

Market overview

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Nick has seventeen years in the video games industry. For the last seven years, Nick has been running Parker Consulting, a strategic business consultancy which specialises in offering sound business practices and strategic advice through research, planning and forecasting techniques, as well as assistance with online strategies. Nick is also a partner and founder of GameVision, the industry standard in consumer intelligence in Europe.

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After two years of the most dynamic growth in the history of the interactive gaming industry, expectation of further development remains optimistic despite the worsening economic climate.

The jostling for market share between the three consoles will continue this year but fortunes may be reversed for better or worse. Online gaming has helped to proliferate the market to wider audiences and new business models in this sector are becoming widely adopted.

Games software, still reaching new record levels

Games software, the most significant component of the total games market in terms of sales, and the most consistent and revealing measure of the day to day consumer desire for gaming, grew by over 13 per cent by value on a worldwide basis in 2008 to reach record annual sales of €20.6 billion. This compares to a CAGR of 5 per cent over the previous ten years.

For the second year running, Nintendo devices provided the main thrust with sales from the Wii and DS growing in most territories as stock supply of hardware was more consistent than in 2007.

Microsoft lowered the price of the Xbox 360 and increased marketing spend in the last quarter to improve its market share over the Sony PlayStation 3 which had to put its glory on hold for another year as the corporation was forced to prioritise profitability over growth.

Software sales from the Sony PSP on a global basis have proved surprisingly resilient with some markets experiencing double digit growth. This reinforces the evidence that quality titles drive hardware sales, as clearly demonstrated in Japan where one title ensured that the PSP became the top selling handheld device over several months – no mean feat considering its lifecycle and such a formidable rival in the DS.

Pc software still manages to occupy a top three place in games platform rankings on a unit basis and generated €2 billion (10 per cent of global software sales). Pc software sales polarise between new, premium priced releases at one end and budget labels at the other. The momentum of premium priced pc titles is maintained from a number of online massively multiple online games (MMOGS) and new iterations of veteran franchises.

The USA and Europe are similar in size on most platforms except on the Xbox 360, which is most attractive to core gamers in the UK and USA, but not so much on mainland Europe. DS sales declined significantly in Japan in 2008 but the new DSi, launched there in November, sold a robust 1.3 million units. Combined unit sales of the Wii, PS3 and Xbox 360 are expected to remain sturdy in 2009 in the USA and Europe, providing further impetus to margin driving software sales.

Western Europe is now the largest games market in the world with packaged software revenues in excess of €8.5 billion in 2008. Within Europe, the UK leads and is now the second strongest market on a global basis after the USA, having overtaken Japan last year. The UK retailer landscape is changing rapidly with key general chains closing and consolidation among the specialists resulting in fewer players in the high street, while online retailers gain meaningful points in market share.

Online gaming has assisted the spread of gaming to diverse cultures and demographics over the last few years. Although accounting for less than 25 per cent of every dollar spent across the whole leisure software industry, this share could double within five years as more attractive business models proliferate and consoles provide a more relevant alternative platform to the pc for this type of experience.

A changing European culture and economic landscape

The cultural divide in gaming terms, hardcore versus casual can be drawn between the North and the South of Europe. Northern markets such as Scandinavia and the UK play more competitive and irreverent games than the warmer markets in the south which prefer a family experience. The recent economic fortunes of European markets have resulted in diverse sales trends across the continent where some markets have seen a decline on some platforms which are performing better elsewhere.