

Winning the Game: The Intertwined Histories of PlayStation and Final Fantasy VII

Andrew Park
STS 145: History of Computer Game Design
Prof. Henry Lowood

Perhaps Nintendo owes much of its success to Mario—the cheerful Italian plumber and his brother Luigi have heralded the release of every Nintendo home-console with a groundbreaking game bearing their names. Sega too enlisted a mascot, Sonic the Hedgehog, as its #1 salesman; Sonic’s bad-boy attitude gave Sega personality while distinguishing it as a more mature console than Mario’s Nintendo. Yet the Sony PlayStation attained supremacy of the console market in the mid-1990s without the presence of a definitive mascot. Although game critics may point to Crash Bandicoot (Taves 1) or Lara Croft as PlayStation’s mascot (Poole 8), neither currently adorns Sony’s PlayStation website, a far cry from the open-armed greeting extended by Mario at Nintendo.com. Instead, a game, Final Fantasy VII, came to represent PlayStation as it tipped the scales toward Sony in the console wars. So closely linked are the two that the evolutions of PlayStation and this game that immortalized it provide a window through which both the success and the impact of the PlayStation can be seen.

With 72 million units sold worldwide, PlayStation accounted for nearly 40% of Sony’s profits in 1998. Yet PlayStation’s success has had ramifications that extend far beyond the world of video games—Sony is betting that a next-generation PlayStation will serve as the heart of its integrated home entertainment network. Sony executives envision a world in which Sony digital devices seamlessly fuse Sony’s hardware with content over a lightning-fast network, and PlayStation serves as Sony’s entryway into the homes of millions. In this endeavor Sony is not alone; Microsoft recently released its Xbox console, which, along with Windows XP and MSN, has been dubbed a “pillar” for Microsoft’s digital home. Whether Microsoft or Sony will succeed remains to be seen, but one thing is certain—the PlayStation left a rich legacy and blazed a trail for the home

entertainment revolution of the future. Its own future, however, was not always this bright—the PlayStation project negotiated a decade-long obstacle course filled with impasses, betrayal, and fierce opposition from both other companies and from within Sony itself. It succeeded because of pioneering hardware and games, decisive business deals, and even events that have been dubbed “divine intervention.” The crucial factor, however, was not hardware or software or business agreements—it was a vision. Only by the will of one man, PlayStation architect Ken Kutaragi, was its genesis possible; only through his vision was its evolution complete.

System G: Seed of the PlayStation

In 1984, Ken Kutaragi witnessed a demonstration of System G, a 3-D geometric engine developed by Sony for broadcasting networks. The computer-generated images stunned the young Sony R&D engineer. Kutaragi, who had recently purchased a Nintendo Famicom for his son, realized the potential application of System G to video game technology. It was then that he resolved to combine the technological prowess of Sony with the enchanting realm of video games; he set a goal line ten years in the future and began working to make his vision a reality.

System G planted the seeds for the PlayStation in more ways than one—not only were its 3-D graphical capabilities utilized by PlayStation, but System G’s development itself provided a paradigm of technological excellence for PlayStation to follow. Like PlayStation, System G was a groundbreaking technology built from scratch by relative amateurs. Akira Okamoto, one of System G’s developers, explains, “We were able to design System G freely, without being restricted by the conventions of computing at the time. Even if others told us that we were trying to do the impossible, we kept going”

(Asakura 150). The result was a novel architecture unparalleled by other companies' systems. Kutaragi approached PlayStation's development with a similar disregard for what others deemed impossible, and he demanded the same simplicity and intelligence inherent in System G for the rest of the PlayStation. This foundation on sound technology facilitated the transition of System G from broadcasting to video gaming; it enabled PlayStation to evolve throughout its development with the flow of technological advances. Thus Kutaragi coupled his dream to the untapped potential he saw in System G—the power of PlayStation was the power of System G (Asakura 148).

Et tu...

Internal opposition staunchly blocked Kutaragi's efforts to lead Sony's foray into the video game console business; according to Kutaragi, "I was convinced that the game machine would become the main home-use entertainment player in the future. But nobody in Sony agreed with me...They thought it would take too long to start a new business from scratch" (Asakura 28-29). Accordingly, Kutaragi determined that an intermediate project with video game powerhouse Nintendo would foster support for his vision, and in 1989 Kutaragi convinced both Sony president Norio Ohga and Nintendo president Hiroshi Yamauchi to pursue a joint venture. Sony was to utilize its CD-ROM expertise to produce the internal CD-ROM drive for Nintendo's Super Famicom. As explained by David Sheff, author of Game Over, "It was an extraordinary alliance; two Japanese companies, giants in their respective industries, were joining forces" (Sheff 378). Yet less than two years later the contract with Ohga's and Yamauchi's names lay in tatters, the victim of betrayals by Nintendo and from within Sony itself.

Just one day after the official unveiling of Sony's CD-ROM compatible Famicom, Nintendo announced that it would instead ally with Philips, a move that humiliated Kutaragi's team and jeopardized his PlayStation dream. Nintendo realized the partnership with Sony would erase Nintendo's presence in the future—Sony had secured the rights and profits from CD-based games and effectively challenged Nintendo's supremacy through its own machine. “[It] was seen as a disaster, one that contradicted Nintendo's cardinal tenet of giving nothing away. Nintendo, which had predicated its business on complete control of its game software, had granted Sony the right to control (and profit from) all CD-based software...Nintendo was left to twist in the wind” (Sheff 379). Nintendo, aided by a vaguely drawn contract, found enough loopholes to legally abandon its partnership with Sony; by turning to Philips, Nintendo's Yamauchi secured the CD technology he sought while standing up to Sony.

Additionally, at the time Sony was pursuing two CD formats, CD-ROM in the game machine and Interactive-CD (CD/I) in conjunction with Philips. CD/I was targeted for home-use, in direct conflict with Kutaragi's PlayStation project, and Sony's CD/I team resolved to crush its main competition. According to Asakura, “[Although] Sony's CD/I staff had detected Nintendo's intentions, they had not said a word to Kutaragi and his team. There was a clear struggle for supremacy between competing digital media within Sony” (Asakura 27). With the Nintendo venture in shambles, Kutaragi presented to Ohga his secret work in adapting System G technology for video games. Angered by Nintendo's betrayal but aware of internal resistance, Ohga separated Kutaragi's team from the internal opposition at Sony headquarters and fully committed Sony to the development of a proprietary gaming machine. In fact, although Sony posted operating

losses from 1992 to 1994, Kutaragi's team received free rein during that crucial developmental period—the result was PlayStation, the most technologically advanced 3-D console produced at the time. The hardware had survived betrayal, internal sabotage, and resistance from all sides to emerge as Kutaragi had envisioned it years before. The software, however, held the key to PlayStation's place in history.

Winning the Game

The success of PlayStation cannot be pinned on one factor—Sony Chairman Ohga himself attributes the success to numerous sources. In his own words, “One of the main factors that led to the success of PlayStation was the design of the main unit and controller...[the] capital structure was another reason for the success” (Asakura 171, 184). Additionally, Sony's brilliant advertising campaigns, revolutionary distribution system, and reorganization of Sony of America undoubtedly contributed to Sony's victory in the console wars. However, perhaps the most visible source of success was the contribution of major software developers and enthralling games. Shigeo Murayama, vice chairman of Sony Computer Entertainment Inc. and strong Kutaragi ally, put it best when he said: “Looking back, the video-game market was like an Othello game. In Othello, however well you may be doing you will lose everything at the end unless you capture the corners” (Asakura 74). Sony captured its first corner before the PlayStation's release with Namco, then took another with Square two years later, and a third with Enix Corporation, all video game developers. Namco's Ridge Racer helped move the very first wave of PlayStations off store shelves and Enix's Dragon Quest VII was the deciding factor of Sony's victory in Japan, but Square's Final Fantasy VII gave Sony the edge in PlayStation's fierce global battle with the Sega Saturn and Nintendo 64. Final Fantasy

VII blew away audiences upon its release in 1997; it was one of the first games to fully utilize the capabilities of the PlayStation, an epic milestone that resulted from the largest production effort ever seen in console gaming. Yet it was not only the aesthetic appeal of the game that determined the victor in next-generation consoles—the politics behind the creation of Final Fantasy VII played an equally significant role.

Square and Nintendo maintained an exclusive relationship from the days of the 8-bit NES. The first Final Fantasy cemented the steadfast partnership that withstood Nintendo's 16-bit console war with Sega. However, in 1997, Square rejected Nintendo in favor of an exclusive partnership with Sony. Square's official reason was the limitations of Nintendo's cartridge-based system—in 1994, the cost of manufacturing an 8-megabyte cartridge was \$20 while it cost less than \$2 to produce a 640-megabyte CD, and game designers felt stifled by the cartridge's inferior storage capacity. Nintendo claimed that cartridges were better due to much faster loading times, but critics accused Nintendo of using cartridges to make piracy more difficult and to maintain complete control of game development. Once Nintendo announced that it would employ cartridge technology for the N64, its next-generation console, Square abandoned Nintendo in favor of Sony.

Hironobu Sakaguchi, creator of the Final Fantasy series, explained that Sony's CD-ROM technology allowed for more artistic freedom. However, the absolute finality of Square's separation from Nintendo suggested that more contributed to the split than just the inferior storage capacity of cartridges. Even after Nintendo reestablished relations with Namco in 1999, Nintendo president Hiroshi Yamauchi refused to entertain the notion of working with Square again. Regarding the issue of possible Square games for Nintendo's

upcoming console, then known as project “Dolphin,” Nintendo of America president Minoru Arakawa stated, “I do not think it is yet time for Square Soft” (Kent 542).

Perhaps Nintendo meddled too much in Square’s affairs; throughout its history, Nintendo created for itself a reputation as an extremely invasive presence in the game development process. Before the release of the Nintendo Entertainment System (NES), Yamauchi determined that a flooded market of mediocre games had led to Atari’s downfall. Arakawa explained, “We were very concerned about the quality of games. If we didn’t come up with good quality from our associates, we thought that we might go like Atari” (Kent 350). Accordingly, Nintendo instituted stringent review procedures for games made by third-party developers—the NES contained a security chip that allowed the use of only authorized cartridges. Thus Nintendo retained the absolute authority over not only game content but also production quantities from the time of the NES.

Nintendo flexed its authoritative muscle often. For example, Nintendo unsuccessfully attempted to force prospective N64 developers to make games for the Virtual Boy, Nintendo’s disastrous, somewhat-3D goggles system. Third-party developers bristled under Nintendo’s weight; even the best were forced to comply with Nintendo’s orders, and Square was no exception. Despite their lucrative relationship, in 1995 Nintendo threatened to sue Square when Square attempted to reduce its game production; also in 1995, Nintendo essentially seized control of Super Mario RPG, a project Square had been working on, citing rushed progress.

Throughout its relationship with Nintendo, Square released simplified, almost “dumbed-down” versions of Final Fantasy in the U.S. market. Not only did Nintendo censor the bad language, but it also removed religious references. Final Fantasy VII was

the first U.S. Final Fantasy that bore no signs of such simplification, and Sony undoubtedly contributed to Final Fantasy VII's success with its hands-off localization process. Given almost complete artistic freedom by Sony, Square created Final Fantasy VII for an older audience, resulting in such reviews as, "Never before have technology, playability, and narrative combined as well as in Final Fantasy VII" (Kasavin).

Exactly why Square and Nintendo parted ways may never be known. Was Nintendo too greedy? Or was Nintendo the victim of Square's greed? The history between Square and Nintendo offers hints, and the icy relations between the two companies indicate that factors other than cartridge space contributed to the split. The result, however, is shrouded by no such uncertainty—Sony and Square attained unprecedented success after the release of Final Fantasy VII for the PlayStation.

The Happy Ending

How Final Fantasy VII figured into PlayStation's success can be understood only in context of the console war among Sony, Sega, and Nintendo. Sega was the first to launch in Japan with Saturn on November 22, 1994; PlayStation shipped less than two weeks later. To assert its domination over newcomer Sony, Sega shipped its second wave of Saturns the day of PlayStation's launch, and, sold side-by-side, Saturn emerged the victor. Upon Saturn's release, Sony engineers disassembled the Saturn and were stunned by the internal complexity—all PlayStation components elegantly fit on a single circuit board, while Saturn contained a web of cables and even required a separate daughterboard for the CD-ROM controller. Realizing that volume production would hurt Sega due to the more difficult manufacturing process, Sony engaged Sega in a price war and both companies reduced their prices by \$100. In March 1995, Namco released the

arcade hit *Tekken* for PlayStation, but sales did not increase; to the contrary, PlayStation sales abruptly ceased. Sony and Namco miscalculated, as the group of gamers that made *Tekken* so popular in arcades had already purchased PlayStation at its launch. By the end of 1995, Sega ruled Japan, and Sony had to regroup to fight for the survival of PlayStation.

The tide began to turn as both Sony and Sega turned their focus to America. Despite the ongoing success of the 16-bit Sega Genesis in the U.S., Sega CEO Hayao Nakayama disregarded the pleas of the Sega of America team and decided to devote all of Sega's resources to Saturn. As related by Michael Latham, former head of Sega of America's Omega team:

[Sega of America CEO Tom Kalinske] knew that the 16-bit business was going to be there...but Japan refused to believe...They would listen to no one and they absolutely bullied the U.S. into launching [Saturn]. It very much compromised their ability to keep the 16-bit business (Kent 508).

What had been so successful for Sega in Japan failed in America, and Sega's Japanese leadership responded by appropriating more and more control of Sega of America.

Although Sony too had disagreements with its American management, unlike Sega it successfully bridged the cultural gap. Sony's U.S. executives objected to everything from the PlayStation's color to its controller; its gray color, they said, was unacceptable to Americans as was the unusually shaped controller. Even the name was deemed too suggestive (of "Playboy"). Other disagreements were more deeply rooted—while Kutaragi's attitude challenged the status quo, U.S. leaders insisted on following their past experiences in the game industry. In particular, U.S. executives insisted on

using Sony's audiovisual distribution network instead of mass-market retailers in addition to giving preferential treatment to certain resellers. Such ideological differences were clearly unacceptable, and Sony's Japanese leadership replaced almost all of the American team. Yet the fundamental difference between Sega and Sony was not the degree of incompetence of the American leadership, but in Sega's inability to understand the American market. Sony capitalized on its accurate grasp of the cultural differences between the U.S. and Japan, and, in doing so, reinvented the synergy of the U.S./Japanese video game business.

Additionally, the price war exacted a large toll on Sega. Without the deep pockets of Sony, absorbing large losses on hardware left Sega in a precarious position, and Sega squandered a 5-month U.S. head start on PlayStation. Sony dropped the price of PlayStation by yet another \$100 in 1996, and the September 1996 U.S. launch of the Nintendo 64 reduced Sega's market share even more. So the U.S. battlefield was drawn between Nintendo and Sony. Nintendo's problem, however, was lack of games—at the same time that the Saturn and PlayStation libraries numbered in the hundreds, Nintendo had released only a handful of games. It was at this critical period for both Sony and Nintendo that Square left Nintendo's side to produce Final Fantasy VII for PlayStation, a game that both directly and indirectly led Sony to victory.

In January 1997, Square released Final Fantasy VII and spurred a 2-month rush on 3.5 million PlayStation units. Although only 6.5 million units total had been shipped before March 1996, Sony projected sales of 7 million PlayStations for the year. But in the next months sales continually missed projections, and warehouses in Japan were overflowing with excess inventory. By June, Sony executives realized the sales spike

cause by Final Fantasy VII had been temporary and halted production of PlayStation units, but their decision was made too late and a massive glut spelled doom.

What happened next has been attributed by some to “divine intervention.” Kutaragi had previously developed the U.S. and European market’s sales and distribution channels, and at the same time that Sony faced massive losses in mid-1996 the overseas markets began screaming for more units. It was then that the millions of extra PlayStations manufactured because of Final Fantasy VII saved Sony, because without sufficient hardware Sony would have fallen far short of demand and lost critical market share. Sony even chartered jumbo jets to accommodate the massive shipments overseas, and PlayStation, which had been in danger of losing on its home turf, attained global domination.

Trojan Horse

In November of 1989, Kutaragi wrote: “PlayStation will be positioned as the future mainstay digital product and a step towards introducing computers into the home...Strategically speaking, the first step is to increase computer penetration” (Asakura 31). It is clear that Kutaragi saw beyond the TV editing and even 3D capabilities for video games when he first encountered System G; instead, he envisioned video game consoles as the “Trojan horses” that would penetrate every family’s living room to become the central node for home entertainment systems of the future. And although the recently released PlayStation 2 is still not quite the hub envisioned by Kutaragi, it doubles as a DVD player, enables online gaming over broadband connections, and is laying the groundwork for the day when a Sony PlayStation will tie together Sony’s multimedia enterprises and digital devices. So far, PlayStation 2 has sold

26 million units since its launch in early 2000 and its games are expected to contribute 57% of Sony's operating profits this fiscal year (Kunii 75)—at this blistering rate PlayStation will undoubtedly lead Sony electronics into the networked future.

Current Sony President Kunitake Ando recently spoke of a changing world in which info tech no longer revolved around the personal computer, a world in which Net-capable gadgets would entertain and connect people everywhere from the family room to the beach. To that end Sony is developing the Home Audio Video Interoperability (HAVi) protocol with consumer electronics giants such as Panasonic, Sharp, and Toshiba. HAVi is a direct challenge to the PC—Sony plans to link a PlayStation successor with HAVi enabled digital audio and video products such as cameras and internet-enabled TVs. Microsoft, producer of the rival Xbox, has responded to HAVi with its own Home Application Programming Interface (HAPi) protocol. If Bill Gates gets his way, home entertainment will revolve around an Xbox. Whether Xbox or PlayStation, it seems that the battlefield over home computing of the future has been chosen—video game consoles.

Beyond

In Kutaragi's own words: "Games are nothing more than the first step, and the goal for the PlayStation is to provide an entire world of computerized home entertainment." Chairman Ohga shares this vision, and adds, "[There] are numerous unknown possibilities...The next-generation PlayStation will soar through the air. It may even soar into space" (Asakura 230). The original PlayStation survived betrayals and fierce opposition from the start to emerge as the dominant console of the mid-1990s. How it managed to accomplish this must be attributed to numerous factors, including the

foresight to pursue 3-D technology, the ability to discern the U.S./Japan cultural difference in terms of both business and game localization, the defection of Square and unanticipated windfall created by Final Fantasy VII, and most importantly the dream of a man. Over 15 years ago Ken Kutaragi envisioned PlayStation as a portal that would make possible the seamless entertainment network of the future. With that in place, Kutaragi, PlayStation, and Sony will succeed in attaining the ultimate goal of Sony since its birth as a radio manufacturer almost 50 years ago—to delight people with a child’s enjoyment, to fill human beings’ minds with curiosity and awe, and to speak to their emotions and dreams. And although there are infinitely many possibilities for the future, there is but one source: PlayStation.

Works Cited

- Asakura, Reiji. Revolutionaries at Sony. New York: McGraw-Hill, 2000.
- Greene, Jay. "Bill Gates in Your Living Room: Can Microsoft Control the Digital Home?" 21 Jan 2002. <http://www.businessweek.com/magazine/content/02_03/b3766095.htm#top>. 20 Feb 2002.
- Kasavin, Greg. "Final Fantasy VII." 28 Sept 1997. <<http://gamespot.com/gamespot/stories/reviews/0,10867,2547583,00.html>>. 20 Jan 2002.
- Kent, Steven L. The Ultimate History of Video Games. Roseville, CA: Prima Publishing, 2001.
- Kunii, Irene M. "Can Sony Regain the Magic?" BusinessWeek. 11 Mar 2002: 72-80.
- Li, Kenneth. "Meet the man behind Sony's PlayStation." 1 Sept 2000. <<http://www.cnn.com/2000/TECH/computing/09/01/meet.ken.kutaragi.idg/>>. 20 Jan 2002.
- McBee, Will and Thore Johnsen. "What is PLAYSTATION?" 10 Dec 1994. <<http://www.classicgaming.com/epr/playstat/psfaq.html>>. 20 Jan 2002.
- Miller, Skyler. "The History of Square." GameSpot. <http://gamespot.com/gamespot/features/video/hist_square/p2_01.html>. 20 Jan 2002.
- Poole, Steven. Trigger Happy. New York: Arcade Publishing, 2000.
- SCEE. "PlayStation History." August 1998. <http://www.absolute-playstation.com/api_faqs/faq20.htm>. 20 Jan 2002.
- Sheff, David. Game Over: Press Start To Continue. Wilton, CT: GamePress, 1999.
- . "Sony Smackage: Test Driving the PlayStation 2." Wired Magazine November 1999. <<http://www.wired.com/wired/archive/7.11/playstation.html>>. 25 Feb 2002.

---. "Sony's Plan for World Recreation." Wired Magazine November 1999. <<http://www.wired.com/wired/archive/7.11/sony.html>>. 25 Feb 2002.

Taves, Scott. "Crash Course." Wired Magazine Dec 1996. <<http://www.wired.com/wired/archive/4.12/streetcred.html>>. 20 Jan 2002.

Vestal, Andrew. "The History of Final Fantasy." GameSpot. <http://www.videogames.com/features/universal/finalfantasy_hs/sec1_7_3.html>. 20 Jan 2002.