BCG

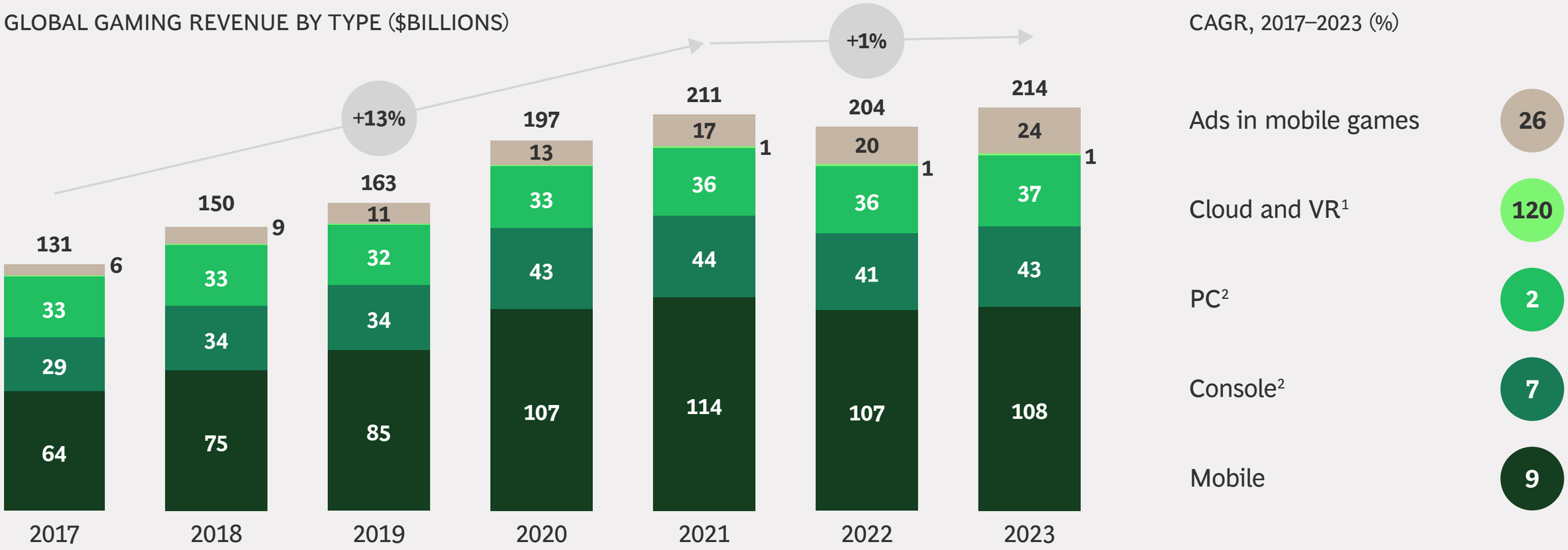
Leveling Up for the New Reality

The Gaming Report

DECEMBER 2024



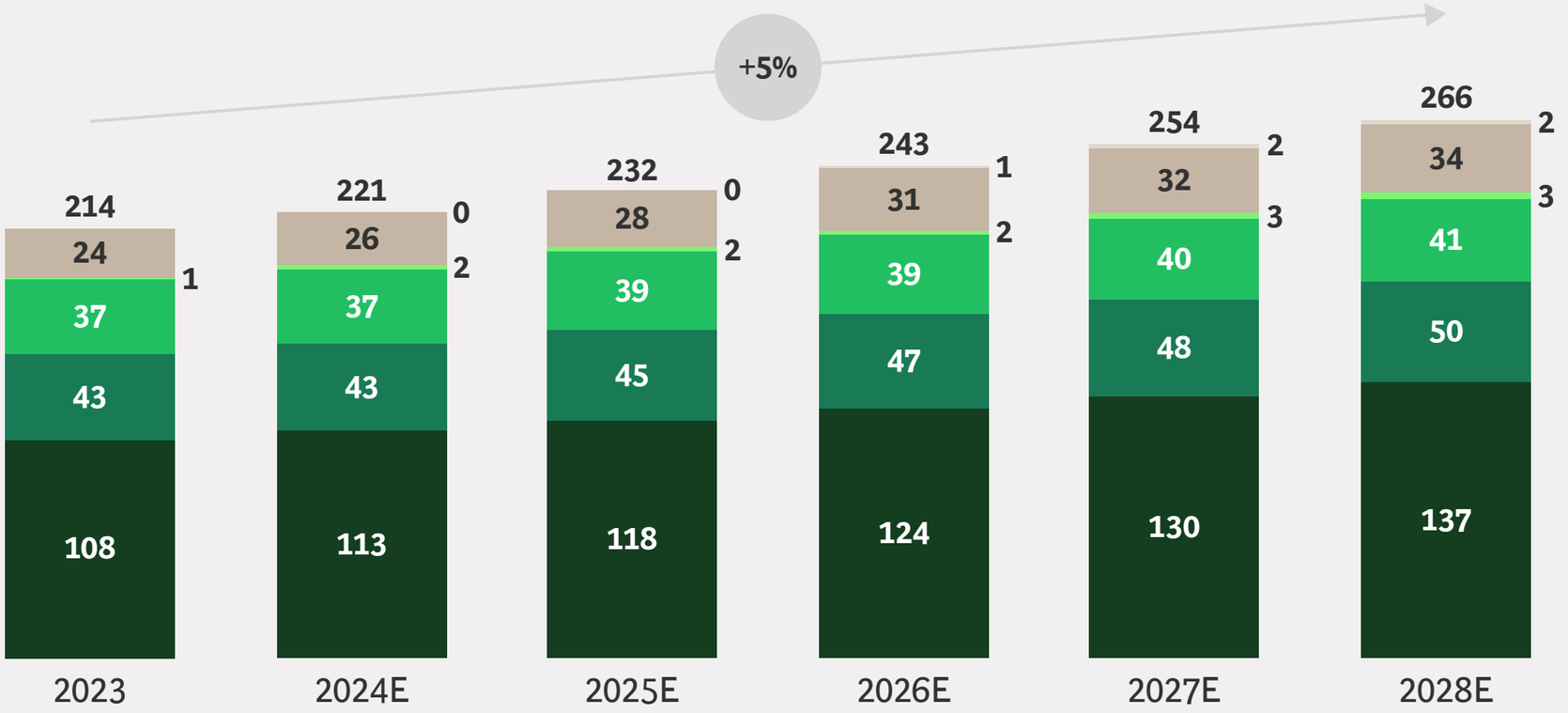
The gaming industry was enjoying rapid growth—then a postpandemic correction hit



Sources: Ampere Analysis; IDC; BCG analysis.
Note: VR = virtual reality. Because of rounding, the numbers may not add up to the totals shown.
[1]VR includes only Meta Quest game sales; other VR game sales are included in the PC or console categories. [2]Includes handheld devices, depending on their operating system. (For example, Steam Deck falls into the PC category, and Nintendo Switch falls into the console category.)

Future growth will be more modest, as double-digit rates are unlikely to return

GLOBAL GAMING REVENUE BY TYPE ($BILLIONS)

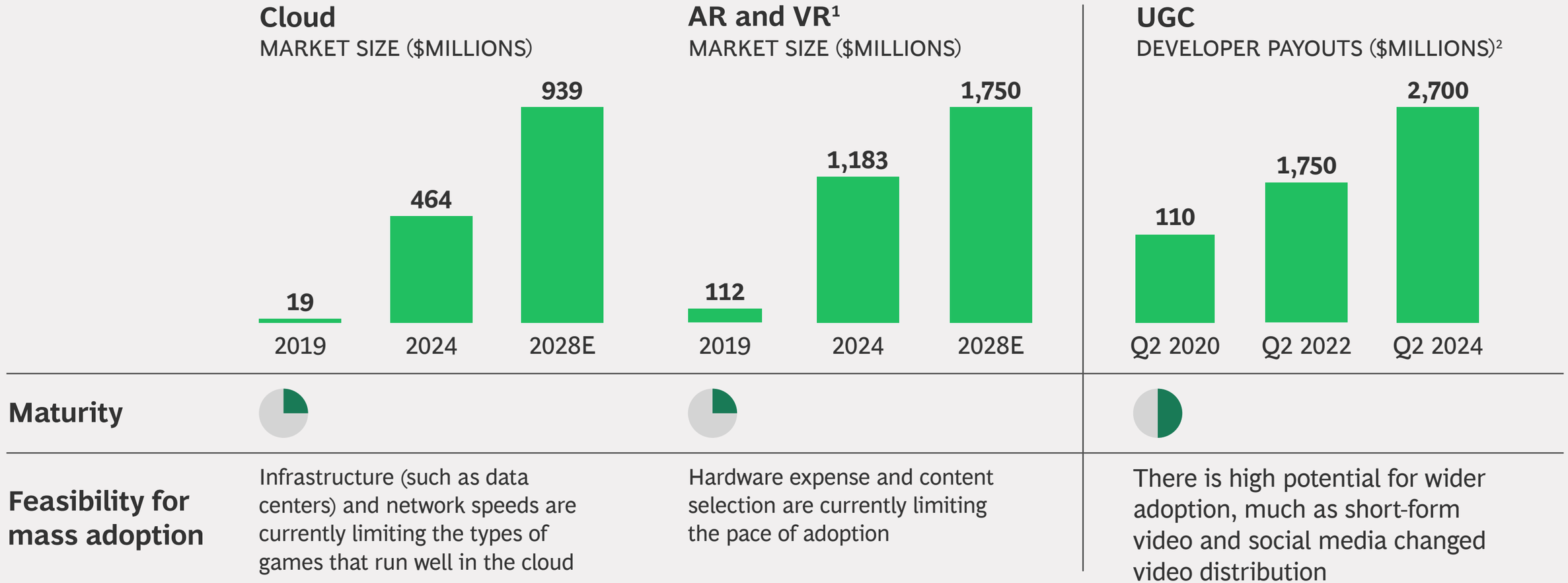


CAGR, 2023-2028E (%)

Ads in nonmobile games	56
Ads in mobile games	7
Cloud and VR[1]	16
PC[2]	2
Console[2]	3
Mobile	4

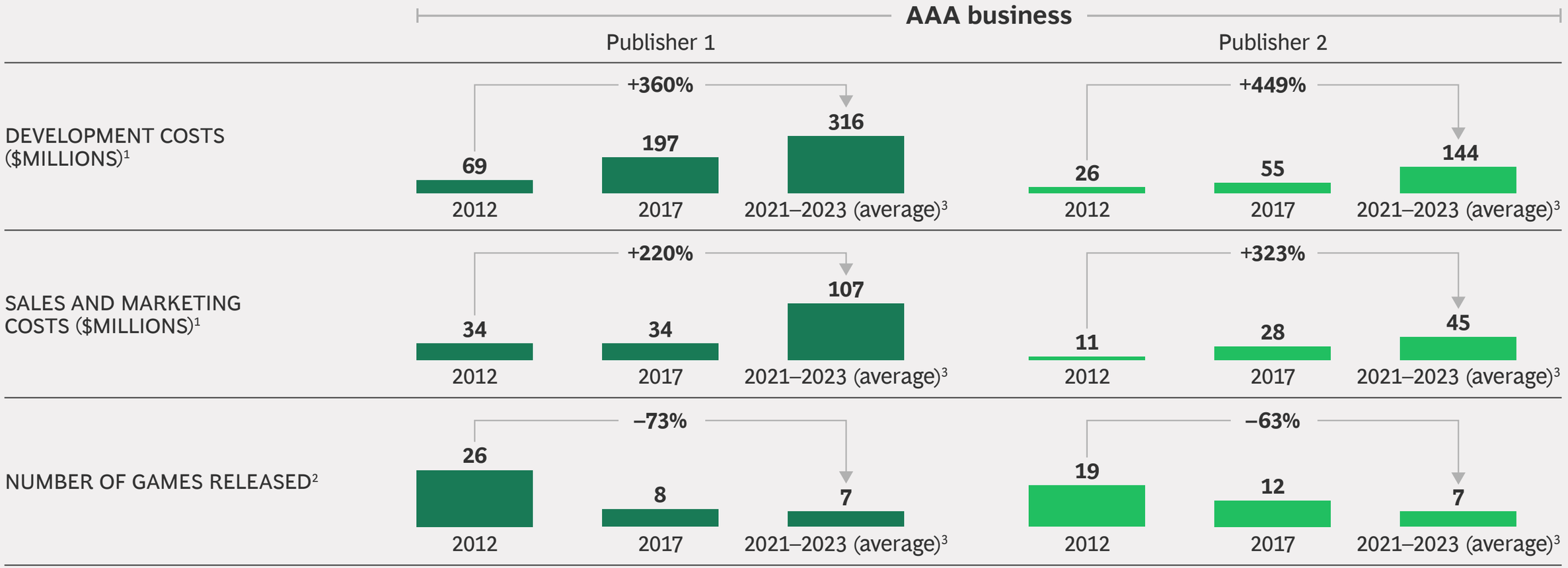
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Emerging platforms are gaining momentum, but they will remain niche markets while the technologies and economics improve



Sources: Ampere Analysis; Statista; annual reports; BCG analysis.
Note: AR = augmented reality; VR = virtual reality; UGC = user-generated content.
[1]Excludes hardware. [2]Based on companies' estimates of developer payouts.

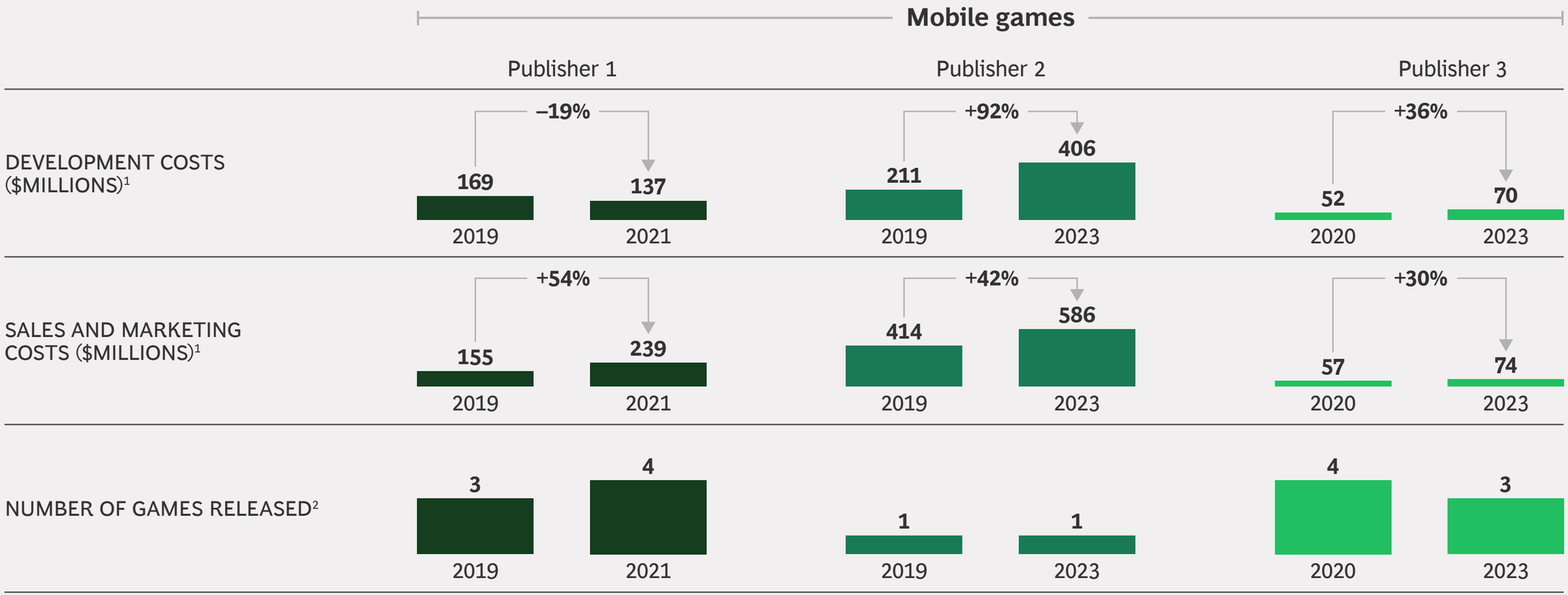
The costs of AAA game development have increased sharply in recent years, as have sales and marketing expenses, but fewer games have been released



Sources: Companies' public filings and statements.

[1]The costs were adjusted based on the 2023 US dollar foreign exchange rate. Costs include full-game and major expansions but not general releases of downloadable content. The games include those the company directly developed (as opposed to the games it published but did not directly develop). [2]Includes games that were directly developed by the company as well as games that the company published but did not develop directly. [3]An average was used to mitigate pandemic-related effects.

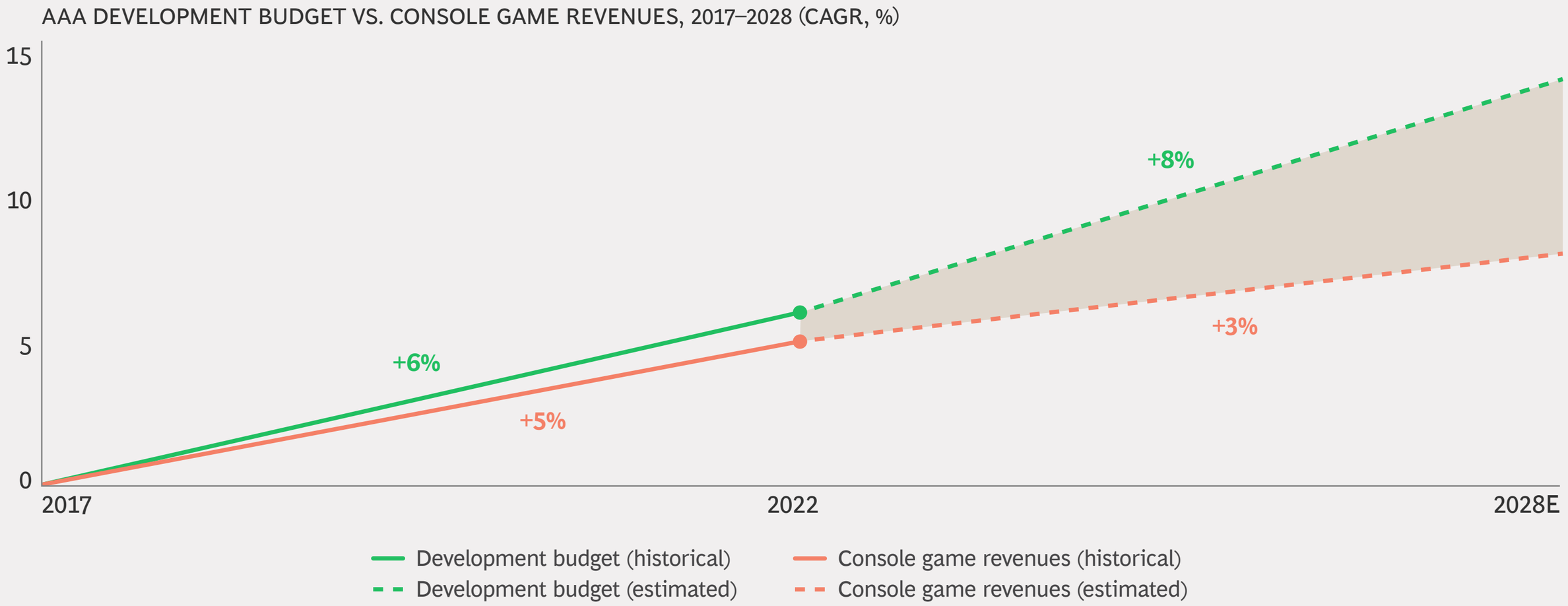
The mobile game space has seen trends similar to those in AAA game development



Sources: Companies' public filings and statements.

[1]The costs were adjusted based on the 2023 US dollar foreign exchange rate. Costs include full-game and major expansions but not general releases of downloadable content. The games include those the company directly developed (as opposed to the games it published but did not directly develop). [2]Includes games that were directly developed by the company as well as games that the company published but did not develop directly.

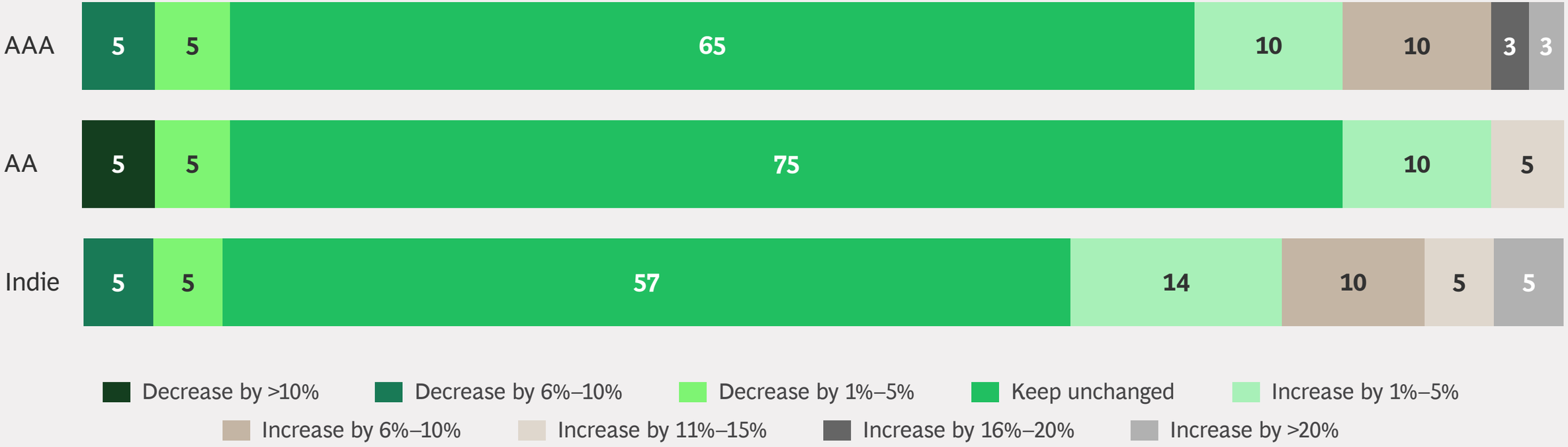
Game development budgets are growing faster than game revenues are, and the gap will only increase



Sources: Ampere Analysis; IDC; expert interviews; BCG analysis.

Few publishers expect development budgets to decrease, suggesting that GenAI savings will help fund bigger, better games

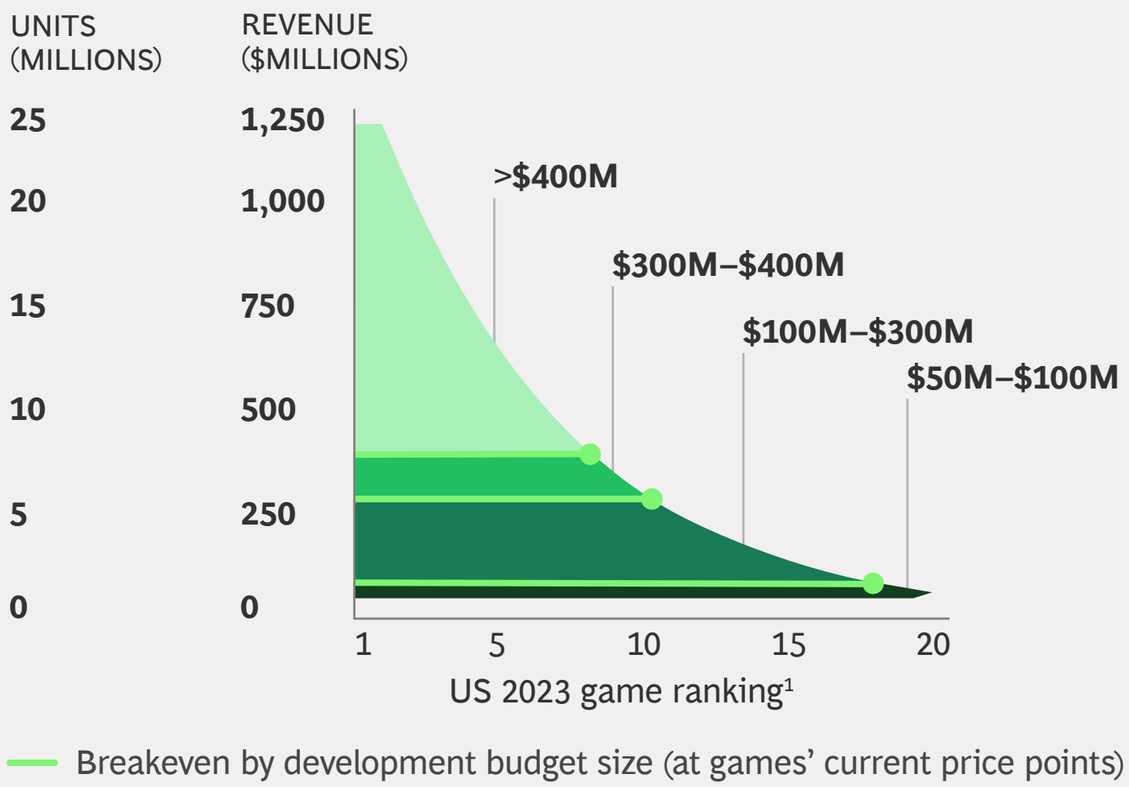
Question: Does your company plan to adjust its game development budgets to better leverage GenAI and the increased productivity?
RESPONDENTS (%)



Sources: BCG's gaming industry survey, December 2023; BCG analysis.
Note: n = 40 (AAA); n = 20 (AA); n = 21 (indie). Because of rounding, the percentages may not total 100.

To break even in the first year, a $50 million console game must crack the top 20, but typically, two-thirds of the slots are taken by recurring titles

First-year sales



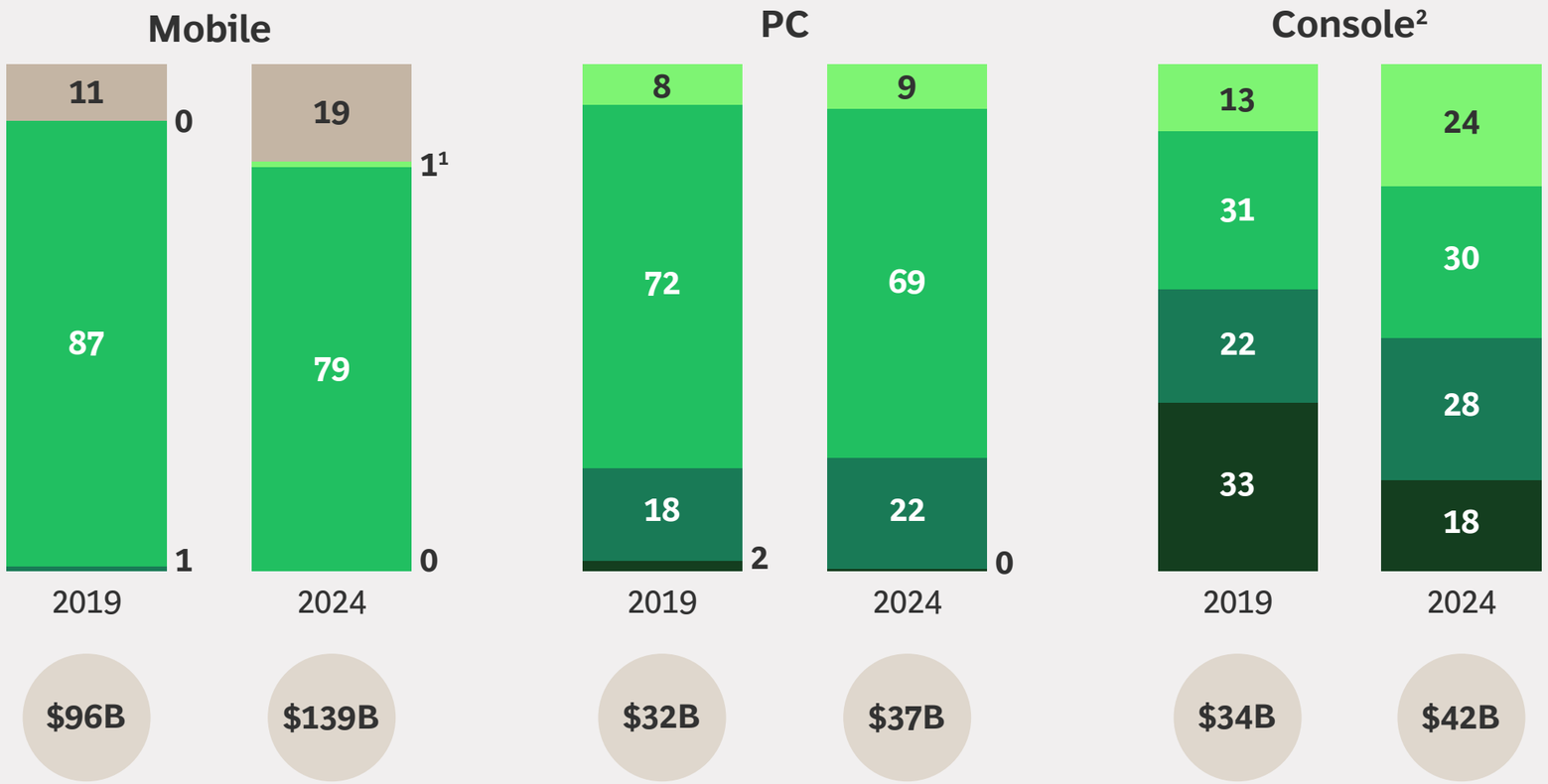
Games that are regularly in the US top 20

	2019	2020	2021	2022	2023	
Call of Duty	●	●	●	●	●	*Annual release*
Madden NFL	●	●	●	●	●	
EA Sports FC[2]	●	●	●	●		
NBA 2K	●	●	●	●		
MLB: The Show		●	●	●	●	*Franchise release*
Mario Kart	●	●	●	●	●	
Super Smash Bros.	●	●	●	●		
Mortal Kombat	●	●	●		●	
Super Mario	●	●	●		●	
Minecraft	●		●	●	●	
Pokémon	●		●	●		
Spider-Man		●	●		●	
Resident Evil	●		●		●	
Assassins Creed		●	●			
Elden Ring				●		*Notable exceptions*[3]
Hogwarts Legacy					●	

Sources: Circana; Competition and Markets Authority; BCG analysis.
[1]The analysis looked at the top 20 AAA and AA games released in 2023. It assumes each unit sold at $70, with a 30% platform fee, resulting in approximately $50 net revenue per unit. [2]This game replaced *FIFA* in 2024.
[3]These are notable because they are new games that broke into the top 20.

An increasing share of revenues for mobile games is from in-app ads, while subscriptions and digital sales have grown most in console

SHARE OF REVENUES BY MONETIZATION MODEL (%)



In-app advertising
Third-party advertisements published in free-to-play games

Subscriptions
Recurring spending on single games or game services (such as Xbox Game Pass and Apple Arcade)

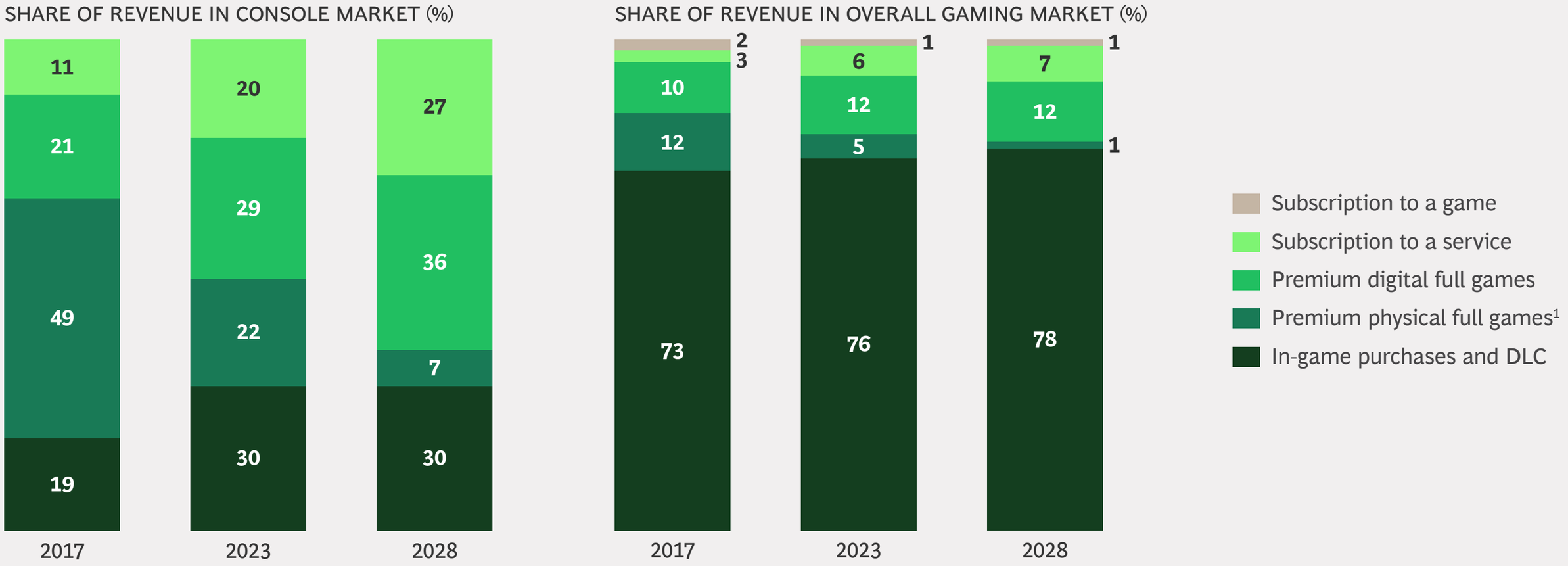
In-game purchases
Microtransactions and sales of virtual goods and downloadable content

Digital full-game sales
Digital copies distributed via a console gaming marketplace (such as PlayStation and Xbox stores)

Physical full-game sales
Physical games sold through traditional brick-and-mortar stores or online retailers

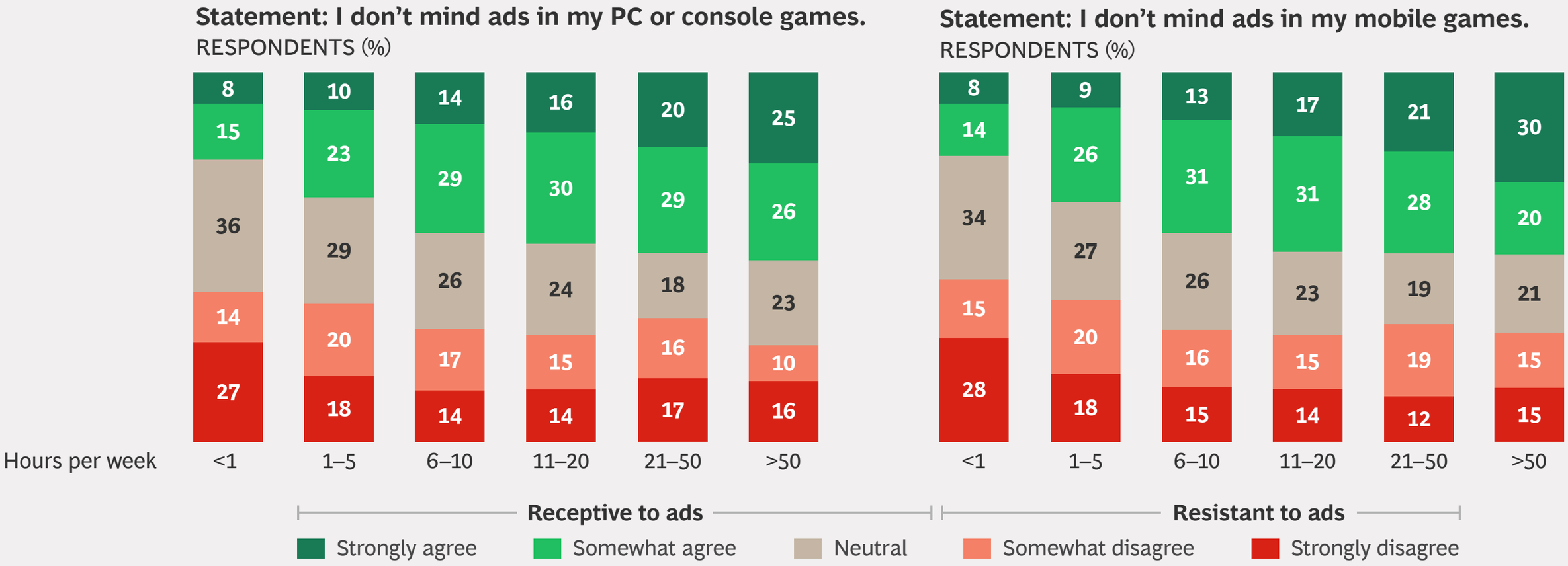
Sources: Ampere Analysis; IDC; BCG analysis.
Note: Because of rounding, the percentages may not total 100.
[1]Subscription services only. In-game subscription spending is included under in-game purchases. [2]Remaining physical share is largely driven by Nintendo Switch software.

Monetization model shifts are expected to be more dramatic for consoles than for the overall market



Sources: Ampere Analysis; IDC; BCG analysis.
Note: DLC = downloadable content. Because of rounding, the percentages may not total 100.
[1]Remaining physical share is largely driven by Nintendo Switch software.

More than half of core gamers—those who play at least six hours per week—are open to seeing advertising inside premium games



Sources: BCG's gaming survey, 2024; BCG analysis.
Note: n = 5,199.

Gamers in China show the highest willingness to pay—both for single-player and live services games

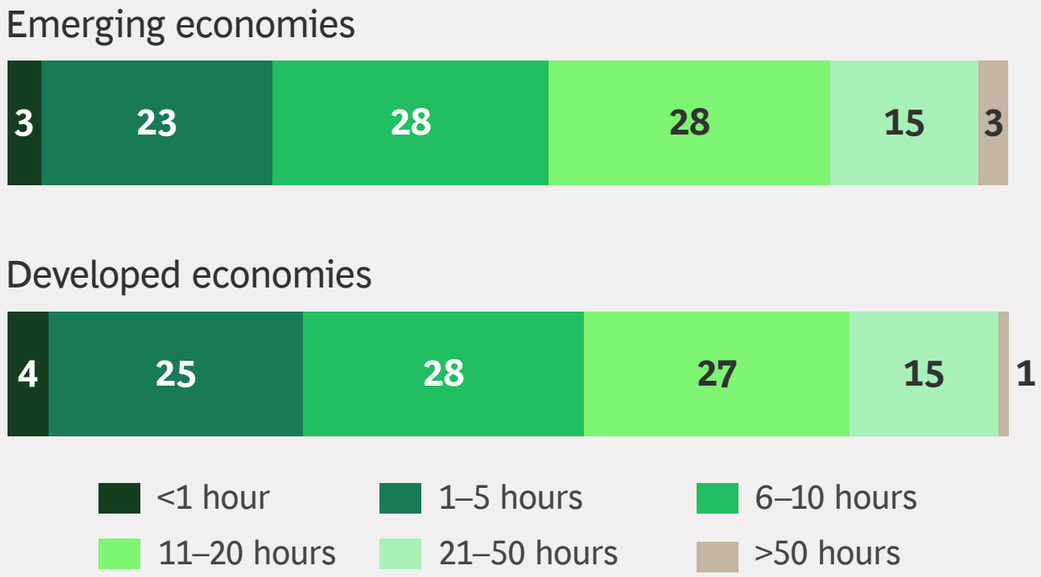
	Single player		Live services	
Country	Price range	Optimal	Price range	Optimal
UK	**$45–$62**	**$51**	**$42–$62**	**$53**
US	**$40–$58**	**$41**	**$41–$58**	**$49**
Germany	**$46–$66**	**$58**	**$42–$66**	**$53**
China	**$60–$93**	**$82**	**$61–$93**	**$81**
Japan	**$43–$59**	**$45**	**$41–$59**	**$44**
India	**$48–$74**	**$59**	**$46–$74**	**$57**
Brazil	**$40–$57**	**$42**	**$40–$57**	**$45**
Mexico	**$42–$67**	**$48**	**$44–$67**	**$56**
Overall average[1]	**$46–$67**	**$53**	**$44–$67**	**$54**

Sources: BCG's gaming survey, 2024; BCG analysis.
Note: For single-player games, the respondents are from the UK (120), the US (124), Germany (95), China (135), Japan (113), India (64), Brazil (124), and Mexico (104). For live services, the respondents are from the UK (145), the US (146), Germany (107), China (130), Japan (148), India (73), Brazil (138), and Mexico (139).
[1]A weighted average.

Players in emerging economies play more—and plan to play more in the future—than do players in developed economies

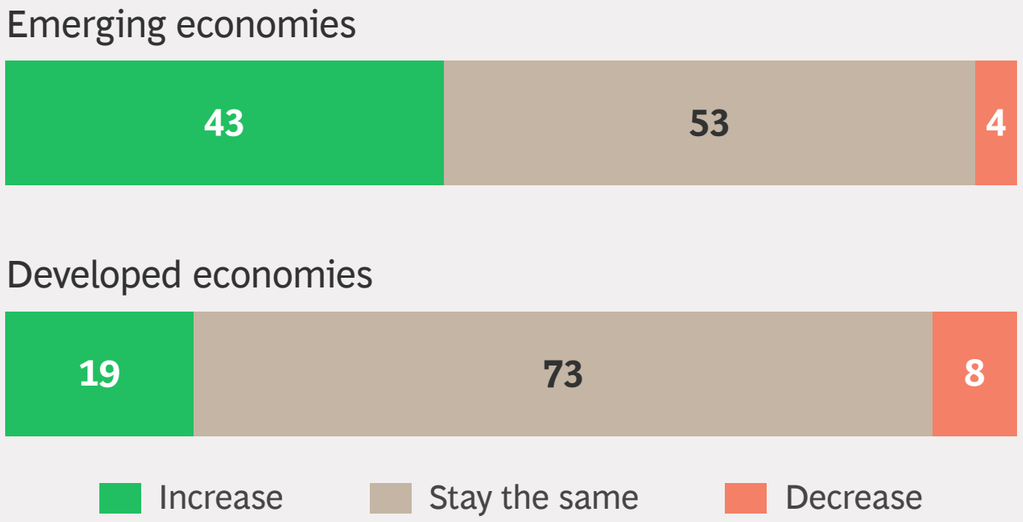
Question: How much time do you spend playing games per week?

RESPONDENTS (%)



Question: How do you expect the amount of time you spend playing games to change in the future?

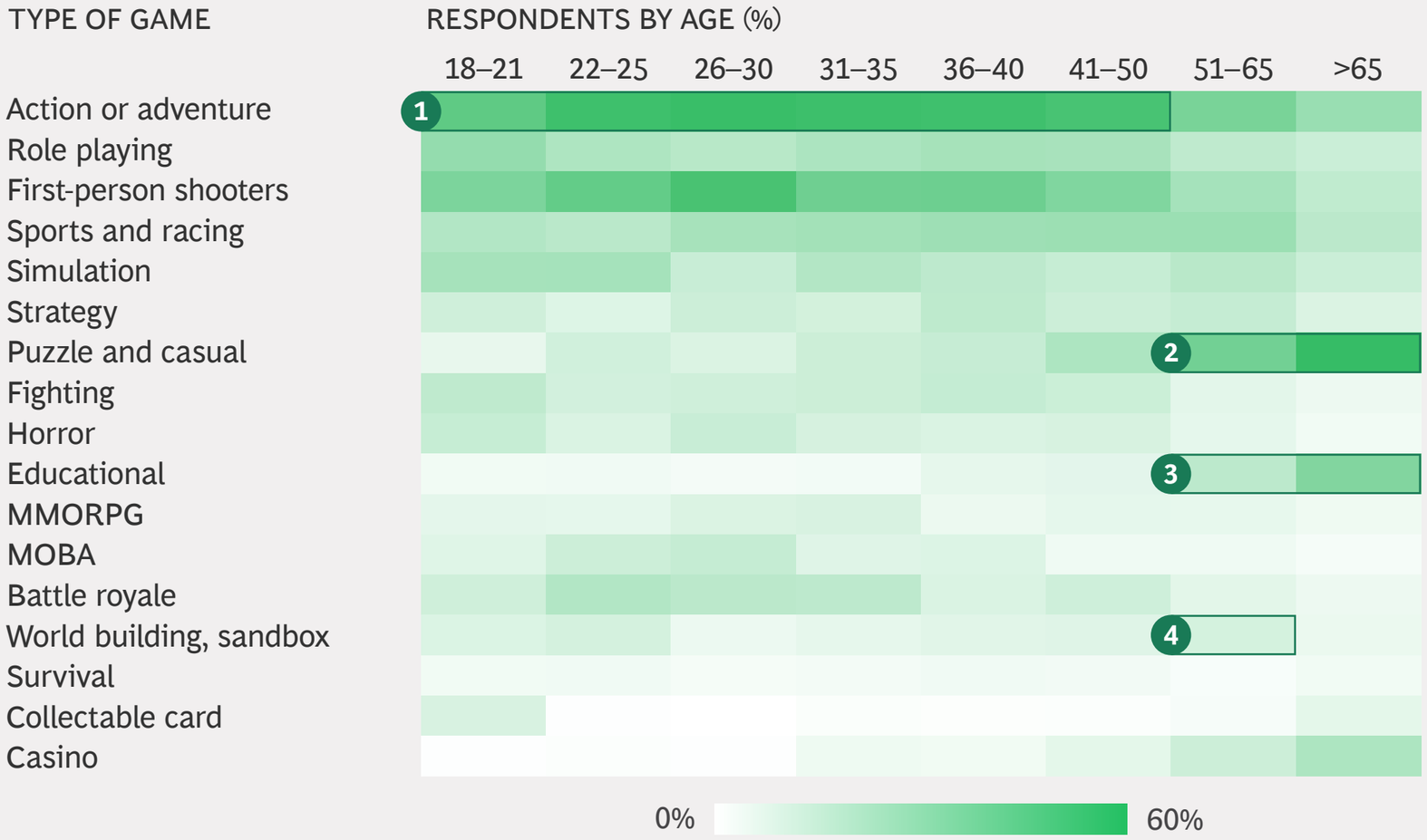
RESPONDENTS (%)



Source: BCG's gaming survey, 2024.
Note: n = 2,029. Emerging economies are Brazil, China, India, and Mexico. Developed economies are Germany, Japan, the UK, and the US.

Genre preferences vary by age, likely driven by lifestyle and generational differences

Question: In the last six months, what types of games have you played most frequently?



1 Younger generations strongly prefer action or adventure games and may continue to do so as they age

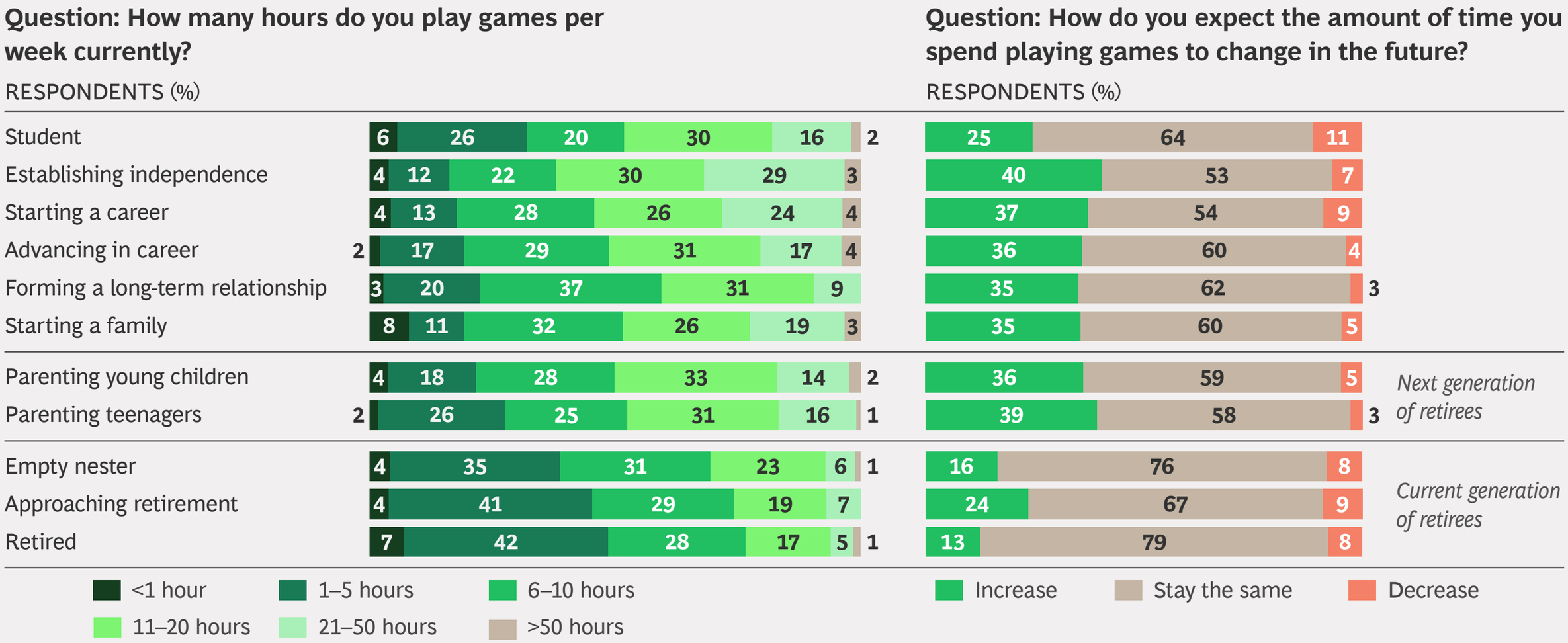
2 Adults older than 51 prefer puzzles (possibly because they are brain exercises) and casual games (possibly because they are closer to the classic arcade titles with which they grew up)

3 For the educational game market, players older than 51 present an opportunity for growth

4 Interest in world building among older gamers is likely because parents and grandparents play games such as Minecraft with their kids and grandkids

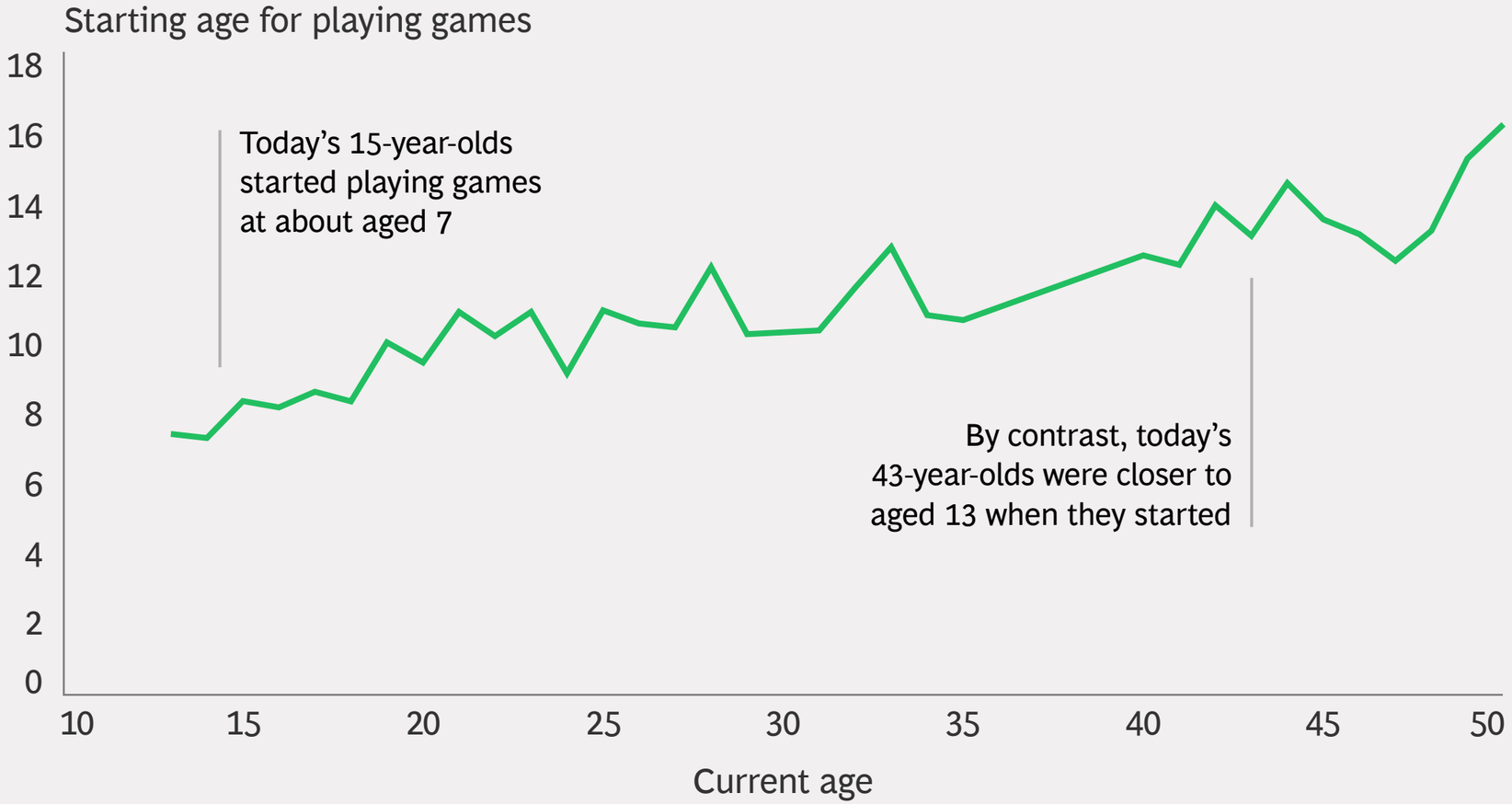
Source: BCG's gaming survey, 2024.
Note: n = 2,029. MMORPG = massively multiplayer online role-playing game; MOBA = multiplayer online battle arena.

The next generation of retirees expects to play games more than current retirees do



Source: BCG's gaming survey, 2024.
Note: n = 2,029. Because of rounding, the percentages may not add up to 100.

Children are playing games at increasingly younger ages, expanding the size of the potential audience for games



97%

The share of children, aged 10 through 13, who play games[1]

Source: BCG's Digital Play parental survey, December 2023.
Note: n = 2,400.
[1]Percentage of parents indicating that their child plays games either sometimes or often.

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