

# Decline of Xbox: An Analysis of Poor decisions and Price Increases

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## **Abstract:**

The gaming landscape has 3 main giants, one of them is Xbox owned by Microsoft which has declined in popularity and sales due to poor marketing decisions, timing and price increases due to factors such as ram shortages. This study observes the continues poor decision made by the brand Xbox over the years of 2013 to 2025 such requiring network connection all time in the case of the Xbox One released in 2013 and laying off large number of employees and even increasing the price of the subscription and showing the history of the brand. Here I observed and compared the sales and business data of Xbox and its biggest competitor PlayStation. As Xbox has been slowly moving towards a decline, it has created an example of poor financial and decisions that a gaming giant or any company must not take.

## **Introduction:**

Xbox is a major video game company owned by Microsoft Gaming, a division of Microsoft. Which was established in 2001 to compete with gaming giants such as PlayStation owned by Sony in the console market. The downfall of Xbox is very important in the gaming industry as the downfall of such a giant results in the transformation across the entire industry. This could result in a hardware focused market where companies competed to offer customers the best price and service to an industry focused on cross-platforms games, microtransactions, yearly subscription such as 'Game Pass' and focusing on profits more than user satisfaction.

## **Market context and the competitive landscape:**

The history of the gaming industry is very large, but a few names were able to make an impact on such a vast landscape are the big 3 or also known as PlayStation, Nintendo and Xbox competing for the title as the winners of the console wars. Nintendo has always dominated the family friendly part of the market with classics such as 'Mario' and 'Zelda' but PlayStation and Xbox have always competed for the younger to middle aged males, tech lovers and hardcore audience across the globe. The console industry is a multibillion-dollar industry in which PlayStation has 45% of the market share, Xbox has 23% market share, Nintendo has 27% market share and the other 5% is consisted of many small companies. This industry has a lot of competition hence companies have fought over the years to get the most market by giving users the best price, games and service which has created a lot of pressure in the market since over the years user expectations of the users have risen but price increases and lack of exclusives can cause the low sales which results in low profits. Inflation and problems such as Ram shortage have increased the prices of an Xbox console by a lot which has taken users to switch to competitors which has caused all time low sales.

**Price increases due to tariffs and Ram shortage:**

In 2025 Microsoft has increased the prices of Xbox Series X and S respectively multiple times. First time the price of an Xbox increased due to the tariffs set by the president of the United States of America Donald Trump by which a universal 10% tariff took effect on April 5 and due to which there was a 50 to 100 dollar increase on all Xboxes. Now due to the resurgent Ram shortage which is caused due to AI companies such as Open AI buying up a large amount on Ram due to their overwhelming demand for memory has caused the prices of Ram to sky rocket all over the world and even many Ram suppliers such as Micron and SK Hynix (one of Xbox Ram suppliers) have started to supply a large amount of Ram to AI companies which may also cause another price increase after the price increase on October 3<sup>rd</sup> in which the prices of Xbox Series X and S increased by 100 dollars each respectively. In late 2025 the price of 'Game Pass' which is Xbox monthly subscription had a price increase from 17 to 20 dollars a month to 30 dollars a month due to the active rising cost of game development, the increase in payment of third-party companies for adding their games on 'Game Pass' and the additions of new games in the gaming catalogue.

**Pricing Strategy and Price Increases:**

Due to the tariffs the prices of all gaming consoles were increased by 50 dollars since the tariffs set by the President Donald Trump were unexpected and there was nothing that could have been done to avoid the 50-dollar price increase but the Ram shortage was expected by specialists but the pace and consumer impact was far more due to which the prices of an Xbox were increased again even so the prices of a PlayStation 5 did not increase since as reported Sony bought a large amount of stock of Ram which prevented the price increase of a PlayStation 5 which turned out to be an amazing strategic business move by Sony. Gaming consoles were always meant to be a casual and cheap gaming device but the sudden price increases of an Xbox and monthly subscription such as 'Game Pass' have created an affordability issue for the regular user as a casual customer will not spend first 650 dollars on an Xbox Series X 60 fps (frames per second) or 400 dollars for an Xbox Series S for 30 fps and then spend 30 dollars per month on 'Game Pass'. Xbox also announced a gaming hand-held console in early 2025 rumoured to have Steam in it which instantly had a lot of hype but all that hype died when it was announced that ROG Xbox ally and Xbox ally X were priced at 600 and 1000 dollars respectively. Due to such problems the price of an Xbox was the same 650 dollars even on Black Friday and only the prices of controller and other accessory were down because of which the consumer response was very poor and Xbox sales were down 70 percent and Xbox wasn't even in the top 3 most sold consoles on Black Friday which is the worst console dollar sales since 2005.

**Consumer Psychology, Loyalty and Trust:**

Consumer loyalty means a customer consistently or repeatedly buying from one brand over any competitors mostly because of a positive experience or an emotional connection such as nostalgia or a positive memory of playing Halo 3 on your old Xbox 360 will cause a person to buy the latest Xbox rather than any cheaper competitors. In the console market trust and a loyal fan base is generated by producing quality hardware and exclusive games and every console has many quality exclusive games such as 'God of War', 'The Last of Us' and more for PlayStation and 'Mario' and 'Zelda' and more for Nintendo but Xbox has started to give away its exclusive game such as 'Forza' and 'Gears of War' to PlayStation and increase the prices of their consoles and subscription has started to destroy the trust of their loyal fan base which has resulted in new customers to pick a PlayStation 5 or a Nintendo Switch 2 rather than an Xbox

Series X or a Series S. Initially Xbox even tried to list 'Outer Worlds 2' for 80 dollars rather than the regular 70 dollars which resulted in very harsh and intense backlash the price was decreased back to the regular 70 dollars. Many other practices such as major layoffs, future games titles cancelled and delayed games have ruined the image of the company and destroyed the trust of the fanbase.

#### Strategic Mistakes and Missed Opportunities

In late 2023 Xbox bought Activision Blizzard which is the studio that develops games such as Call of Duty and since then Xbox has bought many studios but due the major layoffs of developers of these studios by Microsoft has caused the quality of the games produced by these studios to degrade by a lot and also the use of AI in these games due to the layoffs has caused intense backlash. Lack of exclusive games have also caused the sales of Xbox Series X and S since all of the exclusive games of Xbox are also on PC and PlayStation also the price increases are creating less reasons to buy an Xbox in 2025. In recent years the shift of Xbox from a more hardware focused brand to a more subscription model focused company which has devalued first party games and the price increases of 'Game Pass' has failed to drive users towards it which has disappointed the respected player base as well as the investors involved. Xbox also could had stocked up on large amounts of Ram like PlayStation when AI companies started to buy a large amount of Ram which could had prevented a price increase.

#### Conclusion:

Xbox is slowly moving towards its decline due to price increases of consoles because of tariffs and Ram shortage and increase in price of 'Game Pass' because of increase in price of game development and licensing of games from third party companies have created a massive unaffordability issue for the user base. The trust of the fan base has degraded due to Xbox giving its exclusives to major competitors such as PlayStation, major layoffs causing the decrease in quality of games and heavy use of AI in games such as 'Call of Duty Black Ops 7', cancellation of future games and future games getting delayed. Xbox has shifted from a more hardware focused company adored by the fans to a more subscription focused company driving original fans away from their once beloved company and failing to create new fans.

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