

HIST3801 Lecture 2

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Section 1

Lecture 2: Video games as a business

1.1 History of video game companies

1.1.1 The big 3

These companies take up about $\frac{1}{3}$ of the industry. These companies being:

- Nintendo
- Sony
- Microsoft

1.1.2 Dead companies

Silicon knights was a Canadian company based in St. Catherines. They have effectively been dead for the past decade or so.

- They were reliant on larger companies since they were a smaller studio. They relied on the unreal engine by Epic Games which lead to a lawsuit by silicon knights and subsequently their downfall.
- Silicon knights actually took the unreal engine and modified it and made it their own engine, not paying royalties.

1.1.3 Atari

- Launched in 1977 and was a huge success, specifically the Atari 2600
- Killed off by a market crash in the mid 80s
- The games were pretty bad and were made cheaply

1.1.4 Nintendo

- Founded in 1889 as a toy company, specifically playing cards (hanafuda cards)
- Something called world war 2 happened in the 1930s and 40s. Japan loses after america bombed them twice and america rebuilds japan in their image by investing in their restoration
- Nintendo tried doing everything from catering, more toys, taxi company (killed by labour strike), even love hotels (allegedly)!
- Eventually got into video games in the 80s, commanding 83% market share in NA and 90% in JP

- The NES was relatively dirt cheap at \$100 in 1988 (\$266 in 2024)
- Gunpei Yokoi wanted to make a handheld version of the NES, so he conceived the gameboy shortly after in 1989 (it was \$10 cheaper than the NES) but died in 1997 before the full success of his invention was realized
- Gameboy games were dirt cheap at \$20 unlike NES games which were around \$60 at the time

1.1.5 Sega

- Founded in Hawaii as an american company but moved to japan, merging with competitor Rosen Enterprise
- Marketed as an entertainment and gambling platform for soldiers in the US army
- US states begin cracking down on gambling which is why they moved to japan, where a lot of american soldiers are residing.
- Renamed themselves to "Service and Games" aka SEGA
- First console launched in 1983 but got destroyed by Nintendo's NES
- Sega needed market share elsewhere, so they expanded to EU and SA, becoming successful enough to expand back into the US with the Genesis

1.1.6 Sony

- Founded by Akio Morita and Masaru Ibuka in 1946 as a music player and TV company
- Name derived from the latin word "sonus" which means sonic and sound, and "sonny" which was a slang word for boy in the US
- Got into video games in the early to mid 90s with the rise of CD technologies rather than cartridges along with primitive 3D graphics
- The first playstation was announced in 1991, releasing in 1994 in japan, and september 1995 in NA. It was around \$300 which was competitive at the time and the main gimmick was 3D games
- They don't really compete with nintendo because of the N64 (neither does the dreamcast OMEGALUL)

1.1.7 Microsoft

Most companies discussed so far are predominantly japanese. However

- Microsoft released the original xbox in november of 2001 which was also \$300. They spent around \$500 million on the launch campaign.
- Because Microsoft is a computer company, the xbox was just a computer that looked like a console, so manufacturing it was expensive and was being sold at a market loss
- Microsoft mostly focused on sports games, shooters, M-rated titles, etc. and appealed to an older audience
- The xbox was very successful in NA

1.2 Canada's game industry

- Canada ranks 3rd in the number of employees working in the game industry
- 75% of all game companies in canada are canadian owned, but only 17% of all employment in said industry are in canadian owned companies. This is due to multinational companies like ubisoft.

1.3 The business model