

GLOBAL GAMES MARKET REPORT—2015

Entering the next era of interactive entertainment

SuperData Research
May, 2015

Executive summary

★ **Asia ascends the throne of the largest global games market in near future.** The North American market remains strong, but the popularity of free-to-play and mobile will soon give Asia leadership.

★ **Global games market now generates \$74.2 billion a year (2015E).** Digital game categories like mobile and Free-to-play drive industry growth, as virtual reality and gaming video content emerge.

★ **New devices and platforms drive growth in interactive entertainment.** The retail-based business is set to decline once the current hardware cycle starts to mature early 2017.

★ **Games claim growing share of revenue in key entertainment markets.** In the United States, the games market has almost tripled its share of the total entertainment market in last 30 years.

★ **Interactive entertainment enters next era as users take charge.** Following physical and digital distribution, the games industry is shifting toward user control, ownership and content creation.

Join us on May 29th for a webinar that discusses the key market trends in interactive entertainment and previews this year's E3.

Sign up here: <http://eepurl.com/bmWcF9>



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Note from the analyst

The global games market is booming. Over the past decade interactive entertainment has almost tripled in size as a result of a range of innovations: smartphones have elevated mobile gaming to unprecedented heights, improved broadband speeds and infrastructure have propelled online gaming forward, and novel revenue models and digital distribution have greatly expanded the addressable market.

In the games market today it is clear that the industry's gravity point has shifted from physical to digital media. And in response, both publishers and retailers are adjusting their strategies to stay relevant to consumers and capitalize on the market's momentum. Yet innovation keeps moving forward and on the horizon we can begin to see the dawn of what's next in gaming.

Interactive entertainment is entering its next era: **PLAYABLE MEDIA**

As the industry has changed, so, too has the audience. Already did we establish that gamers today are not the same ones who have traditionally been considered its core audience. But now that gaming is mainstream, audience behavior is different, too. Today, people don't just consume entertainment but increasingly play an active part in it. Ranging from modding to streaming, from cosplay to competitive gaming, the market for gaming presents a much broader and more diverse mix of opportunities and challenges than ever before.

In this report, we provide an overview of SuperData's market picture by breaking down the various game categories we identify in the market and by providing a comprehensive overview of where we believe the market is headed.

For an even deeper dive into the data and trends, please join us for a free **online webinar on Friday May 29 at 2:00 pm EST** leading up this year's E3 in Los Angeles. Yes, it's free, but seats are limited. Details at the end of this report.

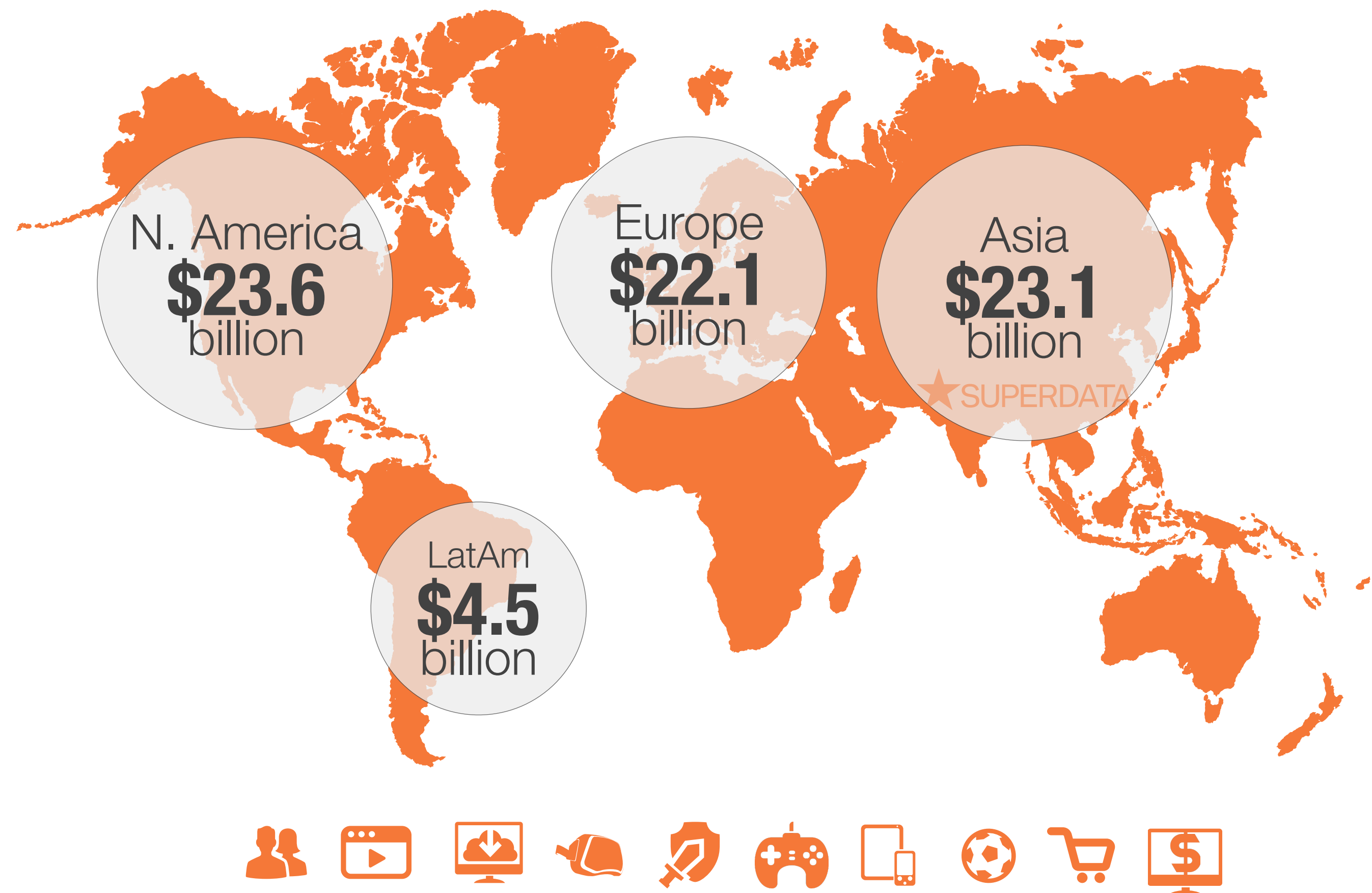
We hope you can join us!

Asia will soon ascend the throne of the largest global games market

The N. American market remains strong, but the popularity of free-to-play and mobile will soon give Asia leadership.

North America leads the global games market with \$23.6B in 2015E. The growth momentum in Asia (\$23.1B) will allow this market to soon become the biggest region for games. This gives Asian publishers a strong position when looking for opportunities in the west and forces western game companies to formulate a strategy for the Asian market. Meanwhile, digital distribution has allowed the European market (\$22.1B) to grow, too, as Eastern Europe and Russia play a more prominent role in the overall global market. Finally, the Latin American market (\$4.5B) is showing a declining growth trajectory, but remains a worthwhile region for publishers with a focus on free-to-play.

Global games market, by region (2015E, billion \$)



Global games market now generates \$74.2 billion a year (2015E)

Digital game categories like mobile and Free-to-play drive industry growth, as virtual reality and gaming video content emerge.

Global games market, by segment (2015E, billion \$)



Mobile gaming accounts for roughly a third (\$22.3B) of the global games market.

Despite being in decline, retail-based game sales still total \$19.7B in annual sales, making it the second largest category in interactive entertainment worldwide.

Digital distribution adds a combined \$24 billion to the global games market.

Categories like free-to-play MMO (\$8.7B), social gaming (\$7.9B) and PC DLC (\$7.5B) successfully leverage digital distribution and innovative business models.

New forms of interactive entertainment appear on the horizon and carry the promise of growth.

Audiences show a growing appetite for real-life competitive gaming events and the availability of both on- and offline gaming video content via YouTube, Twitch and Azubu. Virtual reality looks promising, but has yet to deliver.

* Entertainment software sales only.

New devices and platforms drive growth in interactive entertainment

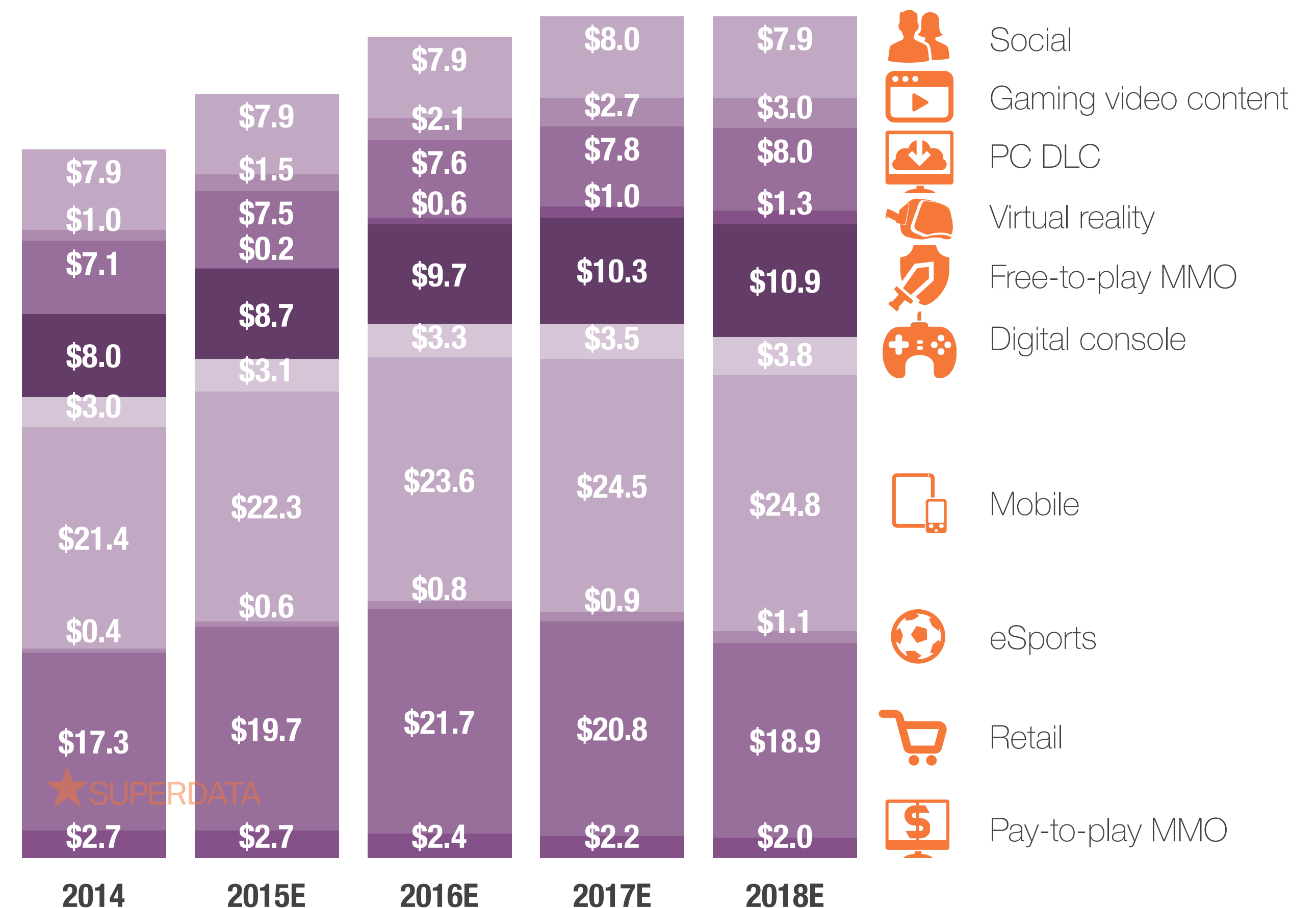
The retail-based business is set to decline once the current hardware cycle starts to mature in early 2017.

The global market for interactive entertainment continues to prosper. Consumers everywhere show strong support for more accessible devices like smartphones and tablets, digital distribution channels and innovative monetization strategies. This will continue to grow the worldwide market at a compound annual growth rate (CAGR) of 4%.

Mobile gaming drives worldwide market growth. With \$24.8 billion in anticipated sales in 2018E and a CAGR of 7%, mobile dominates the global market.

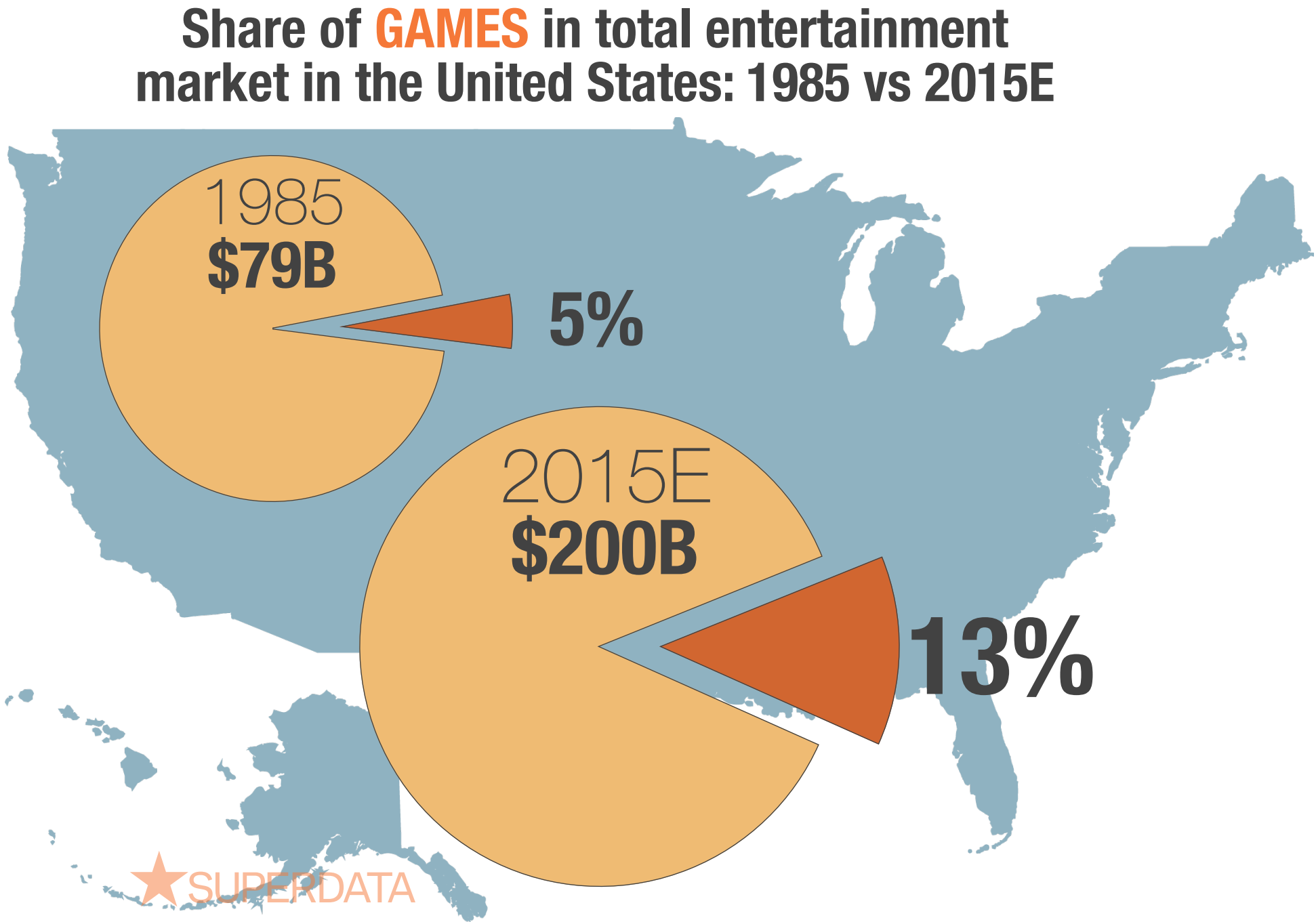
Traditional game segments decline in favor of digital categories and playable media. As the importance of retail-based sales starts to erode with the maturation of the console cycle, we expect new immersive forms of interactive entertainment such as virtual reality, gaming video content and eSports to gain in relevance.

Global games market,
by segment: 2014-2018E (\$ billions)



Games claim growing share of revenue in key entertainment markets

In the United States, the games market has almost tripled its share of the total entertainment market in last 30 years.



Shown: Combined earnings for total entertainment market in the United States in 1985 and 2015E, which here consists of newspapers (2015E earnings: \$21B), magazines (\$15.7B), music (\$9.1B), broadcast television (\$43.2B), cable TV (\$57B), broadcast radio (\$17B), film box office (\$10.5B) and video games (\$25.4B). Sources: the Motion Picture Association of America, Recording Industry Association of America, National Cable & Telecommunications Association and the Newspaper Association of America.

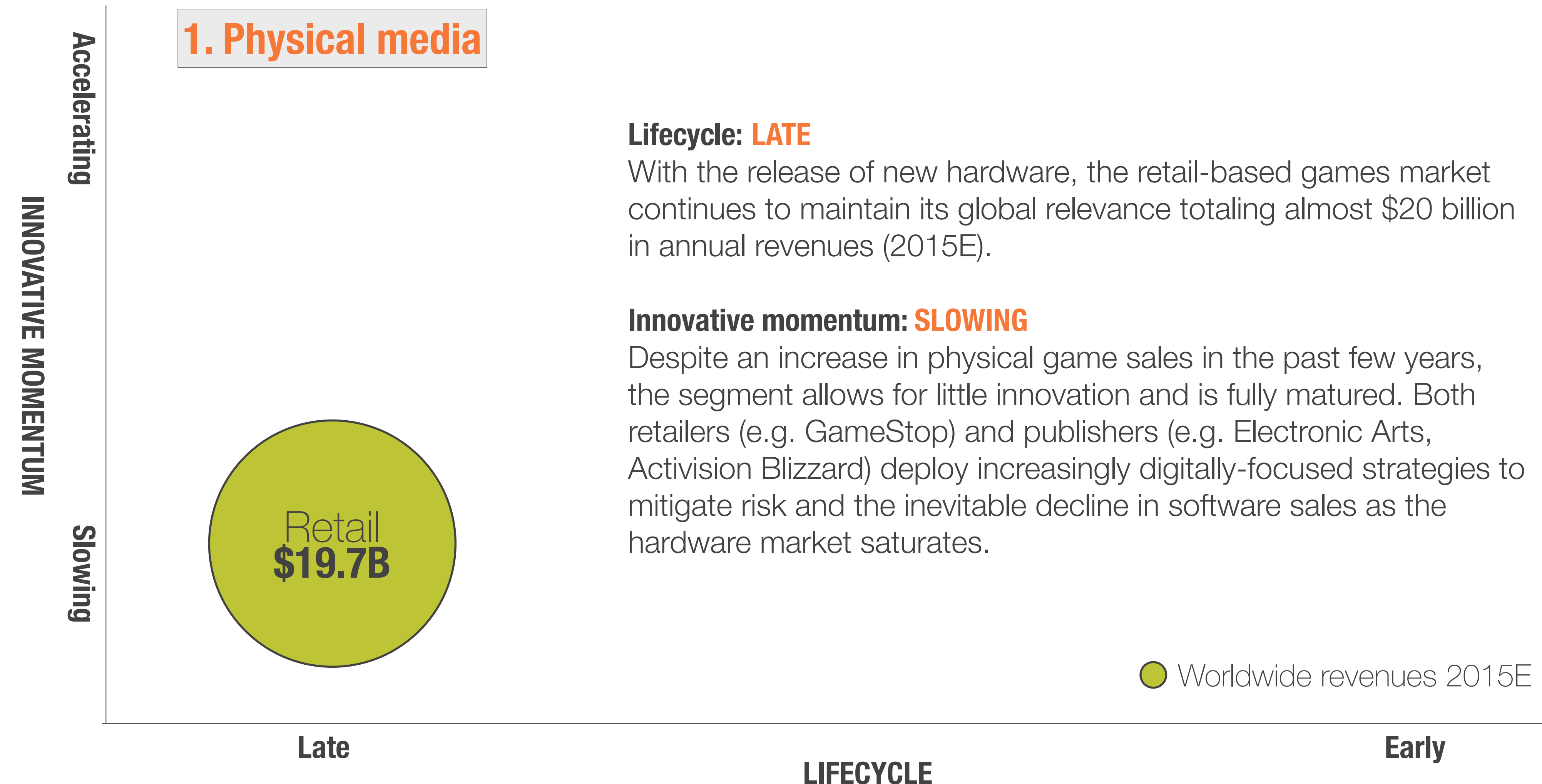
The aggregate earnings for entertainment in the United States has grown from **\$79 billion (1985) to \$200 billion today**. Print publishing (e.g. newspapers, magazines) in particular has seen its overall market share decline, from 44% in 1985 to 19% today (2015E). Traditional forms of entertainment like music and box office sales have managed to hold on to their market share of around 5% for the entire period. Cable television, on the other hand, has more than doubled and now claims 29% of total market earnings with \$57B in 2015E revenues.

Games now account for 13% (2015E) of total earnings in the US entertainment market. As the third largest segment in the United States, interactive entertainment totals \$25 billion in 2015E, up from \$4.4 billion in 1985. As consumer preferences have shifted, video games have become a more popular category, allowing it to grow and become second only to broadcast and cable television.

\$ billions	NEWSPAPERS	MAGAZINES	MUSIC	BROADCAST TELEVISION	CABLE TV	RADIO	FILM BOX OFFICE	VIDEO GAMES
2015E Revenues	\$21	\$16	\$9	\$43	\$57	\$17	\$11	\$25

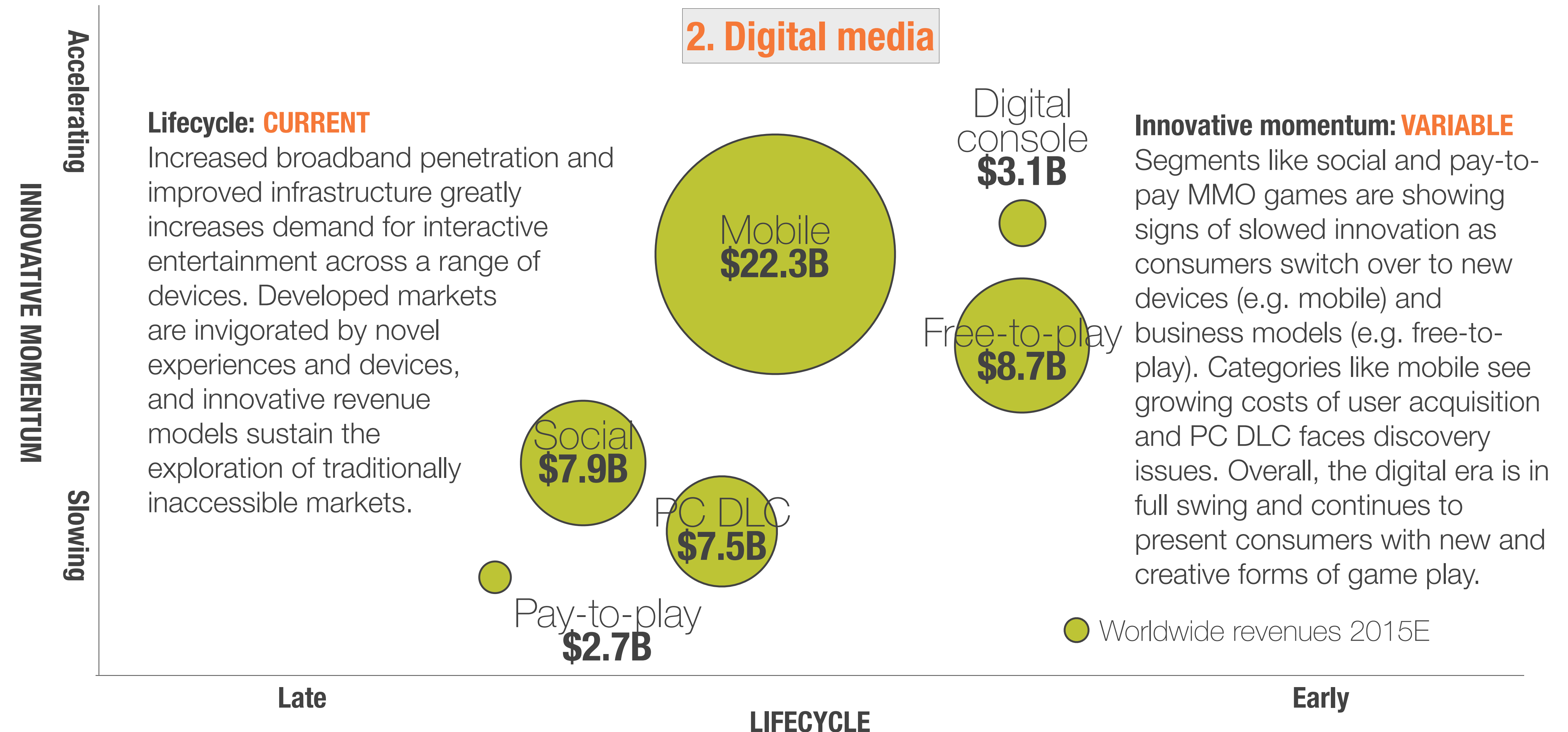
Lifecycle stages for key segments in interactive entertainment

Following physical and digital distribution, the games industry is shifting toward user control, ownership and content creation.



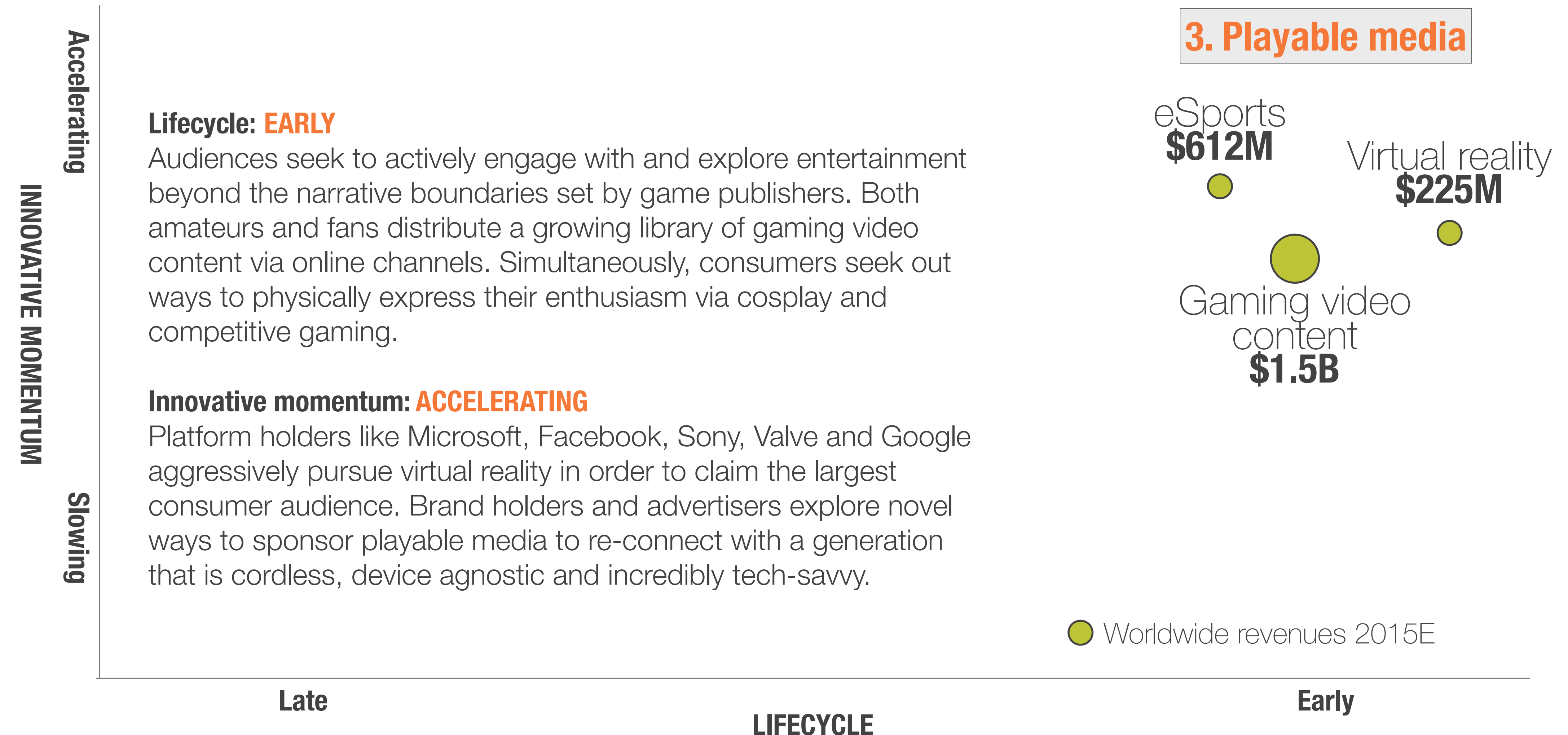
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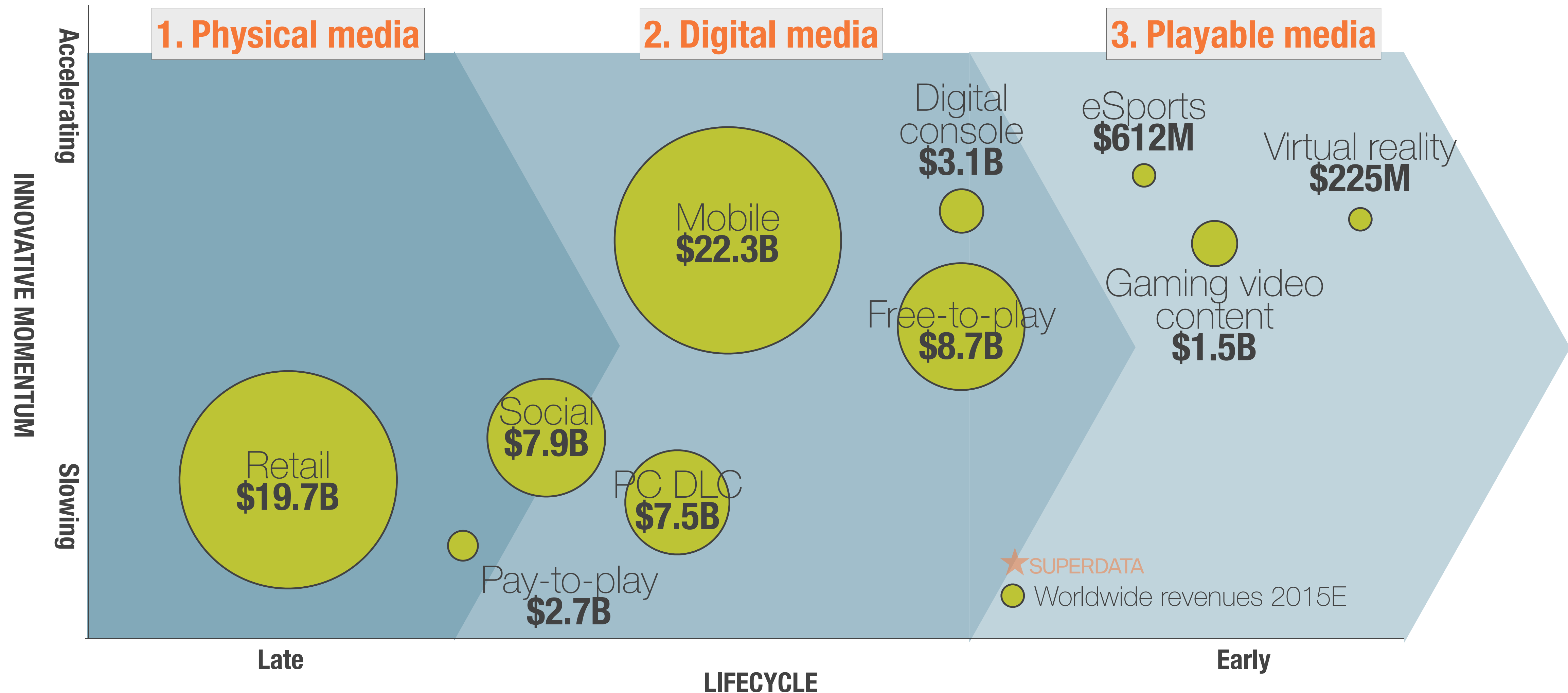
Lifecycle stages for key segments in interactive entertainment

Following physical and digital distribution, the games industry is shifting toward user control, ownership and content creation.



Interactive entertainment enters next era as users take charge

Following physical and digital distribution, the games industry is shifting toward user control, ownership and content creation.



Key challenges and drivers of change for interactive entertainment

Join us for a webinar that discusses the key market trends in interactive entertainment and previews this year's E3.

On Friday, May 29th at 2:00 pm EST we will be hosting an online webinar in which we present our view of the global games market, its major drivers of change and the opportunities we see emerging.

Key topics we will discuss:

- ★ **Diversity:** How can publishers capitalize on the shift toward a more diverse audience?
- ★ **Mobile user acquisition and discovery:** In mobile space everyone can hear Kim Kardashian scream.
- ★ **Platform shift:** Foreseeing the true vision of virtual reality and other spectacular imagery from the future.
- ★ **East vs. West:** How high are the barriers to entry exactly when building a global game publishing business?
- ★ **Digital console adoption:** Improving margins and tie-in ratios by embracing digital distribution.
- ★ **Competitive gaming:** With \$612M in annual revenues we can finally stop calling eSports a fad.
- ★ **Gaming video content:** Vital new marketing avenues that the big guys can't seem to understand.
- ★ **E3 Preview:** What to expect at this year's conference in Los Angeles, and what not to.

Date & Time: Friday May 29th at 2:00 pm EST / 11:00 am PST

Sign up: <http://eepurl.com/bmWcF9>



Company summary

SuperData provides relevant market data and insight on digital games and playable media. Founded by veteran games industry researchers, SuperData covers the market for free-to-play gaming, digital console, mobile, PC downloadable, gaming video content and eSports.

Monthly analyses and industry reports using digital point-of-sale data.

Using digital point-of-sale data received from publishers, developers and payment service providers, we base our analyses on the monthly spending of 37 million paying digital gamers, worldwide.

Understand what people play, connect to and spend on. Our research combines transaction-level data with qualitative consumer insight. Our leadership team has experience spanning across major research firms, including NPD, Nielsen, DFC Intelligence, Comscore, Experian, Jupiter and Forrester.

A next gen approach for next gen entertainment. Our customer base includes legacy publishers (e.g. Activision/Blizzard, Ubisoft), digital-only publishers (e.g. Nexon, Tencent, Wargaming), media companies (e.g. Google, Coca-Cola) and industry service providers (e.g. PayPal, Visa, GameStop).



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