In-Stat

In-Depth Analysis

Despite Slowing Console Sales, Online Gaming Subscriber Growth Continues Worldwide

SKU: IN0904503ID
Analyst: Stephanie Ethier
stephanie.ethier@reedbusiness.com
+1.781.734.8352
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Report Summary

The game console business is extremely costly, and coupled with a dismal economy, Microsoft, Nintendo, and Sony each have turned to online gaming to generate additional revenue. Clearly, in order to take advantage of online gaming, consumers must own a game console. While game console shipments are entering a decline, subscription growth to online game services is expected to occur as a result of the sizable video game console installed base and a growing consumer awareness and comfort with online gaming. From 2005 to 2013, annualized growth of console and handheld subscribers combined will be 20.4%.

In-Stat's latest gaming report contains forecasts for online game subscribers annually through 2013 for online-capable game consoles and handheld consoles. Forecasts for each console include an annual console installed base, the number of subscribers (free or paid), subscription revenue, paid download revenue, and online advertising revenue. This report does not forecast PC online gaming or casual gaming. Analyses are provided for the online console strategies of Microsoft, Nintendo, and Sony, as well as the online handheld strategies of Nintendo and Sony.

HIGHLIGHTS

- Worldwide broadband subscriptions will reach 562 million in 2009, fueling online gaming subscriber growth.
- Shipments of Nintendo's Wii and DS handheld continue to outpace the competition.
- Console and handheld subscriber growth combined will show a CAGR of 20.4% between 2005 and 2013.

For more information or to purchase, see the report online or call 1.480.483.4441.

Companies Mentioned in this Report

- Microsoft
- Nintendo
- Sony

Whose Needs Does This Report Address?

- The major game console vendors
- Third-party game publishers
- Broadband service providers
- Mobile companies interesting in the gaming industry

What Questions Does This Report Answer?

- What are online console revenues by platform broken down by subscriber revenue, download revenue, and advertising revenue?
- How do Microsoft, Sony, and Nintendo develop online gaming strategies to recoup cost during a time when consumers are spending less?
- Why will both free and paid subscription growth occur over the five years for online gaming?

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Methodology

This report covers the markets for online gaming on video game consoles and handheld consoles. It does not cover the market for PC online gaming.

Primary research behind this report was collected via telephone and in-person interviews with console and handheld hardware vendors and game publishers. In-person interviews were conducted at E3 in Los Angeles, California, in July 2008. The majority of phone interviews occurred during January and February 2009. Secondary research includes web searches, gaming sites, and the web sites of console and handheld hardware vendors and game publishers over the course of February 2009.

Forecast numbers contained in this report include free and paid subscribers. Free subscribers include those who have gone or will go online at least once to play a console or handheld game or who have registered or will register with console manufacturers as online players. It can also include those PSP users who go to the PSP online site to download free content, but do not play games online. Those who have registered do not have to actually play online to be considered free subscribers.

Paid subscribers represent those who have paid or will pay for at least one month of an online console service. The forecasts do not include handheld online paid subscribers because we do not believe any paid handheld online services will be offered over the length of the forecasts in this report.

Cumulative paid or free subscribers in this report represent subscribers at the end of a given year. The “Months per Average Subscription” category accommodates those who drop subscriptions, as well as those who subscribe during the year.

“Total Download Revenue” refers to any revenue obtained from selling goods online for download to the consumer’s game console. It may consist of games, expansion packs to existing games, or miscellaneous additional content done via microtransactions, such as cars for racing games or weapons or maps for adventure or combat games.

“Total Online Advertising Revenue” refers to dynamic in-game advertising or additional advertising that may occur outside the game elsewhere within the online virtual world, such as home pages, news pages, or high-score pages. This term does not refer to advertising that is hard-programmed into games because these ads are part of the game whether it is played online or offline, and the revenue does not accrue to the online service provider.

For purposes of this report, only gamers that access the Internet are considered to be online gamers. Handhelds often allow wireless proximity gaming by means of short-range wireless technologies. This does not represent online gaming for the purposes of this report.

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#IN0703460CM *Online Gaming: Worldwide Subscriber Growth Expected for Both Free and Subscription-based Online Services*, December 2007
http://www.instat.com/abstract.asp?id=212&SKU=IN0703460CM

#IN0804057MBS *Worldwide Broadband Subscriber Forecast*, October 2008
http://www.instat.com/abstract.asp?id=288&SKU=IN0804057MBS

Offices

North America

Arizona
+1.480.483.4440

California
+1.408.345.4495

Massachusetts
+1.781.734.8674

China
+86 10 6642 1812

Europe/Middle East/Africa
+1.480.483.4470