19 April 2021.

⁶⁶ V. Turk, *Understanding Generation Alpha*, London, Wired UK, 2017.

⁶⁷ N. Edge, *Evolution of the Gaming Experience: Live Video Streaming and the Emergence of a New Web Community*, in *Elon Journal of Undergraduate Research in Communications* 4:2, 2013, 33-39.

⁶⁸ M. Molinari, [Andrea Agnelli: “La Superlega per coinvolgere i giovani, la competizione è con Fortnite e Call of duty”](#), in *La Repubblica*, 21 April 2021.

⁶⁹ R. Picker, *The Razors-and-Blades Myth(s)*, in *Olin Working Paper* 532, 2010.

⁷⁰ D. Ahmad, [tweet](#), in *Twitter*, 5 May 2021.

generation gap falls within the critical areas of greatest risk for manufacturers - the greatest business failure for *Nintendo* concerning home consoles came after its greatest success, with *Wii U* and *Wii* respectively^{71 72} – as well as for gamers, who often do not have the opportunity to directly use their personal games libraries once these are no longer compatible with new technologies, as was the case for *PlayStation 4* compared to *PlayStation 3*⁷³ – an aspect that also crosses into the lock-in effect⁷⁴.

After playing to the rules for some time and manufacturing consoles in waves and at a loss, *Microsoft* is now writing another new paradigm.

It is suddenly modernising an industry that has seen no changes over the last fifty years, guaranteeing an all-inclusive pass with access to hundreds of games, regardless of the hardware brand they are played on. For just €12.99 per month.

However, before talking about the present in terms of the future prospects of *Xbox*, we ought to look at its historical evolution.

4. Twenty years of *Microsoft Xbox*

The video game industry is the richest entertainment market, but getting a foothold is a question of “blood, sweat, and tribulation”⁷⁵. *Microsoft’s* case history bears witness to this.

Microsoft entered the video game console market, launching the *Xbox* on 15 November 2001, twenty years ago. Since then, it has never been first in the “console wars”, even when the competition was of an intensity comparable only to that of *Sega vs Nintendo* in the 1990s⁷⁶. Its main competitor was the *Sony PlayStation*, the current leader in the home market⁷⁷ and the inventive *Nintendo*^{78 79 80}.

At the start of the new millennium, Bill Gates became convinced of the significance of the video gaming sector⁸¹, in the firm belief that consoles could break the dominion of the personal computer (shifting centrality from the desktop PC in an office, to the comfier setting of the home): the reason for this, *on the contrary*, appears evident: from the name of the then *PlayStation: Sony Computer*

⁷¹ L., Sujay Vailshery, [Unit sales of Nintendo’s home consoles from 1997 to 2020 \(in millions\)*](#), in Statista, 10 August 2021.

⁷² K., Stuart, [RIP Wii U: Nintendo’s glorious, quirky failure](#), in *The Guardian*, 3 February 2017.

⁷³ M., Peckham, [Everything Sony Told Us About the Future of PlayStation](#), in *TIME*, 5 June 2017.

⁷⁴ G. Zauberaman, *The Intertemporal Dynamics of Consumer Lock-In*, in *Journal of Consumer Research*, 30:3, 2003, 405-419.

⁷⁵ J. Schreier, *Blood, Sweat, and Pixels: The Triumphant, Turbulent Stories Behind How Video Games Are Made*, New York, Harper, 2017.

⁷⁶ B. J. Harris, *Console wars*, Padova, Multiplayer Edizioni, 2015.

⁷⁷ D. Ahmad, [tweet](#), in Twitter, 19 April 2021.

⁷⁸ E. Wagner, *A Strategic Audit of Nintendo Co., Ltd.*, in *Undergraduate Honors Thesis*, University of Nebraska-Lincoln 144, 2019.

⁷⁹ Y. Wei, *The Evolution of Nintendo Company*, in *ART 108: Introduction to Games Studies*, 2018.

⁸⁰ F. Nicolamaria, *Innovation in the videogame industry: the role of Nintendo*, in *Luiss Thesis*, 2020.

⁸¹ D. Takahashi, *Opening the Xbox: Inside Microsoft’s Plan to Unleash an Entertainment Revolution*, New York (New York), Prima Pub.

Entertainment branch^{82 83 84}. Its aim, as a newborn corporate branch was to exceed the now extremely old success of the *Walkman*⁸⁵.

Microsoft, however, not having the necessary knowhow, needed to start from the ground up, achieving a project that was nowhere near its own metrics for thought and cannons of language, also revealing the awkwardness of the true beginner when the announcement of its intention to buy up *Nintendo* was met by the directors of this latter laughing “their asses off”⁸⁶. At the time, *Microsoft’s* intention to enter the gaming industry even seemed damaging to its own employees, leading to an exodus that made it ‘necessary’ for the soon-to-be CEO of the company (2008-2014), Steve Balmer to intervene, showing up with a baseball bat at the office of a reluctant employee, newly appointed to the position⁸⁷.

To summarise, the first *Xbox* (2001-2004) was a loss-making investment for which costs would be recovered with the success of the next model, the *Xbox 360* (2005-2012). This is what happened since it is still *Microsoft’s* biggest-selling console to date. A success that was not repeated with the *Xbox One* (2013-2019) following a communications *debacle*, for a games console announced with the slogan “TVTVTV” (Digital Foundry, 2020), which took the brand to its darkest period –

“The feedback we got from the employees, maybe said and unsaid, was, ‘We’ve been working really hard for two years to ship this product. You stand on stage at this event and blow up all the good work that we’ve done by talking about the product in a way that’s not really matching what the soul of an Xbox console is about and what our customers are looking for from us.’ I think the team just gets disappointed because they feel let down by the leadership team and I’d say that’s the feeling I heard the most from the team”⁸⁸ –: commercially and not only.

For a crisis that has now made it possible to carry out a revolutionary reinvention of the *Xbox*, arriving at the dawn of its fourth-generation hardware with a strategy to break down all barriers, ‘killing’ but in fact, increasing its business by counterintuitively launching two entertainment devices offering different performance. One of these devices had never been seen before, the *Xbox Series X*, the most powerful entertainment system ever⁸⁹ and the only *Xbox* to have recently sold out at almost a year from its release⁹⁰ and *Xbox Series S*, “the bigger long-term hit”⁹¹. Above all, at the same time, *Microsoft* has been able to support and focus on the expansion of a new gaming concept, with large-scale promotion of the *Xbox Game Pass*.

⁸² A. Erguner, *Sony Computer Entertainment, Case Study*, in *Journal of International Business and Law* 1:1 8, 2002, 168-201.

⁸³ R. A. Gershon - K. Tsutomu, *The Sony corporation: A case study in transnational media management*, in *The International Journal on Media Management* 4:2, 2002, 105-117.

⁸⁴ SIE. *Sony Computer Entertainment and Sony Network Entertainment announce the formation of Sony Interactive Entertainment LLC*. SIE.com., 2016.

⁸⁵ M. Finn, *Console Games in the Age of Convergence*, in *Tampere University Press* 1, 2002.

⁸⁶ D. Bass, [Xbox: The Oral History of an American Video Game Empire. Bloomberg](#), in *Bloomberg.com*, 6 January 2021.

⁸⁷ *Ibid.*

⁸⁸ L. Parker - A. Fillari, [Phil Spencer Reflects On What Went Wrong With The Xbox One Launch](#), in *GameSpot*, 18 August 2019.

⁸⁹ L. A. Garcia, [Xbox Series X Review: The Most Powerful Entertainment System Ever Has a Questionable Purpose](#), in *IndieWire*, 19 November 2020.

⁹⁰ A. Carr, [One Man’s Futile Quest for a New Xbox Series X](#), in *Bloomberg.com*, 22 June 2021.

⁹¹ S. Totilo, [Xbox Boss Phil Spencer On Series X Launch, Halo Infinite & Bethesda](#), in *Kotaku.com*, 16 October 2020.

In other words, *Microsoft* has abandoned the proprietary barriers of devices to launch itself in a new business strategy based on “and” rather than “or”. This does not mean *Xbox* or *PlayStation*, streaming or console, offline or online, exclusive, or multi-platform, but imagining one with another, in a complete, unified and global picture, summed up in the claim “Power your dreams”⁹².

This case history, twenty years long and consisting of relative successes and burning defeats, now seems to have reached a turning point, beyond all imagination⁹³, even considering the words of the company CEO, who stated: “*Microsoft* should focus on its core – and *Xbox* isn’t it”⁹⁴.

In short, this sector, once very small but experiencing a predictive, double-digit growth in structure, has seen a succession of balance sheets in the red and last-minute rescues⁹⁵, even for the anti-competition giant of third millennia *Microsoft*^{96 97 98 99 100} and now it has become one of the company branches showing the most promising growth¹⁰¹.

5. The era of Phil Spencer, “the last man at the table”

Phil Spencer was born in the USA in 1968, where he still lives between Redmond and Seattle. He is also a member of the most important video games association, the Entertainment Software Association (ESA) and the Paley Center for Media, an American cultural institution dedicated to the discussion of the cultural, creative, and social significance of television, radio, and emerging platforms, such as video gaming.

A graduate (Bachelor’s degree) of the *University of Washington (Department of Human Centered Design & Engineering – known at the time as Technical Communication*¹⁰²) in 1990, before completing his studies he interned at *Microsoft* (1988), where he has spent his entire career.

A technologist and gamer, after the launch of the *Xbox* he joined the then *Microsoft Games*, becoming, at just 35, General Manager (2003-2006) of what would go on to become *Microsoft Game Studios*. His extended this position to Europe, the Middle East, and Africa (EMEA) (2007-2008), becoming Corporate Vice President and Head of the renowned *Microsoft Studios* (2009-2013), which only underwent its definitive name change to *Xbox Game Studios* in 2019.

When the top management of *Xbox* resigned in succession after the disastrous *Xbox One* reveal (Plunkett, 2013), starting with then head of *Xbox*, Don Mattrick, and on to: Marc Whitten, *Xbox* Vice President; Ben Smith, *Xbox* TV program manager; Boyd Multerer, “the genius *Microsoft* engineer who founded *Xbox Live*, helped build the *Xbox 360*, and led the development of the three-operating-

⁹² W. Tuttle, [Will, Power Your Dreams: Xbox Series X and Xbox Series S Now Available Worldwide](#), in *Xbox.com*, 10 November 2020.

⁹³ J. Vanian, Jonathan, [Cloud Gaming Is Big Tech’s New Street Fight](#), in *Fortune.com*, 19 June 2019.

⁹⁴ A. Nusca, [Microsoft CEO: ‘Until we really change culturally, no renewal happens’](#), in *Fortune.com*, 15 July 2014.

⁹⁵ P. Spencer, [Delivering More Choices for Fans](#), in *Xbox.com*, 13 May 2014.

⁹⁶ A. Fitzpatrick, [A Judge Ordered Microsoft to Split. Here’s Why It’s Still a Single Company](#), in *TIME*, 5 November 2014.

⁹⁷ A. Hartung, [Oops! Five CEOs Who Should Have Already Been Fired \(Cisco, GE, WalMart, Sears, Microsoft\)](#), in *Forbes.com*, 12 May 2012.

⁹⁸ A. I. Gavil - H. First, *The Microsoft Antitrust Cases - Competition Policy for the Twenty-first Century*, Cambridge, MIT Press, 2014.

⁹⁹ S. Costa, *Antitrust e software: il caso Microsoft*, Roma, Carocci, 2004.

¹⁰⁰ V. Torti, *Intellectual Property Rights and Competition in Standard Setting: Objectives and tensions (Routledge Research in Intellectual Property)*, Routledge, 2015.

¹⁰¹ Microsoft, [Earnings Release FY21 Q3](#), in *Microsoft.com*, 2021.

¹⁰² H. Hickey, [Technical Communication adopts new name: Department of Human Centered Design & Engineering](#), in *UW News - University of Washington*, 29 January 2009.

systems-in-one Xbox One platform”; Kareem Choudhry, director of development for all of Xbox¹⁰³, and Phil Harrison, executive leader of Xbox and Interactive Entertainment business in Europe¹⁰⁴, Phil Spencer was one of the few who stayed.

With hindsight, the 2013 reveal could only be compared with what happened with *CD Projekt* on account of the release of *Cyberpunk 2077* in 2020: “One of the most visible disasters in the history of video games”¹⁰⁵, the result of one of the greatest humiliations “from the Alamogordo desert dump burial of the ‘worst’ video game ever created¹⁰⁶, *E.T. the Extra-Terrestrial* of Atari”¹⁰⁷.

Phil Spencer went on to say:

*“It was such a seminal moment for the team and really checking what we stand for, what we want to be as we went forward, how we want to bet on each other. It was a challenging year, there was a lot for us to learn [...] the things that I see in the team now that are so true are listening to the community, challenging ourselves, not staying in the bubble that we’re in [...] so much of what we are today is really from that first launch year of Xbox One that we got a cold dose of reality”*¹⁰⁸.

This does not mean that the manager was guilt-free in terms of what happening, since he was the Vice President of *Microsoft Studios*, but he then began work on relaunching the *Xbox*. “A big tide always starts with a small change”¹⁰⁹. In this case, a person.

In other words, the CEO of *Microsoft*, Satya Nadella, was almost ‘forced’ to appoint him Corporate Vice President and Head of the entire *Xbox* (2014-2017), since, as Phil Spencer himself said, he was “the last one at the table”¹¹⁰.

And he remained in this position until his promotion to Executive Vice President of *Microsoft* (2017).

If, all things considered, *Microsoft* did not dismantle the *Xbox* branch, destroying fifteen years of experience and, in power terms, replicating what was known as the company’s biggest mistake by its founder, Bill Gates¹¹¹, namely, missing the train for smartphone operating systems, even though it was naturally predestined to do so, based on *Windows*’ market share on *desktops* with a worldwide 77%¹¹², this is due to Phil Spencer:

“Satya Nadella becomes the CEO in February [2014]. Then the question is, do we go forward with Xbox? Because we’re getting really outsold by PlayStation in the market at this point. Do we stay invested in it? Or

¹⁰³ N. Patel, [Almost every single Xbox executive we profiled in this video last year has left the company](#), in *The Verge*, 29 December 2014.

¹⁰⁴ S. Sarkar, [Microsoft confirms Phil Harrison’s departure](#), in *The Verge*, 17 April 2021.

¹⁰⁵ M. Isaac, - K. Browning, [Cyberpunk 2077 Was Supposed to Be the Biggest Video Game of the Year. What Happened?](#), in *The New York Times*, 19 December 2020.

¹⁰⁶ R. Hooper, [The man who made ‘the worst video game in history’](#), in *BBC News*, 22 February 2016.

¹⁰⁷ L. Federici – M. Verrocchi, [Reddit, GameStop e la “meme era”: così la geek culture ha rotto il gioco](#), in *Agenda Digitale*, 16 March 2021.

¹⁰⁸ IGN Games, [Phil Spencer Interview: 20 Years of Xbox - Unlocked 500](#), in *YouTube.com*, 30 June 2021.

¹⁰⁹ T. Mochizuki, [Microsoft Sets Sights on Sony’s Home Turf in Console Clash](#), in *Bloomberg.com*, 7 November 2020.

¹¹⁰ D. Craddock, [Last One at the Table: Phil Spencer on Inheriting Xbox One and Launching Xbox Series X](#), in *Shacknews*, 9 November 2020.

¹¹¹ Village Global, [Bill Gates on Startups, Investing and Solving The World’s Hardest Problems](#), in *YouTube.com*, 21 June 2019.

¹¹² S. Liu, *Desktop PC operating system market share worldwide, from January 2013 to July 2020*, Hamburg, Statista, 2021.

do we make a different decision? He and I had a discussion, and I made a pitch. I said, "You know, gaming can be a real important consumer category for the company." He didn't quite understand it yet, not from an intelligence standpoint, but he just hadn't been close to it. But he was willing to make a bet on us as a team"¹¹³.

With Phil Spencer at the helm, the gaming business interpreted by Xbox was lifted from an auxiliary to a lever for "mainstream culture" and then "art form"¹¹⁴. In the Microsoft story of gaming, after Bill Gates – who gave the mandate for the creation of the Xbox to contrast Sony's 'living room computer', the PlayStation considered the 'Trojan Horse' sent to get into homes in place of Microsoft¹¹⁵¹¹⁶ ¹¹⁷ – Phil Spencer is the most important person. In just a few years, the CEO himself would say that "Microsoft [is] 'all in' on gaming"¹¹⁸.

"If Nolan Bushnell (founder of the legendary Atari, father of electronic games) is the man of the Seventies¹¹⁹; Shigeru Miyamoto – the 'father' of Super Mario, "a universally recognized international icon"¹²⁰ – for the Eighties¹²¹; Ken Kutaragi (inventor of the PlayStation) for the Nineties¹²²; Hideo Kojima (the most director-like game designer in history) for the Noughties¹²³ ¹²⁴; Palmer Luckey (the initiator of the virtual reality revolution) for the Tens¹²⁵ ¹²⁶, Phil Spencer may be more than just the man for the Twenty-twenties, he might also be the one to shape the next fifty years in gaming"¹²⁷.

This is why it is essential, even for an academic article such as this, to look at the person and, above all to connect the conception and ongoing success of the Xbox Game Pass to Microsoft (as a legal entity) and above all, to Phil Spencer (as an individual).

Microsoft, having initially invested (2001-2012), not giving in (2013-2017) and finally, relaunching its wager on video gaming (2017), made it possible to arrive at the dawning of the 2020s with an unbreachable "'moat'"¹²⁸, guaranteeing a unique competitive advantage on the whole technological panorama. Both as far as it concerns the more general business diversification (B2B; B2C; software

¹¹³ Craddock, *Last One at the Table: Phil Spencer on Inheriting Xbox One and Launching Xbox Series X*, cit.

¹¹⁴ N. Patel, [Microsoft's Phil Spencer on the new Xbox launch](#), in *The Verge*, 24 November 2020.

¹¹⁵ D. Takahashi, *Opening the Xbox: Inside Microsoft's Plan to Unleash an Entertainment Revolution*, New York Prima Pub, 2002.

¹¹⁶ D. Takahashi, [The making of the Xbox: How Microsoft unleashed a video game revolution \(part 1\)](#), in *GamesBeat*, 14 November 2011.

¹¹⁷ D. Takahashi, [The making of the Xbox: Microsoft's journey to the next generation \(part 2\)](#), in *VentureBeat*, 15 November 2011.

¹¹⁸ W. Tuttle, [Satya Nadella and Phil Spencer on Why Microsoft is "All In" on Gaming](#), Xbox.com, 10 June 2021.

¹¹⁹ Talks at Google, [The Father of Electronic Gaming | Nolan Bushnell | Talks at Google](#), in *YouTube.com*, 4 November 2011.

¹²⁰ W. Audureau, *La storia di Mario. 1981-1991: l'ascesa di una icona, tra mito e realtà*, Perugia, Multiplayer Edizioni, 2012.

¹²¹ J. deWinter, *Shigeru Miyamoto: Super Mario Bros., Donkey Kong, the Legend of Zelda*, New York, Bloomsbury USA Academic, 2015.

¹²² R. Asakura, *Revolutionaries at Sony: The Making of the Sony Playstation and The Visionaries Who Conquered The World of Video Games*, New York, McGraw-Hill Education, 2000.

¹²³ D. Brusseau - N. Courcier - M. E. Kanafi, *Metal Gear Solid. Un'opera di culto di Hideo Kojima*, Perugia, Multiplayer Edizioni, 2017.

¹²⁴ N. Gineprini, *Me(n)talgear. Come un videogioco ha predetto l'attualità*, Pavia, Divergenze, 2021.

¹²⁵ D. Harley, *Palmer Luckey and the rise of contemporary virtual reality*, in *SAGE Journals* 26: 5-6, 2019, 1144–1158.

¹²⁶ B. Harris, *Storia del futuro. Facebook, Oculus e la rivoluzione della realtà virtuale*, Padova, Multiplayer Edizioni, 2019.

¹²⁷ L. Federici, [post](#), in *LinkedIn*, 2020.

¹²⁸ W. Buffet, [To the Shareholders of Berkshire Hathaway Inc.](#), in *Berkshire Hathaway Inc.*, 1 March 1996.

and hardware; for office use and for use in the home; for work and for entertainment) and for the more specific knowhow on the future prospects of the gaming industry. Because if *Microsoft* should become the leader of this industry by the end of the next decade (something that it has never managed to do in the previous twenty years), it is probably not going to be due to the success of an *Xbox*, but rather to that of a service, the *Xbox Game Pass*.

Conscious of this, and with the intermediation of Phil Spencer, *Microsoft* recently purchased *ZeniMax Media* for €6.31 billion¹²⁹, after being behind the acquisition of *Mojang* (the developers of *Minecraft*, the best-selling video game of all time) in 2014 for €2.2 billion¹³⁰ and a few years later, of seven other software houses (*Compulsion Games*; *Double Fine Productions*; *inXile Entertainment*; *Ninja Theory*; *Obsidian Entertainment*; *Playground Games* and *Undead Labs*), bringing the various *Microsoft* firms to 23, and becoming one of the world's five biggest video game publishers.

These acquisitions will also extend through the years and across the nations¹³¹.

The reason Phil Spencer is so important in this analysis is not just because of his managerial and behind-the-scenes roles in the industry, but also due to the form, communication, and the credibility that he has gained with consumers, to the extent that he has even become a marketing element for *Xbox*.

Although he was the man behind disputed choices, such as when he cancelled development for the *Scalebound* game, the promised 'relaunch' title for the *Xbox One*; when he closed *Lionhead Studios* (1997-2016), the leading software house since the first *Xbox*, creator of the renowned intellectual property, *Fable*, in those circumstances, moreover, by dismantling the development of *Fable Legends*; he stopped the activities of *Mixer* (2016-2020), the video streaming platform assigned to viewing gaming sessions – in the rival ambitions of *Twitch.tv* by *Amazon* – closed after years of substantial investments which should have guaranteed success for the purposes of indirect business growth¹³².

Mixer which, *incidenter tantum*, is to date the most significant failed project under the leadership of Phil Spencer.

However, in self-defence, and above all, he was the first to create, in eight gaming ages, the so-called middle-generation with the announcement in spring 2016 of *Project Scorpio*¹³³, then named *Xbox One X* as the most powerful console ever made (2017-2019)¹³⁴; he brought back the now 'abandoned' intellectual property (*Age of Empires*; *Microsoft Flight Simulator*; *Fable*; *Psychonauts* and *Perfect Dark*); he invested in development studios considered on the wane (*Double Fine Productions*; *Rare* and *Arkane Studios*); he also invested in new and original intellectual property (*Quantum Break*; *Sea of Thieves*; *Everwild*; *Avowed*; *Project Mara*; *RedFall*, and *Starfield*), bringing back others at risk of being on their way out (*Halo* and *Gears*).

He is responsible for the extension of the *Minecraft*-styled philosophy of cross-play (i.e., the possibility of gaming in a unified multiplayer setting regardless of the different console brands, and therefore, including competing devices) and for the implementation of the *Xbox Play Anywhere* (faculty to allow the one-time purchase of a game to then play it across multiple hardware). He is also indirectly connected to lowering the commission paid to the publisher on *Microsoft Store* from

¹²⁹ Microsoft, [Microsoft to acquire ZeniMax Media and its game publisher Bethesda Softworks](#), in *Microsoft.com*, 21 September 2020.

¹³⁰ Microsoft, [Minecraft to join Microsoft](#), in *Microsoft.com*, 15 September, 2014.

¹³¹ Bloomberg Technology, ['Bloomberg Technology' Full Show \(11/10/2020\)](#), in *YouTube.com*, 11 November 2020.

¹³² L. B. Foster, *Effects of Video Game Streaming on Consumer Attitudes and Behaviors*, in *Electronic Theses and Dissertations Paper 3041*, 2016.

¹³³ Xbox, [Xbox E3 2016 Briefing Highlights](#), in *YouTube.com*, 14 June 2016.

¹³⁴ W. Tuttle, [The World's Most Powerful Console, Xbox One X, Launches Worldwide](#), in *Xbox.com*, 6 November 2017.

30 to 12%, and his management is responsible for the most reliable, “best console ever” by *Microsoft*¹³⁵, for a generation that for the first time, allows an almost total and better “up to double” backward compatibility¹³⁶ than all the previous generations – *Xbox*; *Xbox 360* and *Xbox One* – working towards a two-yearly (soft) transition between the old devices (*Xbox One*) and the new¹³⁷, through to even giving them “new life” thanks to *Azure* cloud streaming via *Xbox Game Pass Ultimate*¹³⁸.

Moreover, something which is essential in this period of the so-called “meme wars”¹³⁹ giving rise to the “meme era”¹⁴⁰, Phil Spencer is experienced by the fan base more as a co-op player than as a businessman. This is specifically because he is at the forefront when it comes to taking part in the vitality of the *Xbox* community, both on- and offline, with pop culture references and memes. As the recipient and subject, and even answering in the right “*mementum*”¹⁴¹, on official occasions, such as when he had to overturn a ridiculous meme about *Halo*, the most important title in the first year of the *Xbox Series X|S*, to change it into an official mascot^{142 143}. Or when he turned an affectionate meme from the community mocking the design of the proclaimed *Xbox Series X* into reality, taking the fridge shape, and announcing it at the end of the *Microsoft* conference at *Electronic Entertainment Expo 2021* in Los Angeles, the world’s most important gaming fair during the year¹⁴⁴.

After the retirement of Reginald Fils-Aimé^{145 146} and the premature death of Satoru Iwata at *Nintendo*^{147 148}, he is the only professional console manufacturer to have become an icon¹⁴⁹.

About ten years after inheriting the brand and almost five years on from his appointment to the top position at *Xbox*, from the ground up Phil Spencer has taken a potential failure not only to a probable success, but he has also blown away the atavistic dynamics of a whole industry, addressing an audience not of millions but rather of billions of consumers. Already “person of the year” at the start of the decade¹⁵⁰, it looks probable, *mutatis mutandis*, that Phil Spencer will be raised to the heights of becoming *Microsoft*’s Elon Musk of gaming.

¹³⁵ S. Silvestri, [Xbox Series X – recensione](#), in *Eurogamer.it*, 5 November 2020.

¹³⁶ R. Leadbetter, [Xbox Series X back-compat tested: up to double the performance in the most demanding games](#), in *Eurogamer.net*, 20 October 2020.

¹³⁷ C. Dring, [Are Xbox Series X developers being held back by Xbox One?](#), in *Gamesindustry.biz*, 10 July 2020.

¹³⁸ J. Rosenberg, [Cloud Gaming Comes to Xbox Series X|S and Xbox One Consoles](#), in *Xbox.com*, 24 August 2021.

¹³⁹ A. Lolli, *La guerra dei meme. Fenomenologia di uno scherzo infinito*, Florence, Effequ, 2017.

¹⁴⁰ L. Federici - M. Verrocchi, *ibid.*

¹⁴¹ M. Costola - M. Iacopini - C. R. M. A. Santagiustina, *On the “mementum” of Meme Stocks*, in *eprint arXiv:2106.03691*, 2021.

¹⁴² Zach, [Craig the Halo Infinite Brute](#), in *Know Your Meme*, 2020.

¹⁴³ P. Spencer, [tweet](#), in *Twitter*, 31 July 2020.

¹⁴⁴ Xbox, [Xbox & Bethesda Games Showcase – 4K – Full Show](#), in *YouTube.com*, 12 June 2021.

¹⁴⁵ C. Kohler, [How Reggie Fils-Aime Became A Nintendo Legend](#), in *Kotaku.com*, 22 February 2019.

¹⁴⁶ G. Carollo, [Reggie Fils-Aime lascia Nintendo: storia di un presidente amato](#), in *Everyeye.it*, 22 February 2019.

¹⁴⁷ D. Houghton, [Satoru Iwata was a great Nintendo president, but also something more important](#), in *GamesRadar+*, 13 July 2015.

¹⁴⁸ B. Ashcraft, [Satoru Iwata Seemed Like A Truly Good Dude](#), in *Kotaku.com*, 13 April 2021.

¹⁴⁹ u/jonhenshaw, [Phil Spencer Is Exactly Who You Think He Is](#), in *Reddit.com*, 2020.

¹⁵⁰ J. Middler, [VGC’s person of the year: Phil Spencer](#), in *VGC.com*, 24 December 2020.

6. Xbox Game Pass

6.1 About the Game Pass and its business model

The *Xbox Game Pass* is an automatically renewable subscription service that has been offered by *Microsoft* since 2017. It comes in three different versions (*Console, PC, and Ultimate*) and can be used to download and play hundreds of video games to a player's device, as well as new games, which are constantly being added and for all video games from the *Xbox Game Studios* available from their launch (day one). All three versions include discounts to be used in the *Xbox Games Store*.

The minimum subscription price is €9.99 per month for consoles (*Xbox One* and *Xbox Series X|S*); computer subscriptions are available for the same price, but unlike the other subscriptions, they also include *EA Play*, a collection of video games *motu proprio* offered by publisher *Electronics Arts* from €4.99 per month.

The *Premium* version (€12.99) is the *Ultimate* subscription, the so-called *Netflix* of video games¹⁵¹ ¹⁵². It uses the bundling effect¹⁵³ and includes the possibility to play seamlessly across any device (console, PC, smartphone) and in the cloud (streaming), using a range of different peripherals (controller, keyboard, and touch screen); the *Xbox Live Gold* subscription, which is the *Xbox* pay service (from €6.99 per month) for online gaming; *Deals with Gold* (exclusive discount) to be used with extra discounts guaranteed by the *Ultimate* together with *Games with Gold*, two free video games per month for a maximum overall value of €600.00 (and which remain indefinitely in the player's library, if part of the *Xbox 360* catalogue, and for as long as the subscription is active, for *Xbox One* and *Xbox Series X|S* titles).

In other words, the *Xbox Game Pass Ultimate* gives users a whole library of video games, including all of the new exclusives from *Microsoft* and with the possibility of being able to play them by streaming them on any device with a screen and internet connection, regardless of whether or not they own a console or even just an *Xbox* controller, as long as they have a *Microsoft* account. This changes the very concept of killer application established in the industry and creates the most incredible neo-pragmatism ever offered to the public since the industry was created.

This is why the *Xbox Game Pass* business model has shaken the gaming industry by its very roots. Even today it seems to be too good to be true for gamers¹⁵⁴ as well as for industry professionals¹⁵⁵ ¹⁵⁶, who seem to be worried by it in terms of future prospects¹⁵⁷, or who do not understand how it can be financially viable. "We just don't see that as sustainable", was the comment, *ipse dixit*, by no less than the President and CEO of *PlayStation* – *recte: Sony Interactive Entertainment*¹⁵⁸. And yet *Microsoft*

¹⁵¹ K. Murnane, [Xbox's Game Pass Bombshell Could Make Microsoft The Netflix Of Video Games](#), in *Forbes.com*, 24 January 2018.

¹⁵² G. Melani, [Xbox Game Pass: Microsoft è vicina al "Netflix dei videogiochi"?](#), in *Multiplayer.it*, 10 June 2021.

¹⁵³ P. Chiambaretto - H. Dumez, *The Role of Bundling in Firms' Marketing Strategies: A Synthesis*, in *Recherche et Applications en Marketing (English Edition)*, 27:2, 2012, 91-205.

¹⁵⁴ u/00Dandy, [The Game Pass is so fucking awesome](#), in *Reddit.com*, 2021.

¹⁵⁵ C. Tapsell, [Is Xbox Game Pass too good to be true?](#), in *Eurogamer.net*, 18 February 2021.

¹⁵⁶ Pramath, [Interview With Michael Pachter – PS5, Xbox Series X, Next-Gen Games And More](#), in *GamingBolt*, 3 November 2020.

¹⁵⁷ B. Gilbert, [The 'Netflix of gaming' is coming, and video game makers are worried that their business could meet the same fate as music and movies](#), in *Business Insider.com*, 25 February 2020.

¹⁵⁸ C. Dring, [PlayStation's Jim Ryan: 'We want to give gamers certainty that they're buying a true next-generation console'](#), in *Gamesindustry.biz*, 17 September 2020.

is quite comfortable¹⁵⁹ in considering it such¹⁶⁰ and in continuing along this trajectory towards leadership of the industry¹⁶¹.

The *Xbox Game Pass* has existed for four years, but the turning point came with the arrival of the ninth generation of consoles (*Xbox Series X|S* and *PlayStation 5*) in 2020, when *Microsoft* joined the long queue at the back of the wave of expectation, interpreting it as a driver for the service.

Since then, it has embarked on single-themed communication entirely directed at raising awareness not just of new technological findings but expressly and primarily on the goodness of the *Xbox Game Pass*, specifically bringing out how each single product from *Xbox Game Studios* – for production costs of a single video game, now at half a billion euro¹⁶² – would always be guaranteed from the launch of the service, without added costs. This highlights through its difference, the otherwise physiological increase in retail prices of individual video games, now at €80.00 each^{163 164}.

Consecutive lockdowns arising from the COVID-19 pandemic¹⁶⁵ and the lack of chips, affecting the availability of consoles, have contributed to boosting the *Xbox Game Pass*. From June 2017, its launch year, it reached a not better specified figure of “millions” of subscribers in 2018¹⁶⁶, with an estimated maximum of 9.5 million in 2019¹⁶⁷, officially breaking through the 10-million ceiling in April 2020¹⁶⁸ to reach 17 million in September¹⁶⁹ of the same year (+50% in just 5 months). It achieved a record 23 million in April 2021¹⁷⁰, i.e., more than doubling subscriptions in 12 months and with estimates of over 30 million subscribers by the end of 2021¹⁷¹.

The formats and prices of the *Xbox Game Pass* are customised to a wide range of user needs. The pass can be purchased via app or browser, via console, and with pre-paid cards, including offline, in periods of 1, 3 and 12 months that can be combined together for a maximum of 3 consecutive years. Moreover, it is possible to convert *Xbox Live Gold*; *Xbox Game Pass Console/PC* and *EA Play* subscriptions at any time, to the equivalent monetary value of the *Xbox Game Pass* (example: 24 months of *Gold* into 8 months of *Ultimate* or 12 months of *EA Play* into 2 months of *Ultimate*).

The *Xbox Game Pass*, by aping the ‘sharing economy’, can be shared with different accounts (*Garmetag*) where an *Xbox Series X|S* or *Xbox One* is configured as the *home Xbox*.

With the arrival of *Windows 11* envisaged for the end of the year, *Xbox Game Pass* will be included by default and easy to see within the operating system. *Xbox Game Pass* is therefore destined to

¹⁵⁹ Dropped Frames, [Dropped Frames Episode 280 + Interview With XBOX's Phil Spencer](#), in [droppedframes.libsyn.com](#), 23 June 2021.

¹⁶⁰ L. Hryb, [645: End of the Year \(and Decade!\) with Phil Spencer](#), in [Majornelson.com](#), 23 December 2019.

¹⁶¹ M. Piscatella, [tweet](#), in [Twitter](#), 28 April 2021.

¹⁶² D. Takahashi, [Red Dead Redemption 2 could hit 20 million in sales – and turn a profit – by December](#), in [VentureBeat.com](#), 31 October 2018.

¹⁶³ D. Medvedenko, [PlayStation's Jim Ryan: 'I wouldn't recommend another console launch amid a pandemic'](#), in [Tass.com](#), 19 November 2020.

¹⁶⁴ F. Serino, [Perché è cresciuto il prezzo dei videogiochi per Ps5 e Xbox Series X?](#), in [Il Sole 24ORE](#), 18 October 2020.

¹⁶⁵ M. Barr - A., *Copeland-Stewart, Playing Video Games During the COVID-19 Pandemic and Effects on Players' Well-Being*, in *Games and Culture* 0:0, 2021, 1-18.

¹⁶⁶ Levelup.com, [Phil Spencer nos habla del futuro de Xbox y de su impacto en Lationamérica](#), in [YouTube.com](#), 12 November 2018.

¹⁶⁷ Jigsaw, [Xbox Game Pass estimated to have over 9.5 million monthly subscribers. Accounts for "impressive" Percentage of overall revenue](#), in [NeoGAF.com](#), 13 May 2019.

¹⁶⁸ F. X. Shaw, [tweet](#), in [Twitter](#), 29 April 2020.

¹⁶⁹ S. Nadella, [Annual Report 2020](#), in [Microsoft.com](#), 2020.

¹⁷⁰ J. Corden, [tweet](#), in [Twitter](#), 21 April 2021.

¹⁷¹ P. Tassi, [30 Million Xbox Game Pass Subscriptions By 'Halo Infinite' Seems Guaranteed](#), in [Forbes.com](#), 22 April 2021.

become a fundamental app, smoothly ensconced into the *Microsoft* ecosystem, well beyond the boundaries of consoles and of the *Xbox* brand.

With technological progress, the undying razors-and-blades process, which has always characterised gaming consoles¹⁷² ¹⁷³, has highlighted and will increasingly reveal its own limits¹⁷⁴, above all in business-to-consumer (B2C), with an important performance value (such as video gaming hardware). A model that, unlike the 'real' world, by virtue of its limited variations, forms, and analogue materials for the various and real razors, has exponential variables that depend on the unforeseeable technical and technological subtleties of electronics, where single, infinite components, when combined together, can endlessly change performances and corresponding costs. As history will recall with regard to *Sega* gaming hardware, although the console was futuristic, *Dreamcast* (1998-2001) had to permanently withdraw from the hardware market in spite of the fact that its console was the most technologically advanced¹⁷⁵. A more recent example of this occurred with the *PlayStation 3* (2006-2012), equipped with no less than the world's most powerful processor at the time, the *Cell*¹⁷⁶, which took the company more deeply into the red than it had ever been¹⁷⁷: adversely affecting the ascent to CEO of the *PlayStation's* 'father', Ken Kutaragi¹⁷⁸. For a greater understanding of how a few single tech components (including, at the time, the *Blu-ray Disc*) could have such an effect on the health of balance sheets, it is known that

“the single tax year 2006-2007 (the year of the launch of the PlayStation 3) almost cancelled out all of the revenue of Sony Game & Network Services from the first PlayStation (1996-2000) and, what is most striking, that single year represents a hole that is bigger than all of the earnings¹⁷⁹ from the era of the PlayStation 2 (2001-2006), the best-selling console in history¹⁸⁰”¹⁸¹.

By further comparison – this time, inside *Microsoft* – the mere inclusion of a single additional accessory, the *Kinect* in the *Xbox One* bundle, compared to the competing *PlayStation 4*, increased the price of the console by €100.00, a factor that contributed to its commercial failure. It is useful to draw a further product marketing alert from this circumstance, since for *Microsoft*, the *Kinect* changed from guiding light to obstacle. This is because it was the previous track record of the first device for the *Xbox 360* – a separate peripheral device with the most successful sales in gaming history¹⁸² and, more generally, the best-selling consumer electronics device ever¹⁸³ – that dazzled the management at *Xbox*, which considered it an essential for the next generation of hardware, bundling it by default in the starter pack from release, although it later needed to be unbundled *manu militari*¹⁸⁴.

¹⁷² G. Galehantomo, *Platform Comparison Between Games Console, Mobile Games And PC Games*, in *Sisforma* 2:1, 2015, 13-16.

¹⁷³ J. Pakhrani - A. Varghese - S. Vyas - H. Purohit - C. H. Patil, *Comparative Study of PC and Gaming Console for Video Games*, in *International Journal of Engineering Research & Technology (IJERT)*, 2020.

¹⁷⁴ A. Dhebar, *Razor-and-Blades pricing revisited*, in *Business Horizons* 59:2, 2016, 303-310.

¹⁷⁵ D. Reeves, *Sega and The Demise of the Dreamcast*, in *Stanford.edu*, 2003.

¹⁷⁶ J. Cork, *PlayStation: The First 25 Years*, in *GameInformer.com*, 3 December 2019.

¹⁷⁷ K. Kaisha, *Commission file number 1-6439*, in *U.S. Securities and Exchange Commission*, 2008.

¹⁷⁸ J. D'Alessandro, *Cosa mi disse il "padre" della PlayStation*, in *Playground.it*, 4 December 2014.

¹⁷⁹ D. Ahmad, *tweet*, in *Twitter*, 28 April 2021.

¹⁸⁰ L. Sujay Vailshery, *Video game console sales worldwide for products total lifespan as of September 2020*, in *Statista*, 2021.

¹⁸¹ L. Federici, *post*, in *LinkedIn*, 2021.

¹⁸² Guinness World Record, *Fastest-selling gaming peripheral*, in *Guinnessworldrecord.com*, 3 January 2011.

¹⁸³ Microsoft, *Xbox 360 World Premieres Biggest Blockbuster Games and Entertainment*, in *Microsoft.com*, 6 June 2011.

¹⁸⁴ B. Hester, *All the money in the world couldn't make Kinect happen*, in *Polygon.com*, 14 January 2020.

6.2 Marketing strategies and tactics

As agreed by much of the literature at the time¹⁸⁵, being a leader and even earlier, being a follower wishing to become a leader, which is exactly what *Microsoft* is aiming for in the gaming industry, has led to continued expansion in terms of offer. This has led it to become one of the biggest publishers ever, in just a few years, expanding its “system effects”^{186 187} at the same time, and increasing partners through their support, regardless of size – whether small and independent or larger and structured – so as to ensure a varied games library of third parties for traditional and *pro futuro* purchasing to include in the *Xbox Game Pass*.

Microsoft has in fact shown, directly and indirectly, that the *Xbox Game Pass* increases the market – third parties included. Users spend 50% more than non-subscribers for the purchase of games and DLC; 90% of users have tried at least one game they would never have bought otherwise; there have been increases of 40% and 30% in the titles and types tried out. Third-party publishers have also increased consumer interaction with their copyright games by up to eight times, quadrupling the total hours spent playing the *EA* titles included with *EA Play* in the *Ultimate* bundle.

Xbox has also prepared in-house specialisations to establish and progress strategic and business relationships with small and very small developers through its *ID@Xbox*: regardless of development stages and with support that involves programming, marketing, production, distribution, and financing across the board. This guarantees a network effect^{188 189} for the *Xbox Store* and above all, for the *Xbox Game Pass*, including payments advanced to the developer regardless of the immediate commercial success of the video game¹⁹⁰.

In strict communication terms, it is very important to know that since the launch of the service, but above all with the arrival of the latest generation of consoles in 2020, *Microsoft* has only been publicising the *Xbox Game Pass*: advertisements¹⁹¹; trade fairs¹⁹²; billboards¹⁹³; sponsored posts on social networks, and guerrilla marketing¹⁹⁴, while the *Xbox Game Pass* is the opening of the brand website. This is the umpteenth demonstration of a definitive (but not traumatic) shift that *Xbox* has given to the consoles and services.

Lastly, “the most powerful marketing [ever]: word-of-mouth marketing – to use the words of *Xbox Games Marketing General Manager, Aaron Greenberg* – [Because] if you go tell one of your closest friends, ‘You have to get *Xbox Game Pass*!’ that’s way more effective than any marketing I can do. For us, we just want to keep adding more and more value [to *Xbox Game Pass*] so you feel really good about that,

¹⁸⁵ M. A. Cusumano - G. Annabelle, *The elements of Platform leadership*, in *MIT Sloan Management Review*, 40:3, 2002, 51-58.

¹⁸⁶ H. R. Varian, *Economics of Information Technology in Delivered at Bocconi University, Milano, Italy, on November 15-16, 2001*, 2003.

¹⁸⁷ A. Cournot, *Recherches sur les principes mathématiques de la théorie des richesses*, in L. Hachette, 1838.

¹⁸⁸ B. Uzzi, *The Sources and Consequences of Embeddedness for Economic Performance of Organizations: The Network Effect*, in *American Sociological Review* 61:4, 1996, 674-698.

¹⁸⁹ R. Reagans - B. McEvil, *Network Structure and Knowledge Transfer: The Effects of Cohesion and Range*, in *Administrative Science Quarterly* 48:2, 2003, 240-267.

¹⁹⁰ W. Tuttle, [Bringing the Joy and Community of Gaming to Everyone](#), in *Xbox.com*, 10 June 2021.

¹⁹¹ J. Gutierrez, [Xbox Game Pass Discover Your Next Favorite Game Xbox One 30 US TV Commercial](#), in *YouTube.com*, 22 November 2019.

¹⁹² M. Di Marco, [L'E3 2021 di Microsoft è la festa del Game Pass](#), in *Eurogamer.it*, 14 June 2021.

¹⁹³ Emil, [Massive Sea of Thieves advert displayed on Piccadilly Circus!](#), in *YouTube.com*, 3 April 2018.

¹⁹⁴ Xbox IT, [post](#), in *Facebook*, 7 July 2021.

and you feel like you want to go tell your friends about it. And ultimately, we think long-term that's the right thing for the business and will have long-term benefits for us"¹⁹⁵.

The market segmentation of *Xbox Game Pass* has been positive, less so compared to the parallel services of *Xbox* but on the same positive level as the competition.

Within this, *in primis* because the line pricing product of the *Xbox Game Pass Console* and *PC* has never minimally affected game performance (which *Netflix* has done with its low-res €9.99 streaming and €11.99 FULL HD, graphic resolutions that are now obsolete in gaming), and secondly, because for €3.00 more every month, with the *Ultimate* set at €12.99 per month, the user has guaranteed use of all benefits within the *Xbox* universe (such as *Xbox Live Gold*) and even a full offer from third parties, such as *EA Play* as well as the ability to play, including on the cloud, on any device – bundling effect¹⁹⁶.

Moreover, in accordance with price discrimination¹⁹⁷, all new *Xbox Game Pass Ultimate* users are offered a three-month subscription at €1.00 per month.

Xbox has, however, suffered by wanting to distinguish further between the benefits of *Xbox Live Gold* and *Xbox Game Pass Ultimate*.

In January 2021 it more than doubled the price of a monthly subscription for *Xbox Live Gold*, from €4.99 to €10.99. Customer feedback was such that *Microsoft* cancelled the price hike *ex tunc*. It is likely that with this, *Microsoft* changed tactic but not strategy, since in the medium term, it could be supposed that the *Xbox Live Gold* was to be scrapped or in any case, strongly marginalised in favour of the new protagonist, *Xbox Game Pass Ultimate*. In this sense, a possible strategy would be, *una tantum*, to switch the time period for *Xbox Live Gold* to *Xbox Game Pass Ultimate* 1:1, allocating this to marketing costs and in the meantime, withdrawing *Xbox Live Gold* keys from the market and in any case, guaranteeing, from the expiry date of same, that all codes still in circulation would be accepted and switched over for the corresponding value of an *Xbox Game Pass Ultimate*.

Compared to the 'traditional' competition, the only rival of the *Xbox Game Pass* is the *PlayStation Now*. However, as things stand, the quantity and quality comparisons would seem inconsistent for considering it, *in medias res*, a direct competitor. First of all, because *PlayStation Now* has an inferior streaming experience to the *Xbox Game Pass Ultimate* in quality terms; secondly, because the catalogue of the former contains only the 'past' games (of *PlayStation 1*, *2*, *3* and *4*, when it is the *PlayStation 5* that is now on sale); since, to play online, it is necessary to take out another subscription, *PlayStation Plus*. This takes the overall price from the respective €9.99 and €8.99 per month to €18.98, unlike the €12.99 for the *Xbox Game Pass Ultimate* – €5.99 more.

After opening a gap in the cloud by acquiring the startup *Gaikai*¹⁹⁸ *Sony* lost its competitive advantage. Although released in 2014, through to 2020, *PlayStation Now* only has 3.2 million subscribers¹⁹⁹. That is seven times less than the *Xbox Game Pass*.

The future scenario is delicate and critical to the point that in a period of just two months (September-November 2020), the CEO of *Sony Interactive Entertainment* has passed from calling the

¹⁹⁵ What's Good Games, [Halo Infinite and Fable Revealed! - What's Good Games \(Ep. 176\)](#), in YouTube.com, 24 July 2020.

¹⁹⁶ Y. Bakos - E. Brynjolfsson, *Bundling and Competition on the Internet*, in *Marketing Science* 19:1, 2000, 63-82.

¹⁹⁷ M. Landsberger - I. Meilijson, *Intertemporal Price Discrimination and Sales Strategy under Incomplete Information*, in *The RAND Journal of Economics* 16:3, 1985, 424-430.

¹⁹⁸ J. Pikover - D. Takahashi, [Sony buys Gaikai game streaming service for \\$380M](#), in VentureBeat.com, 2 July 2012.

¹⁹⁹ J. Ryan, [Game & Network Services Segment](#), in *Sony*, 2021.

business model of the *Xbox Game Pass* as not sustainable or repeatable²⁰⁰ to stating that: “There is actually news to come”²⁰¹.

Where *Sony* does well is with turnover for the network as a whole. In 2018, the *PlayStation* online service alone earned the company more than *Nintendo*²⁰².

There is another detail – technical, this time – that should be stressed: for the operation of the whole *PlayStation* online network, the company has a strategic partnership with *Microsoft Azure*²⁰³.

Nintendo is the only video games hardware company not to have a strong focus on online gaming, although it states that it has been experimenting with the model for years in order to find the right appeal to support it in its own way²⁰⁴.

With the launch of the *Xbox Game Pass*, it is as if *Microsoft* has ticked all of the ‘expert marketers’ boxes in the last few decades of scientific literature on the subject.

6.3 Similarities and differences with Big Tech, Spotify, and Netflix

With the *Xbox Game Pass*, *Microsoft* is doing something that has not been successfully done in the West since 1983, i.e., after the collapse of *Atari* from which it never recovered, until bankruptcy some eight years ago²⁰⁵: aiming for leadership of the video game industry. Indeed, the industry has not had a US company at its head since 1983, and for the last four decades, the leader’s position alternated between Japanese companies *Nintendo* and *Sony* – but by expanding the vision of the entertainment console to the whole gaming industry, since both have in turn been overall exceeded by the Chinese leadership of *Tencent*, “the world’s largest video games company by revenue”²⁰⁶.

Nevertheless, the transversal nature of the competition, with *Facebook*; *Amazon*; *Apple* and *Google* which have been investing in the industry for years without getting a foothold, is evident.

Facebook is the only one out of all of them that emerges, at least formally, thanks to virtual reality and its acquisition of *Oculus VR* for €1.74 billion in 2014²⁰⁷. Since then, however, having had evidence in hardware only (manufacturing the best and cheapest helmets), but still being far from appearing like an important player or even creating the virtual universe imagined by its CEO²⁰⁸.

Amazon, for a decade now has been investing some €400 million every year, but it has never succeeded in producing video games with any impact, according to critics and public alike, or even in terms of financial return²⁰⁹. The new cloud gaming service, *Amazon Luna* has met with a lukewarm

²⁰⁰ C. Dring, [PlayStation’s Jim Ryan: ‘We want to give gamers certainty that they’re buying a true next-generation console’](#), in *Gamesindustry.biz*, 17 September 2020.

²⁰¹ D. Medvedenko, [PlayStation’s Jim Ryan: ‘I wouldn’t recommend another console launch amid a pandemic’](#), in *Tass.com*, 19 November 2020.

²⁰² D. Ahmad, [post](#), in Twitter, 1 February 2019.

²⁰³ Microsoft, [Sony and Microsoft to explore strategic partnership](#), in *Microsoft.com*, 16 May 2019.

²⁰⁴ Nintendo, [The 81st Annual General Meeting of Shareholders Q&A Summary](#), in *Nintendo*, 2021.

²⁰⁵ K. McCoy, [Atari’s U.S. unit files for Chapter 11 bankruptcy](#), in *USA Today*, 21 January 2013.

²⁰⁶ J. Che, *Investment Analysis about China’s IT Company – The Tencent Holdings Limited*, in *Modern Economy* 9:6, 2018, 1112-1120.

²⁰⁷ Facebook, [Facebook to Acquire Oculus](#), in *fb.com*, 25 March 2014.

²⁰⁸ M. Zuckerberg, [BONUS EPISODE – Mark Zuckerberg on the Future of AR and VR](#), in *The Information's*, 2019.

²⁰⁹ J. Schreier - P. Anand, [Amazon Can Make Just About Anything—Except a Good Video Game](#), in *Bloomberg.com*, 29 January 2021.

reception on account of being a business model that is difficult to explain to consumers and in content terms, still insufficient²¹⁰.

Although *Apple* has access to the most incredible tech in the history of capitalism^{211 212 213} and having been led by a genius who believed in the medium from the start (the reveal of *Halo: Combat Evolved* at *Macworld* in New York was unforgettable, presented in 1999 by no less than Steve Jobs himself, and a title that was to be released on *Mac* but which went on to become the most iconic, exclusive franchise of *Apple's* bitter 'enemy', *Microsoft*) even counting on a unique closed, loyalty-building ecosystem^{214 215}, it did not succeed in getting further than the modest *Apple Arcade* and, above all than the Eldorado of the *App Store* (the platform that will be examined at the end of this paper).

Google has performed worse than all platforms, by a long way; not even two years have passed between the announcement in 2019²¹⁶ of the revolutionary "non-console" *Stadia*, a wholly cloud-based system for streaming games, and the divestment of the business unit²¹⁷.

An almost total surrender in the sector (maintaining a mere commodity) which has led to the divestment and *sine die* zeroing of all the in-house gaming development studios, which number some 150 professionals. This divestment was shockingly shaped with the resignation from *Google* of gaming industry veteran Jade Raymond, who immediately moved to *Sony*²¹⁸ –.

In just a few years *Xbox Game Pass* had its first notable victim. Just before this, *Microsoft's* Phil Spencer stated that the competitors in world gaming 4.0 were no longer the 'traditional' *Sony* and *Nintendo* but rather (*Amazon* and) *Google*:

*"When you talk about Nintendo and Sony, we have a ton of respect for them, but we see Amazon and Google as the main competitors going forward. That's not to disrespect Nintendo and Sony, but the traditional gaming companies are somewhat out of position. I guess they could try to re-create Azure, but we've invested tens of billions of dollars in cloud over the years. I don't want to be in a fight over format wars with those guys while Amazon and Google are focusing on how to get gaming to 7 billion people around the world. Ultimately, that's the goal"*²¹⁹.

To conclude and summarise the analysis of *Big Tech*, the most formidable competitor remains *Amazon* and its 'omnivorous' *Amazon Prime*, which if it includes *Amazon Luna*, can count on more than 200 million subscribers, and where video game streaming services could go from just a few thousand subscribers to tens of millions of potential gamers. The company can also count on its *Amazon Web Services*, one of the few cloud infrastructures able to compete with *Microsoft Azure*.

²¹⁰ M. Shtrubel, [Amazon Luna: Great Idea, Challenging Business Model, Says Analyst](#), in *Nasdaq.com*, 28 September 2020.

²¹¹ Fortune, [World's Most Admired Companies](#), in *Fortune.com*, 2021.

²¹² MBLM, [2020 U.S. Top Rankings](#), in *Mblm.com*, 2021.

²¹³ J. Montgomerie - S. Roscoe, *Owning the consumer — Getting to the core of the Apple business model*, in *Accounting Forum* 37:4, 2012, 290-299.

²¹⁴ J. Laugesen - Y. Yufei, *What Factors Contributed to the Success of Apple's iPhone?*, in *Publications and Scholarship* 18, 2010.

²¹⁵ A. Abdulrahman - A. Muhammad - K. Kyari Mohammed, *Apple Success Factors*, in *ResearchGate*, 2020.

²¹⁶ Google, [Stadia GDC 2019 Gaming Announcement](#), in *YouTube.com*, 19 March 2019.

²¹⁷ P. Harrison, [Focusing on Stadia's future as a platform, and winding down SG&E](#), in *Blog.google*, 1 February 2021.

²¹⁸ J. Raymond, [Introducing Haven, a new Montreal-based independent studio](#), in *Blog.PlayStation*, 16 March 2021.

²¹⁹ S. Schiesel, [Why big tech is betting big on gaming in 2020](#), in *Protocol.com*, 5 February 2020.

Amazon also has the most popular live streaming platform in the world, *Twitch.tv*, to which *Microsoft* and its *Mixer* have had to concede defeat.

And yet the software development in the games industry is one of the most difficult businesses to get into²²⁰ and until now not even *Amazon* has been able to conquer it²²¹.

Since it appears to be so similar, is the *Xbox Game Pass* really the *Netflix* of video games?

No.

The same similarity is tolerated by *Microsoft* because it is easy for users to understand, unlike the operation of *Google Stadia*²²², but it is tolerated and not endorsed, also considering the public statements from the management: “Sometimes when people use “the *Netflix* of games” I bristle a little bit”²²³.

Only a part, perhaps still the greater part, but still only a part of *Xbox Game Pass* revenue comes from subscriptions. We might say that the *Xbox Game Pass* guarantees a further and of course, constant flow of cash to *Microsoft* but it is absolutely not the sole source.

Net of sales, at most breaking even with consoles, and never guaranteeing a single € in profits to the company – “Does *Microsoft* ever earn a profit on the sale of an *Xbox* console?” Lori Wright, Vice President, Business Development | Gaming, Media & Entertainment replied: “No.”²²⁴. *Xbox* continues to sell its games digitally or bundled in its stores and through electronics retailers. This is not a characteristic of *Netflix*, except in its first quarter of a century.

Moreover, as already mentioned, the intrinsic interactivity of the video game *medium* makes it possible to integrate all genres and subgenres to monetise gaming (freemium; game as a service, etc.), as well as sales per se: including the “metaverse” in *Fortnite* style and that, for this reason, *Epic Games* did not want to include it in its library²²⁵ because it intends the *Xbox Game Pass* to be an alternative platform to its “Metaverse”^{226 227}. The *Xbox Game Pass* is not a (single) video game and is not limited to being a single business model; it is a model that integrates several systems to add to the *Microsoft* ecosystem: an ecosystem that by adapting to the many and varied uses of consumers and publishers, never denies previous traditions from the past fifty years of gaming, but rather it incorporates them.

Therefore, for monetisation that is not ‘limited’ to aping the latest trends in the industry (freemium model) and is not ‘limited’, like for *Spotify* or *Netflix*, to providing an all-inclusive subscription, but in any case, it includes them both.

There is only a marginal possibility to buy and sell video games online and offline, including: collectors’ editions, even if offered with the *Xbox Game Pass*; prequels and sequels (whether included in the *Xbox Game Pass* or not); spin-offs; upgrades; DLC and optional skins for first – and third-party games, to add a specific, unequalled weight compared to other streaming platforms, a component that is reinforced by interactive gaming.

²²⁰ J. Schreier, *Press Reset: Ruin and Recovery in the Video Game Industry*, New York, Grand Central Publishing, 2021.

²²¹ A. Epstein, [Why Amazon keeps failing at video games](#), in *Quartz*, 22 April 2021.

²²² L. Sun, [Google Stadia's Business Model Doesn't Make Sense](#), in *fool.com*, 7 June 2019.

²²³ Gamertag Radio, [Interview with Phil Spencer about The Past, Present & Future of Xbox](#), in Gamertag Radio, 10 February 2020.

²²⁴ T. Warren, [Microsoft would like to remind you the Xbox definitely makes money](#), in *The Verge*, 6 May 2021.

²²⁵ T. Warren, [Fortnite isn't on Microsoft's Xbox Cloud Gaming service because Epic won't allow it](#), in *The Verge*, 28 April 2021.

²²⁶ M. Ball, [The Metaverse: What It Is, Where to Find it, Who Will Build It, and Fortnite](#), in *MatthewBall.vc.*, 13 January 2020.

²²⁷ Epic Games, [Announcing a \\$1 Billion Funding Round to Support Epic's Long-Term Vision for the Metaverse](#), in *Epic Games.com*, 13 April 2021.

In short, the ‘glorious revolution’ of *Microsoft* through the *Xbox Game Pass*, in the same way as the 17th-century English event of the same name, will not cause bloodshed in terms of the *status quo*; it will not overthrow, *hic et nunc* or *sic et simpliciter* the tradition of a business that is its equal, but it will bring about soft changes to its own best and shiniest dish to be served to a public of consumers, and then it will allow the network effect to do the rest.

From the viewpoint of infrastructure, the big difference is that *Netflix* uses *Amazon Web Services*²²⁸; *Microsoft* has *ab origine* and wholly internalised the *Xbox Game Pass* with *Azure*.

The algorithm, connection and architecture for streaming video games are far more complex than for video streaming; this is why only the former is interactive. Before today, video gaming in streaming was only predicted but never actually implemented because the infrastructures were unable to offer a gratifying experience such as *Xbox Game Pass Ultimate*. Thus, for *Netflix*, being the leading force in video streaming does not automatically involve – in technical terms – equal streaming performance for video games.

Notably, the *Netflix* boost arrived in 2013, after *House of Cards* as the cream of its own productions; *Microsoft* can count on twenty years of exclusive titles and more than two decades of development studios. The real problem here is *pro futuro* because with three years of work, it is possible to produce excellent films and tv series, but in an equal number of years, it has not been possible to develop any memorable video games. Average game development times increase, generation by generation, in the same way as costs, and have become colossal productions, without comparison in other media²²⁹.

Netflix has an advantage in terms of a parallel point of view, considering that it has over 200 million subscribers. Seven times that of *Xbox Game Pass*. Moreover, although *Microsoft’s* gaming service is growing rapidly, it is still some way from being comparable to the growth rate of *Disney+* in video streaming, which, in just one year, has exceeded 100 million subscribers. These are figures that are far from what is being forecast for the *Xbox Game Pass* five years from its launch²³⁰. From this viewpoint, it would seem essential for *Microsoft* to convert and capitalise on its already 100 million *Xbox Live Gold* subscribers as soon as possible, thereby passing immediately into the Top 5 subscription streaming services.

The geographical scope of the services: *Netflix* is already operational in 190 countries, while the *Xbox Game Pass* operates in just 41. Therefore, if *Netflix* has reached its physiological limit in terms of scope – there are 193 countries in the world²³¹ – *Xbox Game Pass* has vast possibilities for expansion.

Incidentally, by the end of the next decade, the *Xbox Game Pass* could shift the gaming industry’s centre of gravity consumer side, since this has already seen a passing of the baton from the East (1980-2005) to the West (2006-), towards the ‘outer edges’ of the world: Africa, Latin America, and India, or in other words, areas with the youngest average age in their populations, with considerable GNP growth rates, and prospects for an average standard of living, as well as technological advancement that might finish by perfectly corresponding to the target public of the *Xbox Game Pass*.

²²⁸ S. Allegretti - S. Seidenstricker – H. Fischer - S. Arslan, *Executing a business model change: identifying key characteristics to succeed in volatile markets*, in *Leadership, Education, Personality: An Interdisciplinary Journal* 3, 2021, 21-33.

²²⁹ J. Schreier, [Inside Rockstar Games’ Culture Of Crunch](#), in Kotaku.com, 23 October 2018.

²³⁰ E. Schwartzel, [Disney+ Streaming Service Reaches More Than 100 Million Subscribers](#), in *The Wall Street Journal*, March 9 2021.

²³¹ ONU. *Storia*. ONU, 2021.

In theory, China could be the world's most important market, as well as its largest, but the central authorities mitigate – not to say openly obstruct – the use of this *medium*²³².

In terms of the content offer, after the early-video game experiment of *Black Mirror: Bandersnatch* in 2018, there are no valid reasons to doubt that *Netflix* will not insist on further hybrid-interaction or even just gaming content²³³, since it can create partnerships with existing software houses, or inaugurate its own new corporate branch. The latter would certainly be the more difficult choice and would mean that *Netflix* would have the potential creative *quid* that *Google Stadia* was lacking, due to its years of experience in the artistic, creative, production, and entertainment fields.

In this sense, *Microsoft* will have to persevere in the interests of fruitful relationships for all video game creators – large and small – avoiding the dissatisfaction regarding income sharing on *Spotify*²³⁴
^{235 236 237} although, it appears more like *Netflix*, guaranteeing non-refundable investment into artistic and creative experimentation for the works boosting its catalogues, as well as enormous earnings²³⁸
^{239 240 241}.

For *Microsoft*, the ability to attract talents, even subversive ones, will be a deciding factor in undermining the production excellence of *PlayStation* and *Nintendo*.

Focusing above all on the quality and not just the quantity of the offer. Today the *Xbox Game Pass* includes 500 video games with high production values – 208 video games in the catalogue in summer 2021 have at least a minimum score on *Metacritic* of 80 out of 100; only 11 have been rated insufficient²⁴². Moreover, by integrating the *Xbox Game Pass* with the latest *Microsoft* consoles, it is possible to have almost total backward compatibility with all previous console generations (*Xbox*; *Xbox 360*; *Xbox One*), for a brand-new achievement in the history of video gaming. *Xbox Series X|S*, in terms of total data, counts on the second game library that can actually be played on the single most important console that ever existed, second only to the *PlayStation 2* (backward compatible with *PlayStation 1*).

Microsoft has almost never excelled in the ability to make videogames that have been indisputably catalogued as masterpieces. In fact, even considering the latest acquisitions, only two titles (*The Elder Scrolls IV: Oblivion* from 2006 and *The Elder Scrolls V: Skyrim* from 2011) have appeared on the list of the year's best video games in the last twenty years and without the titles of *ZeniMax Media* there would not even be one. This is an achievement that has been successful five times for *Nintendo* and four for *Sony* (five considering the 'perpetual' exclusive of third parties, such as *Metal Gear Solid 4*:

²³² R. Lichene, [La Cina vuole usare il riconoscimento facciale per impedire ai bambini di giocare ai videogiochi di notte](#), in *Corriere della Sera*, 21 July 2021.

²³³ L. Shaw - M. Gurman, [Netflix Plans to Offer Video Games in Push Beyond Films, TV](#), in *Bloomberg.com*, 15 July.

²³⁴ D. Hesmondhalgh, *Is music streaming bad for musicians? Problems of evidence and argument*, in *New Media & Society*, 2020.

²³⁵ R. Prey, *Locating Power in Platformization: Music Streaming Playlists and Curatorial Power*, in *Social Media + Society* 4:6, 2020.

²³⁶ D. Witt, *Does Spotify Really Hurt Artists?*, in *Marriott Student Review* 3:27, 2019.

²³⁷ T. Hodgson, *Spotify and the democratisation of music*, in *Cambridge University Press*, 2021.

²³⁸ A. Hadida - L. J. Lampel - W. D. Walls - A. Joshi, *Hollywood studio filmmaking in the age of Netflix: a tale of two institutional logics*, in *Journal of Cultural Economics* 45, 2020, 213-238.

²³⁹ N. Pajkovic, *Algorithms and taste-making: Exposing the Netflix Recommender System's operational logics*, in *Convergence: The International Journal of Research into New Media Technologies*, 2021.

²⁴⁰ N. Laporte, [Roma is surging toward an Oscar, but Netflix's road here has been rocky](#), in *FastCompany.com*, 22 January 2019.

²⁴¹ M. Grothaus, [Netflix plans to lure actors and directors by paying them more when their movies are a hit](#), in *FastCompany.com*, 19 September 2019.

²⁴² [Public spreadsheet](#), 2021.

Guns of the Patriots), of which three consecutives in the latest editions (by *GameSpot Game of the Year*). It is here that the large-scale acquisitions of renowned video game software houses find their context, in the commitment towards expansion, still ongoing, even in different geographical areas²⁴³.

A significant aim of *Microsoft* will therefore be that of producing video games that by the end of the next two decades will treble the *Game of the Year* accolades and make *Xbox Games Studios* synonymous with the achievements of *Netflix*²⁴⁴.

The price. The premium subscription is €15.99 but with the possibility to share this across 4 screens, which leads – in the light of *Netflix* inactivity when it comes to dealing with the *Spotify*-style problem *de facto*, to a subscription of €4.00 per person per month. It is true that the *Xbox Game Pass* also makes it possible to share subscriptions with more than one person, but in this case, it is necessary to purchase a console (*Xbox Series X|S* or *Xbox One*) to then set it as *Xbox home*, and then to distort the comparison. *Netflix* therefore is cheaper.

Account sharing is therefore a double-edged sword in terms of marketing, considering that it would affect the business itself in the long term, as can be seen with *Netflix*²⁴⁵. This could work to the benefit of *Microsoft* because *Xbox Game Pass* subscribers would be deterred *ab origine* by the large-scale account sharing by default, if not already owners of a console or after having ‘convinced’ them to purchase an *Xbox*. In short, this perspective is open and has many interesting variables to balance out within the next two decades.

To provide a graphic summary of everything written to this point, the table on page 4 of Lozić²⁴⁶ will be updated and extended, making edits between lines and columns, highlighted in bold text. Specifically, the *Xbox Game Pass* column and the last two lines: “Internal extra income” and “Sells its products”.

²⁴³ K. Stuart, [Phil Spencer on the future of Xbox: we still want to take risks with games](#), in *The Guardian*, 13 July 2021.

²⁴⁴ Wikipedia, [List of accolades received by Netflix](#), in *Wikipedia.org*, 2021.

²⁴⁵ S&P Global Market Intelligence, [Netflix. Netflix, Inc. NasdaqGS:NFLX FQ3 2019 Earnings Call Transcripts](#), Los Gatos, in S&P Global Market Intelligence, 2019.

²⁴⁶ J. Lozić, *Comparison of business models of the streaming platforms Spotify and Netflix*, in *Economic and Social Development: Book of Proceedings*, 2021, 110-120.

Table 1 Similarities and differences between platforms (source: Lozić and own illustration).

	Spotify	Netflix	Xbox Game Pass
<i>Organizational form</i>	Streaming platform	Streaming platform	Hybrid platform
<i>Content distribution</i>	Music	Video content	Video game
<i>Monetization</i>	Subscription	Subscription	Subscription
<i>Business form</i>	Platform economy	Platform economy	Platform economy
<i>Cost model</i>	Zero marginal cost	Zero marginal cost	Zero marginal cost
<i>Ownership of content</i>	Without ownership	Mostly own content	Fifty-fifty
<i>Audience (generation)</i>	Mostly Z	All	Mostly X, Y, Z and α
<i>Internal extra income</i>	✘	✘	✓
<i>Sells its products</i>	Impossible	No	Yes

As a last aside, *Spotify* has not yet concluded a single tax year in profit²⁴⁷, while *Netflix* has succeeded in this for some time, although on a debt of €10 billion²⁴⁸. It is an achievement that is now a constant even for *Xbox*²⁴⁹.

7. *Epic Games vs. Apple: a legal battle by ‘proxy’?*

The real large-scale obstruction to *Microsoft*'s ambitions was the opposition of the *Google Play Store* and the *Apple App Store* to the arrival of streaming services in the *Xbox Game Pass* application on the world's most widely used portability ecosystems, *Android* and *iOS*.

It is no surprise then to find out that *Microsoft* was on the side of *Epic Games* in this latter's action against *Google* and *Apple* in the United States.

After long, confidential negotiations between the parties, in 2020, the CEO of *Epic Games*, Tim Sweeney, authorised the deliberate bypassing of the limits and controls of the above-mentioned store, endorsing the possibility for mobile users to be able to purchase the digital value of the video game *Fortnite* directly from *Epic Store* with a discount of 30% compared to *Play Store* and *App Store*. This percentage is the exact same as the royalties that *Google* and *Apple* charge *Epic Games* and all video game publishers to be in the store.

²⁴⁷ Spotify Investor, [Financials](#), in *Spotify.com*, 2021.

²⁴⁸ S&P Global Market Intelligence, [Netflix, Inc. NasdaqGS:NFLX FQ1 2021 Earnings Call Transcripts](#), in S&P Global Market Intelligence, 2021.

²⁴⁹ S. Nadella, [Microsoft FY21 Second Quarter Earnings Conference Call](#), in *Microsoft.com*, 2021.

On the same day, 13 August, 2020, *Google* and *Apple* banned *sine die* the *Fortnite* application from their own digital stores.

At the same time, *Epic Games* inaugurated a large-scale communications campaign against *Apple*²⁵⁰, aping one of the company's most famous advertisements in history, that of the then 'Big Brother' *IBM*²⁵¹. At the same time, *Epic Games* brought its actions against *Google* and *Apple* before the Californian courts²⁵². The case against *Apple* would be followed by a countersuit²⁵³.

The *Epic Games* disputes against *Apple* and *Google* are formally and substantially distinct because the rigidity of the two stores is also different.

This paper will only look at the more famous case, the one against *Apple*, initially discussed before the Court in the period 3-24 May 2021.

The central nature of the video game industry is evident: a vast part of the revenue from the *App Store* (62%) comes from this *medium*²⁵⁴.

The dispute concerns serious accusations of anti-competitive conduct and breach of antitrust provisions (the federal Sherman Act and the California Cartwright Act) that *Epic Games* has brought against *Apple*.

Epic Games' strategy, including out of court, has been than of mustering the most important players in the entertainment industry (not necessarily with a view to making a profit), indirectly or directly, substantially, or formally, against *Apple*: *Microsoft*; *Facebook*; *Spotify*; *Match Group* and *Digital Content Next*. Successfully.

To do this, *Epic Games* has drafted a new conceptual and legal construct: arguing the absolute *novum* of the *App Store* on the world panorama, interpreting it as genetically different from online stores for consoles: *Xbox Live*; *PlayStation Store* and *Nintendo eShop*.

Epic Games argues that every *Apple* device and all *iPhones* have always been sold with a wide profit margin, right from the very first hardware unit, while almost all games consoles (*Xbox* and *Sony*) have always been sold at a loss or at best, breaking even; only *Nintendo* has been able to make a profit on the sale of the console alone. This goes to show an historic and constant razors-and-blades business, where it is essential for it to be possible to profit from the sale of software and therefore, legal grounds exist for charging commission at 30%, which platform owners require for each transaction in their respective stores.

For *Epic Games* it is also important that in these cases, mention is expressly made of the games console, i.e., the hardware used exclusively to play video games (and which only over the last few years has seen the addition of internal auxiliary services such as *Disney+*; *Netflix* and *Prime Video*). These are devices sold at a loss and purchased by consumers wishing tendentially just to play video games, while *iPhones* have an inherently more general range of uses.

²⁵⁰ *Fortnite*, [Nineteen Eighty-Fortnite - #FreeFortnite](#), in *YouTube.com*, 13 August 2020.

²⁵¹ R. Cole, [Apple 1984 Super Bowl Commercial Introducing Macintosh Computer \(HD\)](#), in *YouTube.com*, 26 June 2010.

²⁵² P. J. Riehle, *United States District Court Northern District of California*, 2020.

²⁵³ C. B. Gutierrez, [Epic Games, Inc.'s notice of motion and motion for temporary restraining order and order to show cause why a preliminary injunction should not issue and memorandum of points and authorities in support thereof](#), 2020.

²⁵⁴ Law360, [Apple's Trial Witness Drop Leaves Epic 'Scrambling'](#), in *Law360*, 13 May 2021.

Profit per single hardware unit sold and the general range of uses that it allows, as well as the lack of alternativivity in terms of proprietary store, would have adversely affected game streaming by *Apple* simply because the company considered it inconvenient, due to the fact that practically all income came from video games on the *App Store*. Therefore, *Epic Games* continues, *Apple* originally and deliberately obstructed the arrival of video game streaming (including *Google Stadia* and the former *Project xCloud* by *Microsoft*, later integrated into the *Xbox Game Pass*) and “Metaverse”. This insurmountable hostility on the part of *Apple* came from the dominant position created with the *App Store*. In fact, *Epic Games* concludes that the sole possibility granted by *Apple* to integrate video games in streaming was to make every single video game equivalent to an app (with resulting lengthy, cumbersome control procedures and in any case, with *Apple* having the final say); the result was that the *de facto* process was commercially untenable.

Within this procedural framework, *Microsoft*²⁵⁵ supported *Epic Games*, including using it for marketing purposes: “The right thing for gamer developers & gamers”²⁵⁶.

During the legal proceedings, several managers from *Microsoft* were called to testify, in a personal capacity, for *Epic Games* during the case against *Apple*. These included the Vice President, Gaming, Media & Entertainment at *Microsoft*, Lori Wright, who, during her testimony, confirmed that the only alternative *Apple* provided *Microsoft* with for streaming video games (apart from the above procedure) was to play them on web browser only. *Microsoft* pursued this alternative, with the technical assistance of *Apple* but it did not meet with *Microsoft*'s expectations because, by design, the *App Store* is created to ‘block’ users within it.

For this reason, too, *Apple* strongly disputed the presence of *Microsoft* management to give evidence at the trial, stating their presence rather as a genuine party in the litigation, calling it *Microsoft*'s ‘war by proxy’ against *Apple* fought by a third party, *Epic Games*.

In this respect, now the verdict²⁵⁷ should be critically analysed exclusively in terms of the points established here, in view of their importance.

Starting from the end, which actually means from the beginning: the judgement firmly establishes that, at least in the trial of first instance, *Apple* is not a monopolist, although on at least one occasion, it has been found in breach of California-specific laws on unfair competition. This conduct needs to be corrected in the light of the court decision, undertaking to set up a payment method outside of the one used by the *App Store* in the event that developers require this, although the 30% royalty share that has always been characteristic of *Apple* commissions through the *App Store* will remain in force.

Even with such a verdict in place, *Apple* continues to have a great deal of room to manoeuvre in continuing assert its rights regarding direct preference via *App Store* instead of bringing its users outside the platform. In the case in hand, which in terms of full consideration, only time will allow us to appreciate how *Apple*'s walled garden strategy, consistently with the verdict, has informed the company's operating tactics without incurring any new sanctions.

²⁵⁵ K. Gammill, [Case 4:20-cv-05640-YGR Document 40 Filed 08/23/20](#), 2020.

²⁵⁶ P. Spencer, [tweet](#), Twitter, 23 August 2020.

²⁵⁷ United States District Court, Northern District of California, Case n. 4:20-cv-05640-YGR, Rule 52 Order After Trial on the Merits, 10 September 2021.

Therefore, it can be stated that the findings did not completely favour the complainant or the respondent, although it is true that this latter saw its harsher accusations dismissed and, in quantitative terms, the findings were in its favour in nine out of ten accusations.

Epic Games, however, was unsuccessful along the line, aside from in one case, albeit one of notable importance (specifically on unfair competition on the subject of *California's Cartwright Act*, thereby allowing, in principle, the possibility for any *App Store* developer to be able to implement a different, external payment method alongside the default method put in place by *Apple*).

Of course, the verdict in question is the first and the most important inroad in the 45 years of *Apple's* existence and in the 13 years since the creation of the *App Store*.

Therefore, it does not seem strange that *Epic Games* has stated its disappointment for the most part²⁵⁸, while *Apple* seems more serene, insofar as it is true that the international press and many analysts immediately offered contrasting opinions on the verdict in question and on who was the real winner, while acknowledging a tendential favour for *Epic Games*.

The whole jurisdictional question also shows, including distinctly from the case in question, how it remains difficult to prove antitrust and unfair competition before the court (above all if the party being judged is not a public authority but rather another company).

Immediately after publication of the reasoning, it became evident that in the light of the importance for the whole entertainment sector of this finding, *Epic Games* will not be waiving its right to appeal and therefore, the dispute could potentially continue for several years.

Starting with the court's conclusions on the subject of the new factual and legal construct that arose with the *App Store* and is unlike any other existing archetype (including *PlayStation Store*, *Xbox Store* and *Nintendo eShop*), advanced by *Epic Games*: the court rejected this, wholly. Theoretically, in power terms, the *App Store* is completely comparable to any other *walled garden* including those which are prevalent and accepted in the world of games consoles. However, for the court and on a strictly procedural level (federal antitrust laws and unfair competition laws in California), the *App Store* falls under the segment of mobile digital video game transactions (from the general overall video games market), and this, *de facto*, distinguishes it from the respective *Sony*, *Microsoft*, and *Nintendo* digital shops.

In this general context, *Apple*, even if it has – as it does – very large profit margins from its hardware sales (*iPhone*) and representing more than half of turnover via the *App Store*, thanks to video games, as well as having a segment market share of more than 55%, this does not make it possible to evince, for this alone, that its conduct can be sanctioned through antitrust laws.

Why? Since *Epic Games* has not succeeded in demonstrating that this result depends on improper behaviour and not on *Apple's* intrinsic, perceived, and substantial merit in doing well what it technologically does as a manufacturer of goods and services. As the court expressly writes: "Success is not illegal"²⁵⁹.

What is certainly striking is that 50 years on from the commercial existence of the video game, we have reached a definition of what the video games market is, but not a definition of video games *per*

²⁵⁸ T. Sweeney, [tweet](#), Twitter, Twitter, 10 September 2021

²⁵⁹ United States District Court, Northern District of California, Case n. 4:20-cv-05640-YGR, Rule 52 Order After Trial on the Merits, 10 September 2021, 1.

se - at least from a juridical point of view. In fact, the court expressly does not define video game, except in an extremely generic fashion (“The Court leaves the thornier further questions of what is properly included and excluded in the definition of a video game to the academics and commentators”)²⁶⁰. Thus, it is no surprise that in all fairness, as a result, the court comes to no legal definition of the concept of metaverse (a concept that is so recent as to have no agreed definition, even among tech experts): “At this time, the general market does not appear to recognize the metaverse and its corresponding game modes in *Fortnite* as anything separate and apart from the video game market”²⁶¹.

Since the difference of *Fortnite* from a video game does not apply, neither do any comparisons with different media, settings, realities and uses, such as video game streaming.

Coming to the alleged case brought by *Epic Games* as a proxy for *Microsoft* and unlike the intentions of *Apple*’s lawyers, the statement of *Microsoft* manager, Lori Wright has been widely quoted and endorsed by the Court: and contrary to expectations, mainly in favor of *Apple*.

In this sense, it is appropriate to specify several elements: the court in fact finds that CEO, Tim Sweeney had anticipated (even if not in detail), what would have happened against *Apple* and *Google*, to the management at *Microsoft* (Phil Spencer, no less), and among other things, in an email stating: “you’ll enjoy the upcoming fireworks show”.

Therefore, even if it is true that *Sony* is a minority shareholder in *Epic Games* and *Sony* is actually and currently the most direct rival in the video games market for home consoles, obviously this does not strategically (or even personally) influence the commercial relationship between *Epic Games* and *Microsoft*, making this latter an important partner in *Fortnite*. Overall, this is not strange because, as long claimed in this paper, *Epic Games vs. Apple* transcends commercial tactics, literally by bringing into play the future of the richest sector in entertainment for the coming future, the medium of video gaming.

Looking in more detail at the contributory causes that led to the suspicion of an above average interest in this case on the part of *Microsoft*, although debated at the hearing, the question of video game streaming and the difficult relationship between *Microsoft* and *Apple* for *xCloud* and then, the *Xbox Game Pass Ultimate*, it has not been an aspect on which the court wanted (or perhaps could) consider. This was firstly because the subject matter was not *in medias res* but merely one of the elements brought as testimony by *Epic Games* and which, being the market for *streaming in nuce*, it goes without saying that it could not *de facto* test sufficient material to be able to argue anything in a similar case. In fact, the court finds that this can be a potentially key factor, in the future, for an antitrust or unfair competition debate, but it can only be dealt with, if and when the time is right and in a specific, separate case. This, however, does not appear by any means certain: not so much because *Microsoft* (or a representative of same) would have to take action against *Apple*, but because, if *Apple* should succeed in keeping services such as the *Xbox Game Pass* outside the *App Store*, this *App Store* market would never become established outside of an *Apple* service. The court also emphasizes that *Epic Games* is not actually supporting the *Xbox Game Pass Ultimate* (in particular, *Fortnite*) because, by admission of Tim Sweeney’s company, it considers the *Microsoft* streaming service as a direct competitor to *Fortnite*’s ambitions in metaverse building.

²⁶⁰ *Ibid.*, 74.

²⁶¹ *Ibid.*, 74.

Specifically, the sentence considers that the alternative offered by *Apple*, with the support of its engineers, to allow the *Xbox Game Pass Ultimate* via web browser rather than via an app, is compliant with the *App Store* guidelines. It also finds that in the absence of solid, substantial, and precise proof from the parties in dispute against *Apple* this may not be deemed unacceptable conduct from a legal standpoint.

In short, if a solution or at least a path for the future of cloud gaming could be identified in the pending judgement, it appears obvious that if *Microsoft* (or a representative of same) were interested in the extension of videogaming, anywhere and via streaming, where *Apple* does not change strategy, it will be forced to implement a process to open the *Apple* walled garden (*App Store*) further.

It is possible and not so improbable for there to be a vicious circle scenario since, if the video game streaming project should fail, there would literally be no factual material for the purposes of legal action; while if it is successful in the web browser, that same achievement would - almost *ex ante* - undermine the arguments and accusations brought by the plaintiff against *Apple*.

Nonetheless, from a pragmatic standpoint and concluding with the words of the court, video gaming is an area undergoing incredible growth and change, in which the confines mapped out today may not be applicable tomorrow. Naturally, this is understandable, but it should not be to the detriment of a field, including legal, in which it is possible and necessary to be able to dispute, debate and judge.

Indeed, the judge, Yvonne Gonzalez Rogers, it should be stressed, successfully delivered a verdict on an issue that is as large as it is important and difficult. However, as scholars of case-law in a technological environment, we can only consider this verdict as an initial finding on a “new course”, that of 4.0, and not as the last or even only sentence in this new onlife era.

With the appeal to the verdict given on 10 September 2021, as already announced by one of the parties to the dispute, it is evident that *Epic Games vs. Apple* is already one of the major cases in the 2020s, and one in which it will be possible to set out the lines for humanity’s future onlife. To a smaller extent, where there may (yet) be an independent variable in the actual success of the *Xbox Game Pass*, if only through heterogeneity of ends: the possibility or not of being able to implement the *Xbox Game Pass* with all of its potential, on nothing less than on the most widely used electronic devices in history, the smartphone.

8. Conclusions

The *Xbox Game Pass* is not an invention for the third millennium: like at the start, it is rather the alchemic mix of innovations and traditions which, when expertly mixed together into technology, marketing, jurisprudence, and business, can come up with the “next big thing” in business.

If today the sustainability of *Spotify* subscription model or even that of *Netflix* still does not necessarily seem evident, there are even more doubts about the *Xbox Game Pass* on account of the specific connotations of the gaming industry. However, there is a single, important difference that, for this latter, the intrinsic interactive entertainment value of the *medium* already leads to significant additional costs compared to the mere price of a subscription.

It would be difficult to think that for the sole, resounding future success of this business model – if any, it will be possible even one day just to talk about a monopoly for an industry that is traditionally a centrifuge compared to any centralisation: it would be more probable for the competition to shift from the central nature of hardware and systems (consoles) to services and

ecosystems (experiences). Experiences not for their own sake but universal, “Metaverse” included. If it were this way, we could change the competitive scenario from the one we see today between *Sony-Microsoft-Nintendo* to one with *Microsoft* (via *Xbox Game Pass* and *Minecraft*)-*Epic Games* (*Fortnite*)-*Roblox Corporation* (*Roblox*)-*Take Two Interactive* (*Grand Theft Auto*). But if this seems difficult even to imagine at present, we might say with greater certainty that one of the most important obstructions arising from this affirmation would be the result of the definitive provisions of one of the most important cases in this decade, *Epic Games vs. Apple*.

As far as specifically concerns *Microsoft*, if the existence of the first twenty years of the *Xbox* was subject to any doubt (from analysts, shareholders and even company management), it does not seem to be this way for the next twenty. With one of the most far-sighted managements in the history of the industry and with an apparently killer application such as the *Xbox Game Pass*, it would seem that *Microsoft* is the only company actually heading towards leadership of the largest, most profitable entertainment industry ever to exist – video games. What this means is controlling the most important asset of the post-contemporary period, free time.

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ABSTRACT: The aim of this paper is to point out the sole area of post-contemporary competition, that of attention, which has demolished “traditional” competitive barriers, transforming competition in the entertainment industry into a free-for-all battle among the different industries. The paper will take at the evolution of the video game business which, for the first time in its history, is changing its own ‘razors-and-blades’ models, as found on consoles, to a seamless loop, guaranteed by a unique, integral and gigantic subscription. The paper will consider the case history of *Xbox* and its innovative *Xbox Game Pass*, which is about to become best practice. It will also look at the manager who has made this possible, going on to analyse the potential and limits, similarities and differences between the *Xbox Game Pass* and the others world’s popular subscription services. Lastly, it will analyse the ongoing legal action between *Epic Games* and *Apple* on opening the *App Store*: that is perhaps being fought as a ‘proxy’ for *Microsoft*.

KEYWORDS: Business model change; *Xbox Game Pass*; Internet technology; Platform leadership; Killer application.

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