



Strategy Consultancy, Market Research and Analysis,
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What Software Platforms are used for Gaming?

By Dirk Schunk of Nico-Consulting

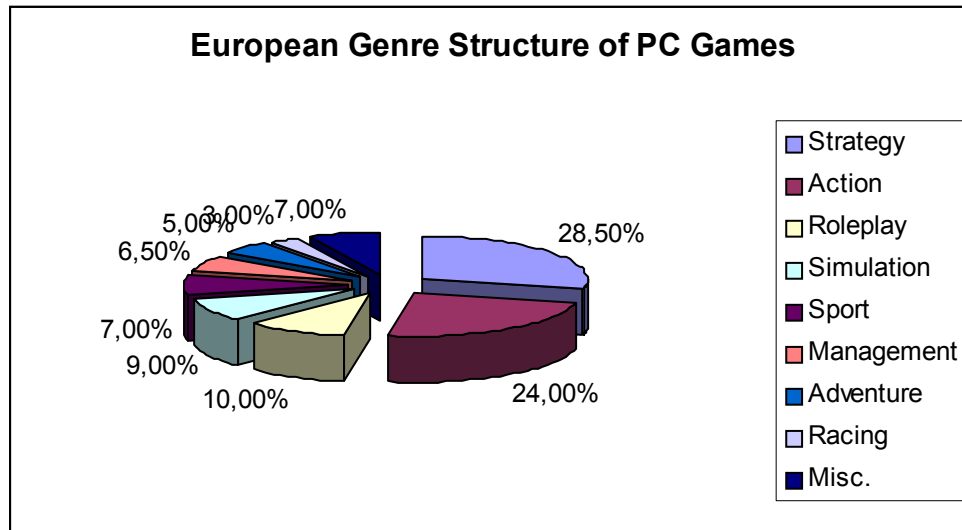
The games software market is at about 50-60% of the whole revenue generated in the Gaming industry. It is also one of the fastest growing segments in the Gaming market.

In order to be successful a lot is depending on the game play and the 3D-engines that are used. Also the licenses a publisher can get for its titles is very crucial for the success. This could be movie licenses such as for the game "Enter the Matrix" or sports licenses such as for games like "Fifa Football", "Madden NFL", "Tiger Woods PGA Tour", "NBA Live" etc. A good example is the Soccer genre. This is very successful across Europe. Electronic Arts (owning the most licenses) has got the official Fifa license. They can use all the names of players, clubs, leagues etc. Their Fifa series is the most popular soccer game across Europe. It is played on the big events and there are professional organized leagues across Europe. It has a very good game play and good graphics. On the other side we have Konami with its Pro Evolution Soccer series. This title is definitely the better soccer game in terms of game play. This is confirmed in the whole community. But they have the big disadvantage that they do not have the Fifa license. So they have a great game but with fantasy names for players, teams etc. This made this title less successful in the community (no leagues, events etc.) and also commercially EA is much more successful with its Fifa series. The Gamers do want to be very near to reality with their games.

The Sports genre is not the most important one but this is a good example of how important the right mixture of game play, graphics and licenses can be to make a game a great success. If we go to other segments the license part becomes less important. For example in the Action segment (First Person Shooter, Team Shooter). The most important facts in this segment are game play, the 3D-engine and of course the whole atmosphere in the game (combination of graphics and sound).

There are many different game genres that are important in the Gaming community. The top 3 are Strategy, Action and Roleplay.

According to Nico-Consulting the structure of the PC Games genres in Europe is as follows:



Source: Nico-Consulting

As you can see the majority of the market in Europe is dominated by titles out of the Strategy, Action and Roleplay genre (Battlefield, Call of Duty, C&C Series, Spellforce, Sacred, Halo, Warcraft III etc.). Also the professional organized gaming leagues are playing the above mentioned games, which is one of the main reasons for the growth and popularity of this segments. But titles out of the Sports and Racing segment (FiFia series, Need for Speed, Club/Championship Manager etc.) are starting to grow. For example the FiFa series and Need for Speed are also part of the major gaming leagues and events in Europe. This segments do have a great potential for future growth.

If we take a look at the structure of the PC Games genres in the U.S. you will find that Strategy also the biggest segment in the U.S. with 27.4% followed by the Action segment at 15% and sports with 11%. Sports games esp. racing games are much more popular in the U.S. than in Europe. But the top 2 segments are the same in the U.S. and in Europe: Strategy and Action.

Independent from the above described top genres there will always be million seller games in other genres that attracts the mass market gamers (even if it is a full price title). For example one of the best selling PC Games ever, comes out of the Simulation segment. It is "The Sims". So far, world-wide 28 mio. pcs. of this game where sold. And it is not over. There are still add-ons coming and EA will release "The Sims 2" within this year.

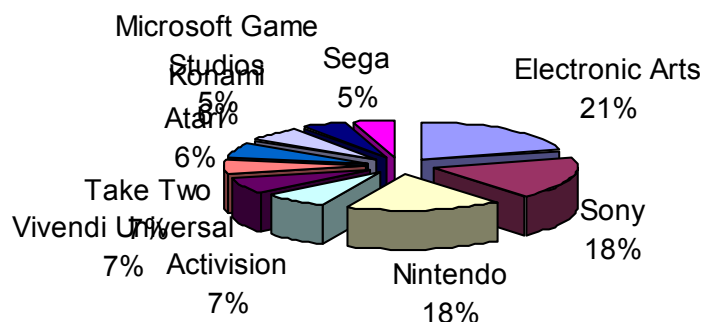
If we go back to the chart with the genre structure and compare it to actual Games charts, we will find three facts. First of all the top 3 genres are dominating the market:

Germany (annual charts 2003):

Rank:	Title:	Publisher:	Genre:
1	GTA Vice City	Take 2	Action
2	Fifa Football 2004	Electronic Arts	Sports
3	Need for Speed – Underground	Electronic Arts	Racing
4	Anno 1503	Electronic Arts	Simulation
5	Football Manager 2004	Electronic Arts	Sports Simulation
6	The Sims Deluxe	Electronic Arts	Simulation
7	Enter the Matrix	Atari	Action
8	Spellforce	JoWood	Strategy
9	Call of Duty	Activision	Action
10	Splinter Cell	Ubi Soft	Action

Secondly the charts are dominated by the big names of the publishers. The unbeaten leader still is Electronic Arts followed by Sony and Nintendo. They both mainly produce titles for their own consoles and are very strong in Asia. Then we have a few Publishers that are ranked almost the same between 6% and 7% Activision, Vivendi, Take 2 and Atari/Infogrames.

Top 10 Software Publishers (Revenue 2002/03)

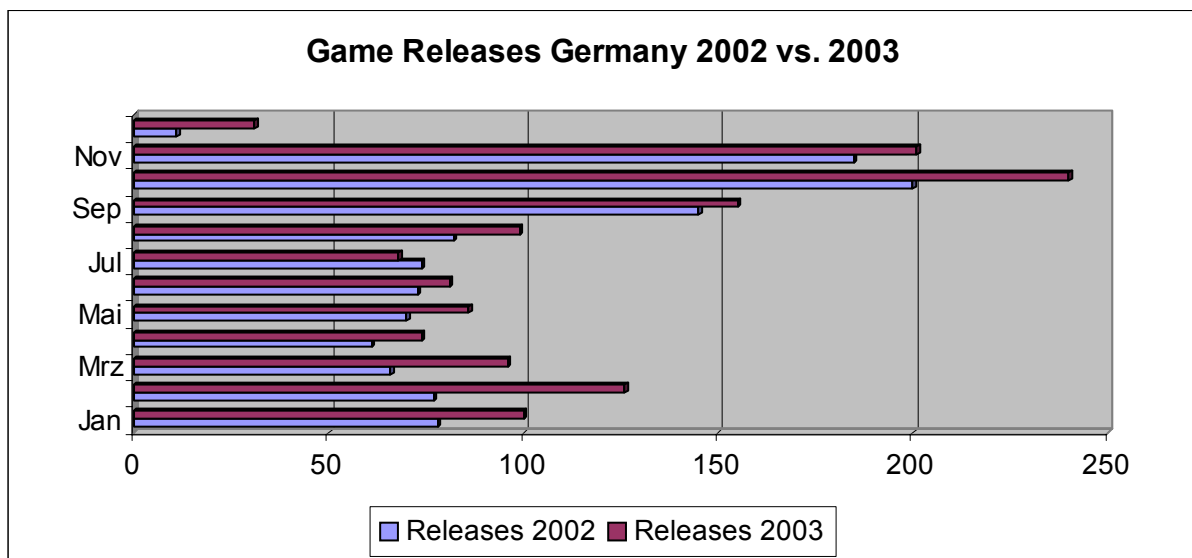


Source: Company Reports, Nico-Consulting

Last but not least you will find already a cultural difference in Gaming inside Europe while looking at the Gaming charts out of the U.K. and Germany. *Mehr,,,,,,*

In the last few years there were many great titles launched into the market. Especially in 2003 this was the case. Even if all software developers/publishers are communicating since a few years that their primary goal is to launch less titles with greater quality. They achieved part of their goal. They really made it true to launch titles with much better quality, but curiously enough they achieved this while launching more titles. This leads to situations, especially in the Christmas business, that great titles with a lot of press awards are not selling well. Because there are simply too many. In the first step this might be viewed as good for the end user because as a consequence publishers do reduce their prices. But in the second step it is not. Developing and producing a great game costs a lot of money. If the publishers are not able to achieve a return for their investments, this will have a negative impact on the quality of the next titles or even worse leads to a situation that publishers have to shut down.

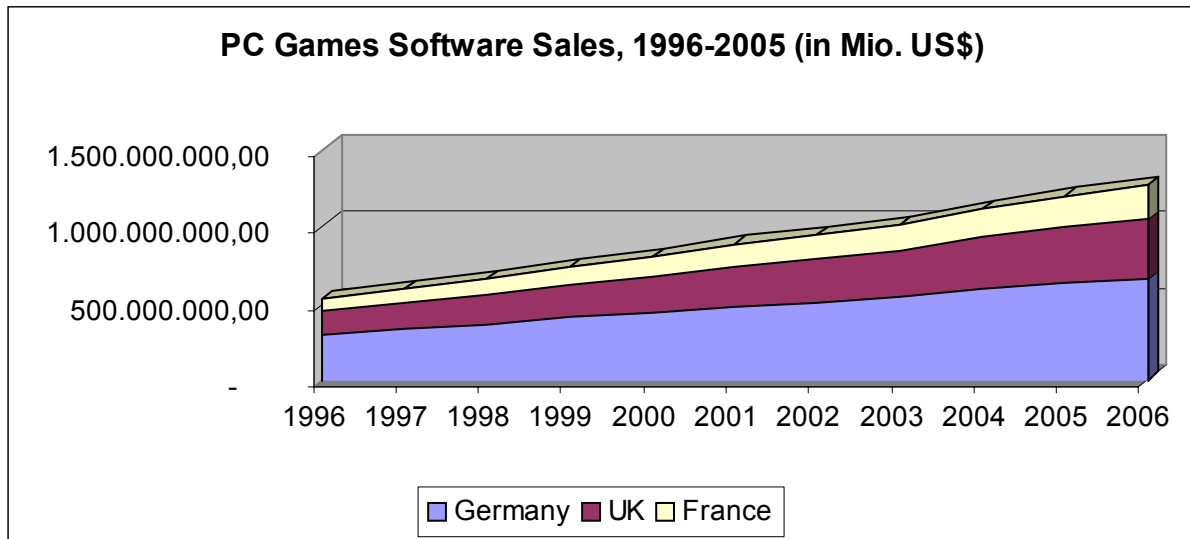
According to Nico-Consulting 2003 was a record year with launches of new game titles in Germany:



Source: Nico-Consulting

The software market for PC Games in Europe is mainly driven by three countries. Germany, U.K. and France. Those three markets do represent ca. 65% of the potential Western European PC Games market.

Nico-Consulting forecasts a growth of the whole market for PC Games of ca. 20% in the next three years (2003 compared to 2006) in this three countries.



Source: Nico-Consulting

Remarkable is the fact that the growth opportunities for Gaming products (Hardware and Software) is much higher in Europe than in the U.S. or Japan. The reason for that is simply the fact that the markets in the U.S. and Japan are much more developed already and reached their peaks on the current platforms. The arrival of the new consoles in 2005/06 will boost the sales again. In Europe the whole Gaming subject is in the middle of its development cycle and therefore leaves much more room for future growth.

The latest data's for the U.S. that are published by various market research companies are showing a significant downturn of the games software market. For 2003 a decrease of 14% in revenue and volume. But this segment is still 1/3 of the whole software revenue generated in the U.S. and more than 50% of the total market volume (units shipped).

Whereas the games software market in Europe is growing at the same time. The U.K. grew by 7.1% (all time high) and the growth in Germany was nearly at the same level 6.9% in the same time frame.

For any questions you can contact the author at ds@nico-consulting.de