

Game makers pause, reload: Are price cuts next?

July 30 2009, By BARBARA ORTUTAY , AP Technology Writer



Nintendo's Wii game consoles are sold at a Yamada Denki electronics shop in Tokyo, Japan, Thursday, July 30, 2009. Japanese video game and console maker Nintendo Co. reported Thursday that its net profit tumbled 60.6 percent in the April-June quarter from last year, hurt by a stronger yen and fewer blockbuster games. (AP Photo/Koji Sasahara)

Kathleen Byrnes and Justin Choi, a married couple attending medical school at Tulane University, say \$40 is just too much to fork over for a Nintendo Wii game they might not enjoy. They haven't bought one since last fall, when they picked up "Star Wars: The Force Unleashed."

Since then? "Nothing really interesting came out," said Byrnes, 23.

Their reluctance helps explain why this is a rough summer for the video game business. More people than ever are playing the games, but it's been a while since a blockbuster title arrived. Consumers are watching

their money more closely in the recession and managing to resist games that can cost as much as \$60.

The trends came into focus Thursday as Sony Corp. and Nintendo Co. each reported console sales are dropping. Sony posted a loss for the April-June quarter, while Nintendo Co. revealed a large drop in its profit.

The Microsoft Corp. division that makes the [Xbox 360](#) said last week it lost money in the last quarter too.

"The health of the industry is terrible," said Wedbush Morgan analyst Michael Pachter.

For gamers, at least, there's some good news: Console prices will probably come down.

Sony's [PlayStation 3](#), the costliest of the bunch, still sells for \$400. Nintendo hasn't lowered the \$250 tag on the Wii since its 2006 launch - an extreme rarity for an industry that relies on regular price cuts to broaden its audience.

Despite the bad earnings results Thursday, Sony and Nintendo both reaffirmed their forecasts for the year. And Pachter thinks each company "has no prayer" of meeting the target without cutting prices to lure buyers. In Nintendo's case, that might mean keeping the Wii at \$250 but throwing in more free games.

At first, it didn't seem the recession would be big trouble for the video game business, which has managed to expand its audience in recent years and become a mainstream form of entertainment. By many estimates, the video game industry is now larger than the music business.

Sony, Nintendo and Microsoft, as well as software publishers like Electronic Arts Inc. and retailers like GameStop Corp., have pitched video games as cheap entertainment. Players can get many more hours in front of a TV screen from a \$60 video game than from a \$25 DVD.

But people squeezed by the economy may not have even that to spend. Many have turned to online games that are cheaper or free. Even loyal, "hardcore" gamers are being more selective instead of lining up to buy every new release, and many are trading used games among themselves.

They're also waiting for bigger, better titles coming later in the year - in the holiday season, when [video game](#) companies often roll out their biggest blockbusters. With many players now expecting something close to movie quality in their games, these titles can take years and tens of millions of dollars to develop.

When the spring of 2008 brought massive hits like "Grand Theft Auto IV" and the exercise game "Wii Fit," that was an exception. "Grand Theft Auto IV" raked in more than \$500 million in its first week in stores.

Last year's big spring would have made for tough comparisons this year even in normal circumstances. But by industry standards, the first half of 2009 has been unusually slow when it comes to top-flight game launches. Combine that with the recession, and you get one chilly summer.

Ben Nielsen, a 29-year-old architectural designer in Portland, Ore., usually buys three or four games a year. This year he's gotten only one: "Mirror's Edge" for the Xbox 360. And that's only because it was on sale, at \$30.

He also has a Wii, but for that system, Nielsen said he hasn't seen "anything compelling enough to buy, especially considering the pay cut

we took at my firm earlier this year."

Byrnes and Choi might spring for the \$50 "Wii Sports Resort," a recently launched follow to the "Wii Sports" game that comes with the Wii and buoyed its popularity. "Wii Sports Resort" also comes with an accessory that attaches to the Wii's controller to make it more sensitive.

In general, though, they remain cautious. They own seven games for their [Wii](#), and say they were disappointed with about half of them.

"With that kind of a track record," said Choi, who is 25, "we are not about to take more chances on future titles."

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