

About DFC Intelligence's The Business of Video Games Report

The Business of Video Games report consists of two pdf documents 1) a 140-slide presentation created in Microsoft PowerPoint and 2) a 180-page report created in Microsoft Word. These documents each contain very different looks at the game industry but use the same set of underlying data and key assumptions.

As a business overview, this report does not focus heavily on raw numbers and data. Instead it is a more qualitative analysis of the game industry providing context around major historical and anticipated trends. DFC Intelligence provides plenty of industry data and detailed forecasts but it is important that those forecasts do not exist in a vacuum. The data only tells part of the story and this report looks to fill in the story behind the data.

This report is a designed to provide a high-level overview of the general game industry size and how the game industry works across its entire value chain. There is a focus on the role of major industry players from hardware manufacturers to distributors and content developers. A great deal of the focus is on who makes the money when a consumer buys a video game.

The Business of Video Games PowerPoint Summary

- PowerPoint Outline
 - Executive Summary (Slides 3-10): An overview of market size and general segmentation
 - Industry Value Chain (Slides 11-15): This is a high level introduction to the major players in the game space from hardware manufacturers to developers
 - Software Market Size and Segmentation (Slides 16-28): This looks at the key game software segments
 - Publisher/Developer Profiles (Slides 29-54): A look at some major game companies with a focus on financials
 - Indie Development and Publishing (Slides 55-65): Analysis of opportunities for smaller companies
 - Hardware Manufacturer/Distribution (Slides 66-90) : A look at hardware platforms including consoles, PCs, mobile, virtual reality and accessories as well as the role of physical and online distribution
 - Business-to-Business Service Providers (Slides 91-100): A look at market size for services provided to the game industry
 - Advertising and Game Information Products (Slides 101-106): A look at the business around advertising to game consumers, including eSports
 - Consumer Segments (Slides 107-127): An analysis of both types of games and consumer segments
 - Historical Overview and Current Trends (Slides 128-137)

I. Table of Contents

Contents

TABLE OF CONTENTS	5
INDEX OF TABLES	8
I. OVERVIEW.....	10
A. VIDEO GAME MARKET SIZE.....	10
B. SOFTWARE PUBLISHING VALUE CHAIN OVERVIEW	21
II. HISTORY	25
A. OVERVIEW.....	25
B. ARCADE ERA.....	27
C. FIRST HOME ERA AND COLLAPSE.....	28
D. RISE OF NINTENDO.....	30
E. CONSOLE COMPETITION.....	33
F. MULTIMEDIA AND PC GAMES PHASE ONE: RISE AND COLLAPSE.....	39
G. RISE OF SONY	43
H. STEADY RISE OF PC ONLINE GAMES	46
I. GROWTH IN ASIA	48
J. THE MMOG ERA	50
1. <i>Dungeons and Dragons, Text-Based Games and MUDs.....</i>	50
2. <i>The Emergence of High-End Subscription Products</i>	52
3. <i>World of Warcraft and the Global Rise of MMOGs</i>	53
K. THE WII CONSUMER AND RISE OF MICROSOFT	55
L. GROWTH OF SOCIAL AND BROWSER GAMES	60
1. <i>The German Connection.....</i>	62
2. <i>Zynga Uses Facebook to Race Ahead.....</i>	62
M. GROWTH OF MOBILE GAMES	64
N. NEW CONSOLE SYSTEMS AND DECLINE OF NINTENDO	71
O. DIGITAL DISTRIBUTION, INDIE DEVELOPERS, VIRTUAL REALITY & ESports	75
P. 2017 TO 2018: BATTLE ROYALE, NINTENDO SWITCH AND CONTINUED MOBILE EXPLOSION.....	78
III. GAME INDUSTRY FOOD CHAIN AND BUSINESS MODELS	80
A. HIGH-END GAME FOOD CHAIN	81
1. <i>High-End Business Model.....</i>	82
2. <i>Developers</i>	83
3. <i>Publisher.....</i>	84
4. <i>Developer/Publisher</i>	85
5. <i>Straight Developer Publishers.....</i>	86
6. <i>Affiliate Label Developers</i>	86
7. <i>Publisher/Distributors</i>	88
8. <i>Retailer.....</i>	89
9. <i>Online Distribution.....</i>	90

10.	Console Manufacturers.....	90
11.	Content Providers	91
12.	PC Titles: Revenue Breakdown.....	92
13.	92
14.	Console Titles: Revenue Breakdown.....	94
B.	GAMES AS A SERVICE/FREEMIUM/F2P BUSINESS MODEL.....	96
1.	Overview	96
2.	GAS/Freemium Revenue Side Analysis.....	97
	Revenue Model 1: Modest Success Freemium Game /Optional Subscription	101
	Revenue Model 2: Minor Hit Freemium Game /Optional Subscription.....	105
	Revenue Model 3: Slow Build Hit Freemium Game /Optional Subscription.....	108
	Revenue Model 4: Solid Hit Freemium Game/Optional Subscription	111
	Revenue Model 5: Solid Hit Pure Virtual Goods Model	114
	Revenue Model 6: Massive Hit Pure Virtual Goods Model	117
3.	Simplified Freemium Revenue Business Models.....	120
4.	Freemium Cost Side Analysis	125
	Overview	125
	Development Cost.....	125
	Marketing and User Acquisition Cost.....	126
	Client Delivery Costs.....	128
	Payment Methods and Financial Infrastructure Costs	129
	Ongoing Costs.....	130
	Freemium Cost Model	131
C.	SUBSCRIPTION MODELS/STREAMING GAME SERVICES	133
IV.	GAME INDUSTRY MARKET LEADERS	137
A.	OVERVIEW.....	137
B.	MARKET LEADERS IN GAME HARDWARE AND DISTRIBUTION.....	140
	Alphabet Inc/Google.....	141
	Amazon.....	142
	Apple.....	143
	Electronic Arts/Activision Blizzard	144
	Facebook.....	145
	GameFly.....	146
	GameStop.....	147
	Gree/DeNA	148
	Microsoft.....	149
	Nintendo.....	150
	NVIDIA	151
	Razer	152
	Sony	153
	Samsung.....	154
	Tencent.....	155
	Valve.....	156
C.	MARKET LEADERS IN GAME PUBLISHING AND DEVELOPMENT	157
1.	Leading Diversified Game Companies	159
	Activision Blizzard	159
	Electronic Arts	160

Tencent.....	161
2. <i>Leading Premium Game Publishers</i>	162
Japanese Publishers: Capcom/Square Enix/Konami/Sega Sammy.....	162
Take-Two Interactive.....	163
Time Warner.....	163
Ubisoft.....	164
Valve.....	164
ZeniMax Media.....	165
3. <i>Leading Mobile Game Companies</i>	166
Aristocrat.....	166
EA Mobile/Jamdat.....	167
Gameloft.....	168
Glu Mobile.....	169
GungHo.....	170
Kabam.....	171
King Digital Entertainment.....	172
MZ (Machine Zone).....	173
Supercell.....	174
Walt Disney Company.....	175
4. <i>Leading PC Game Companies</i>	176
Big Fish Games.....	176
Bigpoint.....	177
Gameforge.....	178
Goodgame Studios.....	179
National Geographic Animal Jam.....	180
NCSoft.....	181
Netease.....	182
Netmarble/CJ Games.....	183
Nexon.....	184
Riot Games.....	185
Valve.....	186
Wargaming.net.....	187
WildTangent.....	188
Zynga.....	189
V. GAME CONSUMER AND GAME GENRES	190
A. OVERVIEW.....	190
B. GLOBAL GAME CONSUMERS BY REGION.....	191
C. GAME GENRES	193

Index of Tables

Table 1 Global Video Game Software Revenue: Physical versus Digital 2010-2022..... 11

Table 2 Global Game Software Revenue by Major Platform Type: 2010-2022 12

Table 3 Video Game Console Hardware Unit Sales by Generation: 2009-2022..... 13

Table 4 Global Console Video Game Software Physical vs. Digital: 2009-2022 15

Table 5 Worldwide PC Game Revenue by Source: 2014-2022..... 17

Table 6 Worldwide PC Game Revenue by Region: 2014-2022 18

Table 7 Worldwide Console Physical Game Revenue by Region: 2012-2022..... 19

Table 8 Worldwide Gamers by Region..... 20

Table 9 PC Game Digital Distributors..... 23

Table 10 Console Game Digital Distributors..... 23

Table 11 Mobile Game Digital Distributors 24

Table 12 Key Game Industry Sub-Segments 80

Table 13 Traditional Publishing Revenue Split 92

Table 14 Traditional Console Publishing Revenue Splits..... 93

Table 15 Modest Success Scenario for a Freemium Game with Optional Subscription 101

Table 16 Five Year Cumulative Revenue for Modest Success Scenario for a Freemium Game with Optional Subscription 103

Table 17 Minor Hit Scenario for a Freemium Game with an Optional Subscription 105

Table 18 Five Year Cumulative Revenue for Minor Hit Scenario for a Freemium Game with Optional Subscription 106

Table 19 Slow Build Hit Scenario for a Freemium Game with an Optional Subscription 108

Table 20 Five Year Cumulative Revenue for Slow Build Hit Scenario Freemium Game with Optional Subscription 109

Table 21 Solid Hit Scenario for a Freemium Game with an Optional Subscription..... 111

Table 22 Five Year Cumulative Revenue for Solid Hit Scenario Freemium Game with Optional Subscription 112

Table 23 Solid Hit Scenario for a Freemium Game with a Pure Virtual Goods Model 114

Table 24 Five Year Cumulative Revenue for Solid Hit Scenario Freemium with Pure Virtual Goods Model 115

Table 25 Massive Hit Scenario for a Freemium Game with a Pure Virtual Goods Model..... 117

Table 26 Five Year Cumulative Revenue for Massive Hit Scenario Freemium with Pure Virtual Goods Model..... 118

Table 27 Basic Revenue Model at 2% Conversion Rate 121

Table 28 Basic Revenue Model at 5% Conversion Rate 122

Table 29 Basic Revenue Model at 10% Conversion Rate 123

Table 30 Basic Revenue Model at 15% Conversion Rate 124

Table 31 Freemium Game Marketing Funnel..... 127

Table 32 Standard Transaction Fee Comparison between U.S. and Korea 130

Table 33 Client-Based Freemium Customer Acquisition Cost Model 132

Table 34 Client-Based Freemium First-Year Profit/Loss Analysis 132

Table 35 Examples of Online Game Subscription Services Circa 2005..... 135

Table 36 Examples of Game Streaming and Subscription Services 2018 136

Table 37 DFC Intelligence Top 10 Market Leaders in the Video Game Industry: 2018..... 138

Table 38 DFC Intelligence Video Game Market Leader Ranking Metrics 139

Table 39 Global Game Industry Software Market Leaders by Segment 157

Table 40 Worldwide Video Game Consumers by Region..... 191

Table 41 Global Video Game Consumers by Region: 2016-2018.....	192
Table 42 DFC Intelligence Game Type Classification Categories	193
Table 43 Example of Leading Cross Category Games	194
Table 44 Top Games by Category	195

Charts and Tables in PowerPoint

1. Global Video Game Software Revenue by Platform: 2010-2022
2. Video Game Software Market Share by Region: 2017
3. Global Video Game Consumers by Region and Platform: 2018
4. Video Game Hardware Spending
5. Video Game Services Market
6. Game Industry Segmentation
7. Value Chain Analysis: Developer
8. Value Chain Analysis: Publisher
9. Value Chain Analysis: Distributor/Hardware Manufacturer
10. Market Segment Size: 2018 and 2022
11. Market Sub-Segment Growth Potential
12. Console/PC Premium Pay-to-Play: 2017-2022
13. PC Pay-to-Play Online Distribution: 2017-2022
14. Console Pay-to-Play Online Distribution: 2017-2022
15. Mobile Pay-to-Play: 2017-2022
16. Pay to Play versus Games as a Service Revenue: 2015-2022
17. PC Premium Games as a Service: 2017-2022
18. PC Low-End F2P and Pay-to-Play Games: 2017-2022
19. Mobile Freemium/Games as a Service: 2017-2022
20. Console Games as a Service: 2017-2022
21. Electronic Arts Revenue: 1995-2018
22. Electronic Arts Revenue by Type 2018
23. Activision Revenue: 1992-2007
24. Activision Blizzard Revenue and Income: 2009-2017
25. Activision Blizzard Revenue by Source: 2009-2017
26. Take-Two Interactive Revenue: 1997-2018
27. Ubisoft Revenue: 2000-2018
28. Disney Interactive Revenue: 2008-2015
29. Disney Interactive Notable Acquisitions
30. Time Warner Game Revenue: 2012-2017
31. Time Warner Major Acquisitions
32. CD Projekt Revenue and Income: 2009-2017
33. CD Projekt Revenue by Source: 2009-2017
34. Paradox Interactive: Revenue and Income: 2011-2017
35. Video Game Hardware Spending: 2012-2022
36. Major Hardware Platforms: Active Users by Platform: 2018
37. Asian Games as a Service Companies PC vs Mobile Revenue 2014
38. Asian Games as a Service Companies PC vs Mobile Revenue 2017

39. Tencent Mobile Vs PC Game Revenue: 2014-2017
40. Growth in PC and Mobile for Major Asian Game Companies: 2014-2017
41. Worldwide Video Game Console Hardware Unit Sales by Generation: 2000-2017
42. Nintendo Revenue and Income: 1997-2018
43. Microsoft Game Industry Acquisitions
44. Microsoft Entertainment and Devices Division: 2005-2013
45. Microsoft Quarterly Game Revenue: 2017 to 2018
46. Microsoft Active Xbox Live Users: 2017 to 2018
47. Sony Game Industry Acquisitions
48. Sony Game Revenue: 1997-2015
49. Sony Game Division Revenue: 2014-2018
50. Sony Game Revenue by Source: 2014-2018
51. Indie Development Budget
52. Outsourced Production Revenue: 2012-2022
53. Game Engines and Middleware Revenue: 2012-2022
54. Cloud Processing Revenue: 2012-2022
55. Cloud Distribution Revenue: 2012-2022
56. Monetization/Analytics Revenue: 2012-2022
57. Monetization/Analytics Players
58. Outsourced Publishing Services Revenue: 2012-2022
59. eSports Revenue: 2012-2022
60. Events Revenue: 2012-2022
61. Game Information and Media Revenue: 2012-2022
62. Curation and Discovery Revenue: 2012-2022
63. Consumer Segmentation – Categories
64. Consumer Segmentation – “Core” Genre Categories
65. Consumer Segmentation – Genre Blur
66. Action/Driving Hybrid
67. Open World Survival
68. Shared World Shooter
69. MOBAs
70. Battle Royale
71. North America and Europe Games Industry 2001 to 2018
72. North America and Europe Games Industry 2001
73. North America and Europe Games Industry 2018