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Video Games Are Enjoying A Resurgence in Popularity ; Industry Revives With Better Graphics And New Enthusiasts

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Like a swarm of Space Invaders zooming into battle from a forgotten galaxy, the home video game industry suddenly has come back to life -- just two years after it appeared to have been zapped out of existence.

Led by Nintendo of America Inc., an aggressive Japanese company that has come from nowhere to grab three-quarters of the U.S. video game market, the industry is heading for an expected \$ 825 million in U.S. sales this year, and some optimists think a \$ 2 billion year is just around the corner.

That could put the industry within striking distance of the \$ 3 billion it took in in 1982, before the bottom dropped out and sales of video games and equipment plummeted to \$ 100 million in 1985.

Video games are expected to be a big-ticket Christmas item this year, at prices of between \$ 100 and \$ 150 for the video game consoles and \$ 20 to \$ 40 for the game cartridges themselves.

At the recent Consumer Electronics Show in Chicago, the booths sponsored by video game makers were hot spots, as dozens of people crowded around banks of television screens to play the latest games -- many of which are light years removed from the simple Space Invaders and Pac-Man games of a few years ago.

"It's kind of been, as we say, the best-kept secret out there," said Ron Judy, vice president for marketing at Nintendo. "People wouldn't believe that video games had come back."

"The category never really died; the enthusiasm went away," said Robert Harris, vice president of marketing and advertising at Sega of America Inc., another company riding the new video game boom.

Industry executives say the revival is being fueled by improvements in technology that make more complicated and interesting home video games possible, high-quality graphics and animation, a new wave of children -- and adults -- interested in playing video games on their television sets.

There is also more controlled growth in the industry, which basically consists of only three companies, rather than the dozens that jumped in during the first video game boom in the early 1980s.

In addition to Nintendo and Sega, the other major player is none other than Atari Corp., which ignited the first video game boom and rode it to \$ 2 billion in annual sales before "They [skeptical retailers] said: "The only reason I'm sitting in this chair is because the guy before me was fired."

-- Nintendo executive

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thudding to earth with the rest of the industry.

Under new ownership, Atari had been concentrating on building a name for itself as a computer company -- only to find its old business reviving. Now the company expects one-third of its revenue this year to come from video games, and Augie Liguori, the company's vice president for operations, said, with some amazement, "We find ourselves in the United States looking at a very strong video game industry."

Anyone familiar with the slow-moving stick figures of the first generation of video games would be astounded by what the new games can do.

Graphics are crisp, clear and fast-moving, closely resembling those found on coin-operated arcade video games. Nintendo, for instance, has an auto-racing game in which a player drives at high speeds through richly detailed scenes from the desert, San Francisco and ancient Greece, all the while dodging other cars and road hazards.

Atari has managed to squeeze a detailed version of Flight Simulator, long a popular computer game, onto a game cartridge -- including graphics of the areas over which a player is flying.

Other games incorporate fantasy role-playing features and other tricks, making them hard for even the most experienced game player to beat quickly -- a frequent complaint about the older games.

And these games are controlled by more than the tacky joystick of yore. Gunlike wands, which use light pulses to control the action on the screen, now are standard equipment, and Nintendo has introduced an advanced version of the joystick, festooned with additional controls -- including a button that allows players to put a game into slow-motion, to give them a fighting chance.

Nintendo, which is credited with single-handedly reviving the industry, is the biggest winner in this resurgence. The company expects to sell \$ 650 million worth of video game equipment in the United States this year, paralleling its success in Japan, where it controls more than 90 percent of the home video game market.

Nintendo is a 98-year-old toy company that got into home video games too late for the first boom. But as the U.S. industry was collapsing in 1983, Nintendo was introducing the first home video games to the Japanese market, where they were hugely successful. Based on that experience and its success in the United States selling coin-operated video arcade games -- an industry that slumped but didn't die along with home games -- Nintendo entered the U.S. market two years ago.

At that time there wasn't much of a U.S. home video game market to enter. Consumers appeared bored with shooting spaceships out of the sky or chasing cartoon figures around mazes. Most of the big video game companies had shut down or gotten out of the business, and retailers were shoving excess video game inventory out the door at bargain prices.

"The quality was poor and the quantity was way too high, and the whole deck of cards collapsed," Judy said. Like others in the industry, he says the inability of the original video game companies to develop games that went beyond the basic shoot-'em-up variety played a major part in the demise of the video game market.

"They all started to look the same, they all started to play the same, and they were not challenging," Harris said. "They were not delivering the sophistication of software that the consumer demanded or needed."

"We felt the main reason it collapsed was not that consumers disliked video games, but that they disliked the video games that were being marketed," Judy said. "Nobody was paying attention to the bottom line, which was the consumer."

Nintendo undertook the challenge, using advances in electronics technology to provide players with much better

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graphics and action. Nintendo also threw in some other gimmicks -- such as a "Robotic Operating Buddy," a 10-inch robot whose movements react to the game action.

The company began test marketing the games in the New York area two years ago and had an immediate hit, selling 100,000 games in the last three months of 1985. It put the toy into national distribution last June.

One of the company's biggest problems was to convince retailers, burned badly by the first video game boom and bust, to carry the new generation of games. Nintendo guaranteed to take back any unsold games and mounted an advertising blitz, but Judy said, "Even then, we had a hard time convincing some retailers. They said, 'The only reason I'm sitting in this chair is because the guy before me was fired because of video games.'" However, he said, the rapid sales pace changed a lot of minds.

It also attracted other companies into the market, like Atari and Sega -- which until a year ago made only coin-operated video games.

Although Nintendo dwarfs its competitors, the smaller companies praise Nintendo for opening up the market. "They're doing what we think is corporate advertising for the category," Harris said. "The sales that Nintendo has created . . . are acting as a level of confidence in the industry, not just in Nintendo."

To keep the boom going, the companies are trying to come up with better and better games. All three companies were showing 3-D video games at the Consumer Electronics Show, and there are individual innovations: Sega has licensed the popular board game Monopoly for conversion into a video game, and Nintendo has complex role-playing games that resemble advanced computer games.

"I think the software's the key," Harris said. "That's the big difference from yesteryear."

The companies also are trying to broaden the demographics of their markets to make the games more than just kids' stuff.

Nintendo, which claims a broad demographic spread in the Japanese market, is offering fitness-oriented games for adults, and even is working on a knitting simulation. "We still feel it's family entertainment, so we can't just come out with games that appeal to this hard-core group of males seven to 15 years old," Judy said.

The obvious question is, however, whether the new video game boom will prove as short-lived as the first one. Those in the industry cautiously believe that this time around, video games have staying power.

Nintendo cites consumer-satisfaction surveys that show -- so far, at least -- that the new generation of computer games is not winding up in the toy closet after a few play sessions. Rather, consumers give the games high marks for maintaining interest. "With these kinds of results, we obviously are quite encouraged," Judy said. "There is longevity to it,"

Still, industry officials say the key will be continued innovations in software and carefully planned growth.

"It potentially could have some peaks and valleys, there's no question about it," said Atari's Liguori, speaking from experience. But he added, "I seriously doubt they will be as sharp as those we saw four years ago."

"I think everyone is very aware of the things that happened three or four years ago," he said. "I think everyone -- the retailers and the manufacturers -- is going to make sure that it isn't going to happen again."

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