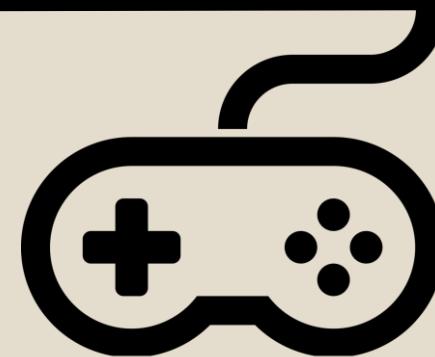


# **The Gaming Industry:**

## **An Industrial Analysis of a Growing Sector**

**Foutz Entertainment**

**Joby George  
Justin Hwu  
Gus Infantas  
Alyssa Mazanec**



# Meet the Gaming Team



**Joby George** is an intern at Foutz Entertainment. He looks forward to learning a lot about entertainment (and marketing.)



**Gus Infantas** is also an intern at Foutz Entertainment. He looks forward to constantly reassure President Foutz that she is (usually) right.



**Justin Hwu** is a managing director at Foutz Entertainment. He's a renowned expert at predicting new trends in the industry. Justin is also an avid fan of long walks on the beach, but only when the sun is setting.



**Alyssa Mazanec** is the CEO of Foutz Entertainment. She has helped millions of clients learn about AR/VR, all while running the business (and somehow putting up with the interns.)

# Coming ahead...

## 1) INDUSTRY OVERVIEW

History of Gaming – Business Models –  
Key Companies

## 2) GAMING DEMOGRAPHICS

Demographics – Global Markets –  
STP Analysis

## 3) NIANTIC

4P: Ingress – Pokemon GO

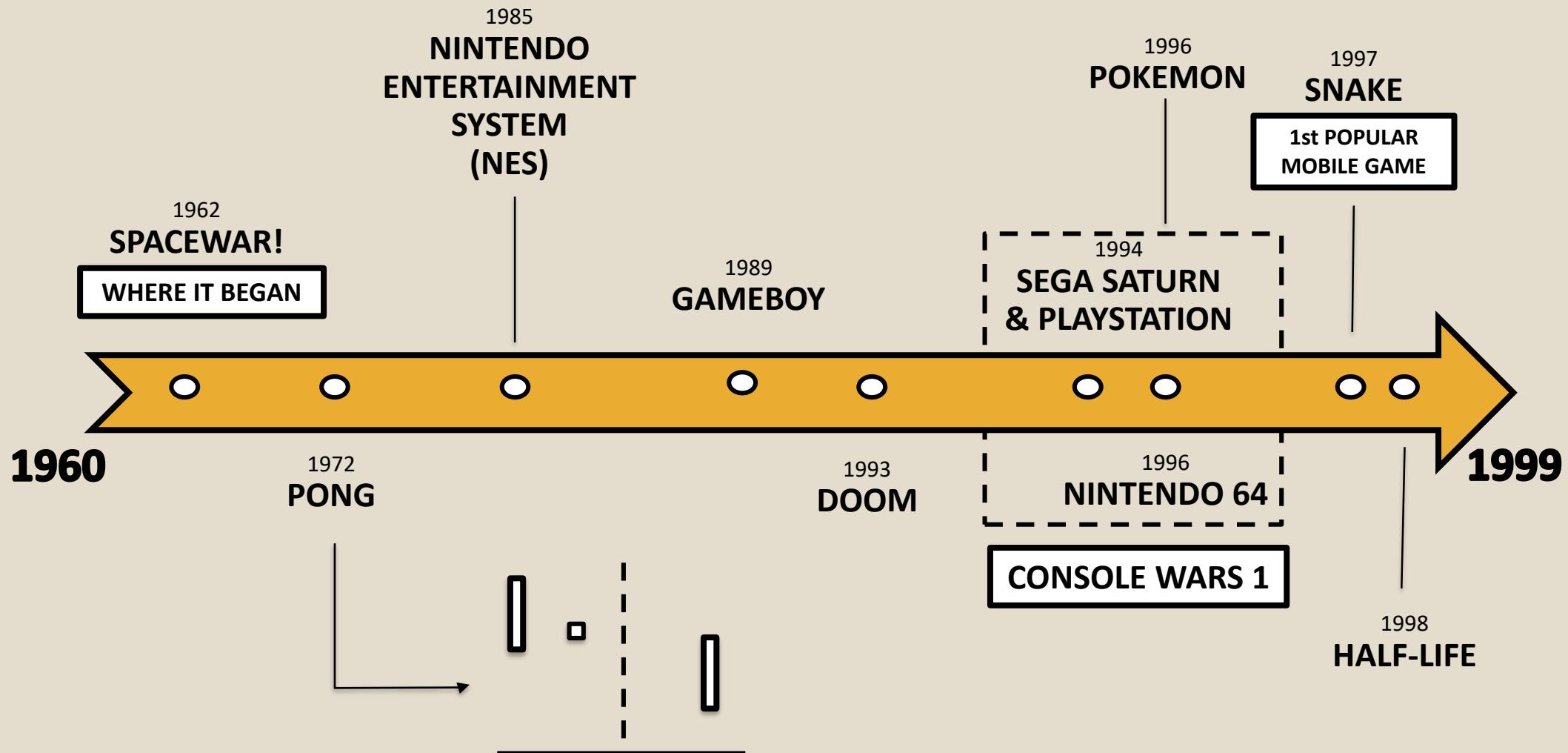
## 4) INDUSTRY TRENDS

eSports – Consoles – Streaming –  
Mobile – AR/VR

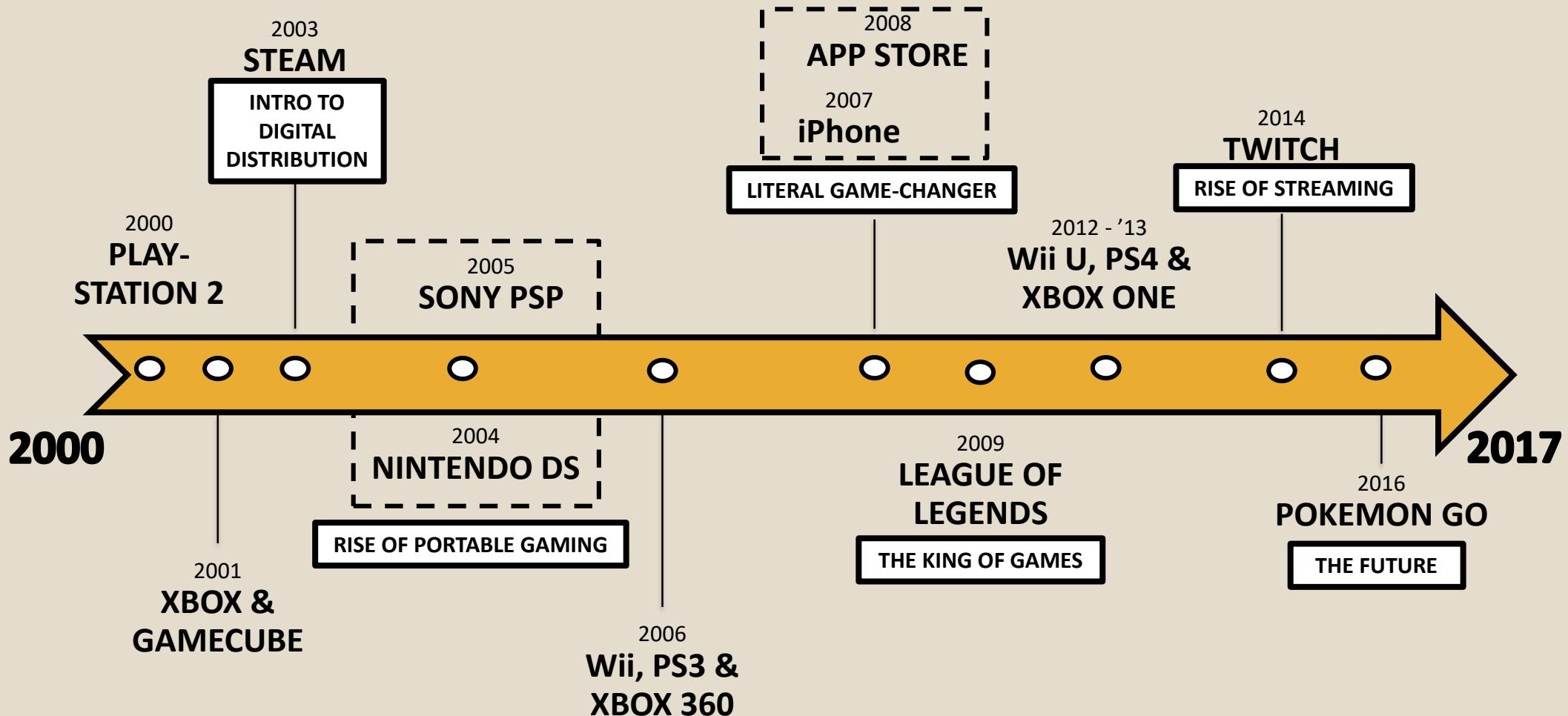
## 5) CONCLUSION

Summary – Future – Q&A

# History of gaming: 20<sup>th</sup> century



# History of gaming: 21<sup>st</sup> century



INDUSTRY  
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DEMOGRAPHICS

NIANTIC

INDUSTRY TRENDS

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# What makes up the modern gamer?

**49%** of Americans play video games (computer, console, TV, or mobile device)

**65%** of US households own a device used to play video games

The average gamer is **39-years-old**

**59%**

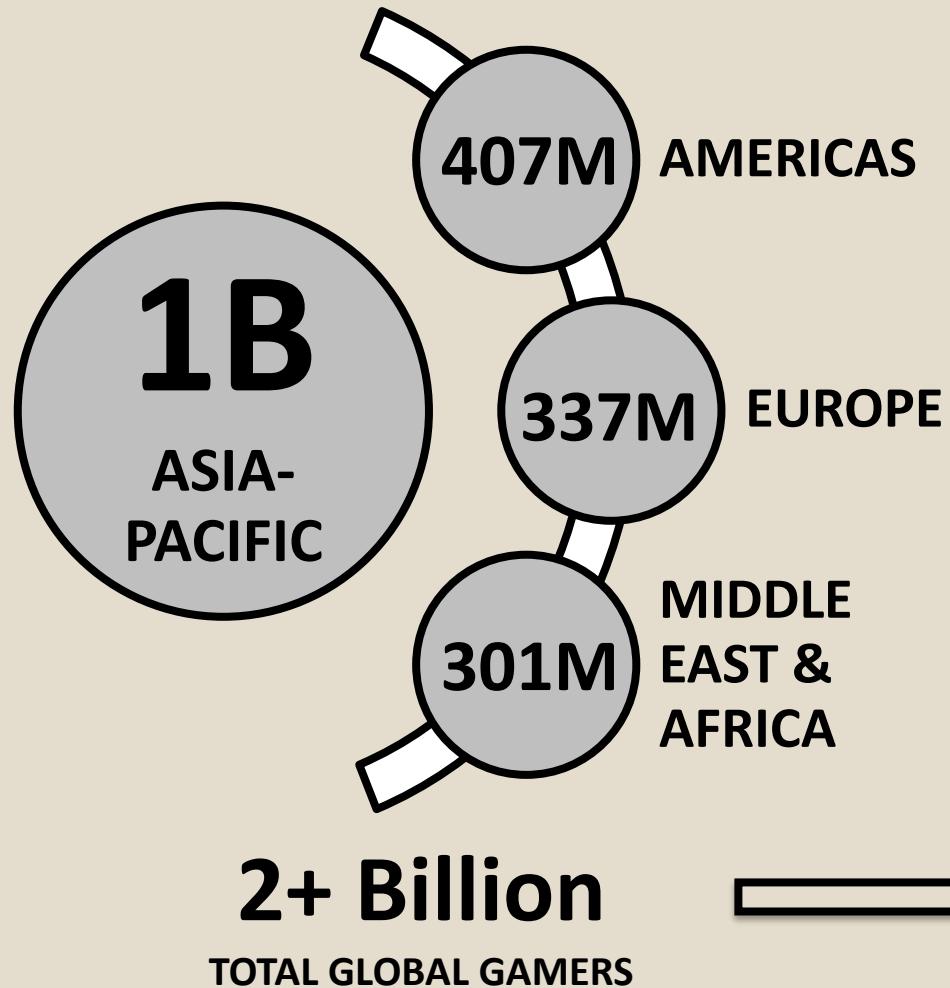
**MALE**

**41%**

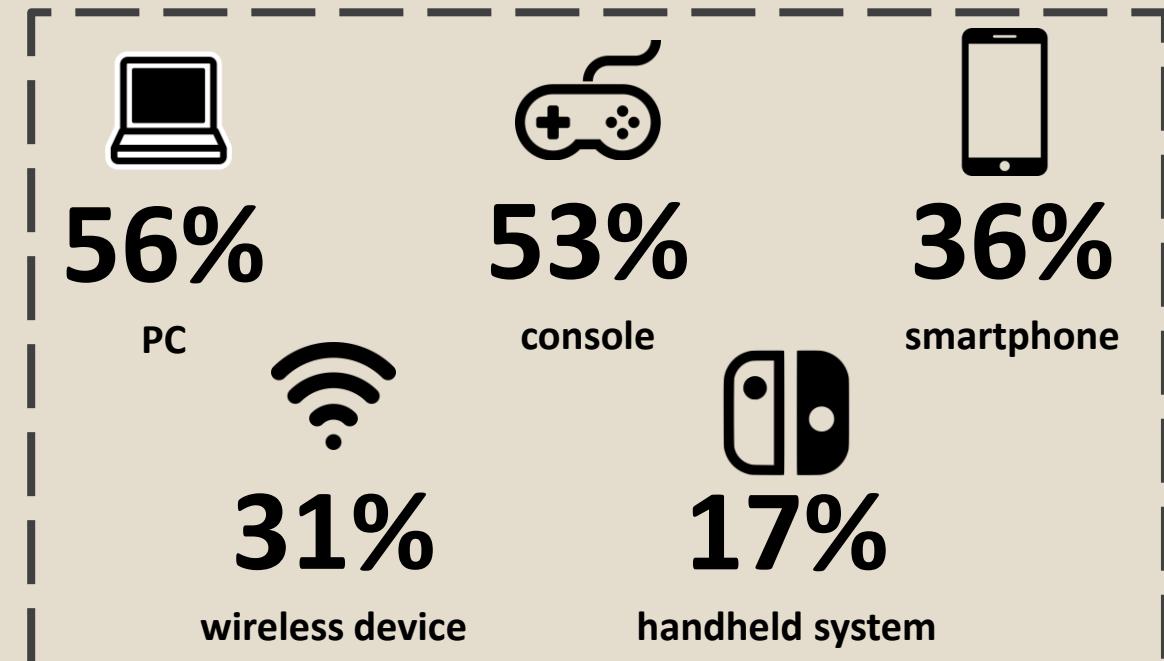
**FEMALE**

FREQUENT GAMERS FEEL THAT COMPUTER AND VIDEO GAMES PROVIDE MORE VALUE FOR THEIR MONEY (**47%**) COMPARED TO GOING TO MOVIES (14%), MUSIC (12%), AND OTHER ACTIVITIES (28%)

# The gaming industry is huge – and growing quickly



**\$109B**   
(+7.8% YoY)  
GLOBAL GAMES MARKET



# The gaming industry has several business models

## BRICK AND MORTAR

(retail stores, hardware, physical copies, accessories)

Available at



## GAMING VIDEO CONTENT

(streaming, video content, e-sports)



## FREEMIUM

(mobile gaming, in-game purchases)



## DIGITAL DISTRIBUTION

(video game software sales, add. downloadable content)



PlayStation Store



## SUBSCRIPTION

(MMORPGs, game library passes)



INDUSTRY OVERVIEW

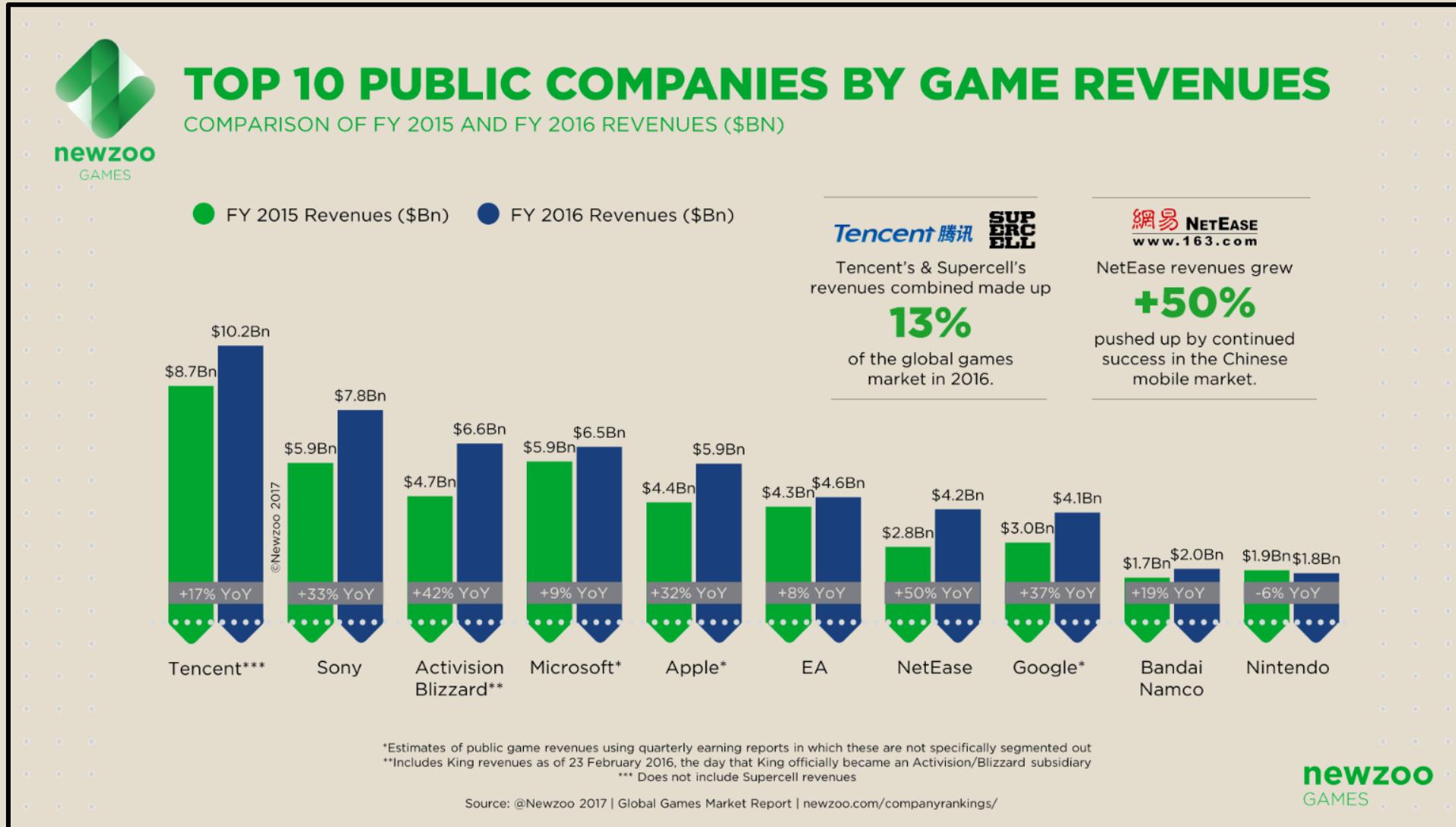
GAMING DEMOGRAPHICS

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# Tencent is the industry leader in the global games market



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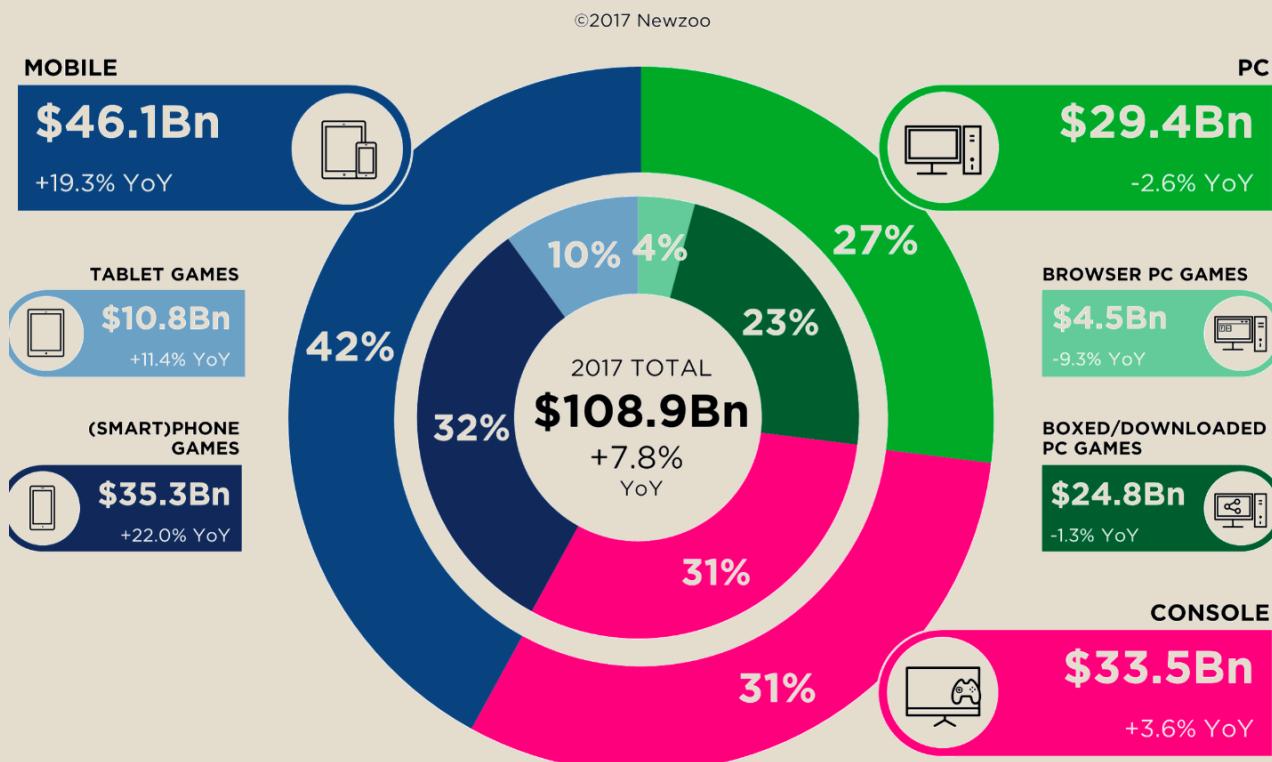
INDUSTRY TRENDS

CONCLUSION

# Examining gaming by platform

## 2017 GLOBAL GAMES MARKET

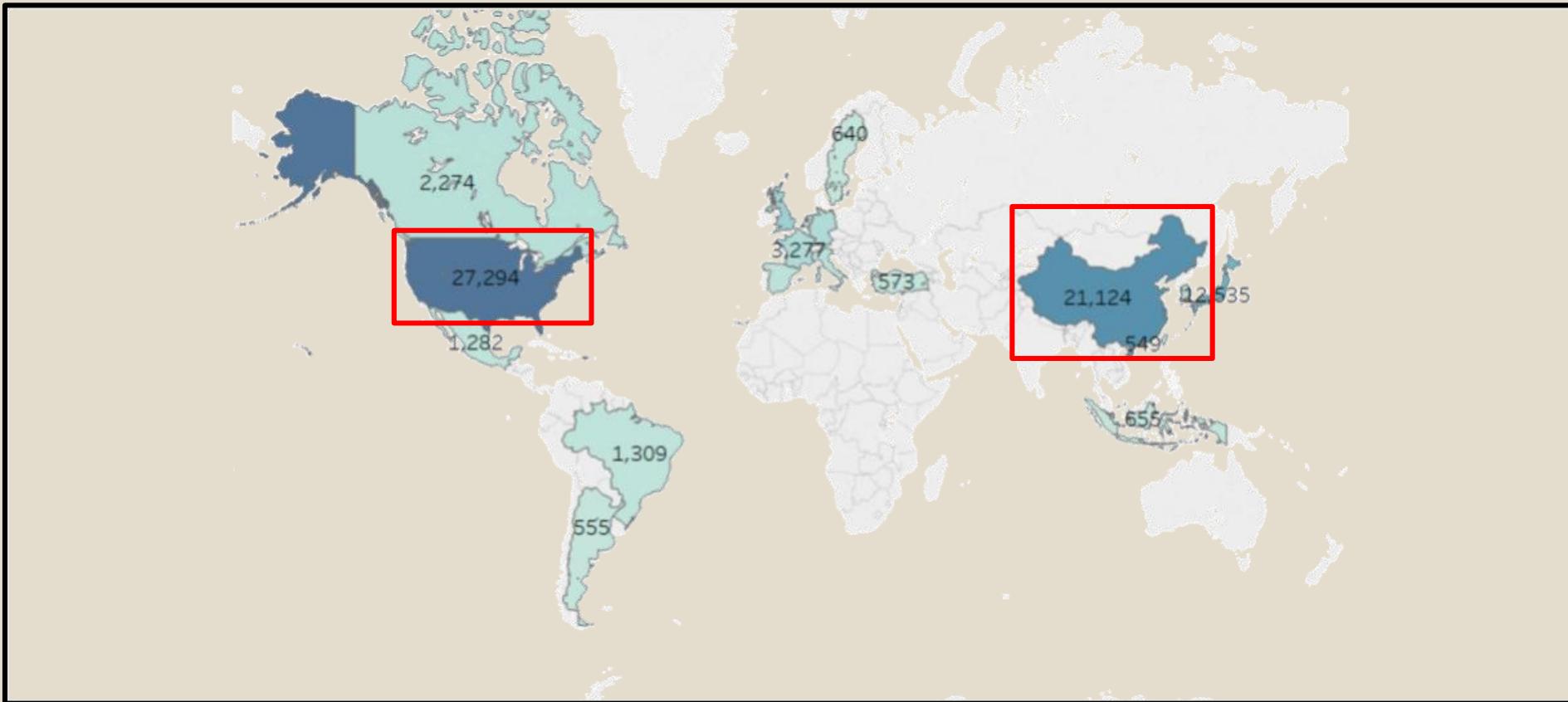
PER DEVICE & SEGMENT WITH YEAR-ON-YEAR GROWTH RATES



1. The industry is projected to grow 7.8% in 2017
2. The mobile market is growing at an incredible **19.3% YoY**
3. P.C gaming **declined 2.6% YoY**

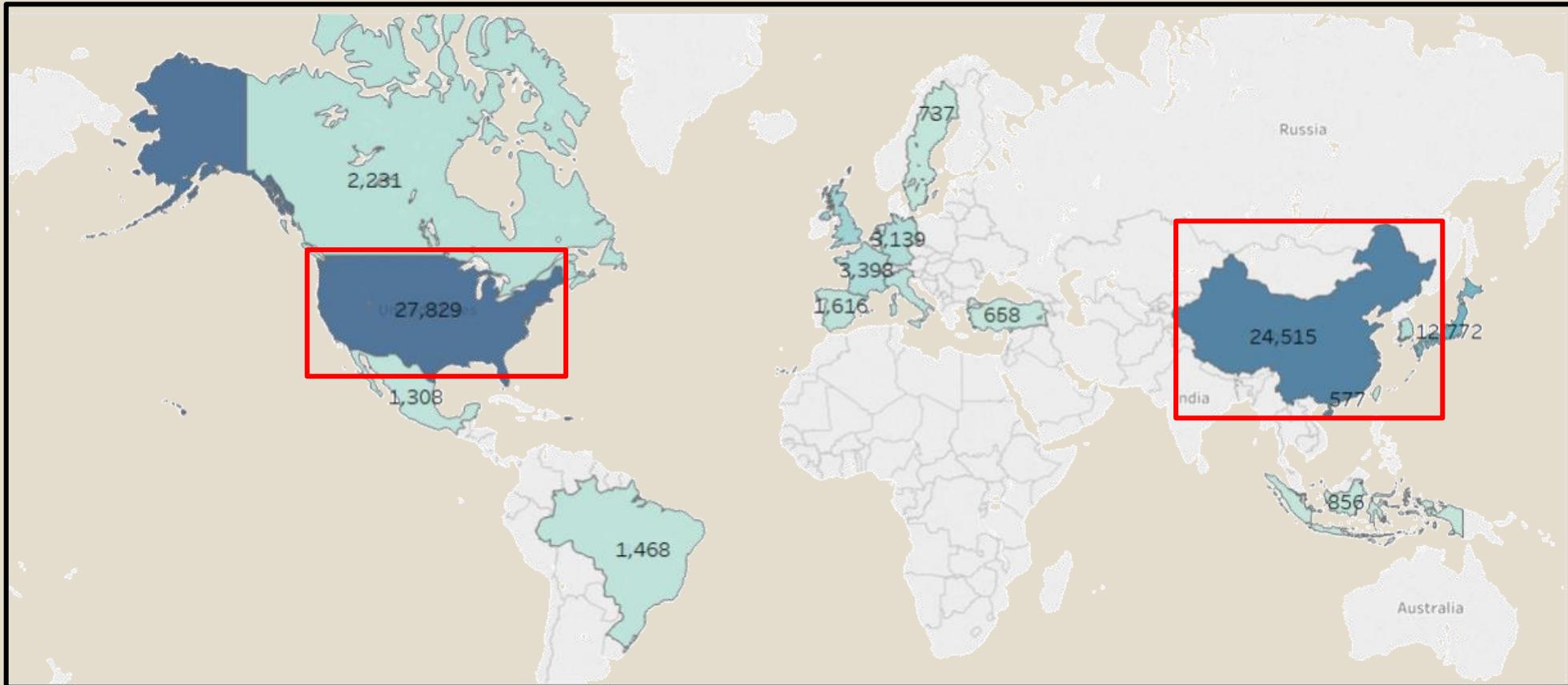
# Examining gaming by geography

Looking at global sales in \$M in 2015



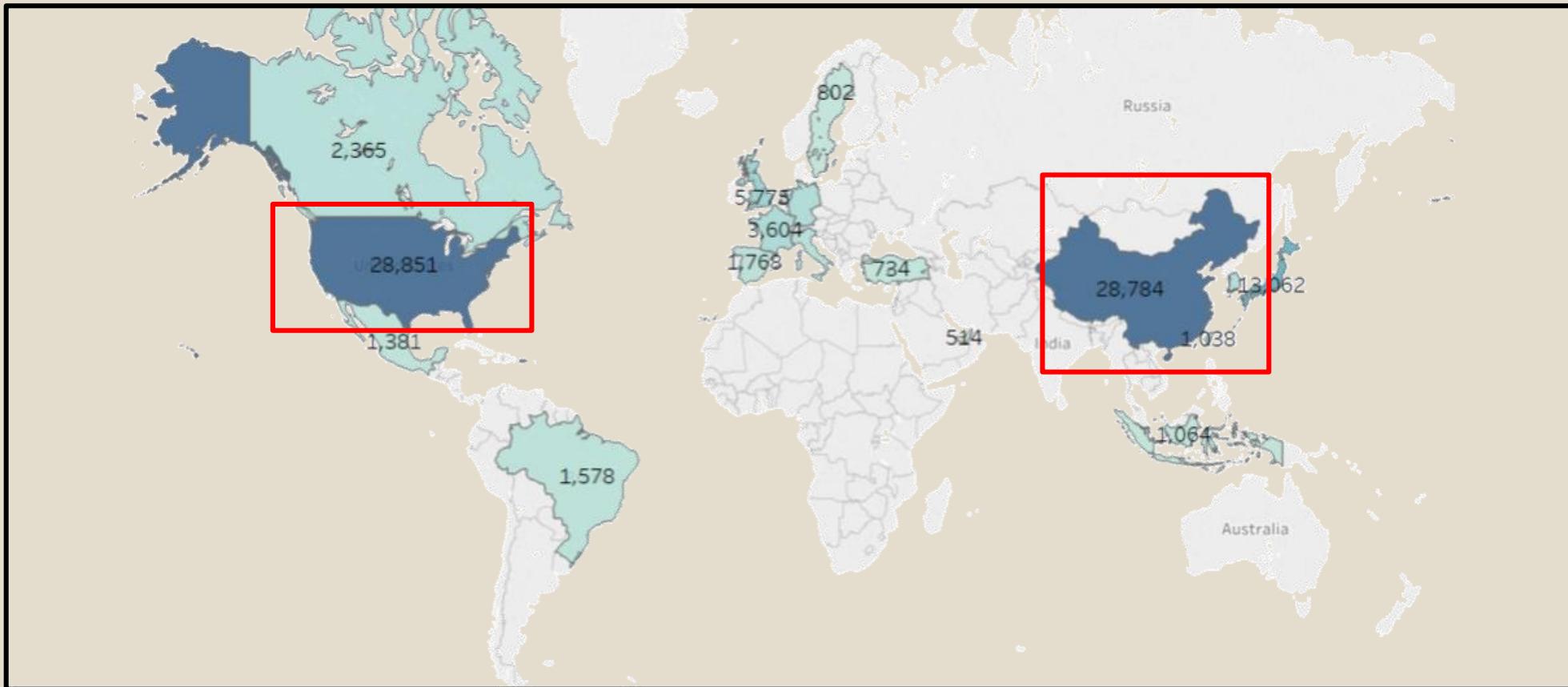
# Examining gaming by geography (cont.)

Looking at global sales in \$M in 2016



# Examining gaming by geography (cont.)

Looking at global sales in \$M in 2017



# Examining the industry by gamer needs (STP Map)



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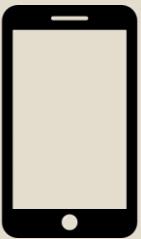
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# How do firms use this customer data?

MOBILE



CONSOLE & PC



+



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# Focusing on a market leader: Zynga

<b>Strengths</b>	<ul style="list-style-type: none"><li>• Zynga has a strong brand name and recognizable titles</li><li>• Expansion into stronger markets</li><li>• Partnering with other entertainment providers, such as Hasbro</li></ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"><li>• Reliance on FB for users</li><li>• Managerial turnover</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• <b>Facebook messenger games</b></li><li>• New management suite with proven track-record</li></ul>
<b>Threats</b>	<ul style="list-style-type: none"><li>• Shifting mobile gaming environment</li><li>• Copyright infringement</li><li>• Oversaturation of the market</li></ul>



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# Focusing on a market leader: Niantic



<b>Strengths</b>	<ul style="list-style-type: none"><li>• Strong expertise in AR gaming</li><li>• Proven success w/Pokémon Go</li><li>• Dedicated following</li></ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"><li>• Exclusively focusing on AR games</li><li>• Scalability problems</li><li>• Negative publicity with “dangerous” product</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• Increasing adoption of AR technology (ARkit, ARcore)</li><li>• Likely to co-venture with another giant in the gaming industry</li></ul>
<b>Threats</b>	<ul style="list-style-type: none"><li>• VR games</li><li>• Incorporating AI into gaming</li></ul>

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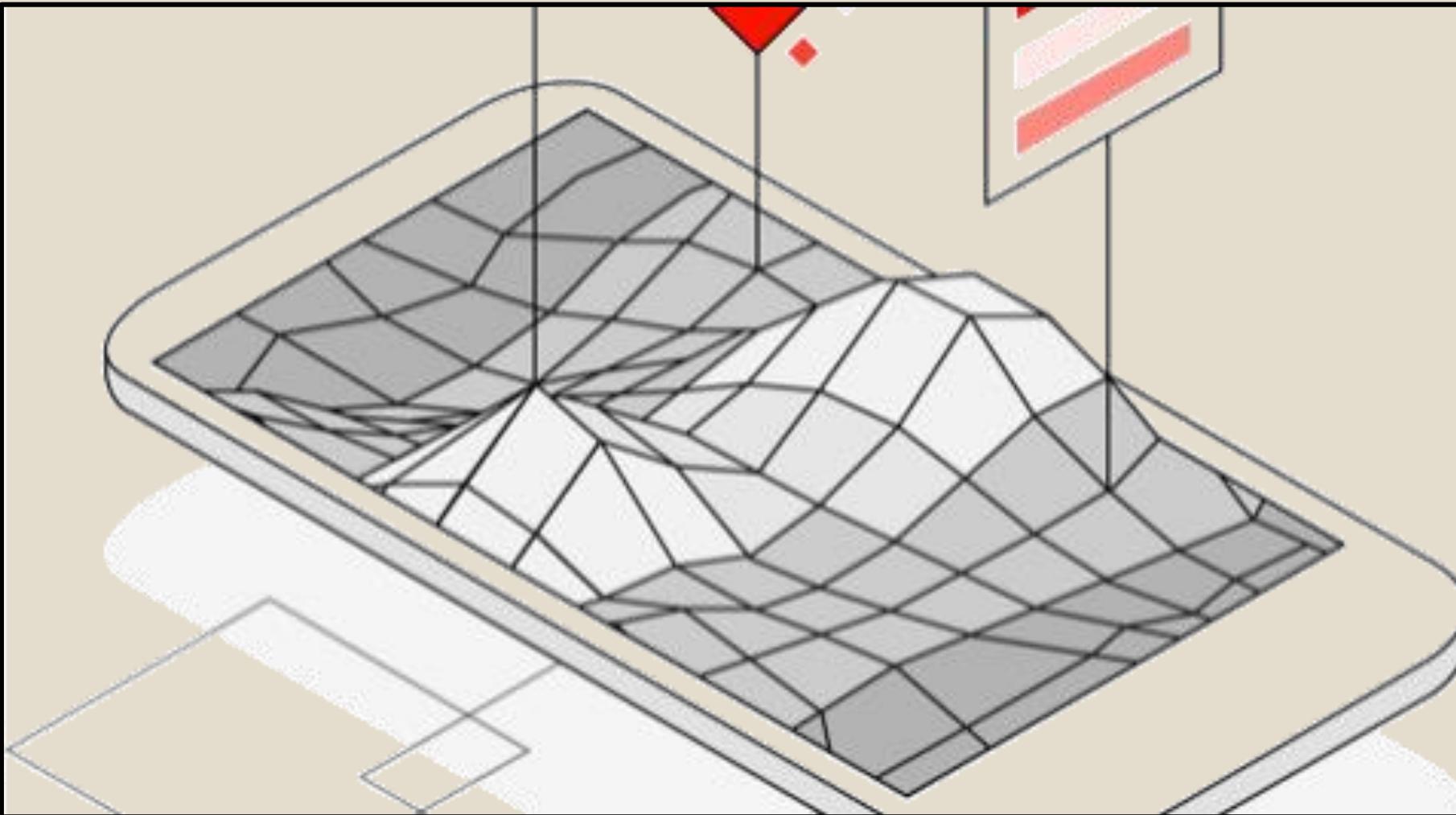
CONCLUSION

# Niantic: redefining our reality through gaming



"Mobile phones and computer screens can distract us from engagement in the real world....especially true of video games. But, there's an innovative game being played around the globe that's designed to use the same technologies to get its players more engaged with each other and the physical world."

# AR + VR World Game Platform



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# Niantic's Products: Ingress & Pokemon GO



Ingress



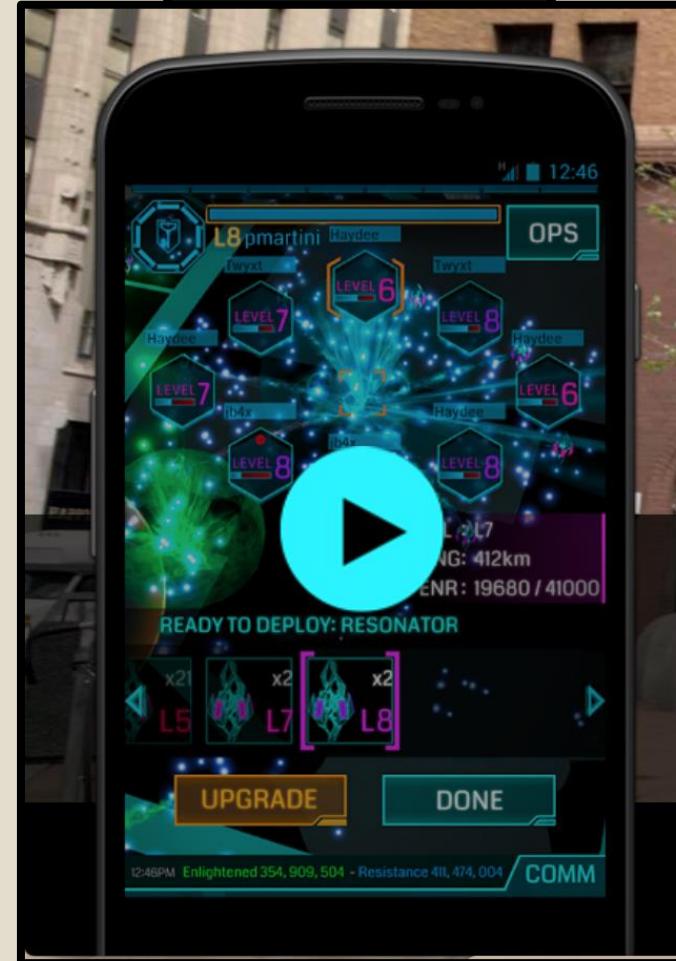
Pokemon GO

# Visionary John Hanke, the creator of Ingress

JOHN HANKE, CEO



GAMEPLAY



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# Ingress, the first augmented reality game

Shakespeare famously wrote "All the world's a stage and all the men and women merely players." Ingress takes the great Bard's words to a new level.



# Pokemon GO!



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# How to play Pokemon GO

- Pokemon GO was built on Niantic's Real World Gaming Platform
- Players search in the real world to discover Pokémons
- As you move around, your smartphone vibrates to let you know you're near one
- Once you encounter a Pokémon, take aim on your smartphone's touch screen and throw a Poke Ball to catch it
- **Pokemon Go Plus:**
  - Connect to smart phone using Bluetooth
  - Notify you of nearby Pokémons's location through vibration
  - Use the button to shoot

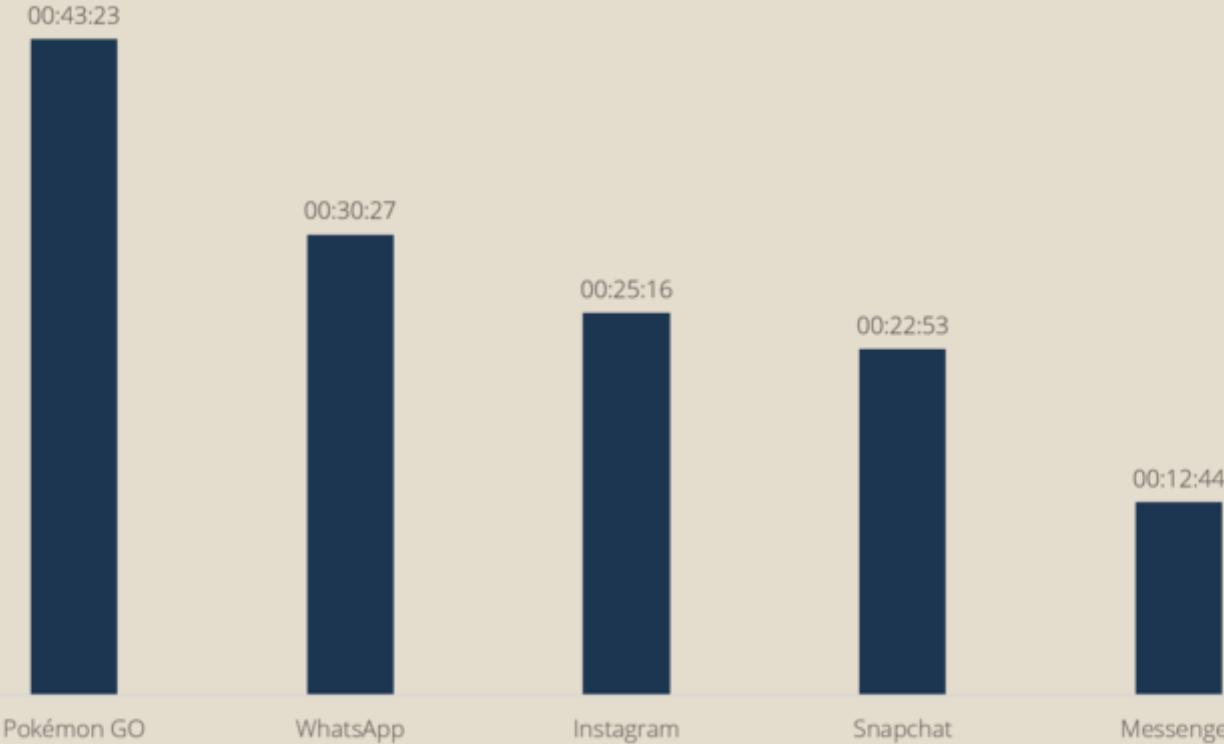


# Pokemon GO is a massive hit

## Usage Time: Pokémon GO vs Social Media Apps

US Android App Data: July 8<sup>th</sup>, 2016

Data By  **SimilarWeb**



# The 4 P's of Pokemon GO

## Purchasing and Pricing

- **Ingress:**
  - Free download and in app-purchasing
- **Pokemon GO:**
  - Free download and in app-purchasing
  - Option to purchase Pokémon Go Plus
  - Regional partnerships (Sprint and Starbucks in the US)
- **Download platform:** App store
- **Device:** Apple phones

# Pokemon GO's promotional strategy is effective

- Supporting the right values
- Fan events
- Good timing
- Word of mouth
- Counter psychology of bad publicity
- Loyal fans
- Easy to understand and play
- Social media
- Nintendo's powerful brand



# Supporting the right values



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# Pokemon GO had the perfect timing



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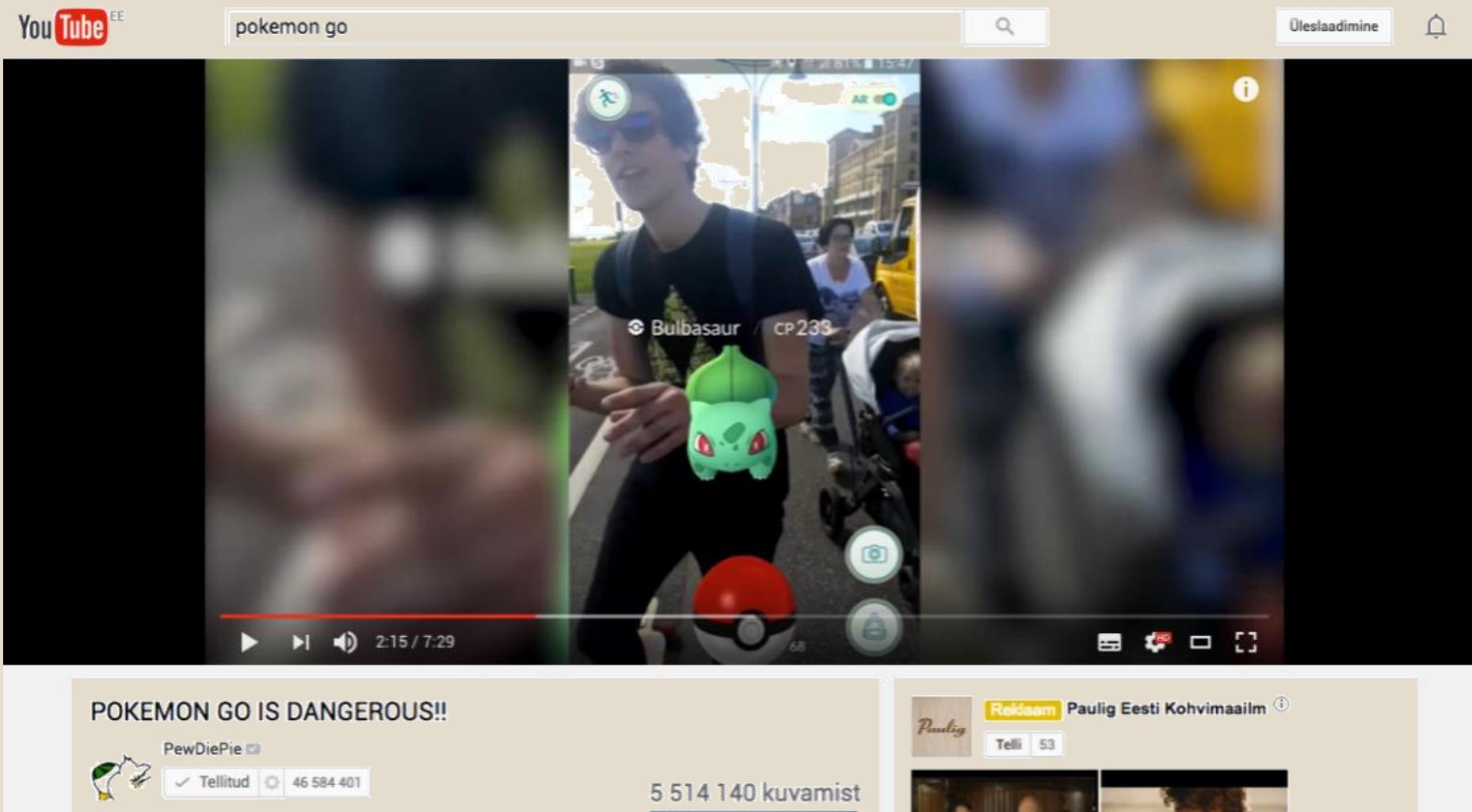
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# Viral Marketing = Success



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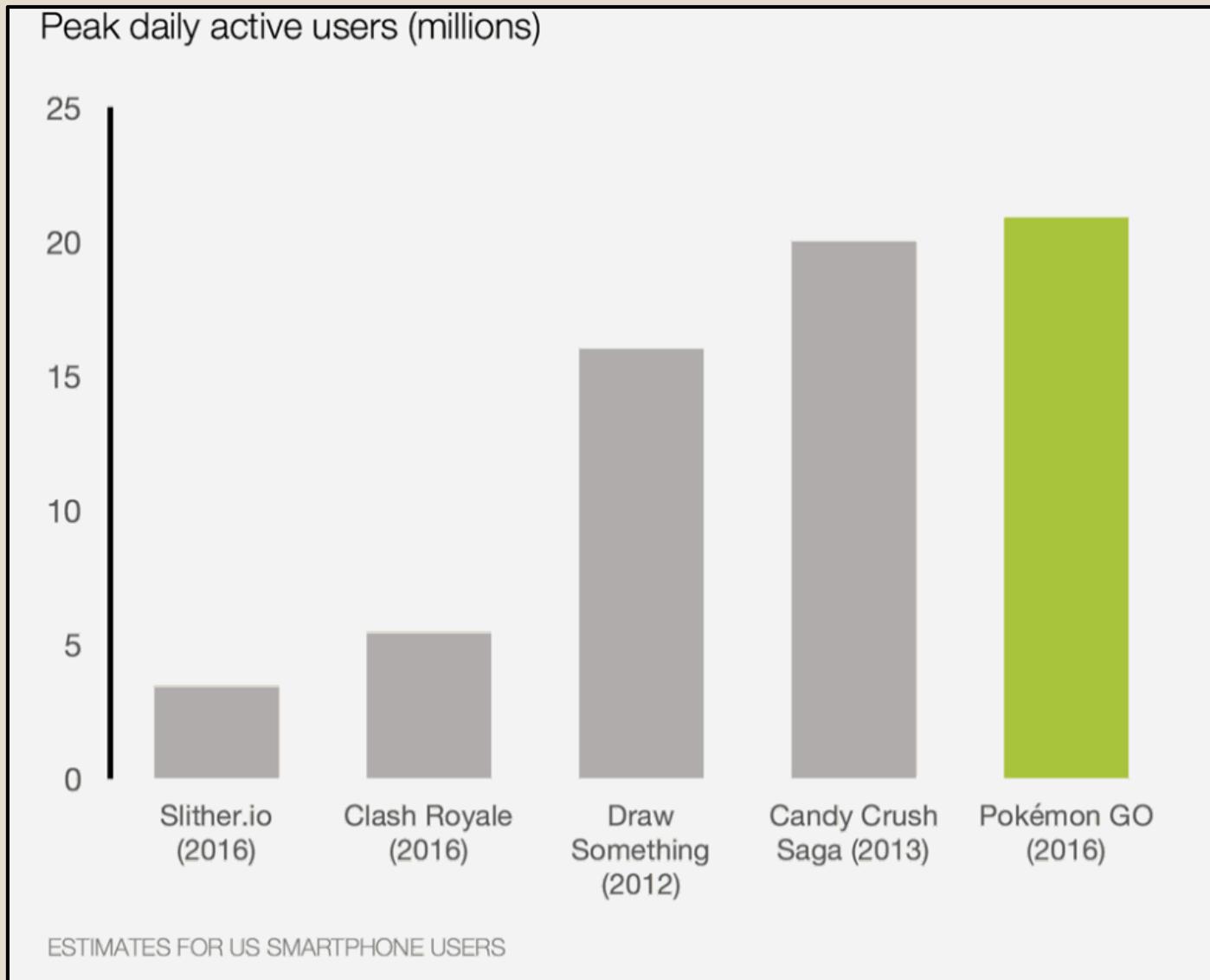
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# Pokemon GO is the biggest mobile game – EVER!



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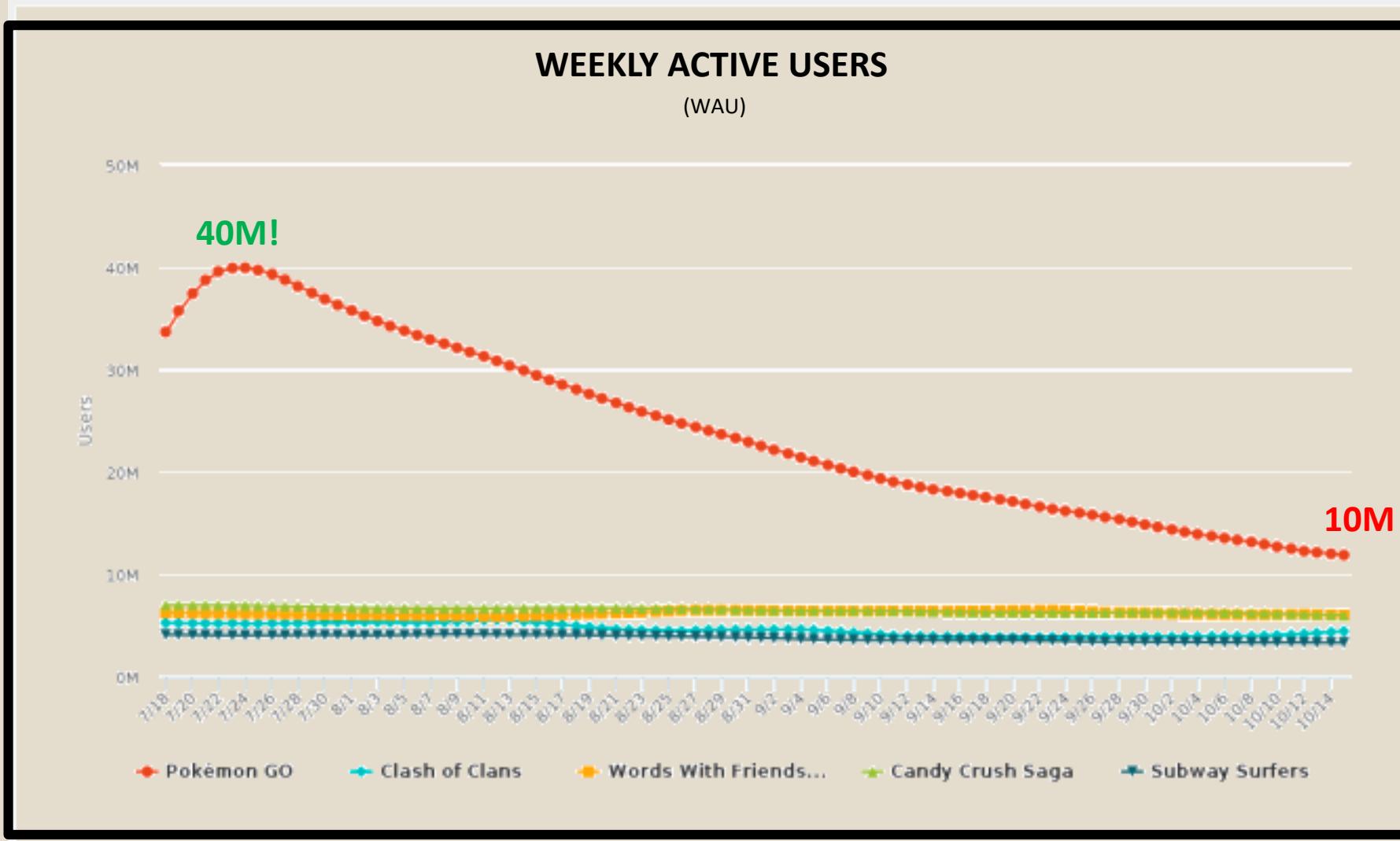
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# Where did the hype “GO?”



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# Apple bets on AR

- More applications beyond gaming

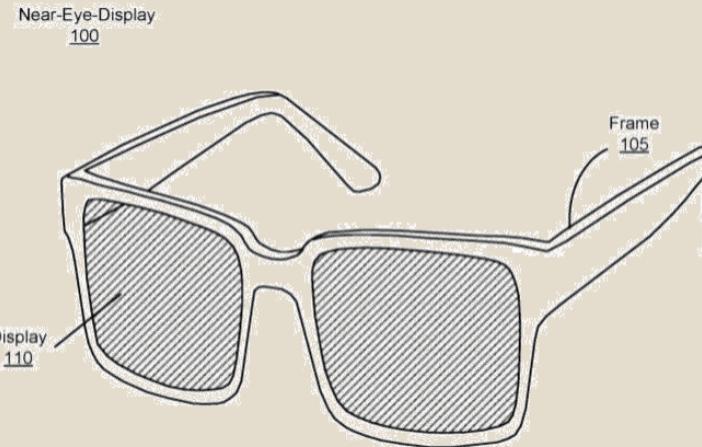
- Become a car mechanic
- Have your favorite comedian perform anywhere
- Visualize furniture in any room



# Will AR glassware just be another fad?



**Google Glass**



**Patent for Oculus AR glasses**

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# Industry Trends: AR/VR

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PLAYSTATION VR  
(\$350)

Consumer adoption is expected to pick up as headset pricing begins to drop, and by 2021 major markets like the US and UK are expected to see nearly 20% household penetration rates for AR/VR headsets

Oculus' chief scientist, Michael Abrash, thinks that full implementation of AR is 5-10 years away and imagines, "glasses that enhance your vision and hearing seamlessly .. That will be your always on-helper... that are light, comfortable, stylish, and socially acceptable to be a constant part of your life."

---



HTC VIVE  
(\$600)

# Industry Trends: Console Gaming & eSports



## Console Gaming

- More frequent product launches and shorter replacement cycles focused on incremental improvements consistent with 4k TVs and AR/VR developments
- Distribution through complementary technology: Title game creators such as those of Final Fantasy and Gran Turismo Sport are developing games with these incremental improvements in mind

## eSports

- eSports revenues will reach \$696 million in 2017 and grow to \$1.5 billion by 2020
- Betting companies are extremely excited about this growing trend



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# Industry Trends: Mobile Gaming



## 2016-2020 GLOBAL GAMES MARKET

FORECAST PER SEGMENT TOWARD 2020

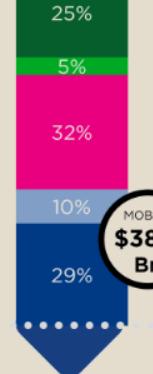
TOTAL MARKET

**+6.2%**

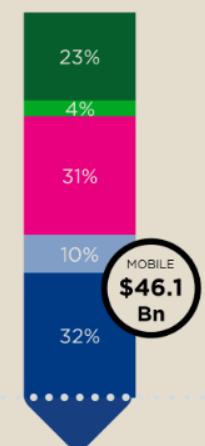
CAGR 2016-2020

● Boxed/Downloaded PC ● Browser PC ● Console ● Tablet ● Smartphone

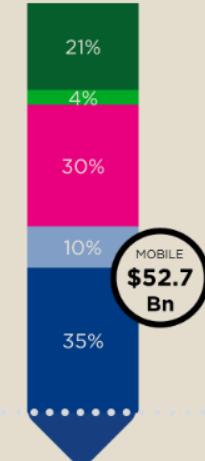
**\$101.1Bn**



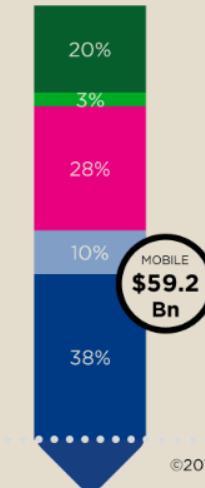
**\$108.9Bn**



**\$115.8Bn**



**\$122.7Bn**



**\$128.5Bn**



©2017 Newzoo

Source: ©Newzoo | Q2 2017 Update | Global Games Market Report  
[newzoo.com/globalgamesreport](http://newzoo.com/globalgamesreport)

**newzoo**

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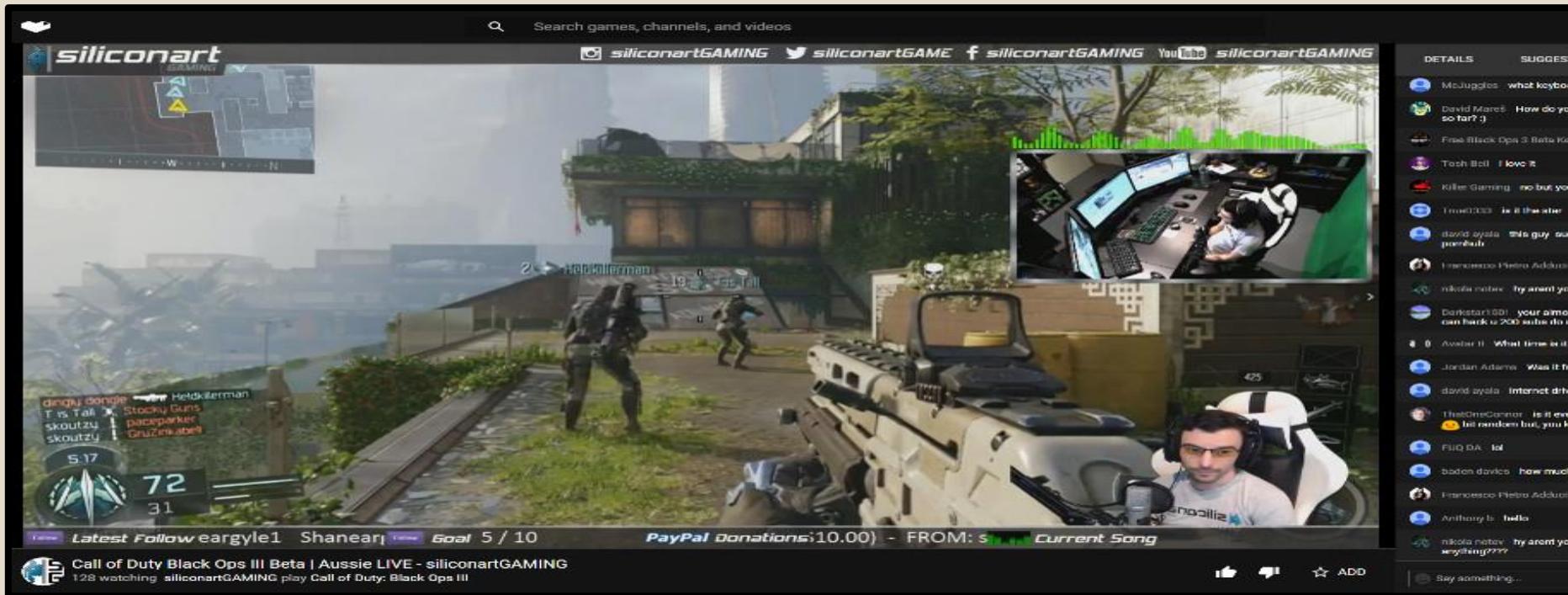
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# Industry Trends: Streaming



## PARTICIPATORY STREAMING TREND

Twitch and YouTube Gaming are the most popular streaming avenues for gamers

- Source of revenue for streamers
- Stream+ on Twitch allows viewers to affect current gameplay and gamble on the outcome with points accumulated from time watched streaming

# The gaming industry is going through transformative changes

- Extreme mobile growth, due largely to APAC's strong demand
- Emerging business models
- New frontiers
  - eSports
  - Streaming
  - AR/VR
- An increased focus on social games and gaming communities



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# Questions?



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# Appendix Slide: Global demographics and gender preferences



# Appendix slide: Pokemon's loyal millennial fanbase



# Appendix: Fan Events!



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# Appendix Slide: Top Mobile Games (China)

Top iOS Games in China, April 2017



Downloads			Revenue				
1		Honor of Kings	Tencent	1		Honor of Kings	Tencent
2		Anipop Beach	Happy Elements	2		Fantasy Westward Journey	NetEase
3		Happy Landlord	Tencent	3		Dragon Nest	Tencent
4		Anipop	Happy Elements	4		New Ghost	NetEase
5		Gangstar New Orleans	Gameloft	5		Onmyouji	NetEase
6		Happy Mahjong	Tencent	6		Scions of Fate	Longtu Games
7		DD Tank	Tencent	7		Westward Journey Online	NetEase
8		Snake Battle	Wuhan Weipai	8		JX Online	Tencent
9		Honor of Kings Assistant	Tencent	9		Brave Battle	Hoolai
10		Bingo Consumers	MicroFun	10		The Epoch of Eternity	37 Interactive



Data That Drives App Growth

[sensortower.com](http://sensortower.com)

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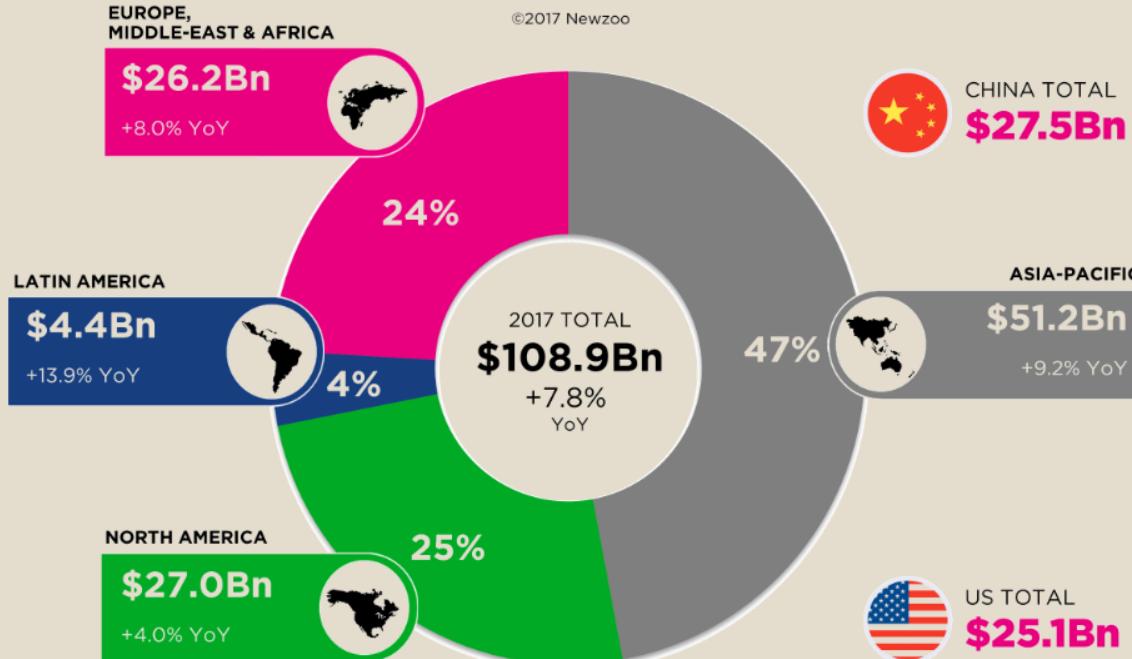
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# Appendix Slide: Industry Trends: by Region



## 2017 GLOBAL GAMES MARKET

PER REGION WITH YEAR-ON-YEAR GROWTH RATES



Source: ©Newzoo | Q2 2017 Update | Global Games Market Report  
[newzoo.com/globalgamesreport](http://newzoo.com/globalgamesreport)

In 2017,

**47%**

of all consumer spend  
on games will come  
from the APAC region

**newzoo**

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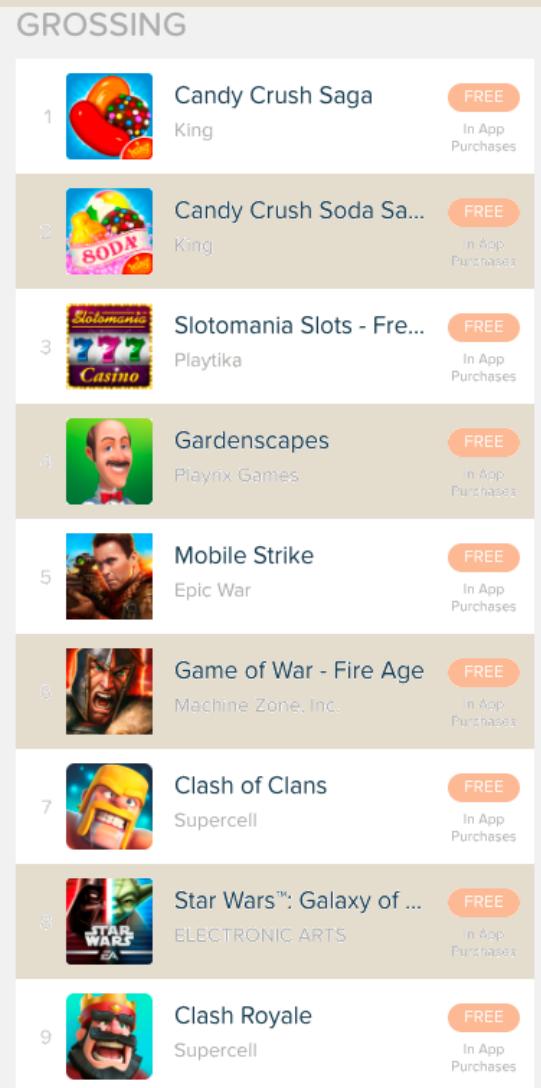
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# Appendix Slide: Top Mobile Games (US)



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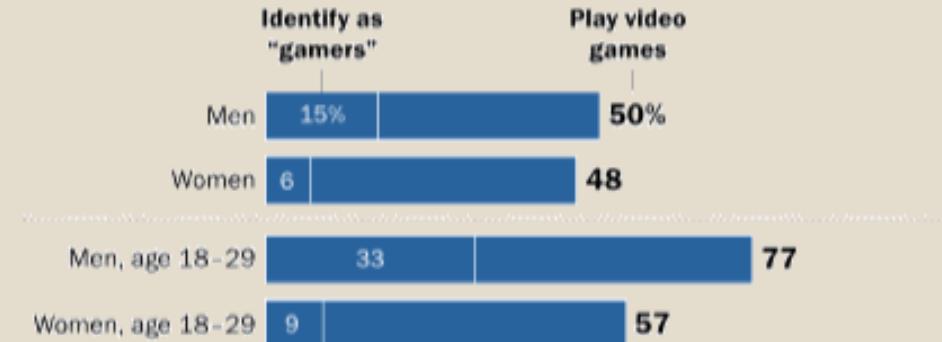
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# Appendix slide: American customers' passion for gaming

**Men and women play video games, but men are more likely to call themselves "gamers"**

% of all adults who...



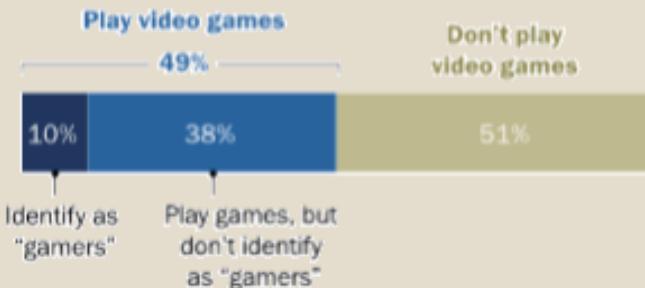
Source: Survey conducted June 10 – July 12, 2015.

Note: "Play video games" includes those who identify as gamers. E.g., 50% of adults play video games, including 15% who consider themselves gamers.

PEW RESEARCH CENTER

**Half of American adults play video games; 10% consider themselves "gamers"**

% of all adults who ever play video games on a computer, TV, game console or portable device like a cellphone



Source: Survey conducted June 10 – July 12, 2015.

Note: Figures do not add to 100% due to rounding

1. 50% of Americans Play Video Games (as Pew found)
2. Around half of men and women play video games (as Pew found)
3. The average age of gamers is 35

# Honor Pledge

- We have neither received nor given any aid on this assignment.

Joby George

Justin Hwu

Gus Infantas

Alyssa Mazanec

# Sources

- [Amazon article on new twitch features](#)
- [App Annie's top 2017 mobile games data \(US\)](#)
- [Dailystar new hottest games](#)
- [Dream Grow Pokémon Go marketing](#)
- [Euromonitor Data portal](#)
- [Express.co newest generation of consoles](#)
- [Fast company's challenges for Pokémon Go](#)
- [Ingress detailed information](#)
- [Newzoo 2017 highlights and forecast on the gaming industry](#)
- [Newzoo esports revenue data](#)
- [Pew Research's survey on US gamers \(Demographical info\)](#)
- [Pocket Gamer's top 2017 mobile games data \(China\)](#)
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- [Shack news Full AR is 5 years away](#)
- [The Guardian's review of relevant current gaming trends](#)
- [The Verge PlayStation VR sales](#)
- [Time Magazine article on how to play Pokémon Go](#)
- [Twitch blog about twitch stream +](#)
- [Washington Post Apple is betting on AR](#)
- [Zynga MAU data](#)

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