

Research

Slump or Generational Change? Into the Near Future of the Videogame Console Sector

The tamer growth of the industry in recent years and what it could mean for the medium as a whole

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It's no secret that the gaming world hasn't quite reached the same heights again after the zenith of market growth the COVID-19 pandemic meant for the videogame industry during 2020.

Amidst cries of alarm concerning the newer Sony and Microsoft consoles betraying expectations way into the later years of their effective lifespans (Both will be starting their 5th year on the market this 2025), certain voices in the sector have raised the alarm about the, until now, unshakeable progress of the medium progressively slowing down in the coming years.

However, are these worries warranted? Is the medium **heading into an economic ravine and doomed to an unprecedented fall, be that a mild one or otherwise?**

Or are we just crossing **through an average generational change, with one or two more bumps in the road** than the last few years of unquestionable bonanza have accustomed us to?

If I were forced to give my opinion as a mere spectator of the medium, I'd say we're **rather leaning towards the latter** at the moment.

Generational Cycles in the Videogame Market

The recent years of continued growth into stardom have lulled those involved in the sector into a false sense of security, forgetting a very crucial insight into the historical developments and traditional course of the console market, ever since its original rise and inception during the 80's: **Generational Cycles.**

Unlike the perennial and ever-evolving PC gaming market, console gaming is entirely bound by its hardware: That is to say, **a gaming system is traditionally sold with the same technical specifications throughout its entire commercial lifespan.** While a PC user could probably update the components of its system as the need arises, video game consoles, as well as the games developed for them, are bound to the same technical restrictions in their release year as in their twilight years.

It wasn't until the appearance of systems such as the New 3DS and the Playstation 4 Pro that newer models of an older system with deliberately stronger capabilities started becoming a common occurrence in the modern video game market; even then, the implementation of their newer capabilities hardly ever went beyond the eventual exclusive (like Xenoblade Chronicles 1 for the New 3DS), mostly focusing on better performance for already existing titles in the lineup due to the, admittedly, very real fear of alienating current users of the older model.

This means that, while **PC gaming** has always been in a **constant race to improve sheer power** and upgrade its hardware all year round, **game consoles eventually become obsolete**, turning over the proverbial baton for the newer kids in the lineup through a **generational change.** The time an older console is kept in the market along with its descendants varies in practice among the big three in the sector: while, for example, Nintendo systems generally take no longer than 2 years to overtake their predecessors as the main hardware of the company, Sony ones have usually co-existed with their successors for much longer periods of time.

Part of the reason behind the more timid figures we saw in the console market during 2024 was, to a certain extent, the inevitable outcome of the **Nintendo Switch's imminent generational takeover;** a game system that took the world by stride ever since its release in 2017. Nintendo's hybrid system managed to accomplish the failed objective of its predecessor the Wii U: appealing to both experienced players and newcomers alike, with a strong catalog of exclusives and third-party games, as well as offering a unique playable experience in the market.

All of these factors brought the system closer than any other console to the behemoths of gaming that were the **PlayStation 2 and the Nintendo DS** in terms of **total sales during its lifespan**.

With all of this in mind, it should come as no surprise that the twilight years of the **third-best seller console in the entire history of gaming** would bring a relative slowdown to the growth of the industry as a whole.

However, there is, admittedly, an odd element in this conundrum that has brought said slow down beyond what we've grown accustomed to in the last couple of generational changes: **PS5 and Xbox Series X/S performing way below expected in these past few years**.

The paradox of ultra high-specs consoles

With both lines crossing the 5-year mark since they came into the global market, the flagships of both Sony and Microsoft were expected to reach even greater heights than their predecessors, especially after witnessing the expansion of the industry during the previous era. **The year 2020 marked one of the all-time peaks** in terms of both global exposure to the medium and the expansion of its customer base, which was only enhanced even further by the COVID-19 Pandemic giving the entire world a reason to try out the new video game systems in the market.

The sudden commercial rise due to said circumstances gave way to a considerable (but not unforeseen) fall during 2021 and 2022, after which, while not expecting the astronomical rise in sales the industry enjoyed during the Pandemic years, investors and companies alike were hoping for a **decent recovery in growth**, by the hand of newer kids in the block easing into their niche in the market.

Back to the year 2025, **both consoles have severely underperformed**, considering the great expectations they were carrying with them. Sony came out in 2024 during an official press release claiming their latest system was entering the last phase of its life cycle (Bear in mind, previous systems had been actively in the market for more than a decade each), while the Xbox Series X shows a severe lag behind its predecessor, the Xbox One, in terms of total sales.

It might seem paradoxical how, with **the popularity of the videogame industry at an all-time high**, we're seeing a more than remarkable downtrend for two of the biggest competitors in the market. Considering the circumstances, one could almost even argue that the whole market is suffering from an irregular commercial slump, rather than the rocky start to a new generation of systems we've grown accustomed to in recent decades. However, the reason behind this downtrend might not be a problem with the videogame industry in and of itself, but with the **business model behind the birth of these two systems** going against some of the most **important pillars behind the success of video game consoles** as a whole.

If we were to take a look at the retail price difference between the main 3 systems in the market now (Nintendo Switch, PS5 and Xbox Series X), it becomes apparent that there is clearly **an odd one out**: While the latest model of Nintendo Switch, the **Switch OLED**, stands at a manageable **\$330 retail price**, the **Pro version of the PS5** would cost the average consumer **\$699**, while the **Xbox Series X** is at a whopping **\$887**. The gap in their price range could be excused as a byproduct of their vastly different specifications (which is more than notable, considering the switch lags behind even their competitor's previous generations in terms of raw power); however, therein lies **one of the main factors behind the lacking numbers** of both systems in these past few years.

Video Game console systems are, first and foremost, a **comfortable alternative for players**. They're closed-off systems, requiring no input nor management from the consumer to operate efficiently and offer an ecosystem for gaming exclusive to that very console. They also act as a cheaper alternative to a gaming PC, which would generally cross into the 1000-dollar range for an optimal setup. However, the systems discussed in this article **well exceed the price range of any other console before their release**, giving rise to a crossing market niche with PC gaming. For the price range of a PS5 or, especially, an Xbox Series X, you can afford a more than serviceable Windows PC set-up, which not only has access to most of the catalog of games present in both consoles, but also offers many more options beyond a simple gaming system to their users.

The Nintendo Switch, while severely underpowered in this day and age, has **earned its spot in the market by offering an alternative**, based entirely on its novel concept and exclusive catalog of in-house and third-party games alike. Its Hybrid Model encompassing both of Nintendo's previous niches (the handheld and home console markets), its emphasis on portability, the ability to play with others with a single system thanks to its joy-con controllers and the aforementioned catalog of exclusive games have done more than enough to differentiate it from any other gaming ecosystem, including PC, and turning into a **complimentary option for gamers already in the search for stronger machines**. PS5 and Xbox Series X, on the other hand, have raised the stakes so high, that they've ended up becoming **competitors to the PC market**; a fight which, due to the reasons explained above, they're certainly not bound to win.

Both Sony and Microsoft have tried to solve this riddle through rather **strong-handed means**, which in turn, has led them to act upon certain strategies that could be seen to **go against their respective consumer bases**.

While it is true that there are models available in both lineups for players looking for a cheaper alternative, they are not without **their respective sacrifices**: both the PS5 digital model and the Xbox Series S lack the ability to **play physical games of any kind**. Taking into account the fact that, in this day and age, consumers with a preference for physical games exist pretty much exclusively within the console gaming sphere, taking such a drastic step as removing the function entirely from their cheaper models is a bold choice, and has, in turn, **alienated many potential players**. Coupled with the fact that the **backward compatibility function for both consoles** leaves much to be desired (with PS5 lacking the option for physical compatibility altogether and the Xbox Series having a limited array of compatible titles), this means that, while marking an incredible step up in terms of sheer power, the services both consoles offer certainly **feel lacking when compared to their predecessors**.

This has only taken a turn for the worse in Sony's case given the recent controversies, involving cross-platform interaction for both their multiplayer and licensed games on other systems, such as the cases of Helldivers 2 and Ghost of Tsushima's PC version.

A problem with the medium, or a problem with the acts upon it?

While it is certainly a fact that the console market growth in recent years has left much to be desired, blaming said slowdown on an inherent obsolescence of the medium and the traditional way of selling games might be jumping the metaphorical gun.

The gaming industry as a whole has **overestimated its reach** on a couple of different fronts. Adding to the points mentioned earlier in the article, we have to consider that the global average Purchasing Power Parity in recent years has not kept up with the rate of inflation for a lot of different countries, some of them being historically prime markets for the sector.

Raising the specs to compete head to head with the latest improvements in PC gaming does not only turn your systems into a direct competition for them, but also raises the cost on the consumer's side to such an extent it **stops being a priority** for a big portion of your customer base, being that videogames are, in essence, **a luxury item**. That does not mean console demand has decreased, but only that **the actual systems do not entirely fit the needs of the market**.

Moreover, as the resounding success of the Switch has proven, consoles have better grounds for competing with the PC market by **offering alternatives to what the Windows, Mac and Linux ecosystems cannot**; be it through different ways to tackle playability, appealing to different demographics, or exclusive, in-house developed titles as the flagship for selling a new system. **Playing to the strengths of the medium, instead of forsaking them, might be the better idea going forward in this ever-evolving market.**

For tailored research or specific consulting services, contact us at info@harringtonblue.co.uk

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