

Cap Collector

A Strategy Guide to the Gaming Market

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A SMASHING SUCCESS

Picture this: in 2023, the gaming market didn't just break records; it smashed them like a boss defeating the final boss. Yup, you heard it right. A whopping \$184 billion dollars flooded into the gaming industry, leaving the music and movies industries scavenging for scraps. Talk about a power-up and new high score! So, what's the big deal with the gaming industry, why is gaming suddenly leaving other entertainment giants in the dust, and what does it mean for industry workers, consumers, and other entertainment industries? Well, my friends, it's all about impact – and boy, does the gaming market pack a Smash Bros level punch!



FROM THE PERSPECTIVE OF A CONSUMER

¹With the implementation of online streaming services like Xbox Game Pass, Nvidia GeForce Now, PlayStation Plus, and many others ([see here](#)), gaming has never been more accessible to the masses. What do we have to thank for this? Market efficiency. The gaming market has eliminated the need for hard disks, third-party retailers, store employees, and has made products available directly to consumers. Beyond this, the gaming industry does a brilliant job of implementing the principles of Division of Labor. What is Division of Labor you may ask? The concept dates back to 1776 when Scottish economist and Philosopher [Adam Smith](#) released his most famous philosophical work, [The Wealth of Nations](#). In this work, Smith argued that if each worker were to produce every part of an item from start to finish, they would only be able to produce a small



Figure 1

IN THE NUMBERS

VALUATION OF GAMING INDUSTRY
IN US

²106 billion in 2022

EMPLOYEES IN UNITED STATES

268,000³

¹ [Figure 1- Adam Smith](#)

² [Statista](#)

³ [IBISworld](#)

number of items each day. However, if the process is divided into several small and specialized production tasks, then the total production output would be much larger. During the production of a game, Division of Labor is evident in every step. There are developers who each specialize in their own field, production management teams that oversee the development process, coordinates schedules, budgets, and whatever else is necessary to ensure that the game is released on time and within budget, and there are marketing teams, publishing teams, distribution services, among numerous others.

GAMING THROUGHOUT THE YEARS

Though the gaming industry is by no means an ancient industry, changes in technology and consumer preferences, have meant that the industry has constantly adapted. As a result, multiple eras of gaming have come and gone leaving all of us with both a hunger for nostalgia and an anticipation for what is to come.

1. **Arcade Era (1970s-1980s):**
 - The rise of arcade machines and early home consoles like the Atari 2600.
 - Popular games included classics like Pong, Space Invaders, and Pac-Man.
 - Gaming was primarily a social activity, centered around arcades and local multiplayer experiences.
2. **8-bit Console Era (1980s-early 1990s):**
 - Dominated by 8 bit home consoles like the Nintendo Entertainment System and the Sega.
 - Iconic franchises such as Super Mario Bros and The Legend of Zelda emerged.
 - Side-scrolling platformers and action-adventure games were prevalent.
3. **16 bit Console Era (early to mid-1990s):**
 - Saw the release of 16 bit consoles like the Super Nintendo Entertainment System and the Sega Genesis.
 - Enhanced graphics and sound capabilities allowed for more immersive gaming experiences.
 - Introduction of more complex gameplay mechanics.
4. **3D Era (mid-1990s to early 2000s):**
 - Transition to CD ROM format allowed for larger storage capacity and full-motion video.
 - Rise of 3D graphics with consoles like the Sony PlayStation and Nintendo 64.
 - Genres such as 3D platformers, RPGs, and first-person shooters began developing
5. **Online and Multiplayer Era (late 1990s to early 2000s):**
 - creation of online gaming with services like Xbox Live and PlayStation Network.
 - MMORPGs like World of Warcraft gained massive popularity.
 - LAN parties and online multiplayer became integral parts of gaming culture.
6. **Mobile Gaming and AAA Title Era (early 2000s-present):**
 - Abundance of smartphones led to the rise of mobile gaming.



Figure 1- Pacman released 1980



Figure 2- Atari 2600 released in 1977



Figure 3- Nintendo Entertainment System released 1985



Figure 4- World of Warcraft released 2004



Figure 5- Red Dead Redemption 2 released 2018

- Casual games like Angry Birds, Candy Crush Saga, and Clash of Clans(my personal favorite) became global phenomena.
 - Accessibility and ease of play appealed to a broad audience beyond traditional gamers.
 - 100 million dollars AAA titles became common.
7. Indie and Digital Distribution Era (mid-2000s-present):
- Emergence of independent game developers and digital distribution platforms like Steam.
 - Indie games such as Braid, Limbo, and Minecraft garnered critical acclaim and commercial success.
 - Increased diversity in game styles, and narratives.

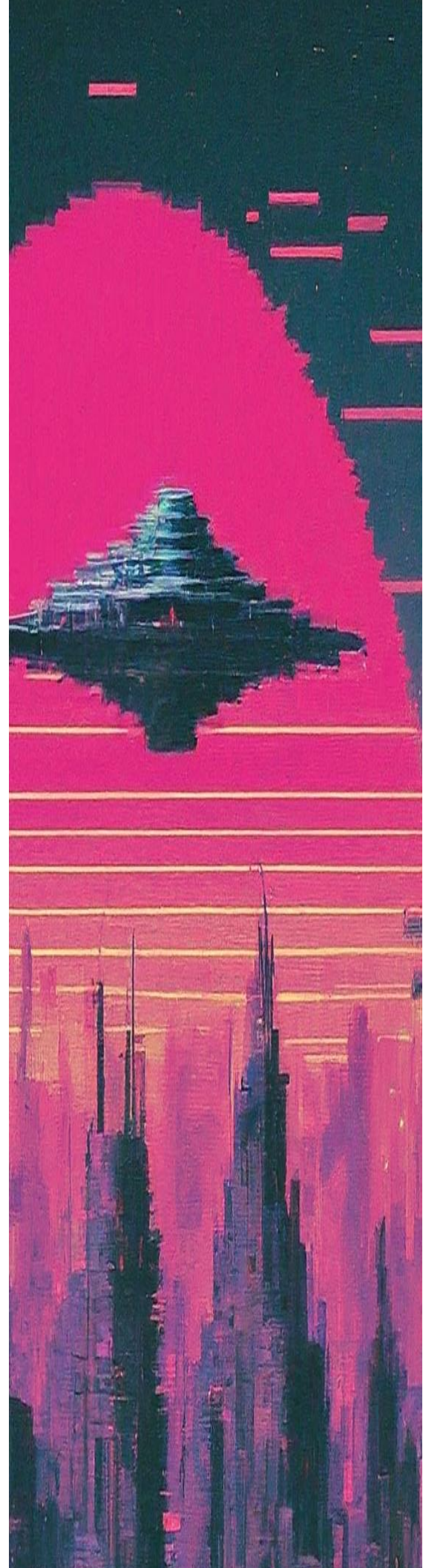
The main cause for this drastic change in video game styles and the market is technology. In the beginning game development was expensive and required technology that only a select few companies could obtain. As such, seven firms Sega, Namco, Atari, Midway Games, Taito Corp, and Williams Electronics had complete control of the industry. During this period in the 70s and early 80s, the market consisted primarily of Arcade stores as home consoles had just been introduced.

Then came the domination of at-home entertainment systems, between the 1980s and mid-1990s video game systems became available to most houses, and huge gaming franchises took hold of American consumers. This represented a huge leap in revenue for the market because individuals were now not only purchasing consoles but waiting in line to purchase individual games as well. Next came the era of 3D graphics and universal game engines, spanning the 1990s to the early 2000s. While this brought about new challenges, such as increased resource requirements for AAA titles, it also democratized game development. With some practice and dedication, anyone could create their own games, thanks to the accessibility of game engines and evolving technology.

Fast Travel to today, and the gaming landscape has undergone another evolution. Open-source game engines have paved the way for a thriving indie game scene, with over 31,000 independent game studios in the United States alone. This explosion of studios has brought about a range of job opportunities and has dramatically altering the revenue share of the gaming market.

The advancement in graphics and technology has also affected how much we are willing to pay for video games. Since the release of the Atari, game prices have increased around 70%. With this, we have also seen a dramatic increase in the amount of time we get out of a game. In 2022, [The Washington Post](#) reported that while games in the 1990s took just a couple of hours to complete, “some single-player titles can take 40 hours or more to complete just the main campaign.” For consumers who are unwilling to drop \$70 on a game, subscription services allow people on any budget to have a taste of gaming. Subscription services range from \$3.99 to \$20.00 a month, and some even allow users to stream games from a computer with better hardware allowing gamers to play on a much larger variety of equipment.⁴ Gone are the days when consumers preferred to spend their free time socializing at arcades or LAN parties; today, gamers enjoy playing games straight from their homes on a variety of devices, marking a significant shift in gaming culture, and the death of face-to-face gaming.

⁴ <https://www.pcmag.com/picks/the-best-video-game-subscription-services>



BEHIND THE PIXELS:

In the United States Economy, the labor market serves as the backbone of industries, and the video game industry is no different. In an industry that is completely run with a profit motive (where all decisions are made with the idea of increasing profit), the two Modes of Life collide into an industry that hires highly skilled and educated workers for large sums of money and in exchange, requires them to work in a toxic “Crunch Culture” environments.

The game development industry is often perceived with an aura of allure, defined by a creative culture open workspace, flexible schedules, and good pay. While there is some truth to this, the reality is, that working in the industry blends these perks with toxic practices, long work hours, a male-dominated culture, and, compared to other development industries, lower pay.

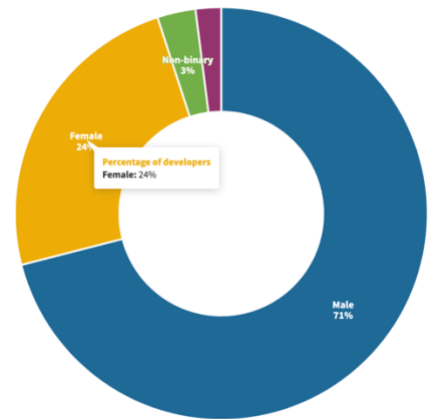
According to the U.S. Bureau of Labor Statistics’ [Occupational Outlook Handbook](#), Software developers make an average of \$130,000 per year. This stat, however, is significantly higher than what other companies state that the average Game Developer pay is. According to [ZipRecruiter](#), the average pay for a Game Developer is much closer to \$100,000 a year. Comparing this wage to what the BLS states the average annual salary for all occupations is, the pay is about \$60,000 higher- Now that’s a level-up!

When it comes to other factors typically associated with a desirable job, such as work-life balance, work culture, and job equity, for game developers at least, the picture painted falls short of desirable. According to [CNBC](#), game developers are 71% percent male and 69% white, making the industry a demographic hurdle to climb for many prospective workers. Furthermore, the industry often requires a bachelor’s degree, which does affect the accessibility of the career to many people.

Beyond the stark lack of diversity in the industry, there are also stories of toxic work cultures. In 2018, Rockstar Games, the studio between the Grand Theft Auto and Red Dead Redemption, received criticism from employees who detailed being forced into 100+ hour workweeks, mandatory holiday work, and mandated overtime. And in March of 2024, Rockstar told all workers that they would have to return to the offices for work. This combines for a work environment that is hard to endorse.



Game developers by gender



Source: IGDA Developer Satisfaction Survey 2019

READY UP: IT'S TIME FOR A MARKET DEEP DIVE

As of 2024, Microsoft Studio now owns 13 major game studios including the largest video game buyout in history. For 68.7 billion dollars, Microsoft acquired Activision Blizzard, the company behind Call of Duty, World of Warcraft, and Overwatch.⁵ While the FTC did file a lawsuit to stop Microsoft from acquiring Activision, the deal still went through, giving Microsoft a 27.3% share of the global console gaming market, which puts them in third. Yes, you read this right, third! As of 2024, Sony makes up 45% of the market, followed by Nintendo at 27.7%, and finally Microsoft. Three companies make up 100% of the global console market.⁶

This stat brings into question if the Government has any intention of regulating the market. The answer is, at least for now, that the U.S. Government, is content keeping true to the laissez-faire theory.⁷ In fact there are very few circumstances in which the Government gets involved with the gaming industry and they are almost always to protect private ownership- a key Mode of Life of Capitalism.

This collection of power within the three major players (Microsoft, Sony, and Nintendo), raises concerns about the concentration of institutional power within the gaming industry. When a small number of companies dominate the market, they possess significant influence over key aspects of the industry, including game development, distribution channels, pricing strategies, consumer access, and content control.⁸

GAME OVER

Gaming makes for a complex market. The speed at which technology evolves and consumer mindsets change, means that the market is constantly evolving. Though the workforce lacks equity in terms of demographics and resources used, it is undeniable that through the principles laid out over 200 years ago by Adam Smith, the industry has become an efficient well-oiled machine for consumers and producers.

⁵ <https://www.pcgamer.com/every-game-and-studio-microsoft-now-owns/>

⁶ <https://gonintendo.com/contents/16868-new-report-shows-market-share-and-more-between-nintendo-sony-and-microsoft>

⁷ The laissez-faire theory was a staple of Adam Smith's economic beliefs. It argues for self-regulation of markets, and against government intervention.

⁸ https://canvas.du.edu/courses/174699/pages/week-3-readings-and-instructional-materials?module_item_id=4048689

