

prelaunch advertisements that fueled a buzz of anticipation within the gamer community. Meanwhile, Nintendo attempted to recapture market leadership by leapfrogging Sony in technology. Its 64-bit N-64 console was released in June 1996 at a low price (\$199 compared to \$299 for PlayStation), but retaining its cartridge system, which involved higher manufacturing costs and less flexibility in meeting unexpected demand for hit games. The lower fixed costs of producing and distributing CDs allowed Sony to compete by offering a much bigger library of games than Nintendo could, many of which targeted niche markets and minority interests.² By 1998, PlayStation was leader in most of the world's major markets.

The Sixth Generation, 1999–2005: Sony vs. Microsoft

With the launch of its Dreamcast console in November 1998, Sega once again led the new generation of video game consoles. Fifteen months later, Sony launched PlayStation 2 (PS2). Kutaragi's brief had been to design a games machine with performance that exceeded any PC and with graphics processing power ten times that of the original PlayStation. With cinematic-style graphics, a DVD player, and the potential for internet connectivity, PS2 aspired to be a multifunctional entertainment device. However, the technical complexity of PS2 created problems both for the supply of key components and the availability of new games, resulting in a hesitant launch. In 2001, the industry's competitive landscape was transformed by the exit of Sega, which announced its intention to focus exclusively on games software, and the entry of Microsoft. Despite just 19 games and a poor reception in Japan, Xbox combined three key strengths: its technological advances (an internal hard disk, a 733MHz processor, 64MB of memory, a DVD player, and an ethernet port), the hit game *Halo*, and Microsoft's online capabilities. In November 2002, Microsoft launched its Xbox Live, which allowed online interactive gaming and the direct downloading of games. Nintendo, with its GameCube console, was the last to join the new generation of video game consoles. By 2004, Sony had emerged as the clear market leader, with Microsoft a strong second in the US and Europe, and Nintendo a strong second in Japan.

The Seventh Generation, 2006–2012: Nintendo's Renaissance

Microsoft Xbox 360 Building on the momentum from its successful launch of Xbox, Microsoft led the new generation of consoles with its Xbox 360 released on November 25, 2005, the first ever console with a near-simultaneous global launch as opposed to a phased rollout. Xbox 360 represented a shift in market positioning by Microsoft. While the original Xbox emphasized processing power and focused on hardcore gamers, Xbox 360 emphasized versatility, design, and coolness with a particular focus on its multiplicity of entertainment and online capabilities, including viewing high-definition TV shows.

Sony PS3 PS3 was launched on November 11, 2006 after many months of delay, caused by Sony's technological ambition—namely its decision to make PS3 the flagship for the Blu-ray DVD drive and its adoption of an advanced multicore-cell processor developed jointly with IBM and Toshiba. PS3 imposed large losses on