

Deloitte.



Reframing gaming:

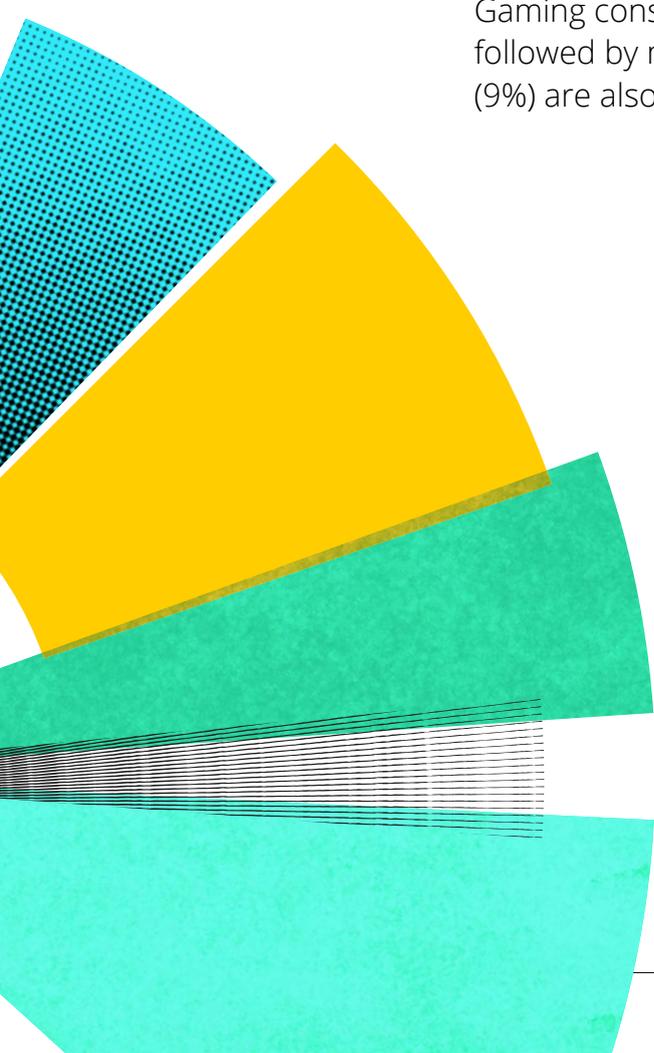
Diversity will shape next decade of the games industry

Reframing gaming: Diversity will shape next decade of the games industry

Playing games is innate to humans. The first known board game, Senet, played in ancient Egypt, dates back over 5,000 years to 3100BC.¹ Games give us a structured space to relax, compete, strategize and socialise. In ancient Egypt, board games were reserved for royals and aristocracy.

But today, almost everyone (99% of people) has access to a gaming device, according to Deloitte's Digital Consumer Trends, a poll of 4,160 respondents in the UK. Such devices might be a combination of a smartphone (owned by 92%), or a games console (38%), or a laptop computer (78%).

Not all of these devices were bought with gaming in mind, but two-thirds of respondents (admit to) playing games on their devices. Gaming consoles are the most preferred device (33%), closely followed by mobile phones (32%). Computers (18%) and tablets (9%) are also popular choices.



As the pandemic wanes, a decline in usage may usher in gaming winter.

In 2022, ownership of games consoles remains relatively stable at 38%, but daily usage of those consoles has fallen from 38% to 35%. When socialising, at events, or commuting, many gamers fall back on mobile phones to kill time while out and about. Indeed, more gamers play regularly on mobile (50%) than console (40%). But these are not mutually exclusive groups. Among regular console players, 46% also play regularly on mobile phones. Game developers have recognised this in recent years, with several multi-platform hits like Fortnite and Minecraft succeeding on both console and mobile.²

Which, if any, is your preferred device for playing games?

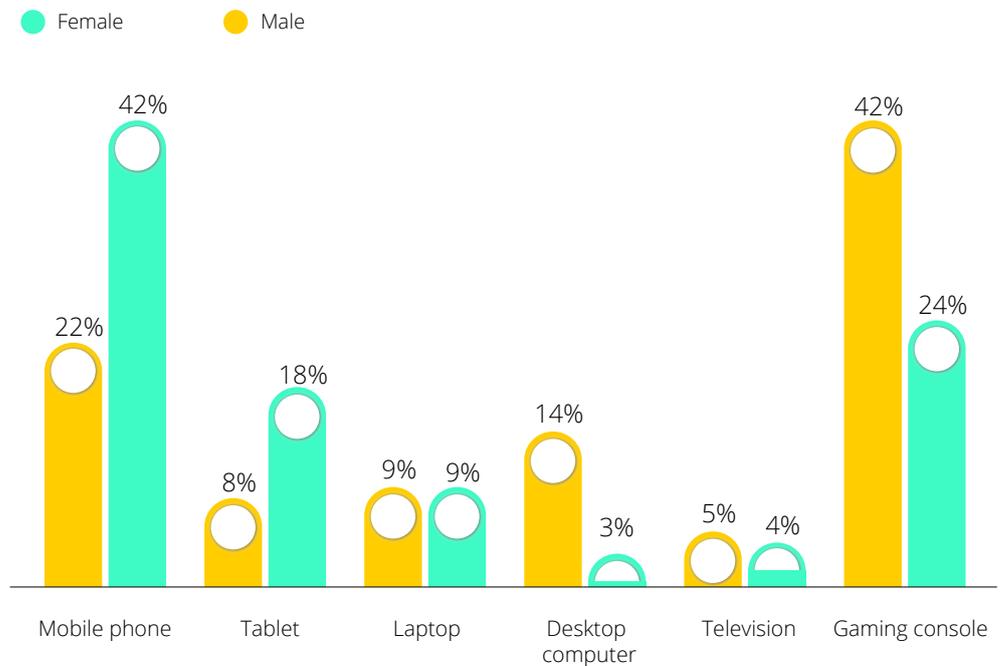


Figure 1. Men prefer console gaming, and women prefer mobile gaming

Weighted base: All respondents aged 16-75 who have a phone or smartphone [half sample-Sample B] (1,373) *excludes "Not Applicable" and "None of these"

Source: Deloitte Digital Consumer Trends, UK Edition, April 2022 - May 2022

There is no such thing as a ‘typical gamer’

Gaming is universal. It is no longer, and is unlikely to ever be, limited to young men. The cohort of games players is diverse in terms of both gender and age, and developers are starting to segment their player base to serve a variety of tastes.

Which, if any, of the following types of games do you play on any device?
[Play games – net]

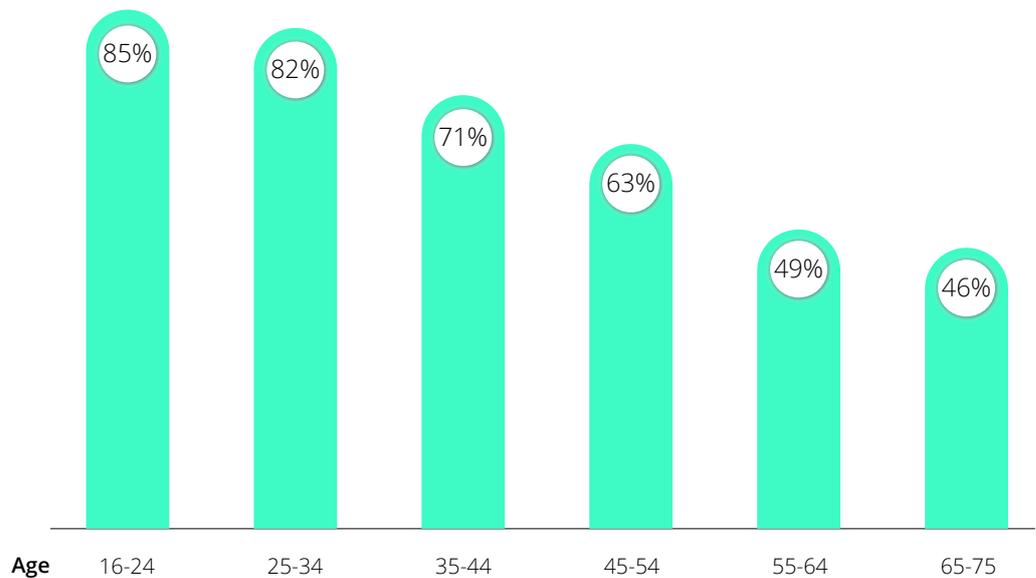


Figure 2. Gaming is popular with young people, but not exclusively young people

Weighted base: All respondents aged 16-75: Total (4,161)

Source: Deloitte Digital Consumer Trends, UK Edition, April 2022 - May 2022

Young men are avid gamers, with 90% of 16–24-year-old men doing so, but astonishingly, they represent a mere 9% of all who play games. Most women (62%) play games and are slightly more likely to play daily, with 35% of women claiming this compared with 34% of men. Most ‘grown ups’ play games: 58% of over-35s surveyed play video games. This latter group includes gamers who may have grown up with home computers such as the ZX Spectrum (the 1980s), or games consoles such as Sony PlayStation (the 1990s), Microsoft Xbox or Nintendo Wii (the 2000s) and who have continued buying consoles and playing games, possibly competing against their kids.

Consoles are preferred by 42% of men, whereas phones are preferred by 42% of women. For console lovers, quality of experience is key, with high-compute titles and ergonomic controllers. For those who prefer mobile, it may be that the games do not need high-resolution rendering to give the experience utility. This probably comes down to the genre of game.

Which, if any, of the following types of games do you play on any device?
[Play games - net]

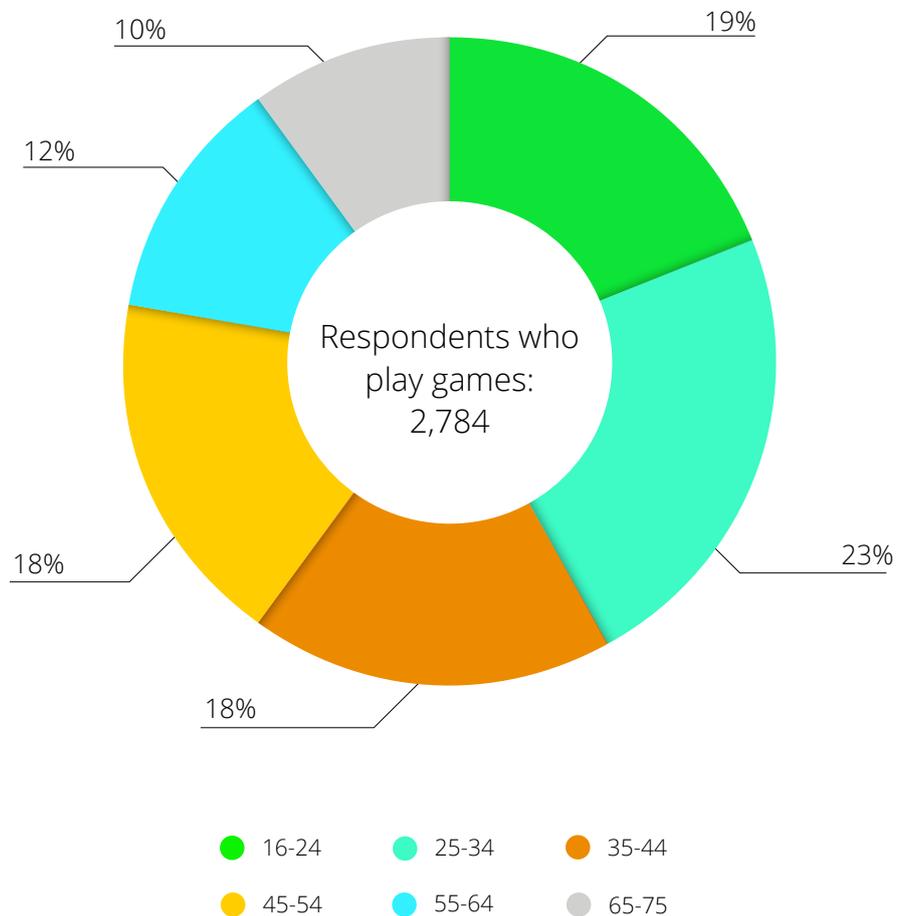


Figure 3. People between 16-24 make up less than one in five of all gamers

Weighted base: All respondents aged 16-75: Total (4,161); who play games on devices (2,748)

Source: Deloitte Digital Consumer Trends, UK Edition, April 2022 - May 2022

In-game transactions are becoming increasingly normalised, with adoption highest among younger generations

Video games have used micro-transactions, trading real money for in-game content, since the 1990s.³ But after decades on the periphery, it has surged into a primary source of revenue for major developers on both mobile and consoles, who are turning 'Average Revenue Per Daily Active User' and 'Per Paying User' as key benchmarks.⁴

In-game payments might reduce waiting time, such as constructing a building in Clash of Clans, or give an upgrade, such as Boosters in Candy Crush. In the past 12 months, 33% of gamers (23% of all respondents), have bought in-game content.

Age is a predictor of spend. Gamers under-35 are more likely to buy content in-game. While 55% of 16–34-year-old gamers have done this, only 17% of over-35s have. This may reflect the environment each has grown up in. Over time the pool of players who purchase content in-game is likely to grow. With every year there are more people whose first video game was played on a smartphone or tablet, where in-game transactions have long been standard. Half of ten-year-olds own a smartphone⁵ and 85% of six-year-olds have access to a tablet.⁶ In contrast, those above 35 grew up in an era of 'pay once, play forever'. These experiences, while rarer today, do still exist. The breakout hit Elden Ring, which has no microtransactions, sold 12 million copies in its first 17 days.⁷ Some titles, such as Call of Duty, offer both a free-to-play mode as well as paid versions of a full game.

Have you used money, or in-game currency acquired with money, to purchase any of the following digital content for games in the past 12 months?

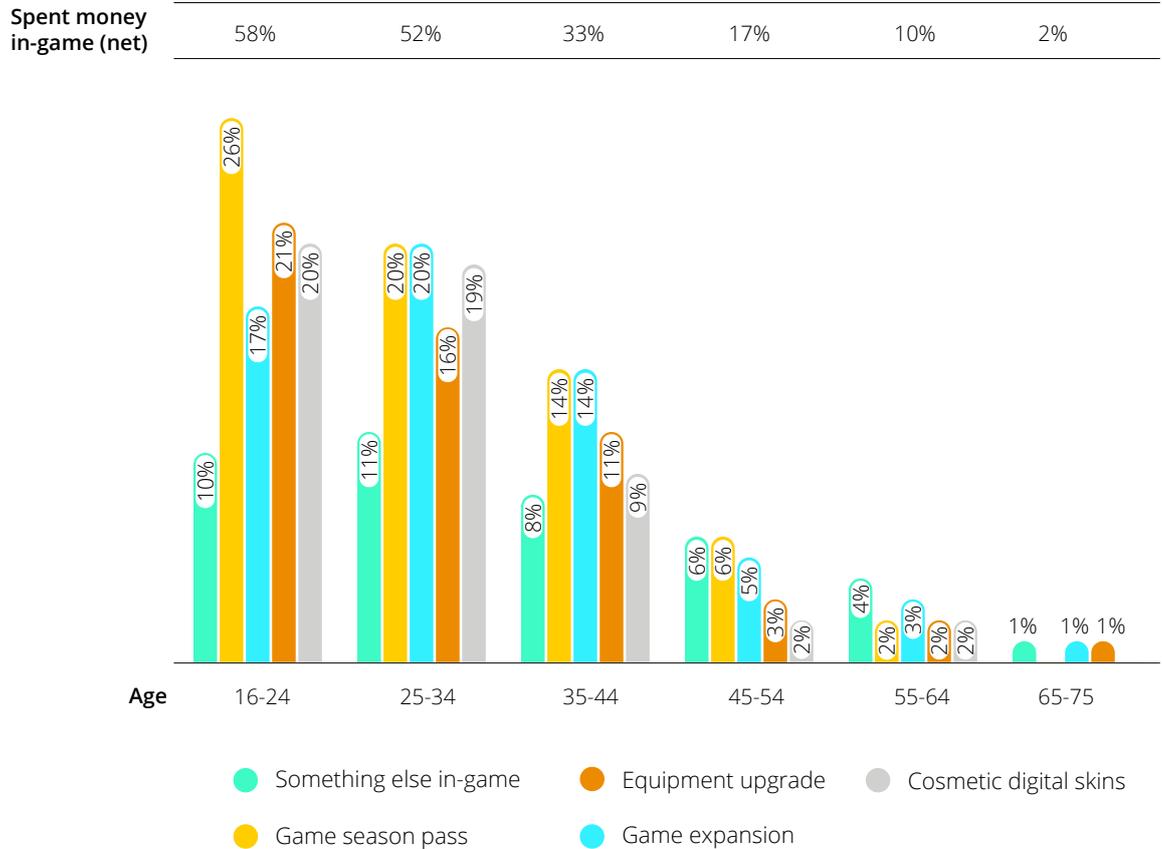


Figure 4. Younger gamers are far more accustomed to in-game transactions

Weighted base: All respondents aged 16-75 who play games on devices [half sample - Sample B] (1,468)

Source: Deloitte Digital Consumer Trends, UK Edition, April 2022 - May 2022

In-game transactions do not always unlock progress:⁸ purely cosmetic content is also a focus. Among gamers, 10% have purchased a digital skin, which can take various guises, such as a playable Harry Kane (a footballer) in Fortnite, or a Batmobile in Rocket League. Brands and platforms exploring web3 – the creation of blockchain-based assets – often cite these to claim that digital assets can have value. In our survey, people who bought a digital skin account for just 7% of everyone, but they are more likely to adopt web3. Around a third (34%) of them own an NFT (Non-Fungible Token) or intend to buy one in 12 months, assuming they know what an NFT is. In the opposite group, those who have not bought a digital skin, only 8% feel the same.

Games might allow players to spend real money in-game, but it is more common to have a digital currency, such as Robux in Roblox. About a fifth (21%) of gamers, which is 15% of everyone, have purchased in-game currency. Such currencies give developers greater control over their marketplace, and also make it easier for players, families and friends to gift content to one another.



As the gaming industry transforms, it faces new legal issues and the threat of regulation. Digital loot boxes, which can be redeemed for a random selection of in-game items, may bring in \$20 billion annually by 2025,⁹ but developers must protect children and vulnerable adults or face new regulation. With NFTs, while Intellectual Property rights in the underlying asset are generally retained by the asset owner, companies must ensure they do not unintentionally transfer their IP rights to the NFT holder(s). Finally, with the proliferation of video game catalogue subscription models, platforms must make customers aware that a subscription only grants a licence to access the underlying titles, and does not transfer ownership, nor guarantee that the catalogue will not change. Auto-renewal is also under regulatory scrutiny this year, which platforms will need to bear in mind. Compliance from the outset is cheaper than getting caught out, paying penalties, and complying later.

The legal take: Alex Hazeldean, Consultant, Deloitte Legal

Subscribe and conquer: games platforms hope that deep catalogues will unlock recurring revenue

Content is shifting towards subscriptions, and gaming is part of this trend: 41% of gamers (29% of all respondents), have a gaming subscription. This compares to 74% of all respondents that have access to a paid video subscription. Examples of games subscriptions include PlayStation Plus, Xbox Live Gold, and Apple Arcade.

It is very common for young gamers to use a subscription: almost seven in ten (68%) of 16–24-year-old gamers have one, which is 61% of all 16–24-year-olds. Subscriptions also skew towards men, with 52% of male gamers claiming to use one. It therefore skews to those who play Action/Adventure games and prefer a console. Consoles are a key driver for subscriptions, with console-linked subscriptions accounting for the majority of subscriptions. Console-based subscriptions are forecast to generate more than \$10 billion in revenue in 2022.¹⁰

Which, if any, of the following gaming subscription services do you currently use?

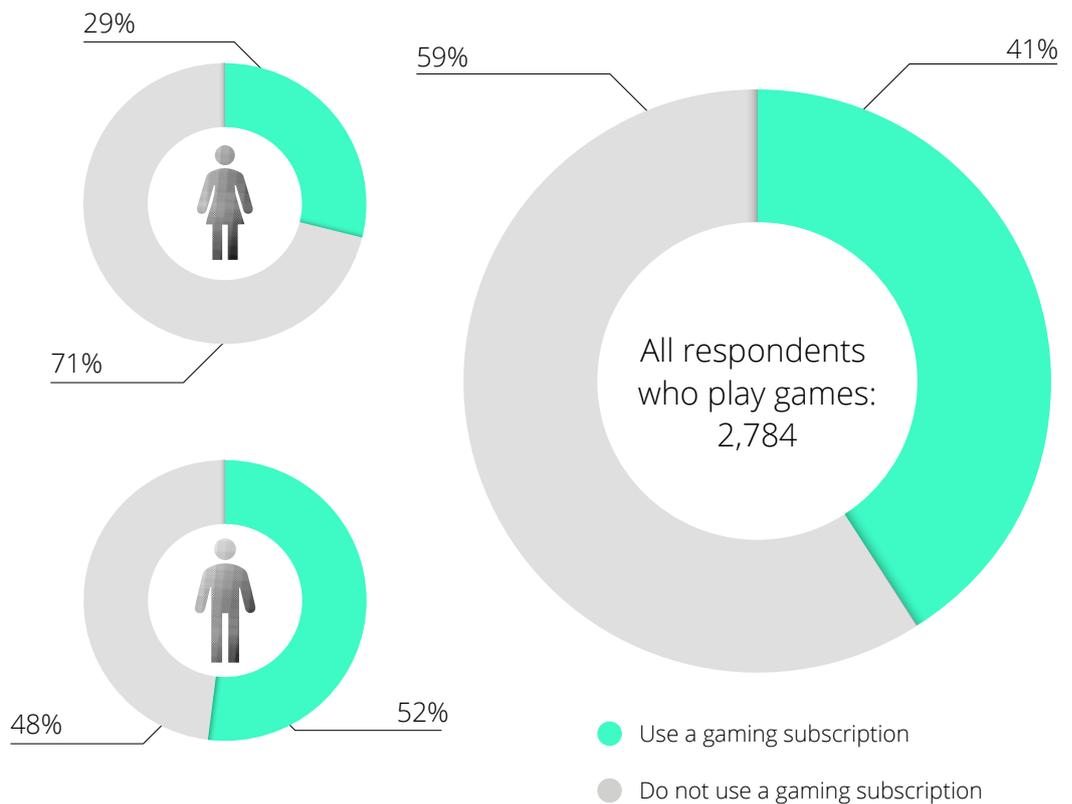


Figure 5. Two in five gamers use a subscription service

Weighted base: All respondents aged 16-75 who play games on devices [half sample - sample B] (1,468)

Source: Deloitte Digital Consumer Trends, UK Edition, April 2022 - May 2022

Initially, the key feature of console subscriptions was access to online multiplayer modes. But now, consoles are building subscription tiers with a vast catalogue of included games at each price point. Just as in the video industry, exclusive content is key, and console platforms are purchasing large developers to ring-fence game franchises. It is not yet clear if users care enough about a library of free games to upgrade their subscriptions. But console platforms have the power to nudge user bases, and could make brand new games exclusively available via subscription, at least for an initial period.

Cloud gaming is the elephant in the room. Uptake of cloud gaming services has been modest so far, mainly due to high-bandwidth requirements. But it may generate momentum now that it is bundled in the upper tiers of console subscription services and could be worth \$12 billion by 2026.¹¹ At least in the near term, cloud gaming will complement, rather than replace console gaming; it allows gamers to try new games instantly, without downloads, or dip into games on other devices including smartphones and smart TVs.

Subscriptions may pave the way to a new business model: console-as-a-service. Console platforms have already developed this proposition, and it is possible that future generations of consoles may be exclusively tied to subscription models – with the hardware effectively subsidised to the point of being free.

Genres that are quick and easy to play dominate mobile, but console is still the go-to for deeper content

In the past 50 years, developers have created new 3D worlds, with bold landscapes, unique physics and an array of creatures. They have also digitised traditional real-world games, such as Monopoly and Risk, and generated millions of paid downloads.¹² In between these two extremes, the list of genres is almost endless.

Casual/ Puzzle games are the most popular with 24% of people playing these. Board/Word and Card games closely follow. All of these share key features that cement their popularity: an accessible ruleset, one-handed play, low-bandwidth requirements and non-real-time play, so that people can play while watching TV. And crucially, they enable comparison with family, friends and the general public. Breakout hits, like Wordle, have harnessed this competitive social element to achieve viral status.

Action/Adventure (16%) and Sports (13%) are next most popular, and players tend to prefer consoles as these require more concentration and skill. Action/Adventure has been revitalised with 'battle royale' formats, which pitch hundreds of players together in one game, and 'live service' lifecycles, which stretch one game over several years with frequent software updates to add maps, modes, skins, weapons and events. Fortnite, Call of Duty Warzone and Apex Legends are major examples. Sports games have also been potently monetised in the last decade, with formats that create a marketplace for scarce in-game commodities. In both categories, eSports plays a role, with 532 million viewers this year, and \$1.38 billion generated.¹³

Sandbox games (played by 9%) like Minecraft and Roblox, and Fantasy Sports Leagues (played by 6%) are also noteworthy. In Sandbox games, players might not have defined objectives, but exist and build alongside friends, which is an interesting proxy for the concept of a metaverse. Fantasy Sports Leagues focus on the management of scarce assets to build teams. In recent years, they have been the focus of NFT projects.¹⁴ However, gamer reaction to NFTs has been mixed, with many traditional gamers shunning attempts by developers to weave NFTs into content.¹⁵

Which, if any, of the following types of games do you play on any device?

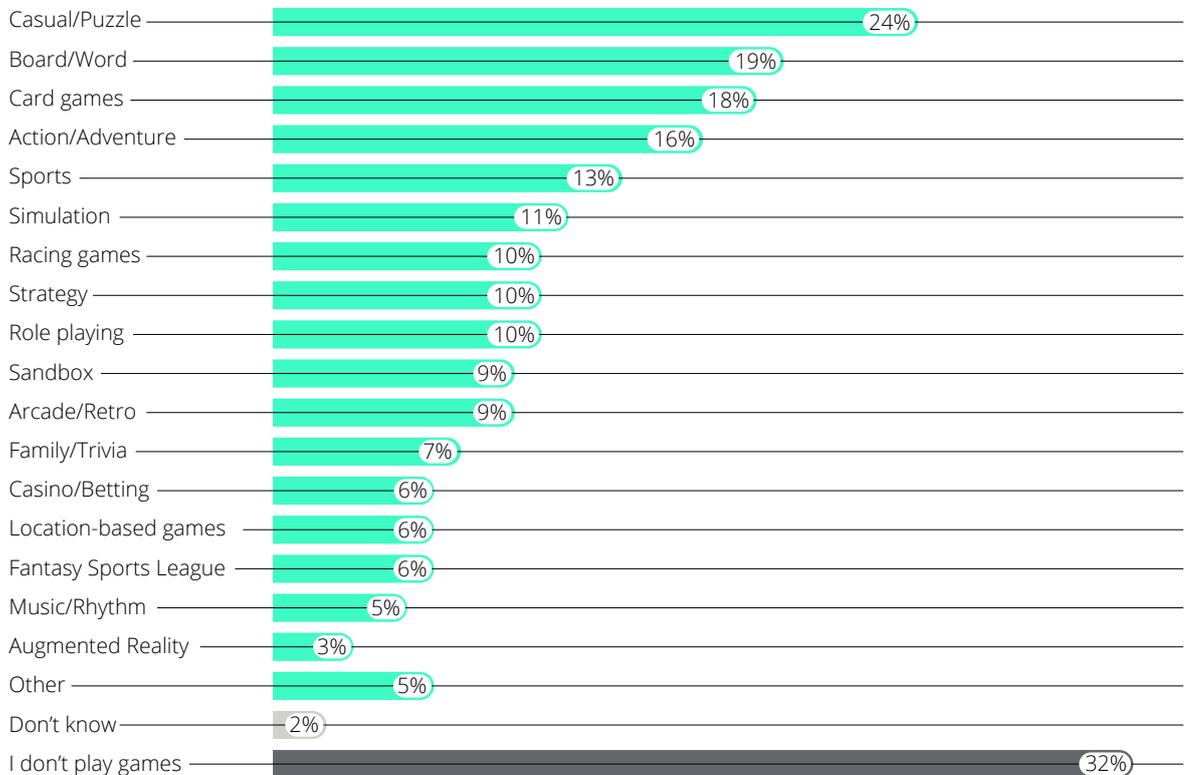


Figure 6. Simple games have the highest volume of users

Weighted base: All respondents aged 16-75: Total (4,161)

Source: Deloitte Digital Consumer Trends, UK Edition, April 2022 - May 2022

Women are more likely to play Casual/Puzzle and Board/Word games, whereas men skew to Action/Adventure and Sports. Age is also an important factor. Young people, between 16-25, are three times more likely to play Sandbox games than average. And older people, between 65-75, are 50% more likely to play Card games. Group preferences are probably determined by their entry point to gaming, their lifestyle habits and disposable time, and social pressures.

The bottom line

In 2022, we may find ourselves with less time to play games, but the industry is not going anywhere. Globally, people spend more on games than video subscriptions, digital music, and smart home services combined.¹⁶ Gaming is no longer confined to consoles and PCs: spend on mobile games is more than twice the size of console and PC spending combined. Crucially, the modern gaming market is incredibly diverse, and in-game transactions and subscriptions are not for everyone. Given the size of the market, the variety of gamers and the range of their tastes, it is clear that industry leaders will need to sustain different platforms, devices and business models in decades to come. The game is just getting started.

AUTHORS



Ben Stanton



Paul Lee

ACKNOWLEDGEMENTS

The authors would like to thank Julian Rae, Dan Ison, Nick Sands and Jonathan Sharp from Deloitte UK, and Kirti Khattri from Deloitte Support Services India for their contributions to this article. The authors would also like to thank George Jijiashvili from Omdia (Informa PLC) for their contributions to this article.

ENDNOTES

- ¹ **The Complete history of Board Games**, <https://geekgargalore.com/boardgames/history-of-board-games/>
- ² **Business of Apps “Minecraft generated \$380 million revenue in 2021, mobile revenue accounted for \$110 million”**, <https://www.businessofapps.com/data/minecraft-statistics/>
- ³ **The arcade game, “Double Dragon 3: The Rosetta Stone”, is one of the earliest recorded examples of videogame microtransactions**, <http://www.hardcoregaming101.net/double-dragon-3-arcade/>
- ⁴ **Activision**, <https://investor.activision.com/news-releases/news-release-details/activision-blizzard-announces-fourth-quarter-and-2021-financial>; **EA Games**, https://s22.q4cdn.com/894350492/files/doc_financials/2022/q3/Q3-FY22-Earnings-Release-vFinal.pdf
- ⁵ **Ofcom**, https://www.ofcom.org.uk/_data/assets/pdf_file/0023/190616/children-media-use-attitudes-2019-report.pdf
- ⁶ **YouGov**, <https://yougov.co.uk/topics/lifestyle/articles-reports/2020/03/13/what-age-do-kids-get-phones-tablet-laptops->
- ⁷ **FromSoftware**, https://www.fromsoftware.jp/ww/pressrelease_detail.html?tgt=20220316_eldenring_salesdata
- ⁸ **Udonis**, <https://www.blog.udonis.co/mobile-marketing/mobile-games/mobile-games-whales>
- ⁹ **Juniper Research**, [https://www.juniperresearch.com/press/video-game-loot-boxes-to-generate-over-\\$20-billion](https://www.juniperresearch.com/press/video-game-loot-boxes-to-generate-over-$20-billion)
- ¹⁰ **Deloitte TMT Predictions, 2022**, <https://www2.deloitte.com/us/en/insights/industry/technology/technology-media-and-telecom-predictions/2022/video-game-console-market-growth.html>
- ¹¹ **Omdia**, <https://omdia.tech.informa.com/blogs/2021/omdia-forecasts-cloud-gaming-to-nudge-12bn-by-2026>
- ¹² **Monopoly on mobile has generated “3 million downloads since launch”**, <https://apps.apple.com/gb/app/monopoly-classic-board-game/id1477966166>
- ¹³ **Newzoo**, <https://newzoo.com/insights/articles/the-esports-audience-will-pass-half-a-billion-in-2022-as-revenue-engagement-esport-industry-growth>
- ¹⁴ **Sorare**, <https://sorare.com/>
- ¹⁵ **Finder**, <https://www.finder.com.au/ubisoft-interview-nfts>
- ¹⁶ **Omdia**, <https://omdia.tech.informa.com/OM025587/Telco-Opportunities-in-Gaming>

Deloitte.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our network of member firms.

© 2022 Deloitte LLP. All rights reserved.

Designed and produced by 368 agency at Deloitte