

## **Next-generation consoles drive global game revenues to more than \$45 billion by 2010**

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Introduction of new handsets and next-generation consoles will fuel worldwide spending on video games, rising to \$46.5 billion in 2010 at a compound annual growth rate (CAGR) of 11.4 percent, according to PricewaterhouseCoopers' *Global Entertainment and Media Outlook: 2006–2010*.

The *Outlook* defines the video game market as consumer spending on games in various categories (e.g., console/handset, PC, online, wireless). It excludes spending on gaming hardware and accessories.

Asia Pacific will continue to boast the largest video game revenues during the forecast period, rising from \$9.8 billion in 2005 to \$17.4 billion in 2010 at a 12.3 percent CAGR. Representing the second-largest market, Europe, the Middle East, and Africa (EMEA) will increase the fastest at a 13 percent CAGR—from \$7.6 billion in 2005 to \$13.9 billion in 2010. With a relatively moderate 8.9 percent CAGR, the U.S. will drop from second to third place in market size in 2008, maintaining this position through 2010 (to \$13 billion). Despite modest spending, Canada will claim the second-fastest CAGR (12.5 percent), expanding from \$732 million in 2005 to \$1.3 billion in 2010. With the smallest market, Latin America will increase at a 9.5 percent CAGR from \$531 million in 2005 to \$835 million in 2010.

In the U.S., Microsoft's introduction of the Xbox 360 at the end of 2005, combined with pending release of Sony's PlayStation 3 (PS3) and Nintendo's Revolution in 2006, will drive console spending through 2007 (following negative growth rates in 2005). Although sales will begin to slow in 2008 due to next-generation maturity, the category will reach \$7.9 billion in 2010 at a 5.6 percent CAGR. Because the console market will also attract relatively more attention from developers and players, aggregate spending on PC games will decline to \$784 million in 2010 at a 3.6 percent compound annual decrease.

Next-generation consoles will additionally boost online gaming penetration, further buoyed by growth in the number of broadband subscribers (to 73.4 million in 2010 at a 13.1 percent CAGR). As such, the online games category will increase to \$2 billion in 2010 at a 19.1 percent CAGR. With more money spent on video game downloads than on ring tones in 2005, the wireless category will also flourish. Growing at a rapid 28.6 percent CAGR, wireless games spending will reach \$2.3 billion in 2010.

In EMEA, next-generation launches will maintain category dominance of consoles and handhelds, rising from \$4.7 billion in 2005 to \$7.1 billion in 2010 at an 8.7 percent CAGR. Moreover, these new consoles will divert focus from PC games, showing almost flat growth to \$1.5 billion in 2010. Still, console/handhelds' share of overall spending will decrease (from 62 percent in 2005 to 51 percent in 2010) due to popularity of the online and wireless segments. Increasing broadband penetration will catapult online

games from \$639 million in 2005 to \$2.6 billion in 2010, showing the fastest CAGR in the region at 32.6 percent. Fueled by introduction of new handsets, wireless games will also swiftly rise at a 27.9 percent CAGR to \$2.7 billion in 2010, becoming the second-largest category in the region in 2007.

By country, the U.K. will retain market supremacy in 2010, rising to \$4.5 billion at a 13.4 percent CAGR. Following behind, Germany (\$3.1 billion), France (\$2.3 billion), and Spain (\$1.3 billion) will hold respective second, third, and fourth positions. Although the Netherlands will rise the fastest at a 16.3 percent CAGR, the market will remain small in 2010 at \$833 million.

In Asia Pacific, the online and wireless categories will represent the standouts regarding growth. With launch of next-generation consoles facilitating online play and broadband penetration driving growth, online games will expand the fastest at a 23 percent CAGR to \$4.4 billion in 2010 (displacing PC games in 2005 as the second-largest category in the region). Boasting the largest wireless population in the world, the region will also claim the highest global spending on wireless games, increasing to \$4.2 billion in 2010 at a 22.5 percent CAGR. However, these two categories' market share (increasing from 31 percent in 2005 to 49 percent in 2010) will cannibalize PC games spending, decreasing at 2.7 percent compounded annually to \$1.2 billion in 2010. Launch of next-generation devices will additionally drive the console/handheld market to \$7.6 billion in 2010—the largest regional category—at a 7.6 percent CAGR.

In 2010, Japan will represent the largest regional market, growing to \$4.9 billion at a 6.7 percent CAGR. Expanding at a 15.3 percent CAGR to \$4.8 billion, South Korea will closely follow with the second-largest market. With the fastest CAGR—16.1 percent—the People's Republic of China will have the third-largest market at \$2.3 billion.

In Latin America, PC games will profit from lack of online and wireless competition, rising at a 4.3 percent CAGR from \$108 million in 2005 to \$133 million in 2010. As in other markets, introduction of next-generation consoles will also spur the console/handheld segment, increasing at a 10.7 percent CAGR from \$423 million in 2005 to \$702 million in 2010. However, piracy will continue to hamper overall growth of the video games market in this region.

In Canada, console/handheld games will remain the largest regional category. Introduction of new consoles and handheld devices will drive this sector, rising to \$526 million in 2010 at a 7.8 percent CAGR. Boosted by high broadband penetration, online games will further support overall revenues—with the category more than doubling to \$396 million in 2010 at an 18 percent CAGR. Moreover, new handsets' game functionality will fuel spending on wireless games, expanding at a rapid 30.8 percent CAGR to \$283 million in 2010. However, the online and wireless categories will cannibalize PC games spending, declining at 1.5 percent compounded annually to \$114 million in 2010.