

Video game

[Entertainment](#), [Video Games](#)



The rise of personal computers in the mid 1980s spurred interest in computer games. This caused a crash in home Video game market. Interest in Video games was rekindled when a number of different companies developed hardware consoles that provided graphics superior to the capabilities of computer games. By 1990, the Nintendo Entertainment System dominated the product category. Sega surpassed Nintendo when it introduced its Genesis System. By 1993, Sega commanded almost 60 per cent of Video game market and was one of the most recognized brand names among the children. Sega's success was short lived.

In 1995, Saturn (a division of General Motors) launched a new 32-bit system. The product was a miserable failure for a number of reasons. Sega was the primary software developer for Saturn and it did not support efforts by outside game developers to design compatible games. In addition, Sega's games were often delivered quite late to retailers. Finally, the price of the Saturn system was greater than other comparable game consoles. This situation of Saturn's misstep benefited Nintendo and Sony greatly. Sony's Play Station was unveiled in 1994 and was available in 70 million homes worldwide by the end of 1999.

Its "Open design" encouraged the efforts of outside developers, resulting in almost 3,000 different games that were compatible with the PlayStation. It too featured 32-bit graphics that appealed to older audience. As a result, at one time, more than 30 per cent of PlayStation owners were over 30 years old. Nintendo 64 was introduced in 1996 and had eye-popping 64-bit graphics and entered in more than 28 million homes by 1999. Its primary users were between the age of 6 and 13 as a result of Nintendo's efforts to

<https://assignbuster.com/video-game-research-paper-samples/>

limit the amount of violent and adult-oriented material featured on games that can be played on its systems.

Because the company exercised considerable control over software development, Nintendo 64 had only one-tenth the number of compatible games as Sony's PlayStation did. By 1999, Sony had captured 56 per cent of the video game market, followed by Nintendo with 42 per cent. Sega's share had fallen to a low of 1%. Hence, Sega had two options, either to concede defeat or introduce an innovative video machine that would bring in huge sales. And Sega had to do so before either Nintendo or Sony could bring their next-generation console to market.

The Sega Dreamcast arrived in stores in September 1999 with an initial price tag of \$199. Anxious gamers placed 300,000 advance orders, and initial sales were quite encouraging. A total of 1.5 million Dreamcast machines were bought within the first four months, and initial reviews were positive. The 128-bit system was capable of generating 3-D visuals, and 40 different games were available within three months of Dreamcast's introduction. By the end of the year, Sega had captured a market share to 15 per cent. But the Dreamcast could not sustain its momentum.

Although its game capabilities were impressive, the system did not deliver all the functionality Sega had promised. A 56K modem (which used a home phone line) and a Web browser were meant to allow access to the Internet so that gamers could play each other online, surf the Web, and visit the Dreamcast Network for product information and playing tips. Unfortunately, these features either were not immediately available or were disappointing

in their execution. Sega was not the only one in having the strategy of adding functionality beyond games.

Sony and Nintendo followed the same approach for their machines introduced in 1999. Both Nintendo's Neptune and Sony's PlayStation 2 (PS2) were built on a DVD platform and featured a 128-bit processor. Analysts applauded the move to DVD because it is less expensive to produce and allows more storage than CDs. It also gives buyers the ability to use the machine as CD music player and DVD movie player. As Sony marketing director commented, "The full entertainment offering from PlayStation 2 definitely appeals to a much broader audience.

I have friends in their 30s who bought it not only because it's a gaming system for their kids, but also a DVD for them." In addition, PlayStation 2 is able to play games developed for its earlier model that was CD-based. This gives the PS2 an enormous advantage in the number of compatible game titles that were immediately available to gamers. Further enhancing the PS2's appeal is its high-speed modem and allows the user's easy access to the Internet through digital cable as well as over telephone lines.

This gives Sony the ability to distribute movies, music, and games directly to PS2 consoles. We are positioning this as an all-round entertainment player," commented Ken Kutaragi, the head of Sony Computer Entertainment.

However, some prospective customers were put off by the console's initial price of \$360. Shortly after the introduction of Neptune, Nintendo changed its strategies and announced the impending release of its newest game console, The GameCube. However, unlike the Neptune, the GameCube would

not run on a DVD platform and also would not initially offer any online capabilities. It would be more attractively priced at \$199.

A marketing vice president for Nintendo explained the company's change in direction, " We are the only competitor whose business is video games. We want to create the best gaming system. " Nintendo also made the GameCube friendly for outside developers and started adding games that included sports titles to attract an older audience. Best known for its extraordinary successes with games aimed at the younger set, such as Donkey Kong, Super Mario Bros, and Pokemon, Nintendo sought to attract older users, especially because the average video game player is 28.

Youthful Nintendo users were particularly pleased to hear that they could use their handheld Game Boy Advance systems as controllers for the GameCube. Nintendo scrambled to ensure there would be an adequate supply of Game Cubes on the date in November 2001, when they were scheduled to be available to customers. It also budgeted \$450 million to market its new product, as it anticipated stiff competition during the holiday shopping season. With more than 20 million PlayStation 2 sold worldwide, the GameCube as a new entry in the video game market would make the battle for market share even more intense.

For almost a decade, the video game industry had only Sega, Nintendo, and Sony; just three players. Because of strong brand loyalty and high product development costs, newcomers faced a daunting task in entering this race and being competitive. In November 2001, Microsoft began selling its new Xbox, just three days before the GameCube made its debut. Some observers

felt the Xbox was aimed to rival PlayStation 2, which has similar functions that rival Microsoft's Web TV system and even some lower level PCs.

Like the Sony's PlayStation 2, Xbox was also built using a DVD platform, but it used an Intel processor in its construction. This open design allowed Microsoft to develop the Xbox in just two years, and gave developers the option of using standard PC tool for creating compatible games. In addition, Microsoft also sought the advice of successful game developers and even incorporated some of their feedback into the design of the console and its controllers. As a result of developers' efforts, Microsoft had about 20 games ready when the Xbox became available.

By contrast, the GameCube had only eight games available. Microsoft online strategy was another feature that differentiated of the Xbox from the GameCube. Whereas Nintendo had no immediate plans for Web-based play, the Xbox came equipped with an Ethernet port for broadband access to Internet. Microsoft also announced its own Web-based network on which gamers can come together for online head-to head play and for organised online matches and tournaments. Subscribers to this service were to pay a small monthly fee and must have high-speed access to the Internet.

This is a potential drawback considering that a very low percentage of households world over currently have broadband connections. By contrast Sony promoted an open network, which allows software developers to manage their own games, including associated fees charged to users. However, interested players must purchase a network adapter for an additional \$39. 99. Although game companies are not keen on the prospect

of submitting to the control of a Microsoft-controlled network, it would require a significant investment for them to manage their own service on the Sony-based network.

Initially the price of Microsoft's X box was \$299. Prior to the introduction of Xbox, in a competitive move Sony dropped the price of the PlayStation 2 to \$299. Nintendo's GameCube already enjoyed a significant price advantage, as it was selling for \$100 less than either Microsoft or Sony products. Gamers eagerly snapped up the new consoles and made 2001 the best year ever for video game sales. For the first time, consumers spent \$9.4 billion on video game equipment, which was more than they did at the box office. By the end of 2001 holiday season, 6 million PlayStation 2 consoles had been sold in North America alone, followed by 1.5 million Xbox units and 1.2 million Game Cubes.

What ensued was an all out price war. This started when Sony decided to put even more pressure on the Microsoft's Xbox by cutting the PlayStation 2 price to \$199. Microsoft quickly matched that price. Wanting to maintain its low-price status, Nintendo in turn responded by reducing the price of its the GameCube by \$50, to \$149. By mid 2002, Microsoft Xbox had sold between 3.5 and 4 million units worldwide. However, Nintendo had surpassed Xbox sales by selling 4 million Game Cubes.

Sony had the benefit of healthy head start, and had shipped 32 million PlayStation 2s. However, seven years after the introduction of original PlayStation, it was being sold in retail outlets for a mere \$49. It had a significant lead in terms of numbers of units in homes around the world with

a 43 per cent share. Nintendo 64 was second with 30 per cent, followed by Sony PlayStation 2 with 14 per cent. The Xbox and GameCube each claimed about 3 per cent of the market, with Sega Dreamcast comprising the last and least market share of 4.7 per cent.

Sega, once an industry leader, announced in 2001 that it had decided to stop producing the Dreamcast and other video game hardware components. The company said it would develop games for its competitors' consoles. Thus Sega slashed the price of the Dreamcast to just \$99 in an effort to liquidate its piled up inventory of more than 2 million units and immediately began developing 11 new games for the Xbox, four for PlayStation 2, and three for Nintendo's Game Boy Advance. As the prices of video game consoles have dropped, consoles and games have become the equivalent of razors and blades.

This means the consoles generate little if any profit, but the games are a highly profitable proposition. The profit margins on games are highly attractive, affected to some degree by whether the content is developed by the console maker (such as Sony) or by an independent game publisher (such as Electronic Arts). Thus, the competition to develop appealing, or perhaps even addictive, games may be even more intense than the battle among players to produce the best console. In particular, Nintendo, Sony, and Microsoft want games that are exclusive to their own systems.

With that in mind, they not only rely on large in-house staffs that design games but they also pay added fees to independent publishers for exclusive rights to new games. The sales of video games in 2001 rose to 43 per cent,

compared to just 4 per cent increase for computer-based games. But computer game players are believed to be a loyal bunch, as they see many advantages in playing games on their computers rather than consoles. For one thing, they have a big advantage of having access to a mouse and a keyboard that allow them to play far more sophisticated games.

In addition, they have been utilizing the Internet for years to receive game updates and modifications and to play each other over the Web. Sony and Microsoft are intent on capturing a portion of the online gaming opportunity. Even Nintendo has decided to make available a modem that will allow GameCube users to play online. As prices continue to fall and technology becomes increasingly more sophisticated, it remains to be seen whether these three companies can keep their names on the industry's list of "high scorers".