Fulfilling the Dream: Sega Corp.'s Plan to Rise Above

Albert Eres
University of Tampa

Erika Matulich, Ph.D. (contact author)
University of Tampa

Robert McMurrian, Ph.D.
University of Tampa

Submitted to the Case Track of the Orlando AABRI 2012 Conference

Fulfilling the Dream: Sega Corp.'s Plan to Rise Above

Abstract

The 1970s is considered the golden age of video arcade games, introducing staples in the industry such as Pong, Pac-Man, and Space Invaders. This new age also allowed the programmers of such games to translate the physical earnings from coin-operated machines into investments for established companies such as Atari, Inc. specializing in electronic entertainment (Games Industry.biz, 2008). The 1970s also gave rise to the first generation of home consoles, or personal videogame units that could be used within the confines of a home or office. The period of the 1970s through to the late 1980s saw the rise of two more generations of consoles, with every generation bringing new competition and innovations along with it. If this two-decade span of development can be considered the birth and learning period for this infant industry, than the 1990s saw extreme growth issues, or growing pains, for many established companies. No other company exemplifies this as much as the Sega Corporation.

The mid-90s gave rise to the fourth generation of videogame consoles, and an intense rivalry rose between two juggernauts that had made names for themselves in the videogame industry: Sega Corporation (Sega) and Nintendo Co., Ltd. (Nintendo). By the late 1990s, major electronic companies took notice to this booming industry and decided to throw their weight behind electronic entertainment and engage the competition, most notably Sony Computer Entertainment, Inc. (Sony). It was at this time that Sega began to feel the pressure of competitors as well as the reality of failed products.

It was in 1997 that Sega was faced with a major growth issue, following the apparent disaster that was the Sega Saturn, the major competitor of Nintendo and Sony's primary fifth-generation console. Sega of America's president, Bernie Stoler, was then pressed by Sega's Japanese headquarters to essentially be the first to market and develop a new sixth-generation console. This would place Sega in a risky position due to the fact that a new generation release in such a short period of time would leave a massive gap for competition to innovate and surpass. On top of the competition catching up, if Sega's new videogame console release was a success, how would they deal with their in-house development of hardware and games? Lastly, could any alliances or investment in third party developers benefit the current situation?

The purpose of this case study is to illustrate the strategic planning elements and the different growth strategy alternatives for a business regarding its target markets and product offerings, including:

1. Performing a SWOT analysis.
2. Understanding the key strategic issues leading to a company's shortcomings.
3. Thinking about the different strategies for a company in regards to long-term growth.
4. Learning how innovation can be a competitive advantage.
5. Applying the different elements of strategy for a low-market share company.

Courses and Levels for Which the Case is Intended:

The case is suitable for both undergraduate- and graduate-level courses in marketing, specifically, strategic marketing analysis, in areas where the students are studying marketing strategy and marketing planning. Courses could include:

- Marketing Principles or Marketing Fundamentals
- Marketing Strategy
- Marketing Planning and Analysis

Keywords: Sega, Nintendo, innovation, product differentiation, competitive landscape, marketing strategy