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GameCo: Presentation

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Business Query

GameCo's Current Assumption:

Sales for the various geographic regions have stayed the same over time.

- ❖ If this is not true, the marketing budget will need to be redistributed among the regions in order to maximise return on investment.

Needs of Key GameCo Stakeholders:

"We're always eager to know which genres of games are performing the best so we can allocate our marketing budget efficiently." - Vice President of Marketing

"It's imperative that we keep tabs on competitors and what share of the market they're gaining or losing. Part of how we communicate our success to investors is by showing how we're able to grow our business in an area where a competitor's business is shrinking." - Chief Financial Officer

"It's essential that we understand swings in the market. If one market becomes more dominant over time in terms of sales, we'll want to know so we can make sure we have a sufficient number of sales reps serving that market." - Senior Vice President of Sales



Key Questions

- ❖ Have sales for the various geographic regions stayed the same over time?
 - ❖ *What is likely to happen in future?*
- ❖ Are certain types of games more popular than others?
 - ❖ *Have any types of games decreased or increased in popularity over time?*
- ❖ Which genres are performing best in the different regions?
 - ❖ *How have their sales figures varied between geographic regions over time?*
- ❖ Which gaming platforms are currently the most popular?
 - ❖ *Are there variations between regions?*
- ❖ What other publishers will likely be the main competitors in certain markets?
 - ❖ *What is happening to their market share?*



Data Analysis - Market Share

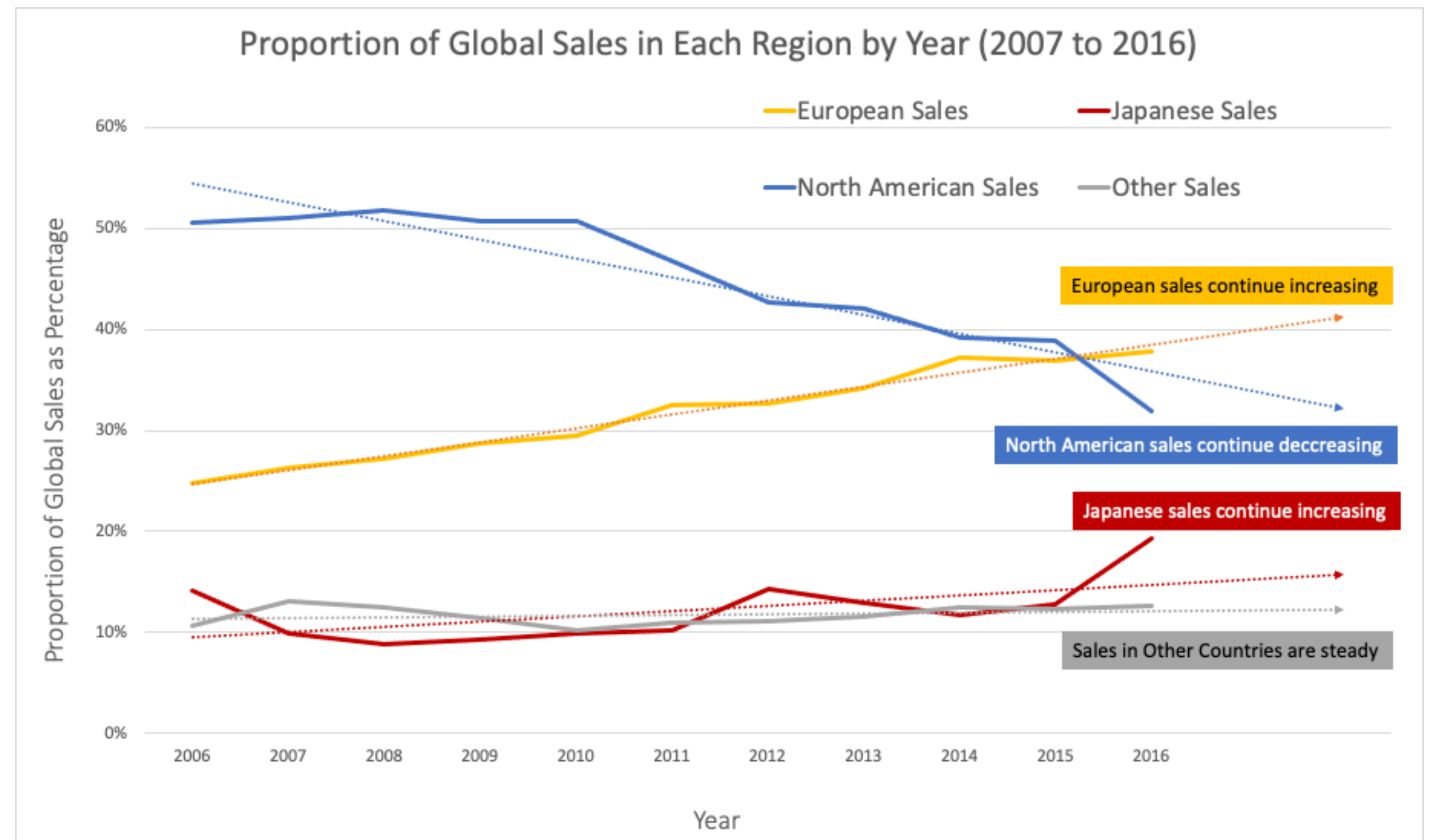
The data suggests that sales for the various geographic regions have changed over the years. This is not GameCo's current understanding and the marketing budget should be revised to reflect the changes in market share.

In 2006 North America had approximately half the market share (49%), followed by Europe (27%) and then Japan (14%).

- ❖ However, over the decade North America's market share has dropped to around a third.
- ❖ Europe's market share has risen throughout the decade and is now has the highest proportion (38%).
- ❖ While the Japanese market has risen to 19%.
- ❖ The market share in the Other Countries is roughly the same.

Linear forecasts predict that these trends in market share will continue.

- ❖ Since 2008 there has been a decline in the number of million units sold globally.
- ❖ The trend for all genres shows a decrease in the number of games released during the last decade.



N.B. VGChartz advises that it is more difficult to produce reliable retail estimates due to the increase in the digital market share for software and the data for the later years may be unrepresentative of the wider performance of the games in question.

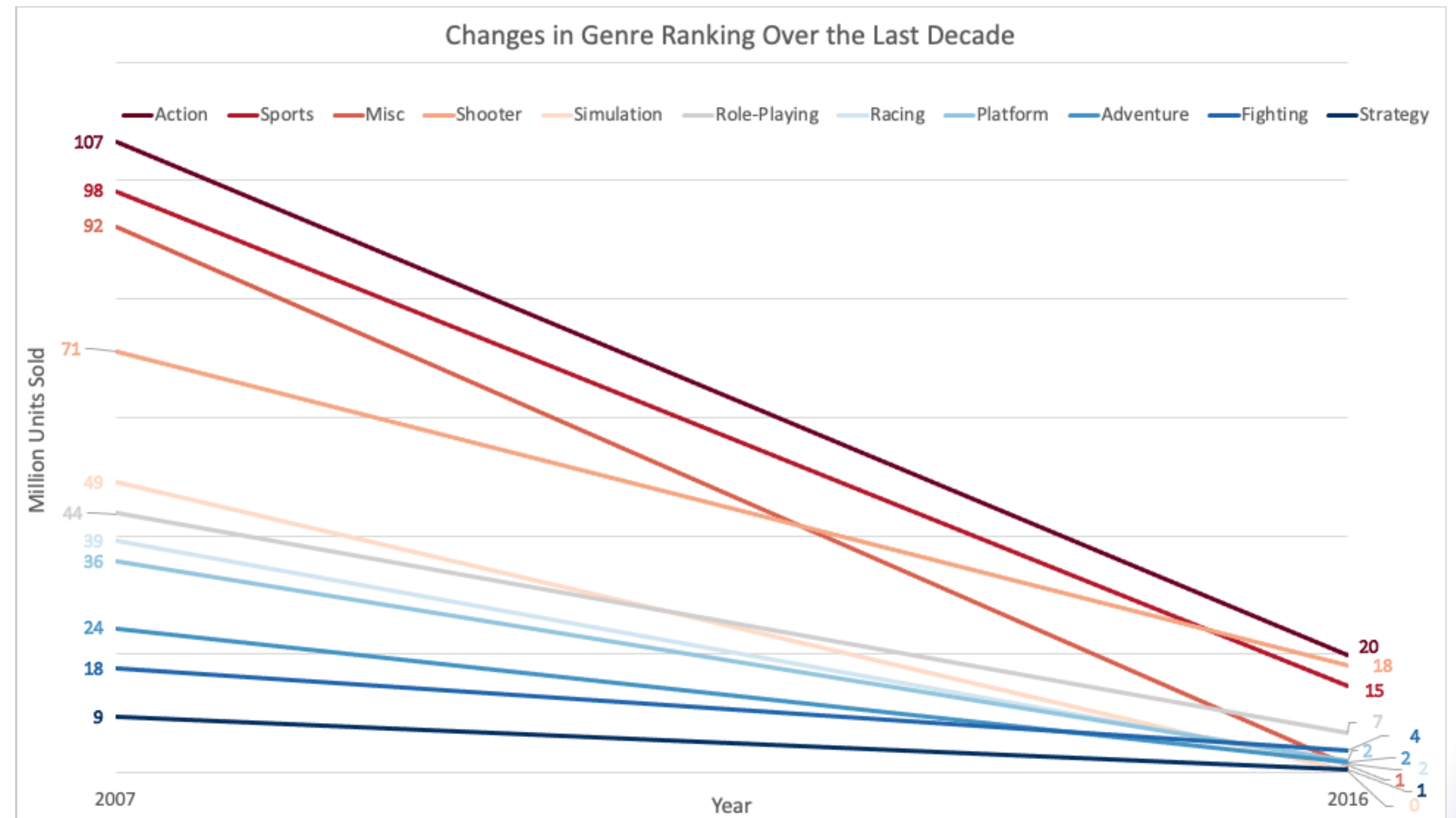
Since 2008 the number of million units sold globally and the number of games released has declined. This could be due to the increase in the digital market share for software and an analysis of this market is recommended.

Data Analysis - Popular Genres

The top three (number of million units sold) genres over the last decade are Action, Shooter and Sports. The genres Strategy and Puzzle have remained in the bottom three; with no games released for the Puzzle genre in 2016.

Action is consistently the most popular genre (number of million units sold).

- ❖ The Action genre also had the highest number of games released during the last decade.
- ❖ The genre Shooter is now in second place and had fewer games released during this period than the Role-Playing genre and the Sports genre.
- ❖ The Sports genre is now ranked third, while the genres Strategy and Puzzle have remained in the bottom three; with no games released for the Puzzle genre in 2016.
- ❖ Over the years Role-Playing has moved into the top four and Fighting up to fifth place.
- ❖ The genres Misc and Simulation have decreased in popularity.



Sales for the Puzzle genre have been excluded in the figure due to no data in 2016

Over the years the Role-Playing and Fighting genres have increased in popularity, while the genres Misc and Simulation have decreased in popularity.

Data Analysis - Regional Sales

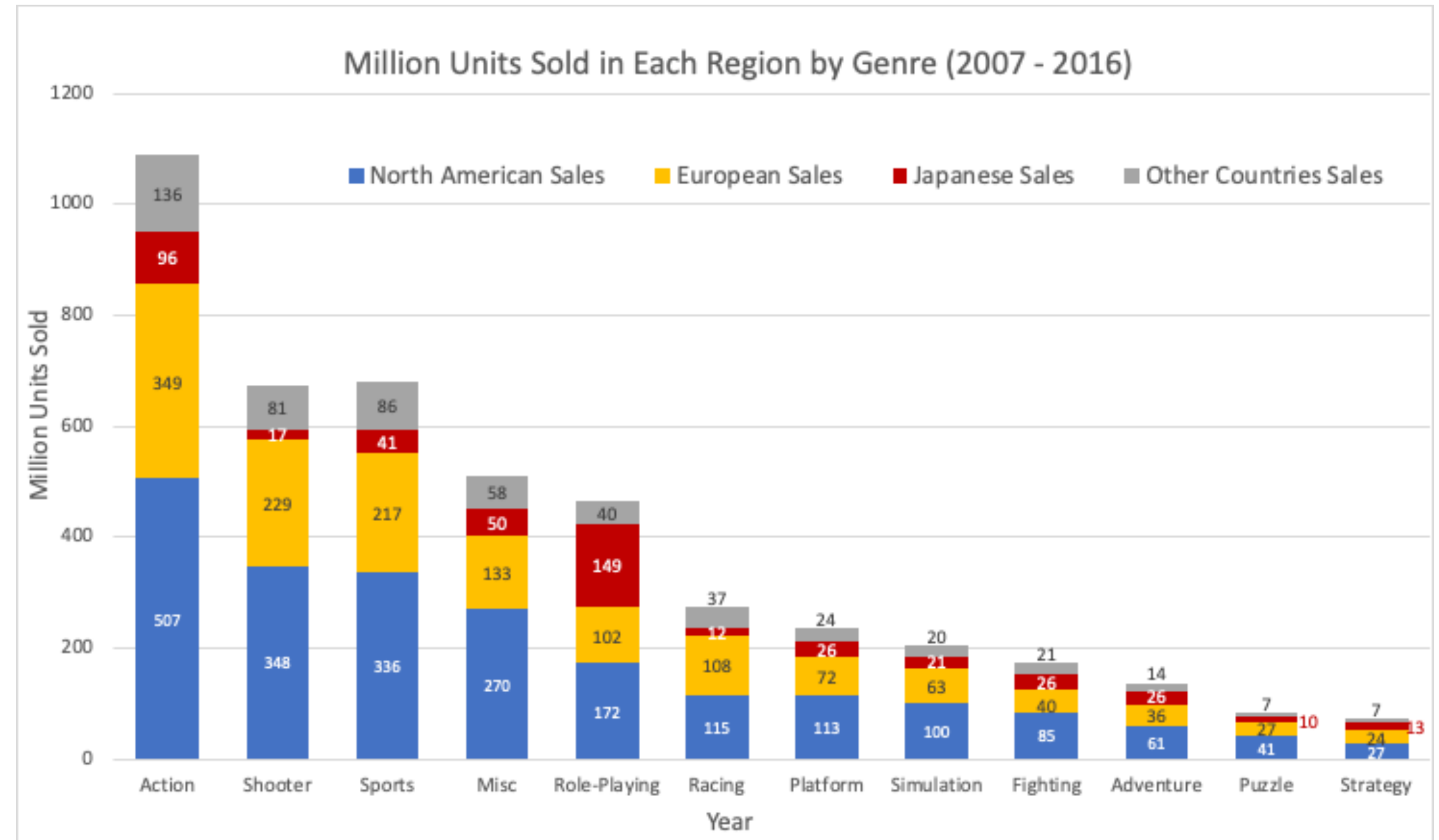
There are regional differences in sales. North America has the highest proportion of global sales for all the genres. Europe has a greater proportion of the global sales than Japan for all genres except Role-Playing.

Action has the highest number of million units sold in both North America and Europe, but not in Japan where Role-Playing has the highest number of sales.

- * Shooter and Sports are the second and third highest selling genres in North America and Europe, but Shooter is one of the lowest selling genres in Japan.

Looking at the regional variations (*not shown in graph*):

- * The general trend is a decrease in sales (number of million units sold) across all regions over the decade.
- * In contrast sales for the Action genre were increasing in Europe til 2015 and in Japan they have been relatively stable.
- * In Europe and North America sales of the Shooter genre increased up to 2011, then they fell but remained relatively stable until 2016. Sales in Japan were lower but constant.
- * Sales of the Role-Playing genre were relatively consistent in all regions until 2015, then in 2016 they decreased.



In the North American, European and Japanese regions the number of million units sold have decreased over the last decade for all genres. The decrease in sales is most noticeable between 2015 and 2016.

Data Analysis - Platforms

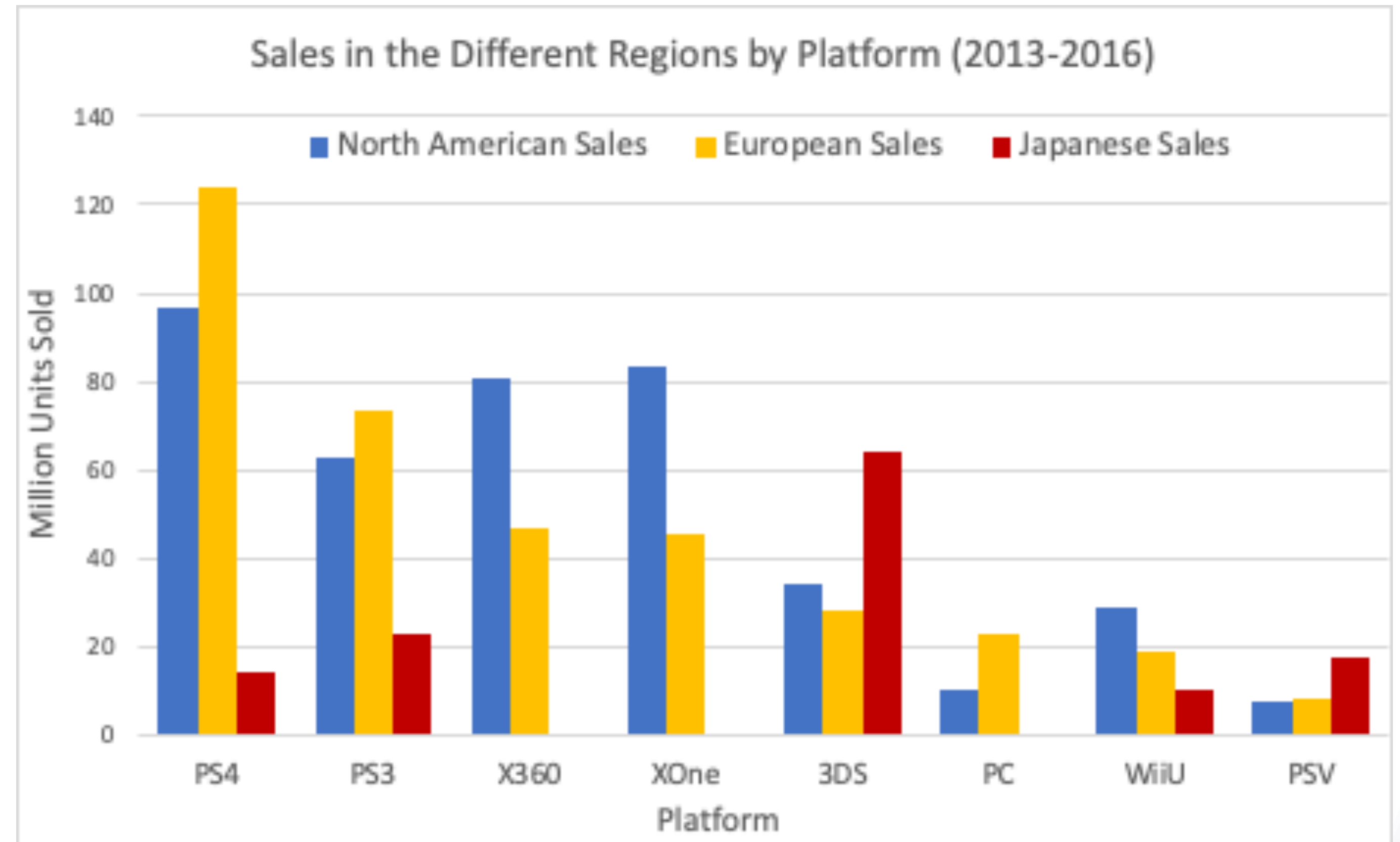
The platforms that are currently (2016) in operation: 3DS, PC, PS3, PS4, PSV, WiiU, X360 and One. There were fewer games released in 2016 for these platforms compared to 2015. Over half of the games released were for PS4, PS3 and PSV.

The highest number of games released in the last two years were for PS4; in the two years before it was its predecessor PS3.

- * PSV has the second highest number of games followed by XOne (the successor of X360).
- * WiiU had the lowest number of games and its popularity appears to be declining with no apparent successor.

Over the last four years the highest number of sales (278 million units sold) were for PS4; nearly double the number of units sold for XOne and more than double that of 3DS.

- * The highest number of million units sold in Europe are for PS4 followed by PS3, and Japan has the highest number of sales for PSV.
- * There are more sales for X360 and XOne in North America than Europe, but sales in Japan are below one million units.
- * Japan has the highest number of million units sold for 3DS, but zero for PC.



Currently PS4 is the best performing platform. There are regional differences in the number of million units sold on each platform. PS4 has more sales in Europe, XOne has more sales in North America and 3DS has more sales in Japan.

Data Analysis - Competitors

The top six (number of million units sold) publishers in the last four years are Nintendo, Electronic Arts, Activision, Ubisoft, Sony Computer Entertainment (Grouped) and Take-Two Interactive. They publish over a range of genres that include the top three.

Only Electronic Arts, Activision, Ubisoft publish on all six platforms. Nintendo with the highest sales (million units sold) publishes exclusively on 3DS and WiiU.

- ❖ **Ubisoft has the highest sales for the Action genre, Activision for Shooter and Electronic Arts for Sports. Nintendo is best in the Role-Playing and Fighting genres.**
- ❖ Out of the top 15 games there were only two games not in the top five genres and just one was produced by a publisher not in the top six.
- ❖ Nintendo the best performing publisher has grown its market in Japan.
- ❖ Electronic Arts ranked second grew its market in Europe along with Ubisoft and the Sony Computer Entertainment Group.
- ❖ Activision has grown its market in both Europe and Japan.
- ❖ Take-Two Interactive is the only publisher to increase its market share in North America. They have the second highest selling game - 'Grand Theft Auto V' an Action genre game and this is a popular genre in North America.



The majority of the top six publishers over the last four years grew their market share in Europe. Only one managed to grow their market share in North America.

Actions and Recommendations

- * The marketing budget should be revised to reflect the decrease in North America's market share and the increase in both Europe and Japan.
- * Check that GameCo is:
 - * publishing over a range of genres that include the top three - Action, Sports and Shooter.
 - * promoting the top 3 genres in Europe and North America and focusing on games for PS4 and XOne.
 - * promoting the top 3 genres and Role-Playing in Japan and focusing on games for 3DS.

Before making any recommendations about the future an analysis of the digital market share for software is recommended.

Since 2008 the number of million units sold globally and the number of games released has declined. The 2008 financial crisis may have had an impact, but the market has never recovered. Why? Is there something else lacking in recent years e.g. innovative games, groundbreaking consoles?

A further decrease in sales is noticeable between 2015 and 2016. If this is not due to the digital market share what is happening?

- * Further analysis of the best selling games and market developments in consoles (e.g. will anything replace the WiiU) may offer an insight.

