Who won the **videogame wars** of 1996?

Nintendo 64 comes out fast, but can't catch PlayStation. Saturn hangs on to fight another year

Yamauchi scorns "silly" Sony games

At a Nintendo press conference, Nintendo chief Hiroshi Yamauchi said that Sony's claim to have taken Nintendo's crown "amounts to nothing." He said that "most of [Sony's] software titles are silly and boring." He also claimed that Sony's grabbing of *Dragon Quest* and *Final Fantasy VII* for PlayStation would have "virtually no impact on Nintendo's business."

Of N64's U.S. success he said that "If production had been available we would have sold another million [N64s] in the U.S." He attributed this partially to *Mario 64* and that "American users welcomed how we have practically brought a Disney character to life in a videogame. Japanese gamers," he explained, "like to be alone in their rooms and play depressing games."

Nintendo's Mr. Yamauchi

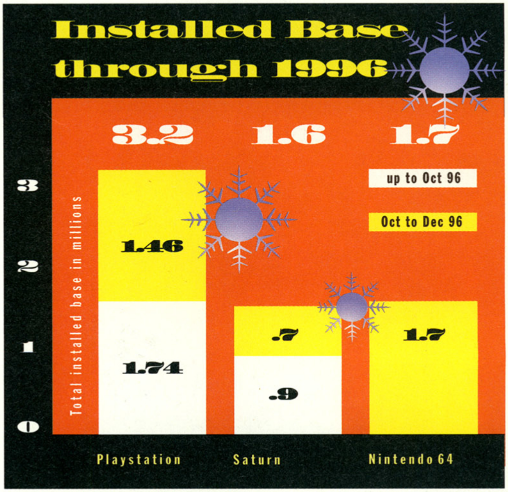
Despite the ups and downs of 1996, the year ended strongly for all three major videogame platforms — and all gamers have reason to be extremely optimistic throughout the rest of 1997.

If there were any real surprises it was that enough interest in the market provided strong sales numbers across the board. As expected, it was Nintendo 64 that — coming fast out of the gate, late in the year — made the biggest splash with games such as *Mario 64* and *Shadows of The Empire*. Gamers flocked to the machine in droves, leading many retailers to compare N64 mania with the "Cabbage Patch Kids" craze of the 1980s.

Sony also managed a strong showing during the holiday season, the result of strong momentum built up over the whole year. With important titles such as *Twisted Metal 2*, *Gameday '97*, and *Tomb Raider* releasing just as the holiday sales were heating up, PlayStation was a lock for success.

Taking a totally different (its competitors would say "desperate") route, Sega found its success in a "Three Free" software give-away. Bundling *Virtua Fighter 2*, *Virtua Cop*, and *Daytona* with each new system, Saturn suddenly seemed like a very good idea to a lot of people.

Contrary to Nintendo's claim at system launch, the holiday season supply of N64s was not limited to a meager 500,000. The extra available units, at least in part due to underwhelming sales in Japan and an alleged ramping up of production output, resulted in an impressive North American installed base of 1.7 million (6 million



worldwide) by the end of 1996. The excess units available in the U.S. certainly paid off for Nintendo as shortages were prevalent throughout the country. Nintendo suggests that Nintendo 64 installed base could have reached 2.5 million had it had enough machines to meet the demand. By Christmas Day, N64s were advertised in newspaper classifieds for as much as $800, and software of any kind was difficult to come across. Even titles such as the ill-received *Cruis'n USA* and *Mortal Kombat Trilogy* managed impressive sales numbers as gift-buying parents and new system owners rushed to get the maximum N64 experience.

"It went beyond any of our expectations. We just couldn't have anticipated that we would need so

Many retailers compared Nintendo 64 mania to the "Cabbage Patch Kid" craze of the 1980s

Sega managed to struggle back from the dead with their successful "Three Free" promotion (above). Working with a $50 million budget, Crash Bandicoot made nightly appearances in American homes (left)

many systems," proclaims Perrin Kaplan of Nintendo. Also selling extremely well for Nintendo were the various colored controllers even in the absence of any good multiplayer games. More surprising still were the impressive sales of the memory pack cartridges despite the lack of available games to take advantage of the $19.99 units. In all, if it was branded N64, it sold extremely well.

But despite Nintendo's obvious success, Sony still has to be credited with hanging on to the number-one spot as the industry went into 1997. Sony had the most to lose as Nintendo 64 arrived, and yet PlayStation has managed to further establish its position as market leader. According to Vice President of Marketing, Andrew House, "We were the only company that really did not only a great job of getting game systems into people's hands but of delivering great games as well in a large variety of genres."

With a North American installed base of 3.2 million (10 million worldwide), Sony is the undeniable market leader in the next-generation race, and the holiday season of '96 marked the beginning of its run at mass market success with a software to hardware sales ratio of 5 to 1. In December alone, Sony sold over 1 million PlayStations and 3.5 million games, earning the company — for this brief period — more than $12 million a day. PlayStation can't yet match the success of the 16-bit era (at 16-bit's peak there were around 30 million Super NES and Genesis consoles in the U.S.) but PlayStation's success in '96 certainly points to a healthy long-term potential. "Our goals for '96 were relatively high," admits House, "but we far exceeded our own expectations." If there is a system properly poised to break things wide open in '97, it's PlayStation.

If any one company had to perform well in the '96 race for survival's sake, it was Sega. With the success of its "Three Free" software promotion, it seems to have struggled past the critical do-or-die point. According to Sega, more than 500,000 Saturns were sold in December alone — an amazing feat for a system that, although strong, is many gamers' third choice. Boasting a North American installed base of 1.6 million (7 million worldwide), Sega is far off the pace it set with Genesis, but, at least for the moment, maintains a second-place position in the worldwide market behind PlayStation. Speaking of the next-generation race in 1996, Dan Stevens of Sega suggests, "It's difficult to say that anyone ever actually won anything in this market, but Sega gained the most ground." With first-party titles such as *Nights* and *Sonic 3D Blast* both doing well, and third-party mega-hits like *Tomb Raider* offering support, Saturn was

All three videogame systems sold like hot cakes at the end of '96

able to create enough of a scene to keep it from being written off entirely. Sega now finds itself in a position where it's still not out of danger, but with an exceptional '97, it could make things interesting again. Certainly the 2.8 million units of third-party Saturn software sold in '96 was key to the health of the machine and continued third-party success in '97 could play an important role in its future.

Not the incentive to buy Saturn Sega was hoping for, NetLink sold to less than 1% of Saturn owners in 1996

If there was one true indication of the beginning of the holiday buying season, it was the arrival of the television ad campaigns. The buzz around N64 and limited supplies of the machine already failing to meet the overwhelming demand enabled Nintendo to take advantage of their circumstances by practically opting out of the always amusing advertising wars.

With Sega and Sony popping up in one commercial break after another, the airwaves were conspicuously free of Nintendo's presence. Beyond the launch campaign, one commercial for *WaveRace 64* and a "talking Game Boy" ad in the late Fall, Nintendo never even bothered to launch a holiday-specific campaign.

Advertising strategies of Sega and Sony were in stark contrast to that of Nintendo. Leading the way in overall exposure was Sega with a $50 million campaign promoting its "Three Free" promotion, key titles such as *Fighting Vipers* and *Sonic*, and the NetLink. Although few people bought into the promise of the NetLink (less than 1% of Saturn owners bought one), the promise of three free games brought consumers running. Consequently, Sega's lineup of new titles enjoyed a share of success as well. According to Sega, in fact, Saturn software sales were up over 175% in '96. With last year's advertising focus centered squarely on three key software titles (*VF2*, *Virtua Cop*, and *Sega Rally*), this year was a broader show of support for the system itself. And with what many argue was a less spectacular software lineup than that of last year, Sega's focus on the strength of

If any one company had to perform well in the '96 race for survival's sake, it was Sega. Now it seems to have struggled past the "do or die" point

With titles like *Final Fantasy VII* due to release in '97, Sony is set to enjoy even more success in 1997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When supplies started running out, the black market price for N64s went through the roof

the system in general seemed to be the right approach.

Sony, on the other hand, chose to focus its advertising efforts on a combination of key software titles. To kick things off, the holiday season started with support of hits such as *Game Day '97* and *Crash Bandicoot* (over 1,000,000 units sold worldwide) and then branched out into support for lesser known names such as *Jet Moto*, *Tobal No. 1*, and *Face Off '97*. With a total of $50 million devoted to PlayStation's marketing campaign from E3 to Christmas, Sony was able to keep the MTV generation well aware of these and other important titles.

With a commanding lead in the next-generation market going into the holiday season, Sony knew it was time to sell games — and sell they did with surprising success on titles in every genre. PlayStation is the closest thing the next-generation market has to a mass market product and Sony's focus on software underlines its belief that the hardware itself is already on its way to becoming a true mainstream success story.

In all, the holiday season of '96 won't go down in the record books as the greatest year in videogames, but with the excitement Nintendo brought to the mix, this was definitely one of the most positive years in recent history. After years of flat sales and a general public disinterest, videogames are back, and consumers actually seem to care.

Whether due to keen advertising campaigns, attractive promotions, or — hey, why not? — great games, few people in the industry are crying about '96. And that's good news for gamers too. 1997 looks set to be even bigger.

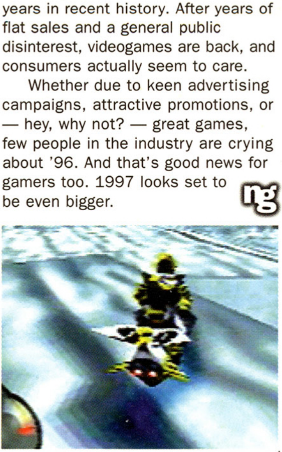
TRST: The numbers you can trust?

The nearest the videogame industry gets to a widely accepted source of sales numbers is TRST (The Toy Retail Survey Tracking system) from NPD Research.

TRST talks to 17 of the major retail chains in North America and asks how many units of each machine they have sold in any particular period. They then send these numbers to whoever is willing to pay for them. TRST does not extrapolate from the findings — and yet is reluctant to let any of its clients release its raw data (otherwise, who else would pay for them?). Hence, by the time TRST figures reach gamers, they have inevitably been processed by the hardware company in question — and include some marketing spin.

Another problem with TRST is that the 17 retail chains it surveys only amount to 63% of the U.S. market. In order to include all the corner stores and family electronics outlets, you have to take the TRST number and multiply it by 1.58 — and this adds more uncertainty. Nintendo, for example, hasn't used many of this "other 37%" of retailers, and yet often gets the benefit of the 1.58 multiplier.

Still, in the absense of any better system, TRST has the numbers to trust.



In '96, Sony made the most of its $50 million advertsing budget by pushing lesser known titles such as *Jet Moto*