

NBCUniversal

2023

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
-



NBCUniversal Has a Unique Perspective

In 2023, NBCU worked with
The Biggest Names In Gaming



Consoles



Mobile Gaming



PC Gaming



Developers



**Retail
Platforms**

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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 2022¹

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 both¹

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 **collectables or types of software – 49% of GameStop's total 2023 revenue is attributed to these two.**³

90%

Of games sold in 2022 were digital downloads⁴

MARKETPLACE PARTNERSHIP EXAMPLES

How Our Partners Are Evolving Their Media Strategy & Storytelling

[adult swim]



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.

Disney



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.

WNBA



Cultural Moments

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

Paramount



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 2027¹.

Additionally, global users are expected grow from 295M in 2023 to 493M by 2027 (with the expectation of a plateau after)¹.

Who Will Potentially Breakthrough?






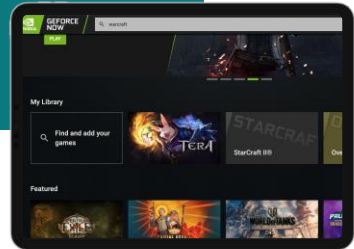
Netflix Games

-  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



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

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



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).¹ However, propelled by the pandemic, the Nintendo Switch introduced handhelds to the global mainstream² 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...



Nintendo Switch

3rd

Best selling console of all time (122.6M units sold)³

A Switch 2 is currently rumored to be releasing in 2024⁴



Steam Deck

3M

Projected units sold by end of 2023⁵

Produced by Valve, a dominant name in PC gaming, this handheld places a gaming PC into consumers hands



PS Portal

NEW

Officially revealed in August 2023⁶

Sony's handheld takes a cloud gaming approach, allowing PS5 owners to stream their games over Wi-Fi onto the device



The Wild Card: Mobile Gaming

60%

Of the consumers identify themselves as mobile gamers⁷

24%

Of videogame developers predict mobile will grow more than other channels by 2025⁸

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 industries 15 largest acquisitions happened within the past three year²

BUNGIE

glu

BETHESDA
GAME STUDIOS

zynga

FROM SOFTWARE
(minority stake acquired)

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



As of August 2023, the UK has not approved the deal, but **Microsoft has been forced to change the deal**, giving up much of the exclusivity it had hoped for³

Consumer Sentiment on Consolidation

58%

Of gamers are concerned about monopolization and losing access to games¹

42%

Of gamers are in favor of prohibiting exclusivity deals moving forward¹

48%

Of gamers are concerned about lack of innovation as a consequence of consolidation¹

LOOKING AHEAD

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**

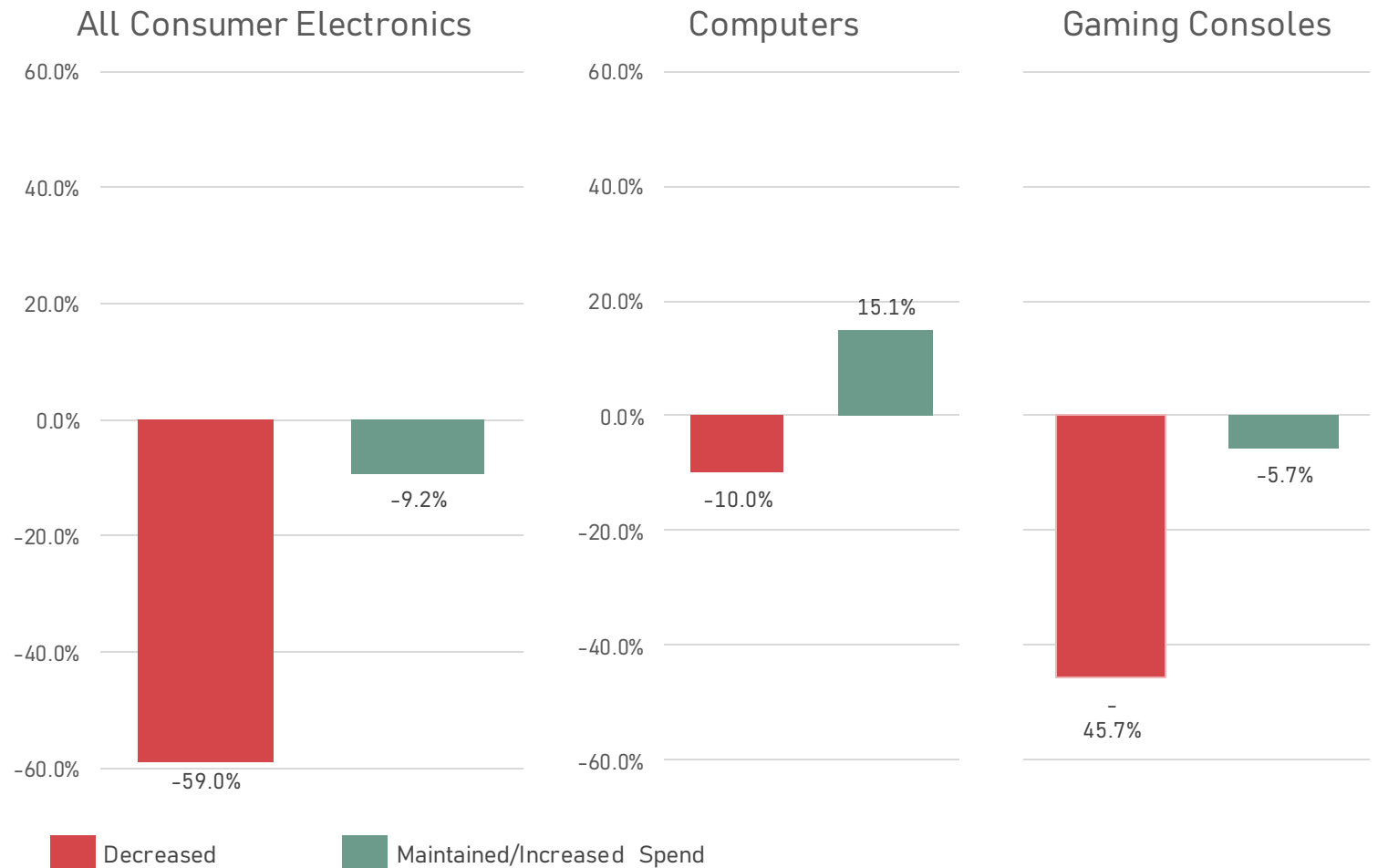
The average net purchase
 consideration for brands that
 maintained or increased ad
 spend in 2022 was

731% higher

compared to the average NPC of
 brands that decreased spend

Sources: Morning Consult, Internal Analysis, MediaRadar

Consumer Electronics Tech Companies % Change in Avg. Net Purchase Consideration Scores 2022 vs. 2021



Media Trends to Watch

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

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 Websites¹

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

Top 2 Channels For Past Three Years

GAME & MEDIA Cross Promotion

30+

Film & TV videogame adaptations are currently in development, necessitating promotion as well as likely aligning with new videogame releases³

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 spender¹

Partnering with NBCU

CATEGORY PERFORMANCE, STRATEGIC CONSIDERATIONS
& PARTNERSHIP EXAMPLES



Composite Proven Impact: Across Brand KPIs

BUSINESS OUTCOME

NBCU CAMPAIGNS – *Test vs. Control*

Brand
(Upper Funnel)

Brand
Familiarity
+8%

Ad
Recall
+36%

Brand
Favorability
+11%

Brand
Consideration
+14%

Performance
(Lower Funnel)

Search
Engagement
+65%

Purchase
Intent
+14%

Brand
Recommendation
+17%

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



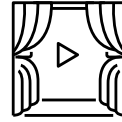
+22%

Brand
Recommendation

Strategic
Consideration for

Driving Growth for Gaming Brands

Supercharge Partnerships & Custom Content



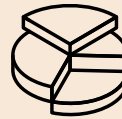
Why

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

NBCU solutions
for delivering

Brand & Business Impact for Gaming Brands

SCALE

Supercharge Partnerships & Custom Content



SNL50



bravo CON



PARIS 2024



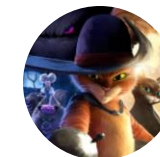
BIG



SUNDAY NIGHT
FOOTBALL



HALLOWEEN
FANDEMONIUM



peacock

NBCUNIVERSAL

Broaden Strategies to Grow Cultural Relevancy

Branded
Content



Issue Oriented
Programming



Moments
that Matter



Leverage Data To Understand & Reach Key Audiences



Interest Alignments



PRECISION

Capitalize on Digitization & Fragmentation

One-Stop Shop For All Reach Needs

- ✓ Peacock
- ✓ Data-Driven Linear (DDL)
- ✓ Social Media
- ✓ Apple News
- ✓ Rotten Tomatoes
- ✓ Fandango
- ✓ Anzu
- ✓ Commercial Innovation

2023 Gaming Industry Assessment

NBCUniversal

NBCU GAMING CLIENT STRATEGY TEAM:
Dominique Folacci, Nicole Lee, David Curley

