

THE HISTORY OF VIDEO GAMES AND INTERACTIVE MEDIA

THE AMERICAN VIDEO GAME BOOM AND CRASH

THE VIDEO GAME BOOM

- 1982: Home and arcade video game revenues were \$5,313 million/year.
- Millions of Atari 2600s installed in homes.

“Arcade locations were like Starbucks back then -
literally everywhere.”

– SCOTT MILLER

“The media, in particular, was amazed by players who could actually beat the games. It was this perception of ‘man versus machine’ that made many news stories so intriguing to the public.”

—WALTER DAY

GROWTH FACTORS

VECTOR GRAPHICS

- Vectorbeam developed by Larry Rosenthal in mid-70s.
- Atari turned Rosenthal down.
- Space War (clone of Spacewar!) released by Cinematronics in Oct. 1977.
- 10K Space War cabinets sold.

VECTOR GRAPHICS

- Tim Skelly develops games such as Tailgunner and Warrior.
- At the time vector graphics could produce resolution of 1064x728, while raster was limited to 320x240.

VECTOR GRAPHICS

- Atari catches up with Lunar Lander in 1979.
- Asteroids released in 1979.
- Asteroids is Atari's single biggest hit, and the second-most popular game of 1979, behind Space Invaders.

COLOUR GRAPHICS

- First major colour graphics hit is Galaxian by Namco - a modest improvement on Space Invaders.
- Atari released Missile Command and Tempest shortly after.

DEFENDER

- Developed by Eugene Jarvis.
- Intentionally high-energy and punishing
- 60K units sold, each bringing in on average 2500 quarters per week.

PAC-MAN

- Developed by Toru Iwatani.
- Wanted to make a game that women - and thus couples - would enjoy.
- Became one of the best-selling games, and best-known characters of all time.

ATARI

PAC-MAN

- Atari/Namco 1978
licensing deal gave Atari
exclusive console rights to
Pac-Man.
- Moved 12 million units of
Pac-Man, plus sold many
more Atari 2600.
- Pulled into commanding
lead ahead of Intellivision.

ACTIVISION

- Rebellion at Atari.
- Four developers making \$30K/year each were netting Atari \$60M/year in revenue.
- David Crane, Larry Kaplan, Alan Miller, and Bob Whitehead left to form Activision.

ACTIVISION

- Activision credited designers on the cartridge.
- Atari attempted to sue, courts sided with Activision.
- Many more studios and companies followed suit.

- Warner spent \$75M in advertising Atari in 1982.
 - More than both Coca-Cola and McDonalds spent in the same year on their respective brands.
- Atari sales were 5x that of film and music within Warner.
- 70% of all Warner profits came from Atari.

- Surgeon General Dr. Everett Koop said video games are not constructive during an address in November 1982.
- Conceded there was no scientific evidence to support his view.
- Fuelled the already smouldering fire vs. video games.

THE BUBBLE BURSTS

- Atari earnings call
December 7th, 1982.
- Slashed fourth quarter
earnings from 50% gain to
10% to 15% gain.
- This in spite of the release
of the Atari 5200 and ET.
- Warner's share price
dropped by 30%.

ECONOMICS

- US was coming out of bad recession. Unemployment at 10%
- Bad debt on arcade machines with the rapid growth of the industry.
- VCR released in 1982.

QUALITY

- Challenge/difficulty spiking due to growing player proficiency.
- Shovel-ware diluted pool of quality games.
 - Johnson and Johnson Tooth Protectors
 - Chase the Chuckwagon
 - Custer's Revenge
- Atari 5200 was too little too late.

COMPETITION

- Colecovision packaged with Donkey Kong.
 - First game by the designer Shiguru Miyamoto.
- Home computers were becoming less expensive, and had lots of software.

“Every possible game had been invented and all creativity was exhausted.”

–EUGENE JARVIS

FALLOUT

- Dragon's Lair the single bright spot in 1983.
- Consoles peaked at \$3,200M in 1983, and were \$100M in 1986.
- Atari never recovered