

# Case 12 Video Game Console Industry in 2012: The Next Round



At the beginning of 2012, the three remaining suppliers of video game consoles were facing an uncertain future. A new generation of video game consoles was dawning—the eighth since the beginnings of the industry in 1972—but only Nintendo had announced a new model: the Wii U would be launched late in 2012. Sony and Microsoft were known to be developing new models which would be launched late in 2013; however, neither had provided any details.

The reluctance of either Sony or Microsoft to make announcements concerning their next generation of consoles reflected their uncertainty over the evolution of the console market. Both companies had been shocked by the outcome of the most recent round of competition. The remarkable success of Nintendo's Wii, which had outsold the more sophisticated and powerful consoles of Sony and Microsoft, had overturned much of the conventional wisdom concerning key success factors in the industry. Both Sony and Microsoft had based their strategies on the assumptions that, first, consoles were increasingly becoming multifunctional home entertainment platforms and, second, that their primary target markets were "hardcore" gamers (primarily males aged between 13 and 30). The Nintendo Wii had shown that an easy-to-use, dedicated console targeted at the casual user could out-sell the more technologically advanced machines from Sony and Microsoft. Was Wii an aberration or did it point to a new evolutionary path for the video console market?

Nintendo's eagerness to take the lead in the new generation of consoles was a consequence of the rapid decline in the sales of its Wii model. Conversely, Sony and Microsoft sought to extend the lives of their PS3 and Xbox 360 models (Sony had committed to a 10-year life cycle for PS3); however, neither company wished to leave the field clear for Nintendo. There was also a risk that, unless the console market could sustain the interest of users, the video game market might be lost to other hardware devices, notably mobile devices such as smartphones and tablet computers. All three companies kept a wary eye on Apple. After dominating the music business with iPod and iTunes, video games seemed a natural extension to Apple's ambitions in home entertainment. Already its iPad was being positioned as a game-playing device.

Increasing competition between different types of hardware—video game consoles, PCs, portable game players (such as the Nintendo DS and the PlayStation Portable), mobile phones, and tablet computers—had implications for the console makers' market positioning. The success of the Wii was primarily due to its appeal

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TABLE 1 World

Generation	Sec
Leader	Ata
#2	Oth
#3	—
Others	—
Global sales	42m

### Notes:

\*The product generation (especially the PS2) cont  
relate to the sales of each

\*\*The sales data are up to

Source: Wikipedia.