



Video games

Key insights at a glance

1

Mobile is delivering a new generation of gamers. Global mobile games revenue is forecast to reach US\$15bn in 2018, rising at a CAGR of 9.6%. China, Japan and the US are key markets. Only advertising revenue, which is still relatively small, will grow at a faster rate within the video games segment. Rising smartphone ownership is increasing access to mobile games globally and has enabled innovation in gameplay and business models.

2

New features will sustain interest in console gaming. New consoles will renew consumer interest in console gaming, and the Xbox One's emphasis on being a key piece of technology for the living room means that this interest will last longer than previous generations, with devices being used more often and appealing to a broader demographic. Global console games revenue will reach US\$31.9bn in 2018, a CAGR of 4.9%, with physical console games revenue increasing by a 0.6% CAGR over the forecast period.

3

Improved online offerings will drive digital console games revenue. Improved online console games stores and increased access to broadband is driving digital distribution of console games. By 2018, digital will account for 37% of global console games revenue, up from 23% in 2013.

4

Social and casual gaming will continue to attract non-gamers, but the market is difficult to monetise. Casual games are still growing in popularity: Puzzle and Dragons has dominated Asian markets, while Candy Crush Saga has been downloaded over 500mn times. However, the sector remains difficult to monetise, with the majority of players wanting to play for free and the games themselves lacking longevity.

5

Microtransactions are widening gaming participation. Online gaming has opened up markets previously considered lost to piracy, with the business model enabling greater freedom in how much gamers pay. China is the second-largest market for online gaming (US\$4.2bn in 2013 with a 7.9% CAGR from 2013-2018), while in 2017 Russia (standing at US\$588mn in that year with a 13.8% CAGR from 2013-2018) will overtake Germany to become the seventh-largest market for online gaming.

6

Console gaming companies will target emerging markets. Sony's opening of a manufacturing plant in Brazil has signalled that the video games industry is looking carefully at emerging markets. Indeed, Brazil will become the 20th-largest console market in the world in 2018, up from 27th in 2013. India is also a growing market, rising from 20th to 15th.

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