

# [Game industry forecast shows solid growth](https://assignbuster.com/game-industry-forecast-shows-solid-growth/)

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The global game industry will generate $60 billion in revenue for 2011, and is growing at 10% annually according to a new research report by industry analyst Colin Sebastian for RW Baird. That growth rate should see overall industry revenue hit $80 billion by 2014, but the some areas of the business will remain flat or even decline, while other areas will be growing at an annual rate of 15% to 20%. The growth areas that Sebastian sees are in online and mobile games, “ driven primarily by downloadable content (DLC) and mobile games” and social games to a lesser extent.

These areas will be growing annually at a rate of 15% or more for the next several years, Sebastian believes. Unfortunately, other areas of the game business won't be faring as well. He sees packaged software sales staying flat this year, with the growth in Xbox 360 and PS3 sales being offset by the decline in Wii and handheld game sales. This quarter will see strong sales with many big titles coming out, but that positive sales picture will only be enough to pull the sales out of the loss category for the year.

The good news for the game business is that it's the only media business with a strong positive growth forecast for the next several years. Newspapers, magazines, music, TV and other media businesses are struggling with the transition to a digital distribution model, but the high level of innovation in the game industry has kept the overall picture positive. That's not to say there are no problems; Sebastian sees “ many video game companies will continue to struggle through this transition. ” Sebastian sees the mobile market as bringing in $2 billion in revenue this year, with growth continuing due to rapid adoption of smartphones and tablets.

He cites studies showing that games are the leading applications on smartphones, and consumers consumers have been very willing to pay for games or for in-app purchases with “ freemium” hgames, which now represent the majority of revenues for mobile games. Sebastian believes tablets can be the next great market for games, given that the form factor is better than a smartphone for playing games. Studies also show that gaming is the number one usage of tablets, with over 70% of tablet owners playing games on the devices.

The difficult business climate for traditional game companies means there are fewer clear winners to invest in right now. Sebastian sees GameStop as a good holiday play given the large number of AAA titles coming out this quarter, and beyond that he picks Activision and Electronic Arts as the best performers for long-term investors, followed by Take Two. The nature of the game market is changing in the USA, according to studies cited by Sebastian. He points to the Entertainment Software Association study showing 72% of US households play games, with the average age of gamers being 37.

Additionally, more than half of gamers play on their phones and other handheld game devices, and women now represent 42% of the gamer population. ” It's a far cry from the traditional “ our market is teenage boys of all ages” that used to be the only demographic for game companies to care about. Sebastian sees hope for the core games segment, in that the broad appeal of casual games may get more people interested in gaming, and eventually looking for the deeper experiences that console games and PC games can offer. He sees the PC game market doing better in 2012, mostly on the strength of hit releases like Diablo III.

Handheld devices, lead by the Nintendo 3DS and the Sony PSP (and soon the PS Vita) will be flat in 2012, with the launch of the PS Vita helping to offset the shift to smartphones, at least for a while. Sebastian believes the PS Vita may be able to take the leading position from the 3DS. Finally, Sebastian sees social games continuing to grow and develop in depth and richness, eventually being able to appeal more to core gamers. Console games will add more social elements, too, and eventually social games outside of Facebook will become more popular.

He sees growth rates surpassing 10% annually for the next 3-5 years. The current leaders are Zynga, with 262 million monthly average users (MAU), followed by Electronic Arts with 203 million MAU. Overall, it's a complex portrait of a rapidly growing and changing industry. Clearly there are dangers ahead for many companies as business models are changing, and once-profitable businesses are seeing their audiences depart for other types of gaming. Successful companies will be the ones who stay flexible as conditions continue to change rapidly. What's your opinion on the future of the game industry?