Gaming Industry Assessment
Welcome!

Introduction
Explore NBCUniversal’s latest perspectives and insights into the Gaming industry. This report provides an overview of recent marketplace dynamics, our prediction of key future trends impacting the industry, and strategic recommendations for Gaming brands and marketers as they navigate what’s next.

Our Approach
At NBCUniversal, we have a legacy of working with a diverse range of Gaming partners to build their brands. This report has been created based on NBCU’s:
• Ongoing Industry Evaluation
• Conversations with Gaming Advertisers and Agencies
• Continual Marketplace Analysis
• Examination of Consumer Attitudes towards the Gaming Industry
In 2023, NBCU worked with the biggest names in gaming.

- Consoles
- Mobile Gaming
- Retail Platforms
- Developers
- PC Gaming
Contents

01. Looking Back: 2023 in Review

02. Looking Ahead: Key Industry Trends to Watch

03. The Power of Advertising & Media Trends to Watch

04. Partnering with NBCU
Looking Back

2023 IN REVIEW
With the biggest IP extensions the industry has ever seen, 2023 marked a year of **Increasing Power & Prominence** for the gaming industry.
Gaming Brands Adapted To An Evolving Landscape in 2023

- **Shift to Price-Friendly Subscription Models**
  - The industry has slowly pivoted away from expensive hardware and individual game purchases in favor of developing price-friendly GaaS models, cloud gaming options, and game subscription services.

- **Increasing Power & Prominence of IP**
  - Between *The Last of Us*, *Super Mario Bros*, and *Twisted Metal*, videogame IP dominated the culture in 2023 and drove increased attention towards the industry.

- **Greater Industry Transparency**
  - As a consequence of the ongoing Microsoft Activision Blizzard acquisition, consumers were given a rare glimpse into the industry’s inner workings, from the cost and lifecycle of game production to various competitive tactics leveraged by brands.

- **Fandom Transforms Into Social Engagement**
  - Twitch heralded the modern era of mass streaming and, along with gaming’s pivot to free-to-play (F2P), helped make the industry more synonymous with community and socialization.
BRANDS ACROSS GAMING SUB-CATEGORIES ARE Adapting to the Evolution of the Industry

Console/PC Gaming
After the pandemic catalyzed an explosion of usage and playtime for console/PC gaming, growth has slowed as the market recalibrates to normal usage with total market value ($92.3B, -2.2% YoY)\(^1\) and individual playtime cooled this past year.

-23% Dip in average playtime across Steam (PC), Xbox, and PlayStation in 2022\(^1\)

Mobile Gaming
While dominant, mobile has traditionally been ostracized by other formats. However, as technology has advanced, the lines are beginning to blur between mobile and console/PC gamers as mobile becomes more accepted as a legitimate medium and bigger developers begin developing for the platform.

44% Of mobile gamers also game on consoles, computers, or both\(^1\)

Gaming Peripherals
VR continues to be projected as a high growth sector of gaming peripherals (the value of the market is forecasted to reach $92.3B in 2027)\(^2\) and this year saw further adoption of this offering as the technology became cheaper and increasingly available (with new competitors in the market).

54% Increase in VR devices shipped in 2022 (14.91M) compared to 2021 (9.69M)\(^2\)

Game Retailers
While digital has almost fully dominated the videogame retail space, traditional retailers such as GameStop and smaller shops are still afloat, buoying nostalgia and increasing interest in non-game offerings such as collectibles or types of software – 49% of GameStop’s total 2Q23 revenue is attributed to these two.\(^3\)

90% Of games sold in 2022 were digital downloads\(^4\)

MARKETPLACE PARTNERSHIP EXAMPLES

How Our Partners Are Evolving Their Media Strategy & Storytelling

**IP Partnerships**

Adult Swim and Sony merged the world of *Rick and Morty* with *God of War*, to create a custom spot promoting the newest game in the series.

**Nostalgia**

Blurring the lines between videogames and live action, EA partnered with Disney to bring back Mark Hamill to “train” the star of the new *Star Wars* game, Cameron Monaghan.

**Cultural Moments**

PlayStation announced a multi-year partnership with the WNBA, making it the official console and marketing partner of the league.

**Brand Partnerships**

To celebrate the release of the new *Teenage Mutant Ninja Turtles* movie, Paramount partnered with Xbox to produce custom remote controllers inspired by the movie.
Looking Ahead

Key Industry Trends to Watch
LOOKING AHEAD

Key Gaming Trends We Expect to Influence Marketing & Media Strategies

- Cloud Gaming Take #3
- Free-To-Play Palooza
- Entering The Handheld Future
- Increased Consolidation & Regulation
Cloud Gaming
Take #3

Many brands have tried and failed to break into cloud gaming in recent years, but with the current console generation halfway over and 5G internet providing the improvements required to overcome the primary barrier to success (latency), we may be nearing the era of cloud gaming.

Experts predict cloud gaming adoption will take off in 2024, followed by exponential growth in the years after. End of year revenue is predicted to be $4.34B, which will grow to $18.7B by 2027

Additionally, global users are expected grow from 295M in 2023 to 493M by 2027 (with the expectation of a plateau after).

The feedback to date is that it’s just not good enough as a substitute to any of the current platforms. But you know, it can break through at some point, on something new, but it’s not yet happened, both on the economics as well as the content side.

Satya Nadella
Chief Executive Officer, Microsoft

Who Will Potentially Breakthrough?

Netflix Games
- Currently testing game streaming on TVs & PC
- Uses a mobile app to replace a controller
- Free for any Netflix subscriber

GeForce Now
- Available to stream on TV, PC, & Mobile
- Allows users to “rent” a high-end gaming PC in the cloud
- $20 monthly payment

Source: Statista

1. Statista
Free-To-Play-Palooza

As the cost and time required to develop videogames continues to grow, developers have embraced F2P business models to expand the lifecycle and value of games.

With inflation forcing consumers to cut costs, consumers have identified F2P games to help lower gaming costs – there has been a +12% increase in the amount of gamers interested in F2P gaming this past year¹.

Additionally, F2P can re-boost player engagement through the release of new content (DLC releases boost engagement by 11%)².

In 2022, 65% Of The Top 20 Games Were F2P²

Of these 13, three weren’t initially F2P, but adopted the model after an initial paid window

F2P Models Encourage Increased Spending

Microtransactions/DLC accounted for 45% of PC category revenue 2022 and 44% for consoles²

87%

Of gamers spent money on in-game items in past months²

29% on in-game currency

25% on expansion packs

25% on cosmetics/gear

Entering The Handheld Future

Handhelds have been an integral part of the gaming landscape since the Nintendo Gameboy, but only recently has this peripheral emerged as a potential replacement to consoles & PCs.

Throughout the 2010s, handhelds primarily dominated Eastern Asian markets (mainly Japan). However, propelled by the pandemic, the Nintendo Switch introduced handhelds to the global mainstream with 12M units sold in six months.

Consequently, other key players released, announced, or launched development of handheld devices. And of course, there is also the massive smartphone market...

Increased Consolidation & Regulation

Due to Microsoft’s acquisition of Activision Blizzard, regulatory crosshairs were placed on the gaming industry and will likely remain in the years to come.

Consolidation is not new, but it largely went unnoticed in years prior (only 30% of gamers were aware of Sony’s acquisition of Bungie in 2022)\(^1\).

As content continues to be the key differentiator across the industry, the biggest gaming brands will further consolidate the landscape to secure exclusive content for their platforms, attracting more attention from consumers and regulators alike.

The Wave of Consolidation

60%

Of the industry’s 15 largest acquisitions happened within the past three years\(^2\).

Microsoft v. FTC: The Activision Acquisition

The $68.7B proposed acquisition immediately attracted the attention of regulators, including the FTC.

After a week of arguments and deliberations, Microsoft beat the FTC. However, this is not the end of the regulatory troubles. The UK has still not approved the deal, but Microsoft has been forced to change the deal, giving up much of the exclusivity it had hoped for\(^3\).

Consumer Sentiment on Consolidation

58%

Of gamers are concerned about monopolization and losing access to games\(^1\).

42%

Of gamers are in favor of prohibiting exclusivity deals moving forward\(^1\).

48%

Of gamers are concerned about lack of innovation as a consequence of consolidation\(^1\).

Sources: 1. Morning Consult 2. Statista 3. Microsoft
Key Gaming Trends We Expect to Influence Marketing & Media Strategies

Cloud Gaming Take #3
Many experts still believe cloud gaming is the future of the industry, and its inflection point is coming in 2024.

Free-To-Play Palooza
As consumers cut costs, developers are embracing F2P business models to expand the lifecycle and value of games.

Entering The Handheld Future
Despite being around for a while, only recently have handhelds emerged as a potential replacement to consoles & PCs.

Increased Consolidation & Regulation
Due to consolidation, regulatory crosshairs have been placed on the industry and will likely remain there in the years to come.
The Power of Advertising
& Media Trends to Watch
In our Power of Advertising analysis, we compared net purchase consideration across consumer electronic companies.

The average net purchase consideration for brands that maintained or increased ad spend in 2022 was 731% higher compared to the average NPC of brands that decreased spend.
Despite Gaming being ever-evolving and highly innovative with growing popularity, media strategies have remained stagnant over the past three years and are due for the same evolution and innovation that defines the industry.

**Media Trends to Watch**

**Spend Remains Narrow**

Despite an ever-growing fan base, game brands’ media approaches still focus on endemic channels.

- **64%** of total spend in 2022 was on YouTube & Endemic Gaming Websites

**Stability Across Core Channels**

While spend allocation has fluctuated slightly across channels, the industry’s primary media mix remains the same.

- **49%** Share of 2023 Spend on Programmatic
- **36%** Share of 2023 Spend on Video

**Game & Media Cross Promotion**

- **30+** Film & TV videogame adaptations are currently in development, necessitating promotion as well as likely aligning with new videogame releases

**Fewer Brands & Bigger Budgets**

As the industry further consolidates, we can expect fewer brands to be advertising, but their marketing budgets will grow.

- **#1** Activision Blizzard was is the top gaming spender

Sources: 1. MediaRadar 2. thegamer
Partnering with NBCU

Category Performance, Strategic Considerations & Partnership Examples
Composite Proven Impact: Across Brand KPIs

BUSINESS OUTCOME

<table>
<thead>
<tr>
<th>Brand (Upper Funnel)</th>
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<tbody>
<tr>
<td>Brand Familiarity</td>
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<tr>
<td>+8%</td>
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<td>Ad Recall</td>
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<td>+36%</td>
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<td>+11%</td>
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<tr>
<td>Brand Consideration</td>
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<tr>
<td>+14%</td>
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<th>Performance (Lower Funnel)</th>
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<tbody>
<tr>
<td>Search Engagement</td>
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<tr>
<td>+65%</td>
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<tr>
<td>Purchase Intent</td>
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<tr>
<td>+14%</td>
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<tr>
<td>Brand Recommendation</td>
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<tr>
<td>+17%</td>
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Source: NBCU Ad Impact Database 2017-2022, 489 Brand Impact Studies
Custom research, vendors vary. Average of exposed vs. control cells for NBCU. Top 2 box:
Search Engagement (SER Index): EDD, Volume in five minutes following ads airing on NBCU vs. same brand competitive averages expressed as an index (165).
Campaigns Across More Than One Platform Are More Effective

NBCU Campaigns: Multi-Platform vs. Single Platform
% Lift

- +25% Ad Recall
- +23% Brand Favorability
- +34% Brand Consideration
- +22% Brand Recommendation

Source: NBCU Ad Impact Database 2017-2022, 489 Brand Impact Studies
Custom research, vendors vary. Average of test cells for 2+ platforms vs. single platform campaigns
Strategic Consideration for Driving Growth for Gaming Brands

**Supercharge Partnerships & Custom Content**

*Why*
Capitalize on the growing prominence of videogame IP by further inserting it into the cultural conversation

*How*
Take a creative-first approach and elevate IP through custom content and partnerships that align with other cultural staples

**Broaden Strategies to Grow Cultural Relevancy**

*Why*
Gaming’s scope expands far beyond the niche pastime reflected by current marketing strategies

*How*
Diversify spend outside of endemic content & YouTube to capitalize on gaming’s potential reach and maximize cultural relevancy

**Leverage Data To Understand & Reach Key Audiences**

*Why*
To maximize opportunities for connection with core audiences and drive stronger brand affinity, identify all consumer passion points

*How*
Leverage 1st and 3rd party data along w/ key audience insights to efficiently align with consumer interests and passion points

**Capitalize on Digitization & Fragmentation**

*Why*
Increased digitization affords new opportunities to reach consumers with innovative ad solutions designed for engagement & purchase

*How*
Overcome fragmentation to maintain relevancy with customers across all platforms; drive engagement through commercial innovation & interactive experiences
<table>
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<tr>
<th><strong>NBCU solutions</strong></th>
<th><strong>for delivering</strong></th>
<th><strong>Brand &amp; Business Impact</strong></th>
<th><strong>for Gaming Brands</strong></th>
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**Supercharge Partnerships & Custom Content**

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<tr>
<th><strong>Broaden Strategies to Grow Cultural Relevancy</strong></th>
<th><strong>Branded Content</strong></th>
<th><strong>Issue Oriented Programming</strong></th>
<th><strong>Moments that Matter</strong></th>
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**Leverage Data To Understand & Reach Key Audiences**

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<tr>
<th><strong>Interest Alignments</strong></th>
<th><strong>Peacock</strong></th>
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**Capitalize on Digitization & Fragmentation**

**One-Stop Shop For All Reach Needs**
2023

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NBCUniversal

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