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MarketLine Industry Profile

# Games Consoles in the United Kingdom

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# EXECUTIVE SUMMARY

## Market value

The United Kingdom games consoles market shrank by 37.8% in 2018 to reach a value of \$402.1 million.

## Market value forecast

In 2023, the United Kingdom games consoles market is forecast to have a value of \$355.5 million, a decrease of 11.6% since 2018.

## Market volume

The United Kingdom games consoles market shrank by 47.5% in 2018 to reach a volume of 1.6 million units.

## Market volume forecast

In 2023, the United Kingdom games consoles market is forecast to have a volume of 1.5 million units, a decrease of 10.6% since 2018.

## Category segmentation

Home entertainment is the largest segment of the games consoles market in the United Kingdom, accounting for 61.5% of the market's total value.

## Geography segmentation

The United Kingdom accounts for 16.4% of the European games consoles market value.

## Market share

Sony is the leading player in the United Kingdom games consoles market, generating a 39.3% share of the market's value.

## Market rivalry

Market players are colossal in scope, although few in number, which mollifies rivalry.

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# MARKET OVERVIEW

## Market definition

The games consoles market consists of the total revenues generated by Nintendo, Microsoft and Sony through the sale of their console platforms including their respective home entertainment consoles, their handheld models and realised in 2017 hybrid models.

A games console has traditionally filled a single role in the entertainment of the user; as of now, most video games consoles might be more accurately described as diversified home entertainment systems with once exceptional features, such as the streaming of movies, becoming more the rule.

Market values are defined using annual average retail prices for each individual market; market volumes are defined as the total amount of units of consoles sold within a trading year.

Market shares are based upon value and consist of all console sales.

Any currency calculations used in the creation of this report have been calculated using constant 2018 annual average exchange rates.

For the purposes of this report, the global market consists of North America, South America, Europe, Asia-Pacific, Middle East, South Africa and Nigeria.

North America consists of Canada, Mexico, and the United States.

South America comprises Argentina, Brazil, Chile, Colombia, and Peru.

Europe comprises Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

Scandinavia comprises Denmark, Finland, Norway, and Sweden.

Asia-Pacific comprises Australia, China, Hong Kong, India, Indonesia, Kazakhstan, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

Middle East comprises Egypt, Israel, Saudi Arabia, and United Arab Emirates.

## Market analysis

The United Kingdom's games console market has shown a strong decline in 2018, despite growth in 2017 due to the releases of the PlayStation 4 Pro, Nintendo Switch and Xbox One X. However, the decline is expected to reduce and stabilize during the forecast period. The volume of units sold in 2018 was 1.6 million.

The UK games consoles market had total revenues of \$402.1m in 2018, representing a compound annual rate of change (CARC) of -23.6% between 2014 and 2018. In comparison, the French and German markets declined with CARCs of -15.6% and -15.5% respectively, over the same period, to reach respective values of \$388.8m and \$365.1m in 2018.

The highly anticipated release of the Nintendo Switch in March 2017, the Xbox One X in November 2017, and the PlayStation 4 Pro in November 2016 were key drivers of the strong growth experienced in 2017. The Nintendo Switch is a hybrid console that is primarily a home entertainment system, but can also be used as a handheld device. This has driven growth in the handheld segment, which has faced a significant threat from mobile gaming in recent years.

Market consumption volumes declined with a CARC of -18.1% between 2014 and 2018, to reach a total of 1.6 million units in 2018. The market's volume is expected to fall to 1.5 million units by the end of 2023, representing a CARC of -2.2% for the 2018-2023 period.

The games console market is effectively a triopoly, as only three manufacturers make a significant impact upon this market. Sony and Nintendo are the two largest players in Europe, with Microsoft holding a smaller share in the market. Price competition between Sony and Microsoft is always strong as competition is rife between the PlayStation and Xbox franchises.

The Home Entertainment segment was the market's most lucrative in 2018, with total revenues of \$247.2m, equivalent to 61.5% of the market's overall value. The Hybrid segment contributed revenues of \$134.3m in 2018, equating to 33.4% of the market's aggregate value.

The console market is extremely cyclical in nature. As such, the market shows a huge growth spurt during releases of new generations of consoles, before naturally displaying a period of gradual decline. Whilst the forecast period anticipates a decline until 2023, the emergence of the next generation of consoles appears to be on the horizon, which will dramatically increase the growth rate and subsequent forecasts.

The performance of the market is forecast to decline further but at a slower pace, with an anticipated CARC of -2.4% for the five-year period 2018 - 2023, which is expected to drive the market to a value of \$355.5m by the end of 2023. Comparatively, the French and German markets will decline with CARCs of -4.9% and -6.8% respectively, over the same period, to reach respective values of \$302.6m and \$256.2m in 2023.

A sharp decline in growth for the games console market occurred in 2018, due to the long cycles between console releases, in contrast to the surge in 2017 due to the release of new models. This led to more gamers buying the newer models in 2017, which will be followed by a subsequent reduction in purchases over the forecast period until another console is released.



# MARKET DATA

## Market value

The United Kingdom games consoles market shrank by 37.8% in 2018 to reach a value of \$402.1 million.

The compound annual rate of change of the market in the period 2014–18 was -23.6%.

**Table 1: United Kingdom games consoles market value: \$ million, 2014–18**

Year	\$ million	£ million	€ million	% Growth
2014	1,182.8	887.3	1,002.6	
2015	882.7	662.2	748.2	(25.4%)
2016	603.7	452.9	511.7	(31.6%)
2017	646.7	485.1	548.2	7.1%
2018	402.1	301.6	340.8	(37.8%)
CAGR: 2014–18				(23.6%)

SOURCE: MARKETLINE

MARKETLINE

**Figure 1: United Kingdom games consoles market value: \$ million, 2014–18**



## Market volume

The United Kingdom games consoles market shrank by 47.5% in 2018 to reach a volume of 1.6 million units.

The compound annual rate of change of the market in the period 2014–18 was -18.1%.

**Table 2: United Kingdom games consoles market volume: million units, 2014–18**

Year	million units	% Growth
2014	3.6	
2015	3.0	(16.9%)
2016	2.5	(18.3%)
2017	3.1	26.0%
2018	1.6	(47.5%)
CAGR: 2014–18		(18.1%)

SOURCE: MARKETLINE

MARKETLINE

**Figure 2: United Kingdom games consoles market volume: million units, 2014–18**



# MARKET SEGMENTATION

## Category segmentation

Home entertainment is the largest segment of the games consoles market in the United Kingdom, accounting for 61.5% of the market's total value.

The Hybrid segment accounts for a further 33.4% of the market.

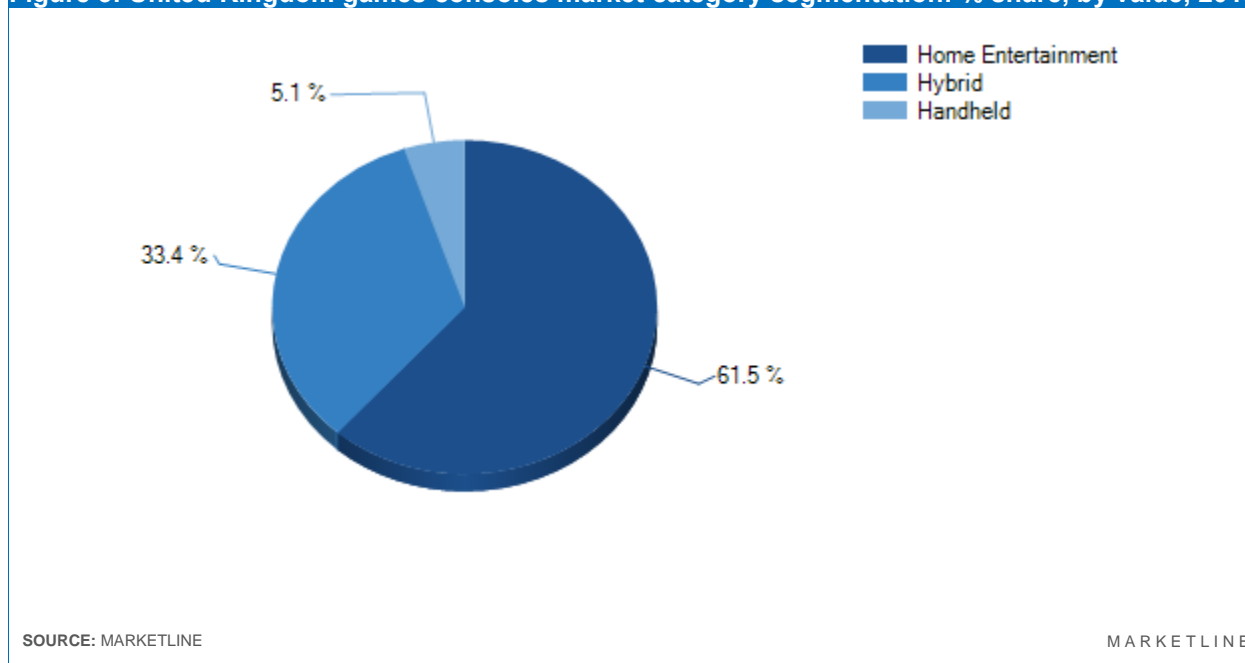
**Table 3: United Kingdom games consoles market category segmentation: \$ million, 2018**

Category	2018	%
Home Entertainment	247.2	61.5%
Hybrid	134.3	33.4%
Handheld	20.6	5.1%
Total	402.1	100%

SOURCE: MARKETLINE

MARKETLINE

**Figure 3: United Kingdom games consoles market category segmentation: % share, by value, 2018**



SOURCE: MARKETLINE

MARKETLINE

## Geography segmentation

The United Kingdom accounts for 16.4% of the European games consoles market value.

The France accounts for a further 15.8% of the European market.

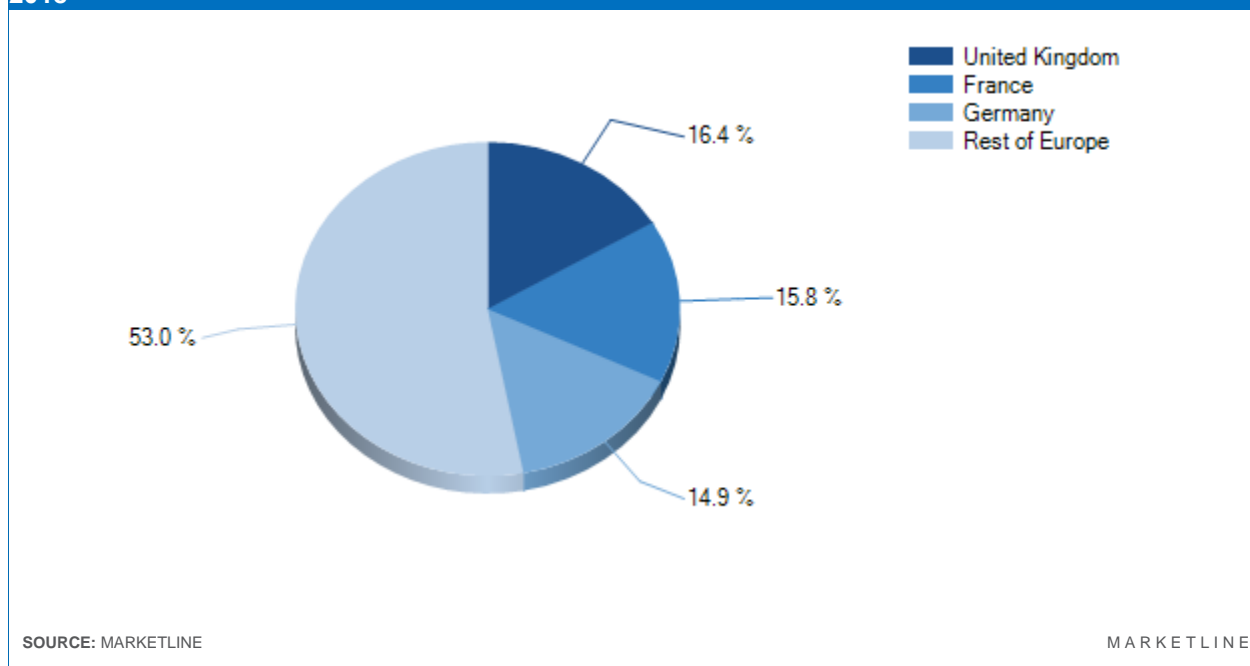
**Table 4: United Kingdom games consoles market geography segmentation: \$ million, 2018**

Geography	2018	%
United Kingdom	402.1	16.4
France	388.8	15.8
Germany	365.1	14.9
Rest of Europe	1,302.2	53.0
Total	2,458.2	100.1%

SOURCE: MARKETLINE

MARKETLINE

**Figure 4: United Kingdom games consoles market geography segmentation: % share, by value, 2018**



# Market share

Sony is the leading player in the United Kingdom games consoles market, generating a 39.3% share of the market's value.

Nintendo accounts for a further 38.4% of the market.

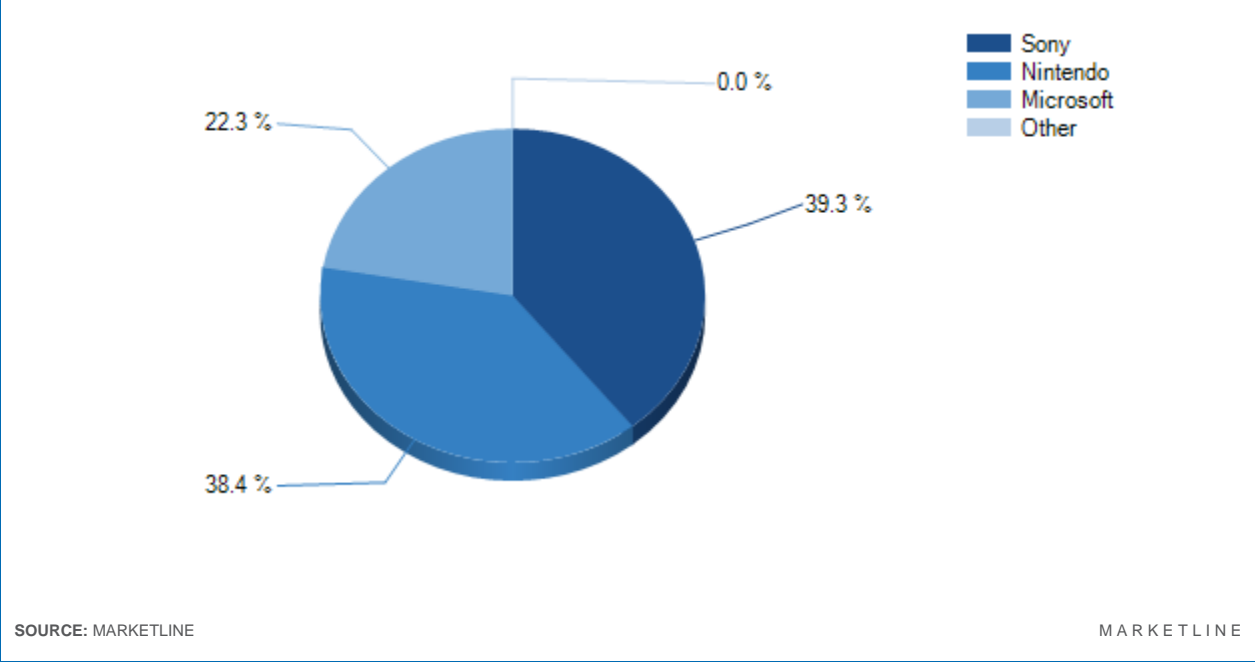
Table 5: United Kingdom games consoles market share: % share, by value, 2018

Company	% Share
Sony	39.3%
Nintendo	38.4%
Microsoft	22.3%
Other	0.0%
Total	100%

SOURCE: MARKETLINE

MARKETLINE

Figure 5: United Kingdom games consoles market share: % share, by value, 2018



# MARKET OUTLOOK

## Market value forecast

In 2023, the United Kingdom games consoles market is forecast to have a value of \$355.5 million, a decrease of 11.6% since 2018.

The compound annual rate of change of the market in the period 2018–23 is predicted to be -2.4%.

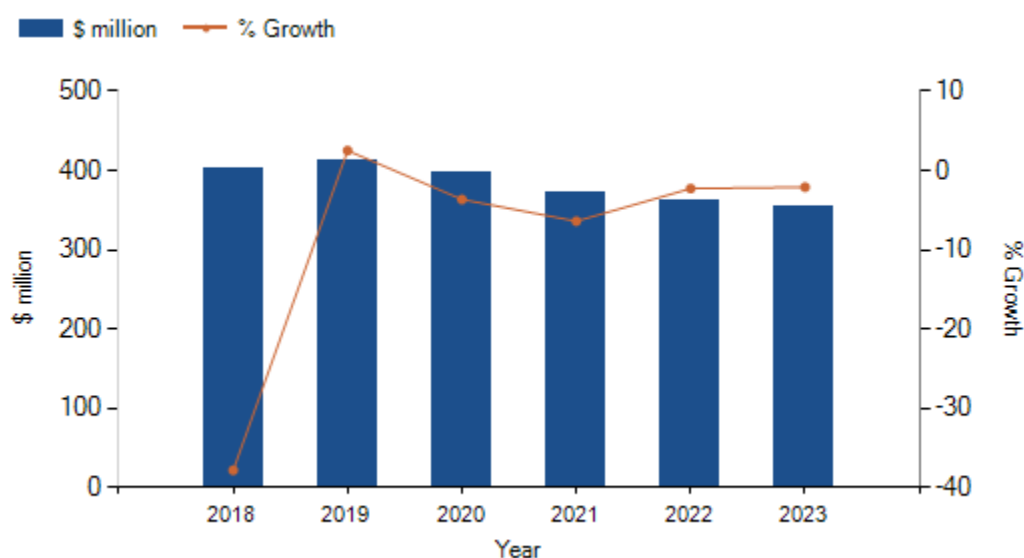
**Table 6: United Kingdom games consoles market value forecast: \$ million, 2018–23**

Year	\$ million	£ million	€ million	% Growth
2018	402.1	301.6	340.8	(37.8%)
2019	412.1	309.1	349.3	2.5%
2020	397.0	297.8	336.5	(3.7%)
2021	371.6	278.8	315.0	(6.4%)
2022	363.1	272.4	307.8	(2.3%)
2023	355.5	266.6	301.3	(2.1%)
CAGR: 2018–23				(2.4%)

SOURCE: MARKETLINE

MARKETLINE

**Figure 6: United Kingdom games consoles market value forecast: \$ million, 2018–23**



SOURCE: MARKETLINE

MARKETLINE

## Market volume forecast

In 2023, the United Kingdom games consoles market is forecast to have a volume of 1.5 million units, a decrease of 10.6% since 2018.

The compound annual rate of change of the market in the period 2018–23 is predicted to be -2.2%.

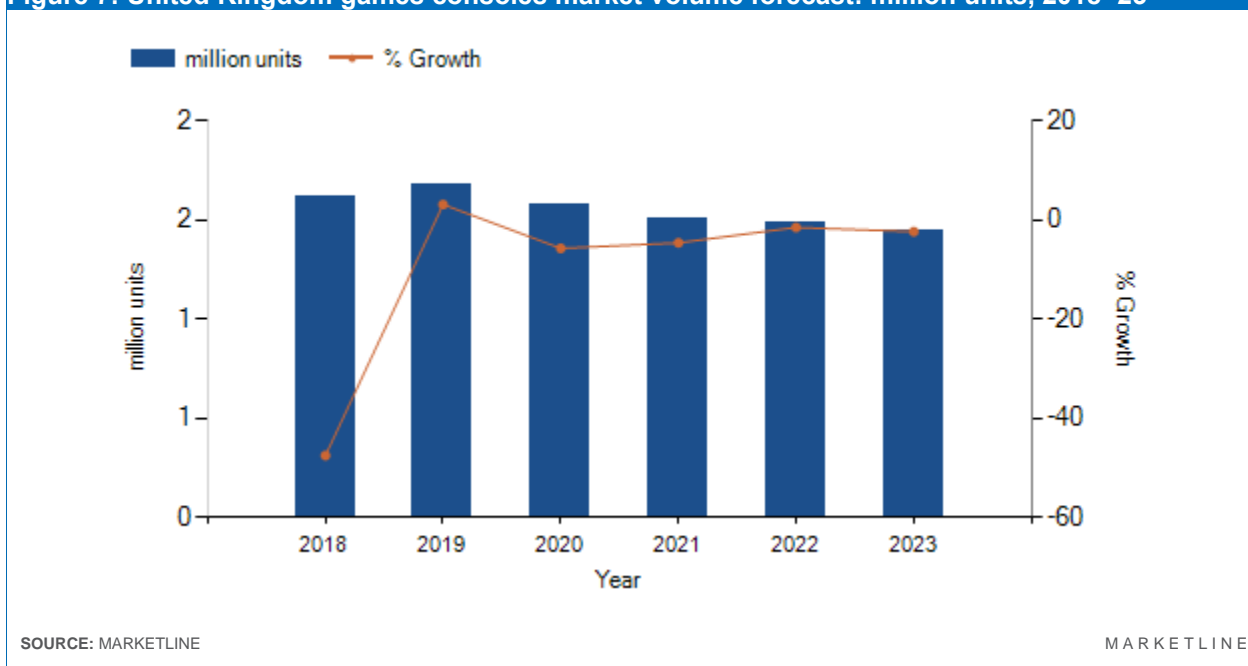
**Table 7: United Kingdom games consoles market volume forecast: million units, 2018–23**

Year	million units	% Growth
2018	1.6	(47.5%)
2019	1.7	3.2%
2020	1.6	(5.7%)
2021	1.5	(4.5%)
2022	1.5	(1.4%)
2023	1.5	(2.3%)
CAGR: 2018–23		(2.2%)

SOURCE: MARKETLINE

MARKETLINE

**Figure 7: United Kingdom games consoles market volume forecast: million units, 2018–23**

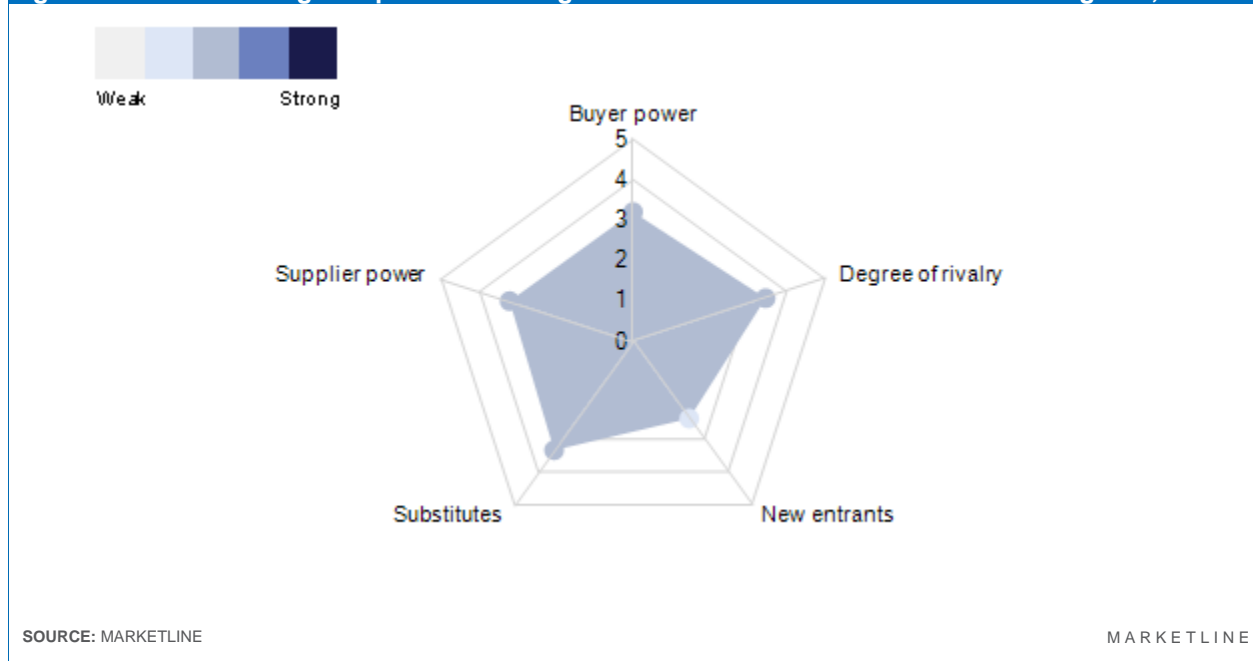


# FIVE FORCES ANALYSIS

The games consoles market will be analyzed taking games consoles manufacturers as players. The key buyers will be taken as retailers or end-user consumers, and providers of electronics input materials such as hard drives and processors as the key suppliers.

## Summary

**Figure 8: Forces driving competition in the games consoles market in the United Kingdom, 2018**



Market players are colossal in scope, although few in number, which mollifies rivalry.

Retailing for games consoles is usually conducted through retailers, but they also can be bought directly by end users. The games console market is extremely cyclical with regards to the release of new games consoles, but also in an economic sense. Typically, buyers of games consoles are extremely loyal to a particular brand and will spend large sums of money in order to obtain the games console of their preference early in the generational cycle. Some legacy generation consoles are still in circulation, but will eventually be phased out over time.

The plethora of suppliers means the threat of oligopoly is improbable. Switching costs can be high due to long term contracts regarding provision, augmenting their position. Games consoles are one of many industries suppliers serve, reducing their dependence on the market and improving their position.

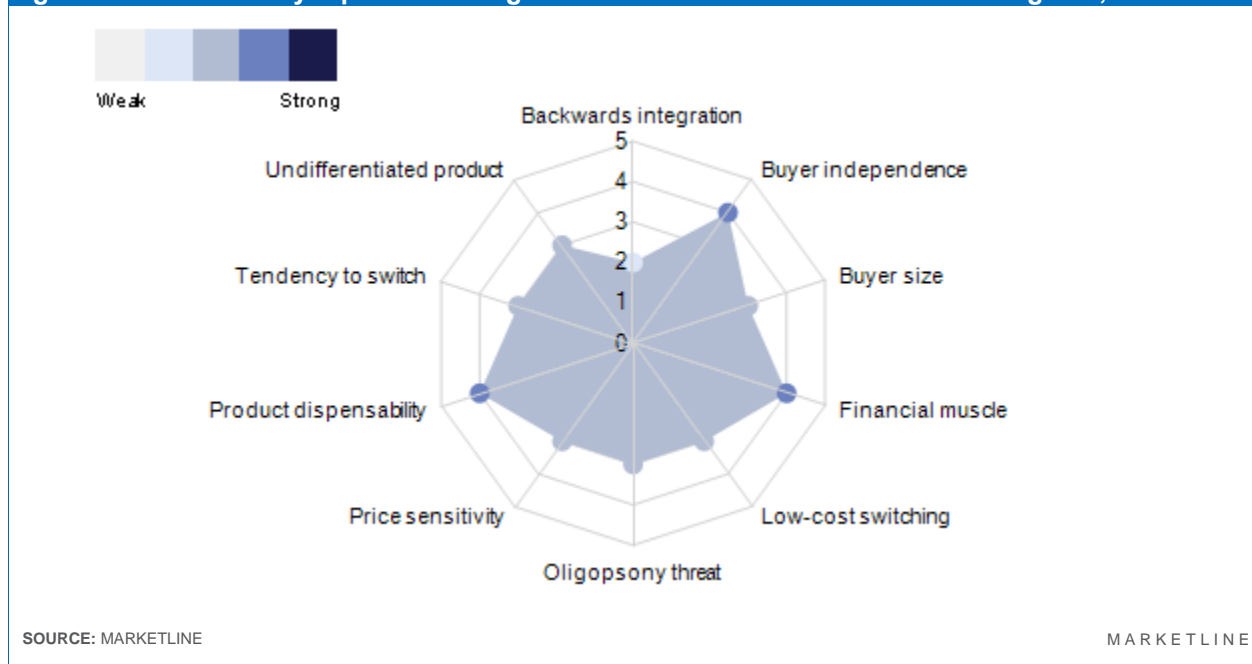
New entrants in this market suffer from high switching costs as players enter into distribution contracts with cancellation fees. The product's hardware can be differentiated, which has a profound effect on the ability to handle software. More powerful consoles will perform better, and there has been some differentiation between the players, although this may largely be a marketing function, with branding a strong factor. Scale is important in this market as device manufacture and components are expensive, with larger size players able to negotiate better deals and devote more money to marketing.

PCs are considered a substitute, as the quality of graphics and gaming experience can be equal and, according to some, surpass that of a games console. Other alternatives are products such as tablets and smartphones, with games that are increasing in complexity and all round quality, which is helping them to gain popularity among consumers.



## Buyer power

**Figure 9: Drivers of buyer power in the games consoles market in the United Kingdom, 2018**



Retailing for games consoles is usually conducted through retailers, but also can be bought directly by end users. The games consoles market serves a mix of buyers; direct purchase by consumers is possible, although it is far more common through larger retailers. In the case of large retail customers, the loss of an individual customer has a noticeable impact on market players, particularly where a global entity like Amazon is the buyer, thus strengthening buyer power.

Increases in the number of customers, primarily the younger generations, reduces the buyer power. Typically, buyers of games consoles are extremely loyal to a particular brand and will spend high volumes of cash in order to obtain the games console of their preference early in the generational cycle, lowering buyer power. Significant contraction in the market generally occurs the year before a new console is released, as customers await the new console release. The games console market is therefore described as cyclical with regards to the release of new games consoles and also in an economic sense.

Products in this market are also undifferentiated, as the product and its services are predominantly the same across the different platforms, with some differences in graphics, hard drive size and handheld possibilities serving to decrease buyer power as products are only available from a small number of suppliers. PlayStation have a number of popular games exclusive to their console, such as the Uncharted series, Bloodborne and Horizon Zero Dawn, whereas Xbox has games such as Halo and Gears of War. Exclusive games often have strong followings and can be a key factor in attracting customers, this serves to reduce buyer power as gamers have less choice in regard to which console they purchase.

The ninth generation of consoles is set to be released sometime in 2019-2020. Buyer power could rise as game console manufacturers attempt to sell off their existing stock prior to the next console release. Sony and Nintendo also offer portable devices with the PlayStation Vita and Nintendo 3DS, however the sales value of these products has declined in recent years. Some legacy generation consoles are still in circulation, but will eventually be phased out over time as demand falls.

Customers are invested in certain brands, which increases switching costs. This lowers buyer power as players and suppliers can dictate prices to an extent. This is reflected in pricing strategies. The largest retailers of games consoles in the UK (e.g. Tesco and Amazon) generally have well established distribution channels with a massive presence, and can leverage their size to purchase orders en masse, strengthening their position.

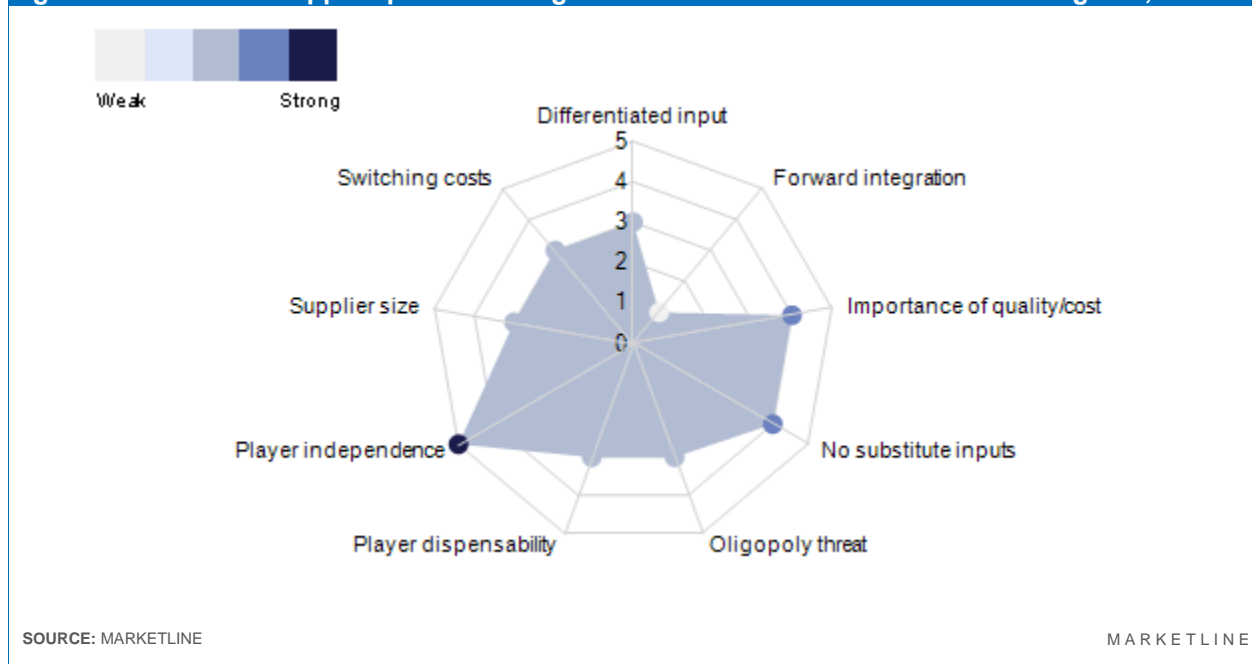
It is unlikely that the market players or suppliers will forward integrate to act as a buyer, raising buyer power. It is equally unlikely that buyers will backwards integrate, as this would require a high amount of financial backing, along with technological know-how; this in turn reduces buyer power. As the games console is essentially a luxury entertainment product, it cannot be marketed as essential to buyers, undermining the market players' position and raising buyer power.

While there is little threat of Oligopsony, the UK accounts for 16.4% of the European market and 5.7% of the global. The UK has a consolidated retail infrastructure, which will mean that negotiating with big players with considerable financial muscle will lower buyer power to some extent.

Overall, buyer power is moderate.

## Supplier power

**Figure 10: Drivers of supplier power in the games consoles market in the United Kingdom, 2018**



Supplier size can vary, from specialized smaller manufacturers to large companies. The plethora of suppliers means the threat of oligopoly is improbable, reducing supplier power. Moreover, companies compete to supply the three main players because of the assured profit they will make. For example, AMD, the main supplier for the semi-custom CPU for the Sony's PlayStation 4 and Microsoft's Xbox One, managed to become profitable after over a year of substantial losses. Therefore, supplier power is reduced because the games console companies are extremely influential on profits and subsequent success.

Sony and Microsoft are using IBM as the processor manufacturer developing their processors, if they were to switch to another manufacturer, the switching cost would be very high due to the long term contracts regarding provision, augmenting their position and raising supplier power to an extent. Backwards integration is relatively unlikely, which raises supplier power.

Games consoles are one of many industries suppliers serve, reducing their dependence on the market and increasing supplier power. There is no real substitute for raw materials, as the consoles are provided by machinery suppliers, raising the supplier power.

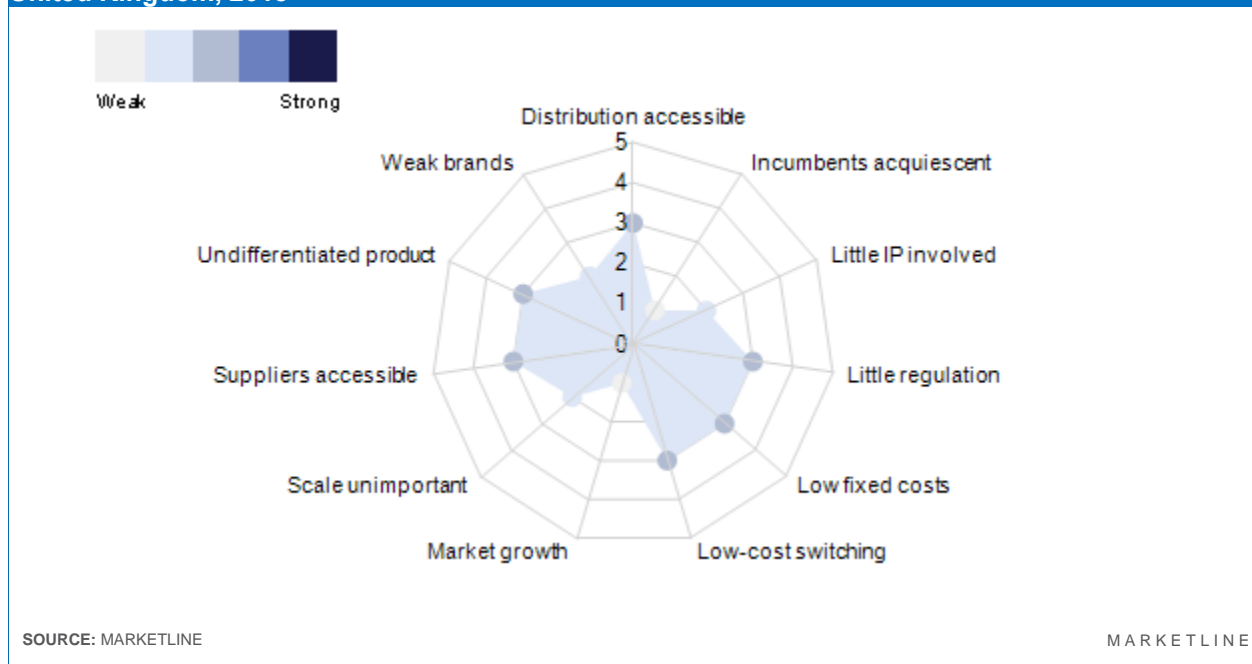
Quality inputs are a necessity; Microsoft's first batch of Xbox 360s were plagued with problems, including the 'red ring of death', a term for a general hardware failure on the console illuminated by the console's power button. The failure rates were driven down by the release of an updated model in 2010, but there was damage to Microsoft's brand. A damaged brand image in an industry that is essentially dominated by three brands can be severely detrimental to the company. This raises supplier power as consoles require the best quality suppliers.

There is some differentiation in output, as processors can vary in cost and performance capacity.

Supplier power is assessed as moderate.

## New entrants

**Figure 11: Factors influencing the likelihood of new entrants in the games consoles market in the United Kingdom, 2018**



New entrants in this market suffer from high switching costs as players enter into distribution contracts with cancellation fees, which reduces the threat of new entrants. The product's hardware can be differentiated, which has a profound effect on the ability to handle software. More powerful consoles will perform better, and there has been some differentiation between the players, although this may largely be a marketing function, with branding being a strong factor. For instance, Microsoft is positioning the Xbox One console as a universal home entertainment provider, whereas Sony's PlayStation 4 positions itself as a pure gaming console, despite them sharing many of the same basic functionalities. This raises the threat of new entrants to an extent. Scale is important in this market as device manufacture and components are expensive, with larger size players able to negotiate better deals and devote more money to marketing, reducing the threat of new entrants.

Entering the console industry has a high capital requirement because of the high fixed costs and the continuous investment in research and development of new technologies, advertising and marketing. For example, Microsoft had an operating margin loss of 85% when first entering the market due to investments in hardware, software and technology. Additionally, they spent \$100m just to develop the controller on the next generation console, Xbox One. The market's structure suggests little in the form of amenable incumbents; in most countries, it is effectively a triopoly between Nintendo, Sony, and Microsoft. Other hardware manufacturers such as Sega have retreated back to software development. This diminishes the prospect of new entrants.

Distribution channels can be accessed via e-commerce; Amazon's dominance in many of gaming's most developed markets means it could be easy in this respect to establish itself as a seller, or through other e-commerce options as a cheaper alternative to a physical retail presence. This raises the threat of new entrants to some extent. Since game consoles rely on the video games available on the platform, retailers will only carry the hardware if there is large library of games available for the platform.

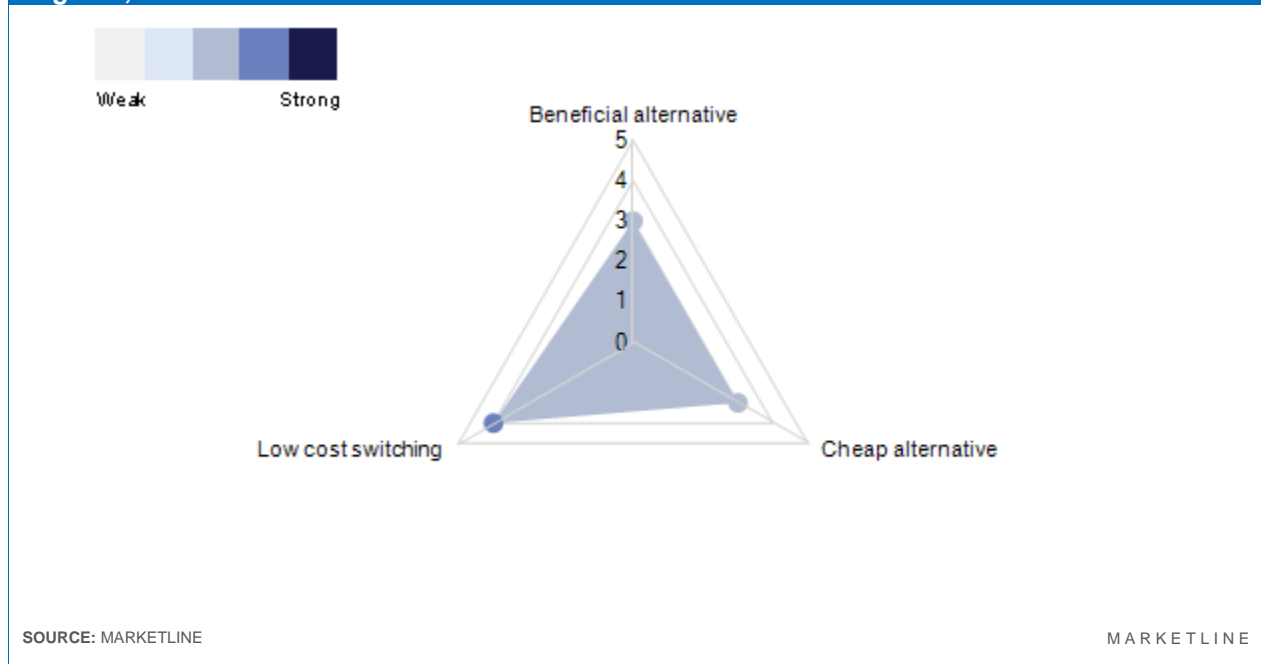
Regulation varies from country to country, but considering the games consoles market is concentrated in most developed economies, there will be regulations relating to consumer electronics safety. Intellectual property involving game consoles will deter new entrants as the ideas behind these complex machines are difficult to copy.

Ultimately, new entrants must also be involved with developers of the consoles' games. A new entrant will struggle to gain traction if it cannot attract developers and publishers to its platform. The presence of three very strong companies in this market mean that new entrants will struggle and could cause these bigger companies to retaliate, by imposing more aggressive pricing strategies. This further reduces the threat of new entrants to the market. Falling console sales have contributed to serious market decline in certain years, which further deters new entrants. In the UK, the release of new consoles has been shown to cause spikes in the market. If targeted properly, new entrants could benefit from this and offset the new console releases, raising the threat of new entrants.

The threat of new entrants is considered weak in this market.

## Threat of substitutes

**Figure 12: Factors influencing the threat of substitutes in the games consoles market in the United Kingdom, 2018**



With respect to games consoles, there are practically no like-for-like substitutes to the products on offer in the global games consoles market, but there are realistic alternatives.

PCs are considered a substitute as the quality of graphics and gaming experience can equal and, according to some, surpass that of a games console, potentially increasing the threat of substitution. PC games are also cheaper in comparison to console games, with digital distribution being more prominent. The same cannot be said with regards to hardware. PC hardware capable of playing the latest game releases must be to a high specification, which will initially incur high costs. Updating existing hardware to account for newer releases can create additional costs, which can decrease the threat of substitution due to the increasing prices of up to date hardware. A budget gaming PC can cost around \$750, a high end PC around \$2,000 and the best gaming PCs up to \$3,000, whereas a PlayStation 4 costs around \$300.

Other alternatives are products such as tablets and smartphones, with games that are increasing in complexity and all round quality, as well as any other leisure activity which may be seen as a cheaper alternative or subjectively more fun. Following an increase in mobile phone and tablet penetration, gaming via mobile applications has become more common. In Europe, games such as Pokémon GO and Clash Of Clans have performed particularly well. The ability to take these games anywhere using a small device which does not need continuous external power is an advantage in comparison to other game consoles, generating a raised threat of substitution.

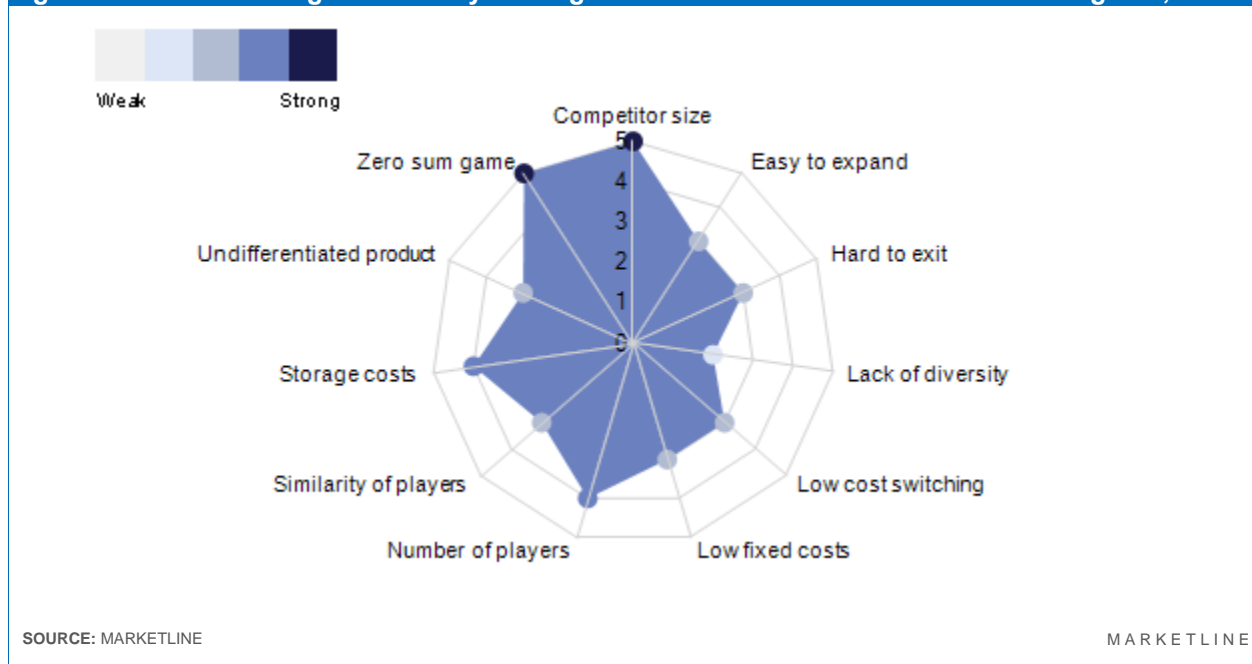
Games consoles (particularly the Xbox One) are also offering other services such as access to streaming services or TV. However, this would be considered a bonus to the user rather than a necessity, as there is a wide variety of alternatives that can access these streaming services, such as a Smart TV and streaming devices (such as the Amazon Fire Stick and Google Chromecast) across a variety of price ranges. The streaming devices are much cheaper than the games consoles, increasing the likelihood of substitution.

The games console market is prone to huge marketing expenditure and also has composite products (games) which cost large amounts in research and development. The extent to which this affects market players is seen in the stock they hold: in the UK, games consoles (alongside PCs) are often the single way to play a huge, diverse catalogue of software titles, further increasing the threat of substitutes. This symbiotic relationship between software developers and hardware developers leads to the situation where a big segment of the video entertainment market can only be played by buying from the games consoles market. In the UK, the release of new consoles causes spikes in the market. If targeted properly, substitutes could be put in place to offset new console releases, raising the threat of substitutes.

The threat of substitutes is assessed as moderate.

## Degree of rivalry

**Figure 13: Drivers of degree of rivalry in the games consoles market in the United Kingdom, 2018**



Market players are colossal in scope, although few in number, which mollifies the degree of rivalry.

Expanding production could be costly, which makes it harder for smaller players to gain a competitive edge. In terms of manufacturing, much of it is outsourced, so cancelling contracts is dangerous for game console manufacturers, as well as market suppliers; Sega, for instance, has transitioned from a hardware manufacturer to a software studio as this is a more stable market. Because this market is more specialized, the chance of contracts being cancelled with this supplier is less likely.

There are some marked similarities between devices which are classified as entertainment platforms, but players can differentiate themselves in other ways; for example, Nintendo's WiiU has a kinetic controller, but the PlayStation 4 and Xbox One are both much more powerful graphically and have access to a wider range of titles, intensifying the rivalry between the two. The Nintendo Switch, which was released in early 2017, has managed to differentiate itself from other consoles on the market. Nintendo considers the Switch as a hybrid console, which can be utilized as both a home entertainment system and a handheld device, which can be used similarly to a mobile phone or tablet. By differentiating the capabilities of gaming consoles and providing unique offerings, players can establish a competitive edge, thus reducing the degree of rivalry.

Online content has become an increasingly lucrative way for console manufacturers to mitigate periods of decline in terms of console spending. Platform subscriptions such as PlayStation Plus and Xbox Live have grown throughout the years as a result of a wider player base. Offering customers exclusive digital content has become a key way for players to establish a competitive edge. For example, PlayStation Plus offers free monthly games and exclusive discounts to customers alongside an array of other exclusive features.

The emergence of the eighth generation consoles has seen demand recover to an extent. While contraction is forecast to continue, the rate will be much slower than in previous year, which will alleviate the degree of rivalry between players.

The degree of rivalry is considered to be strong.



# LEADING COMPANIES

## Microsoft Corporation

**Table 8: Microsoft Corporation: key facts**

Head office:	1 Microsoft Way, Redmond, Washington, USA
Telephone:	1 425 8828080
Fax:	1 425 7067329
Website:	www.microsoft.com/en-us
Financial year-end:	June
Ticker:	MSFT
Stock exchange:	NASDAQ
<b>SOURCE:</b> COMPANY WEBSITE	
MARKETLINE	

Microsoft Corporation (Microsoft or "the company") is engaged in the development and marketing of software, services, and hardware devices. The company designs and sells hardware including personal computers (PCs), tablets, gaming and entertainment consoles, phones, other intelligent devices, and related accessories. In addition, Microsoft offers cloud-based solutions that provide customers with software, services, platforms, and content; and consulting and product and solution support services. The company operates globally and has offices in more than 190 countries.

The company operates its business through three business segments: More Personal Computing, Productivity and Business Processes, and Intelligent Cloud.

The More Personal Computing segment consists of products and services for end users, developers, and IT professionals. The segment primarily comprises Windows, including Windows original equipment manufacturer (OEM) licensing and other non-volume licensing of the Windows operating system, volume licensing of the Windows operating system, patent licensing, Windows Embedded, MSN display advertising, and Windows Phone licensing; Devices, including Microsoft Surface, phones, and PC accessories; Gaming, including Xbox hardware; Xbox Live, comprising transactions, subscriptions, and advertising; video games; and third-party video game royalties; and Search advertising. In FY2017, the More Personal Computing segment reported revenues of US\$38,773 million, which accounted for 40.1% of the company's total revenue.

Microsoft's Productivity and Business Processes segment consists of products and services in its portfolio of productivity, communication, and information services, spanning various devices and platforms. This segment primarily comprises Office Commercial, including volume licensing and subscriptions to Office 365 commercial for products and services such as Office, Exchange, SharePoint, and Skype for Business, and related Client Access Licenses (CALs); Office Consumer, including Office sold through retail or through an Office 365 consumer subscription, and Office Consumer Services, including Skype, Outlook.com, and OneDrive; and Dynamics business solutions, including Dynamics ERP products, Dynamics CRM on-premises, and Dynamics CRM Online. In FY2017, the Productivity and Business Processes segment reported revenues of US\$30,444 million, which accounted for 31.5% of the company's total revenue.

The company's Intelligent Cloud segment offers public, private, and hybrid server products and cloud services for businesses. This segment primarily comprises Server products and cloud services, including SQL Server, Windows Server, Visual Studio, System Center, and related CALs, as well as Azure; and Enterprise Services, including premier support services and Microsoft consulting services. In FY2017, the Intelligent Cloud segment reported revenues of US\$27,440 million, which accounted for 28.4% of the company's total revenue.

Geographically, the company classifies its operations into two segments, namely the US and other countries. In FY2017, the US segment accounted for 50.3% of the company's total revenues and remaining 49.7% was contributed by other countries.

The company has research and development (R&D) facilities at Canada, China, India, Ireland, Israel, the UK, and the US. Microsoft has established a separate R&D division, Microsoft Research, which collaborates with top universities to support innovation in the fields of Artificial Intelligence (AI), cloud computing, and hardware operating systems. In FY2017, the company incurred R&D expenditure of US\$13,037 million, which as a percentage of total revenue stood at 14%.

## Key Metrics

The company recorded revenues of \$110,360 million in the fiscal year ending June 2018, an increase of 14.3% compared to fiscal 2017. Its net income was \$16,571 million in fiscal 2018, compared to a net income of \$25,489 million in the preceding year.

**Table 9: Microsoft Corporation: key financials (\$)**

\$ million	2014	2015	2016	2017	2018
Revenues	86,833.0	93,580.0	91,154.0	96,571.0	110,360.0
Net income (loss)	22,074.0	12,193.0	20,539.0	25,489.0	16,571.0
Total assets	172,384.0	174,472.0	193,694.0	250,312.0	258,848.0
Total liabilities	82,600.0	94,389.0	121,697.0	162,601.0	176,130.0
Employees	99,000	118,000	114,000	114,000	131,000

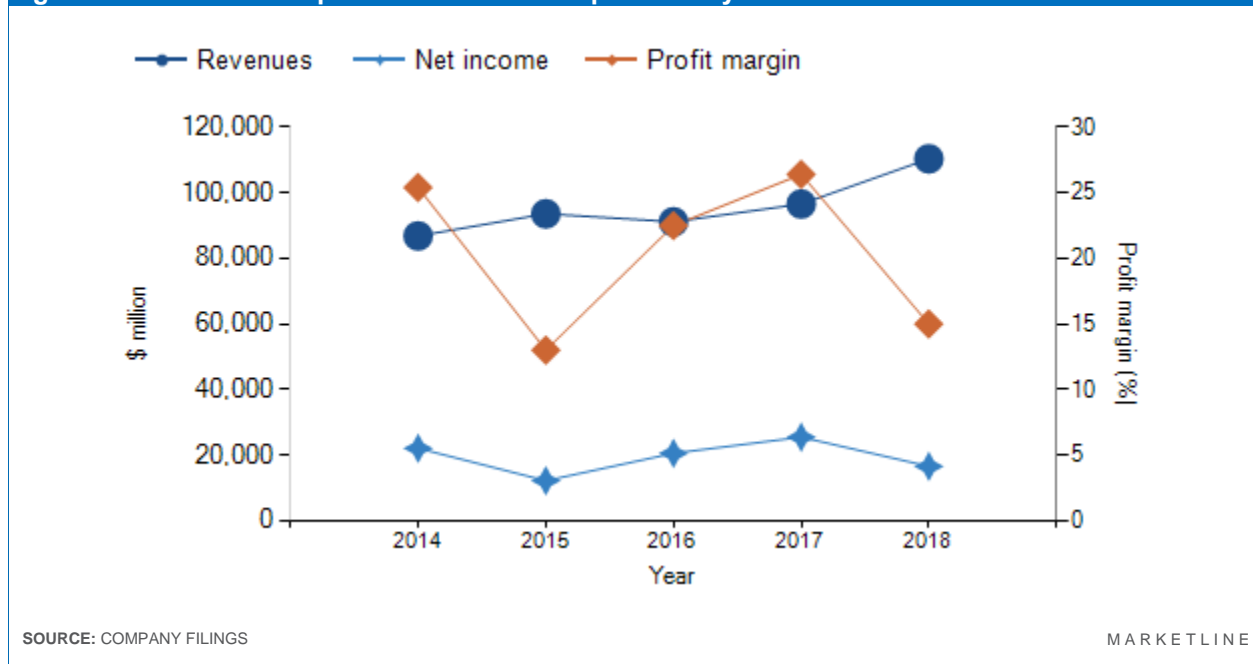
SOURCE: COMPANY FILINGS MARKETLINE

**Table 10: Microsoft Corporation: key financial ratios**

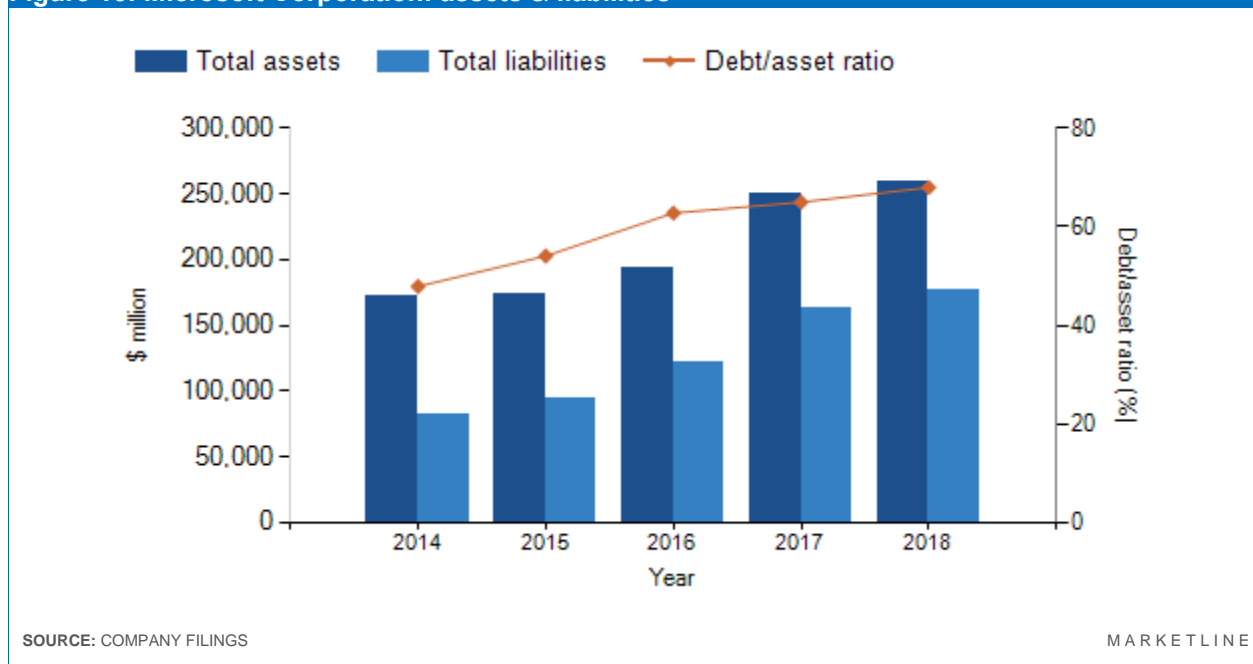
Ratio	2014	2015	2016	2017	2018
Profit margin	25.4%	13.0%	22.5%	26.4%	15.0%
Revenue growth	11.5%	7.8%	(2.6%)	5.9%	14.3%
Asset growth	21.0%	1.2%	11.0%	29.2%	3.4%
Liabilities growth	30.1%	14.3%	28.9%	33.6%	8.3%
Debt/asset ratio	47.9%	54.1%	62.8%	65.0%	68.0%
Return on assets	14.0%	7.0%	11.2%	11.5%	6.5%
Revenue per employee	\$877,101	\$793,051	\$799,596	\$847,114	\$842,443
Profit per employee	\$222,970	\$103,331	\$180,167	\$223,588	\$126,496

SOURCE: COMPANY FILINGS MARKETLINE

**Figure 14: Microsoft Corporation: revenues & profitability**



**Figure 15: Microsoft Corporation: assets & liabilities**



# Nintendo Co., Ltd.

**Table 11: Nintendo Co., Ltd.: key facts**

Head office:	11-1, Kamitoba, Hokotate-cho, Minami-ku, Kyoto, Kyoto, JPN
Telephone:	81 75 6629600
Website:	www.nintendo.co.jp
Financial year-end:	March
Ticker:	7974
Stock exchange:	Tokyo SE
<p><b>SOURCE:</b> COMPANY WEBSITE</p> <p><b>MARKETLINE</b></p>	

Nintendo Co., Ltd. (Nintendo or 'the company'), is involved in the manufacturing and distribution of interactive entertainment products. The company operates in the home entertainment and handheld market, and provides hardware and software for its home video game systems. Nintendo primarily operates in Japan, the Americas and Europe. The company's manufacturing plants are located in Japan and it operates through subsidiaries in the US, Canada, Spain, Germany, France, Korea, the Netherlands and Australia. As of March 31, 2018, the company operates through 26 subsidiaries and five associates.

The company operates as a single operating segment engaged in developing, manufacturing, and distributing handheld and home console hardware machines and related software. However, the company generates revenues through three product divisions: Nintendo 3DS Platform, Nintendo Switch Platform, Other.

In FY2018, the Nintendo 3DS Platform division reported revenues of JPY188,269 million, which accounted for 17.8% of the company's revenue.

In FY2018, the Nintendo Switch Platform division reported revenues of JPY753,409 million, which accounted for 71.4% of the company's revenue.

In FY2018, the Other division reported revenues of JPY114,003 million, which accounted for 10.8% of the company's total revenue.

Geographically, the company classifies its operations into four segments: The Americas, Europe, Japan, and Other. In FY2018, the Americas segment accounted for 41.8% of the company's revenues, followed by Europe (25.5%), Japan (24.7%), and Others (8%).

## Key Metrics

The company reported revenues of (Yen) JPY1,055,682 million for the fiscal year ended March 2018 (FY2018), compared to a revenue of JPY489,095 million in FY2017. In FY2018, the company's operating margin was 16.9%, compared to an operating margin of 6% in FY2017.

**Table 12: Nintendo Co., Ltd.: key financials (\$)**

\$ million	2014	2015	2016	2017	2018
Revenues	5,100.8	4,905.0	4,500.6	4,363.6	9,418.5
Net income (loss)	(207.2)	373.3	147.3	915.1	1,245.4
Total assets	11,655.4	12,070.6	11,570.6	13,105.8	14,573.4
Total liabilities	1,677.0	1,655.0	1,213.4	1,946.2	2,805.3
Employees	5,080	5,213	5,120	5,064	5,501

SOURCE: COMPANY FILINGS

MARKETLINE

**Table 13: Nintendo Co., Ltd.: key financials (¥)**

¥ million	2014	2015	2016	2017	2018
Revenues	571,726.0	549,780.0	504,459.0	489,095.0	1,055,682.0
Net income (loss)	(23,222.0)	41,845.0	16,505.0	102,575.0	139,592.0
Total assets	1,306,410.0	1,352,944.0	1,296,902.0	1,468,978.0	1,633,474.0
Total liabilities	187,971.0	185,498.0	136,001.0	218,138.0	314,440.0

SOURCE: COMPANY FILINGS

MARKETLINE

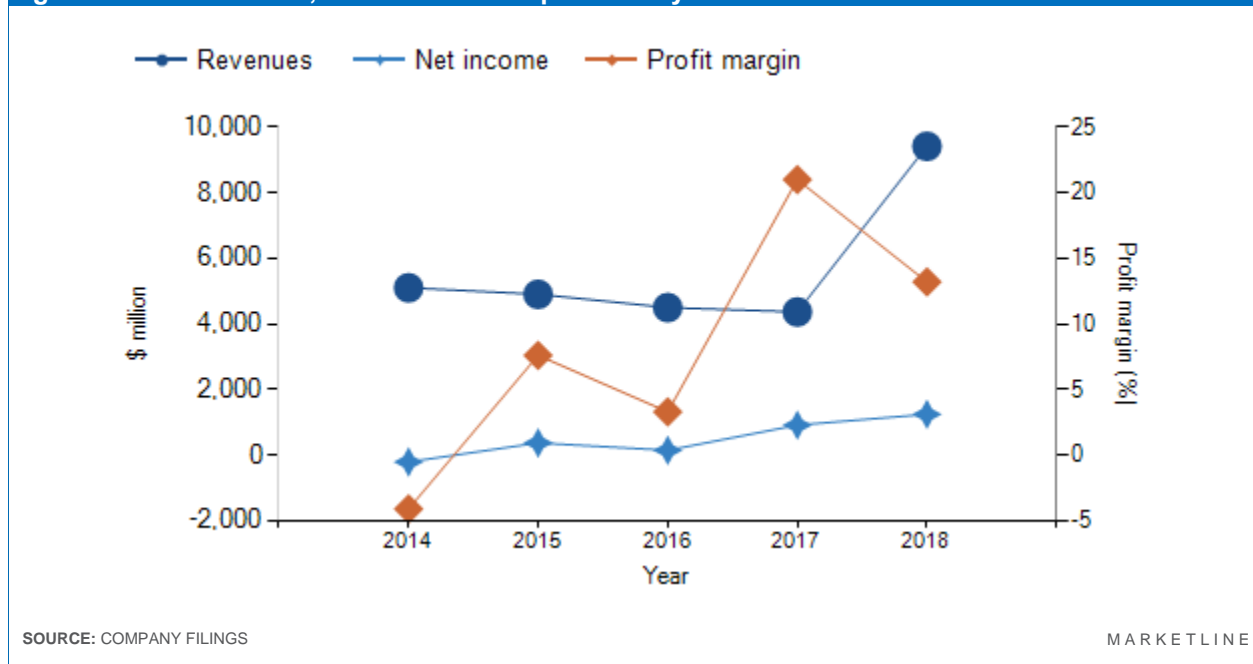
**Table 14: Nintendo Co., Ltd.: key financial ratios**

Ratio	2014	2015	2016	2017	2018
Profit margin	(4.1%)	7.6%	3.3%	21.0%	13.2%
Revenue growth	(10.0%)	(3.8%)	(8.2%)	(3.0%)	115.8%
Asset growth	(9.8%)	3.6%	(4.1%)	13.3%	11.2%
Liabilities growth	(14.7%)	(1.3%)	(26.7%)	60.4%	44.1%
Debt/asset ratio	14.4%	13.7%	10.5%	14.8%	19.2%
Return on assets	(1.7%)	3.1%	1.2%	7.4%	9.0%
Revenue per employee	\$1,004,091	\$940,914	\$879,032	\$861,684	\$1,712,143
Profit per employee	(\$40,784)	\$71,615	\$28,760	\$180,716	\$226,395

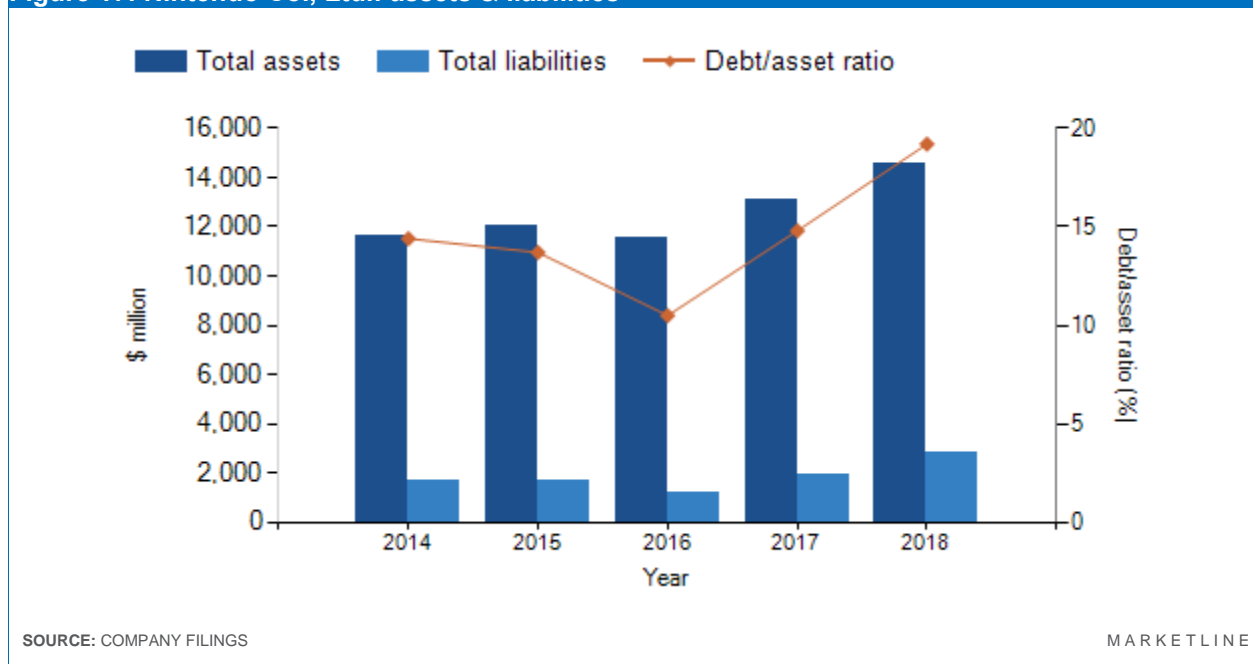
SOURCE: COMPANY FILINGS

MARKETLINE

**Figure 16: Nintendo Co., Ltd.: revenues & profitability**



**Figure 17: Nintendo Co., Ltd.: assets & liabilities**



# Sony Interactive Entertainment LLC

Table 15: Sony Interactive Entertainment LLC: key facts

Head office:	1-7-1 Konan, Minato Ku, Tokyo, JPN
Website:	www.sie.com
SOURCE: COMPANY WEBSITE	
MARKETLINE	

Sony Interactive Entertainment Inc., (SIE) (formerly Sony Computer Entertainment), a subsidiary of Sony Corporation, is a technological company. It is engaged in the research, development and sale of PlayStation products. The company offers PlayStation hardware, software, content and network services. The company launches its products in various countries which include Hong Kong, Singapore, Taiwan, South Korea and Malaysia. SIE is headquartered in Tokyo, Japan.

## Key Metrics

As a subsidiary of Sony Corporation, Sony Interactive Entertainment is not obliged to release its financials

# MACROECONOMIC INDICATORS

## Country data

**Table 16: United Kingdom size of population (million), 2014–18**

Year	Population (million)	% Growth
2014	64.5	0.6%
2015	64.8	0.6%
2016	65.2	0.6%
2017	65.5	0.5%
2018	65.9	0.5%

SOURCE: MARKETLINE

MARKETLINE

**Table 17: United Kingdom gdp (constant 2005 prices, \$ billion), 2014–18**

Year	Constant 2005 Prices, \$ billion	% Growth
2014	2,507.1	2.8%
2015	2,576.1	2.8%
2016	2,641.3	2.5%
2017	2,705.7	2.4%
2018	2,772.3	2.5%

SOURCE: MARKETLINE

MARKETLINE

**Table 18: United Kingdom gdp (current prices, \$ billion), 2014–18**

Year	Current Prices, \$ billion	% Growth
2014	2,853.7	12.7%
2015	2,979.4	4.4%
2016	3,107.0	4.3%
2017	3,243.4	4.4%
2018	3,389.9	4.5%

SOURCE: MARKETLINE

MARKETLINE



**Table 19: United Kingdom inflation, 2014–18**

Year	Inflation Rate (%)
2014	1.6%
2015	1.8%
2016	2.1%
2017	2.0%
2018	2.0%

SOURCE: MARKETLINE

MARKETLINE

**Table 20: United Kingdom consumer price index (absolute), 2014–18**

Year	Consumer Price Index (2005 = 100)
2014	128.2
2015	130.5
2016	133.2
2017	135.8
2018	138.6

SOURCE: MARKETLINE

MARKETLINE

**Table 21: United Kingdom exchange rate, 2014–18**

Year	Exchange rate (\$/£)	Exchange rate (€/£)
2014	0.6073	0.8062
2015	0.6544	0.7260
2016	0.7407	0.8192
2017	0.7760	0.8770
2018	0.7502	0.8850

SOURCE: MARKETLINE

MARKETLINE

# METHODOLOGY

MarketLine Industry Profiles draw on extensive primary and secondary research, all aggregated, analyzed, cross-checked and presented in a consistent and accessible style.

**Review of in-house databases** – Created using 250,000+ industry interviews and consumer surveys and supported by analysis from industry experts using highly complex modeling & forecasting tools, MarketLine's in-house databases provide the foundation for all related industry profiles

**Preparatory research** – We also maintain extensive in-house databases of news, analyst commentary, company profiles and macroeconomic & demographic information, which enable our researchers to build an accurate market overview

**Definitions** – Market definitions are standardized to allow comparison from country to country. The parameters of each definition are carefully reviewed at the start of the research process to ensure they match the requirements of both the market and our clients

**Extensive secondary research** activities ensure we are always fully up-to-date with the latest industry events and trends

MarketLine aggregates and analyzes a number of secondary information sources, including:

- National/Governmental statistics
- International data (official international sources)
- National and International trade associations
- Broker and analyst reports
- Company Annual Reports
- Business information libraries and databases

**Modeling & forecasting tools** – MarketLine has developed powerful tools that allow quantitative and qualitative data to be combined with related macroeconomic and demographic drivers to create market models and forecasts, which can then be refined according to specific competitive, regulatory and demand-related factors

**Continuous quality control** ensures that our processes and profiles remain focused, accurate and up-to-date

## Industry associations

### International Electrotechnical Commission

3, rue de Varembé, P.O. Box 131, CH - 1211 Geneva 20, CHE

Tel.: 41 22 919 0211

Fax: 41 22 919 0300

[www.iec.ch](http://www.iec.ch)

### European Information, Communications and Consumer Electronics Technology Association

20, Rue Joseph II, B-1000 Brussels, BEL

Tel.: 32 2 609 53 10

Fax: 32 2 609 53 39

[www.eicta.org](http://www.eicta.org)

## Related MarketLine research

### Industry Profile

Global Games Consoles

Games Consoles in Germany

Games Consoles in Europe

Games Consoles in the United States

Games Consoles in France

# APPENDIX

## About MarketLine

In an information-rich world, finding facts you can rely upon isn't always easy. MarketLine is the solution.

We make it our job to sort through the data and deliver accurate, up-to-date information on companies, industries and countries across the world. No other business information company comes close to matching our sheer breadth of coverage.

And unlike many of our competitors, we cut the 'data padding' and present information in easy-to-digest formats, so you can absorb key facts in minutes, not hours.

### What we do

Profiling all major companies, industries and geographies, MarketLine is one of the most prolific publishers of business information today.

Our dedicated research professionals aggregate, analyze, and cross-check facts in line with our strict research methodology, ensuring a constant stream of new and accurate information is added to MarketLine every day.

With stringent checks and controls to capture and validate the accuracy of our data, you can be confident in MarketLine to deliver quality data in an instant.

For further information about our products and services see more at: <http://www.marketline.com/overview/>

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