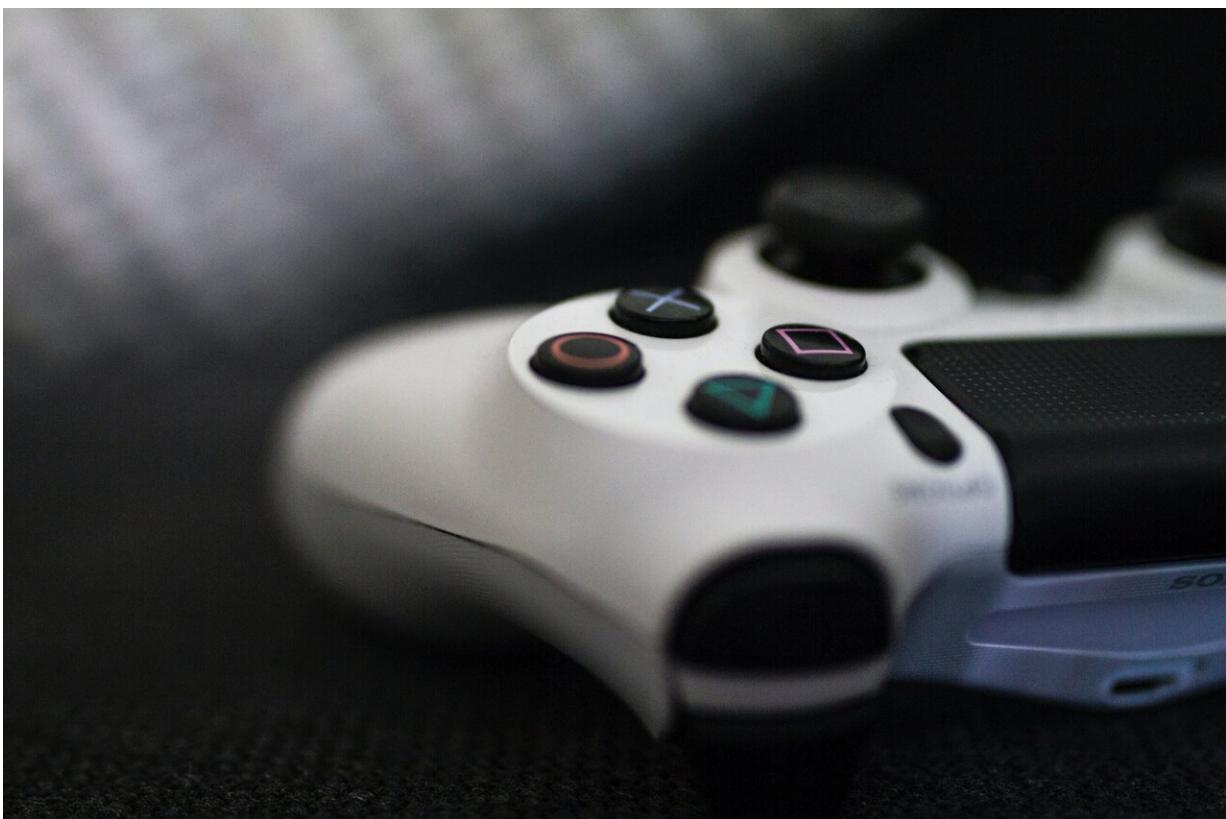


Xbox and PlayStation: How Sony and Microsoft changed the way we play video games

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With new video game consoles out this week, Microsoft and Sony are decades-long incumbents in the industry. But that wasn't always the case.

More than 25 years ago, Sony unleashed its first PlayStation onto the scene, barging into a marketplace dominated by Nintendo and, to a lesser extent, Sega. And seven years later, Microsoft brought forth its Xbox.

Whether you are voting with your wallet this holiday season for a new Xbox Series X or S, or PlayStation 5, you can't argue these two tech giants have made countless contributions to advance video gaming over the years.

Sony and Microsoft also expanded the audience. The PlayStation, released in the U.S. in September 1995, would sell more than 102 million units, blasting past sales figures for previous video game consoles that connected to TVs.

Nintendo continued to dominate in portable game systems but it would be a decade until one of its consoles cracked the 100 million sales mark: the Wii, released in November 2006, would go on to sell 101.6 million.

Meanwhile, Sony solidified its position with the PlayStation 2, a console that remains the top-seller ever at more than 155 million systems sold. In comparison, the PlayStation 4 has sold more than 113.5 million since its arrival seven years ago.

As the latest consoles arrive in homes, Microsoft is gaining on Sony for dominance. And the tech titans are building out cloud-based game services—as are competitors including Google, Amazon and Facebook.

This round of new game systems could, said Pedro Palandrani, analyst for research firm Global X, "be the final chapter of the console era."

Sony PlayStation targets living rooms

Sony entered the [video game market](#) with a different strategy than

Nintendo and Sega. It wanted to take over the living room.

Ironically, Sony had sought a deal with Nintendo to create a new Super Nintendo with a CD drive that would play games and music discs. When Nintendo spurned Sony, the electronics company opted to go it alone.

Ken Kutaragi, known as the father of the PlayStation, wanted to take video games from "a flat 2-D environment" into "360-degree 'space'," he told U.S. TODAY in 2015. That goal to "develop and adopt state-of-the-art technology that is forward-looking for a gaming console" was meant to change the image of video games from that of toys to high-end entertainment.

The first PlayStation would play CDs, the PS2 played DVDs and the PlayStation 3, launched in 2006, played all of those discs and new high resolution movies on Blu-ray Discs, a format developed by Sony along with other electronics companies including Panasonic, Pioneer, LG, and Samsung.

"Sony, given its background in consumer electronics and physical media distribution, was able to position the console as a DVD player early on, and a Blu-Ray player as well," said P. J. McNealy, analyst and consultant at Digital World Research.

And Sony differed from Nintendo, which focused on its own games such as "Super Mario World" and "The Legend of Zelda: A Link to the Past." Instead, Sony sought out third-party game developers such as Namco and Konami to make games such as "Ridge Racer" and "Metal Gear Solid" for PlayStations.

The Psycho Mantis boss battle and mind-reading scene from "Metal Gear Solid" is "one of the defining game design moments in history," said Gordon Bellamy, a visiting scholar in the USC Games program who

teaches a course on the PlayStation 4. He is also the past executive director of the International Game Developers Association and currently on the board of directors of the virtual entertainment company Wave.

The Metal Gear games and the Grand Theft Auto series, which gained a following on PlayStation, continued "to redefine the boundaries of the art form," Bellamy said.

"Sony was able to marshal the support of third parties who made PC games (and to some extent, arcade games) and bring them into consumers' homes," said Michael Pachter, analyst with Wedbush Securities. "That was a big deal."

Eventually, Sony's own studios created hit franchises such as God of War, Gran Turismo and Uncharted. "That is a distinct advantage and has helped drive Sony's dominant lead over Xbox in units sold over the past two cycles," McNealy said.

The success of the PlayStation brand shifted the balance of [video game](#) power, interrupting Nintendo's dominance, speeding Sega's exit from the console business and spurring Microsoft to join the game.

Microsoft Xbox and its 'Halo'

In the Nineties, Microsoft had a strong PC gaming studio with hits such as "Age of Empires" and "Flight Simulator." But the company's hardware division wanted to make it easier for consumers to play PC-quality games and connect with each other. With co-founder Bill Gates' approval, work on what would become the Xbox began in 1998.

"I think Microsoft had a fear of missing out," said Dean Takahashi, lead writer for GamesBeat at VentureBeat and author of two books, "Opening the Xbox" and "The Xbox 360 Uncloaked."

"It worried that Sony and the PlayStation 2 were going to take over entertainment in the home, and that would present a threat to Microsoft's stronghold with the PC," Takahashi said. "So it counterattacked with the Xbox. And eventually it became less about playing defense and more about doing the right things for game developers and gamers. I think the latter approach put it on the right road to all kinds of market and financial success."

A key to the success of Xbox, Microsoft's acquisition of the studio Bungie, which was developing what would become the first-person shooting game "Halo: Combat Evolved," a launch title for the original Xbox in November 2001.

The game, which starred a hero known as "Master Chief," would grow into a franchise for subsequent Xbox consoles. "This was the first time the story itself and character and the setting and the music compelled me to continue playing the game," Microsoft's head of Xbox Phil Spencer told U.S. TODAY in 2014. He was part of Microsoft Games Studio when the software giant acquired Bungie. "I think that has always been a strength of the Halo franchise."

Players could connect their Xbox systems together to compete in multiplayer games. Then, in 2002, Microsoft turned on its Xbox Live online service, which let players connect via broadband. Today, Xbox Live, which is required for online multiplayer games, has nearly 100 million subscribers.

"Microsoft had the vision of multiplayer gaming, and fortunately pushed into shooters with Halo as the poster child for multiplayer," Pachter said. "They leveraged their cloud supremacy and made multiplayer work, and that begat 'Call of Duty,' which in turn begat 'Fortnite.' That's a pretty huge contribution."

Microsoft also "discovered and unlocked the untapped talent of Western game developers, who were successful with PC and Mac games but had been left out of the console market," Takahashi said.

With games such as "Gears of War," which would become a hit Xbox franchise, Microsoft like Sony "left the cartoon world of Nintendo behind," he said.

The Xbox sold more than 24 million units. Its successor the Xbox 360, which debuted in 2005, would sell 84 million.

The Xbox 360, which would also play DVDs and music CDs, solidified Microsoft's online presence with a well-designed Xbox Live update in 2008. It was also the first console to let you use Netflix.

"Before everyone had Apple TVs and Chromecasts, and before TVs came with Wi-Fi and an app store—we had our consoles," said Morgan Webb, who works in community and culture for Bonfire Studios and is a former co-host and producer of the long-running X-Play series on G4.

Video game consoles "played games, but they also showed us a little bit of the future," she said. "You didn't have to buy anything new to get Netflix, and YouTube on your TV. I always appreciated when they would add new, free features. It was dramatized that they were battling for control of the living room, but they were also bringing a lot of features and content to something I already owned. It's hard to get mad at that."

Video games continue online migration

Sony and Microsoft offered games you could buy and download without needing to go to a retailer. "Each created the concept of a "store", and because each had to develop capacity for digital downloads, they created

an opportunity for independent developers to be discovered," Pachter said.

Beyond that, "the PlayStation Store demystified digital distribution for a generation of [game](#) players," Bellamy said.

Sony began offering its PlayStation Plus subscription in 2010, with discounts on new games, free trials and access to online gaming.

Since then, Sony and Microsoft have launched cloud gaming subscriptions—akin to a Netflix for video games—that let you play from a library of games. PlayStation Now, launched in 2014, has more than 2.2 million. Microsoft's Xbox Game Pass has gained more than 15 million subscribers in its three years.

"Microsoft was the first to show the value proposition of an online service in Xbox Live, and now they're ahead of the pack doing it again with its subscription service with Xbox GamePass," McNealy said.

"While there will be plenty of focus on number of console units sold, the battle is shifted to online usage and commerce numbers, and subscriptions will be a big part of it over this console cycle."

For the Xbox One and the new consoles, Microsoft has created an Xbox All Access subscription giving consumers a console, Xbox Live and Xbox Game Pass for a monthly payment over two years—similar to buying a new smartphone—as a way to expand its market.

"Subscriptions will enable new offerings for consumers who might find spending \$300-\$500 on a console challenging given the economic environment," McNealy said.

Beyond video games, some missteps

There's been misses along the way. Both Sony and Microsoft attempted

to match the Nintendo Wii's motion technology with the Kinect and PlayStation Move add-ons. Each had a camera, sensors and microphone to let you get your body and voice into games. But neither truly caught on.

"There were some experiments that didn't work as well, but I loved the spirit of innovation," Webb said. "Remember when we all freaked out that the Kinect was going to sit in our living rooms and listen to everything we said? Now we don't seem to mind, though the Kinect never really lived up to the promise. It was never compelling enough to warrant a complete living room reorg."

Neither company could crack Nintendo's hold on portable gaming with the Zune or PlayStation Portable and PS Vita. These "expensive failures" came from "venturing into things they were bad at," Pachter said.

Sony's PlayStation Network suffered a massive hack in 2011, at the time one of the largest in history. Microsoft had a red ring of death controversy hit its Xbox 360 consoles. The company extended the warranty on the consoles; repair and shipping costs led Microsoft to take a charge of more than \$1 billion to pay for the costs.

More recently, Sony attempted to enter the streaming TV market. Its PlayStation Vue service, launched in 2015, had more than 60 channels for \$40 monthly. But competition from YouTube TV and others led Sony to shut it down in January 2020.

The console wars continue

Sony appears initially poised to maintain its dominance in consoles sold, predicts Piers Harding-Rolls, research director for games at Ampere Analysis.

Sony, he said, "remains in a good position for the new generation," and will likely sell 8.5 million PS5s worldwide by the end of March 2021, he estimates. Microsoft "will be more competitive," selling 6.5 million Xbox Series S/X consoles.

By 2024, PS5 sales are expected to reach 67 million, compared to Xbox Series S/X sales of 44 million, Ampere Analysis forecasts.

The new consoles arrive at a good time with the COVID-19 pandemic keeping many folks at home. Games are one of the few entertainment sectors expected to see growth this year, with forecast compound annual growth rate of 6.4% from now to 2024, according to PricewaterhouseCoopers.

"Video games in the pandemic have continued to flourish," said PwC principal CJ Bangah.

U.S. spending on games in 2020 is expected to hit a new record of \$50 billion, fueled by \$13.4 billion in spending during the holiday season, according to The NPD Group.

Despite the hype of new consoles, NPD's Mat Piscatella expects the Nintendo Switch, which has sold more than 68 million units since its release in 2017, "to continue on its current trajectory as being one of the fastest selling consoles in U.S. history."

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