NIELSEN GAMES

GAMES 360 U.S. REPORT

2017

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GAMES 360 2017

This is a hugely exciting period for the games industry, with the launch of new platforms and devices, the rise of new technologies allowing for a shared, connected experience like never before, and evolving gamer habits necessitating changes to strategies and business models.

Charting these changes and mapping out what the future of the industry may look like requires careful analysis; for the 8th year in a row, Nielsen Games has done just that, conducting extensive research into how Americans feel about – and consume – gaming in general, the devices and platforms they prefer, the ways in which those platforms and devices are being used, where gaming fits alongside alternative forms of entertainment and how these trends are changing over time.

> "FOR THE 8TH YEAR IN A ROW, NIELSEN GAMES HAS CONDUCTED EXTENSIVE RESEARCH INTO HOW AMERICANS FEEL ABOUT – AND CONSUME – GAMING."

The result is this 360 report, an essential annual resource for anyone working – or considering getting involved – in the games industry.

This year's headline results show that although the number of people playing games has remained stable, they are spending more time gaming overall. Mobile gaming time has also leveled off but the penetration of 8th Generation consoles and the release of the mid-cycle console upgrades have driven increased engagement on those devices. It is also shifting the way 7th Generation devices are used – they have transitioned from pure gaming machines to multimedia devices, used for streaming and consuming other media.

The continued growth of eSports and the excitement and investment in virtual and augmented reality, along with the increasing prevalence of downloadable content, expansion packs and full digital games, only underline the buoyancy of the industry in 2017. We hope you enjoy the report as we continue to follow the exciting new experiences the video game industry has in store for us all.

CONTENTS

METHODOLOGY

Data collection

Annual data for the Nielsen Games 360 Report is collected via consumer online surveys in Q1 of each year using Nielsen's proprietary, high-quality ePanel in the United States.

Sample

Groups surveyed – General Population/Teens/Adults aged 13+: 2000+ interviews among 50% male/50% female sample.

Representivity

Post-survey, raw data is weighted to ensure representation of the U.S. General Population based on U.S. Census data.

1

The rise of augmented reality games and downloadable content are among the trends being closely monitored by the games industry.

INDUSTRY OVERVIEW

THE GAMING AUDIENCE, HOW THEY'RE PLAYING AND WHAT THEY'RE BUYING

The games industry has not been short of new products and compelling storylines over the past year. *Overwatch* and *Pokémon GO,* Sony PlayStation 4 Pro and *Super Mario Run* all made headlines, as did new iterations of established game franchises, such as *Call of Duty*: *Infinite Warfare* and the launch of updated consoles.

This has continued in early 2017 with March's launch of Nintendo Switch, designed to be used at home as well as on the move.

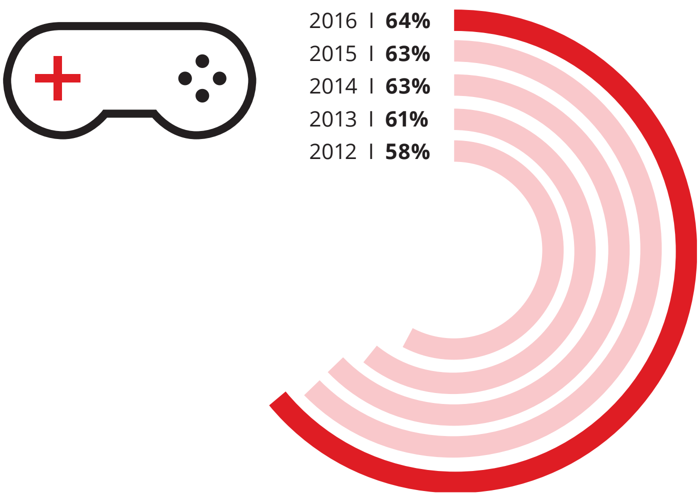
The multitude of new software has led to gamers spending more time gaming, while the gaming audience in the United States remains stable year-on-year. From a hardware perspective, the launch of premium versions of existing consoles by the major manufacturers continues to broaden the choice for consumers.

64%

OF THE U.S. POPULATION (13+) ARE GAMERS.

PERCENTAGE OF GAMERS

AMONG GENERAL POPULATION (AGED 13+)



46%

OF GAMERS PLAY ON ONLY ONE TYPE OF DEVICE.

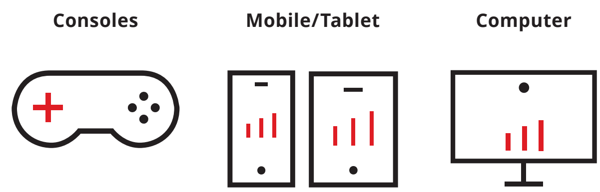
HOW MANY DEVICES?

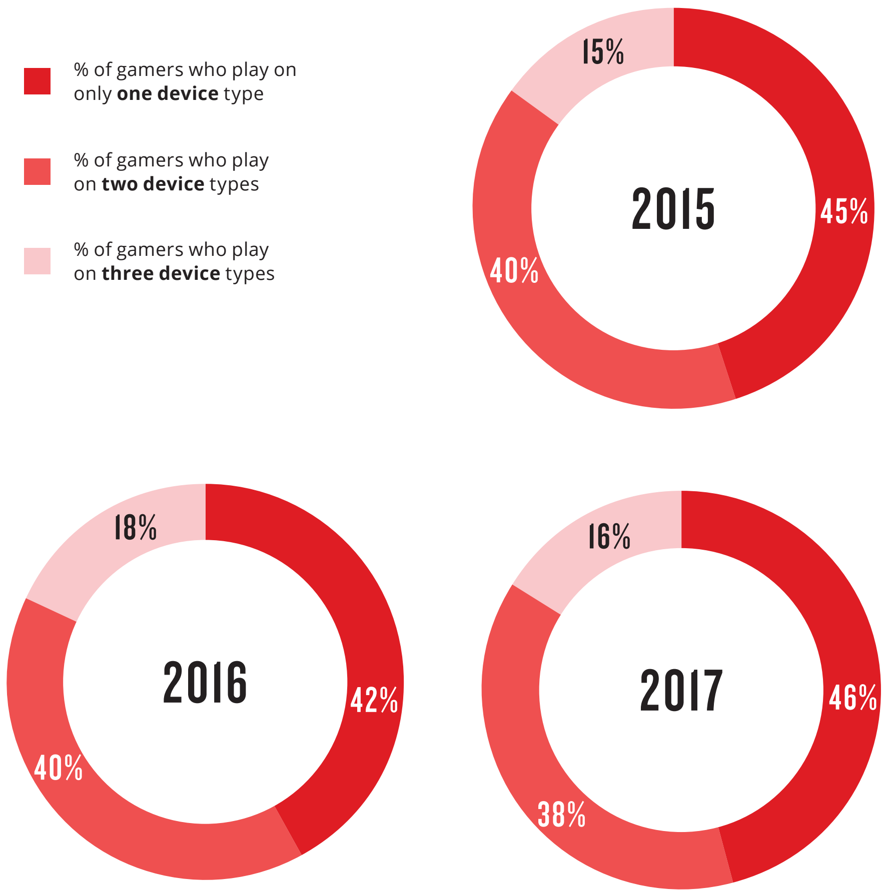
The percentage of gamers who play games on only one device type has risen year-on-year, from 42% to 46%. Playership on two devices has dipped slightly, from 40% to 38% while the percentage of players gaming on three device types – computer, mobile/tablet and console – has dropped from 18% in 2016 to 16%. This is indicative of mobile playership stabilizing after several years of growth.

PLATFORM PLAYERSHIP BY TYPE

% OF CONSUMERS (AGED 13+)

DEVICES





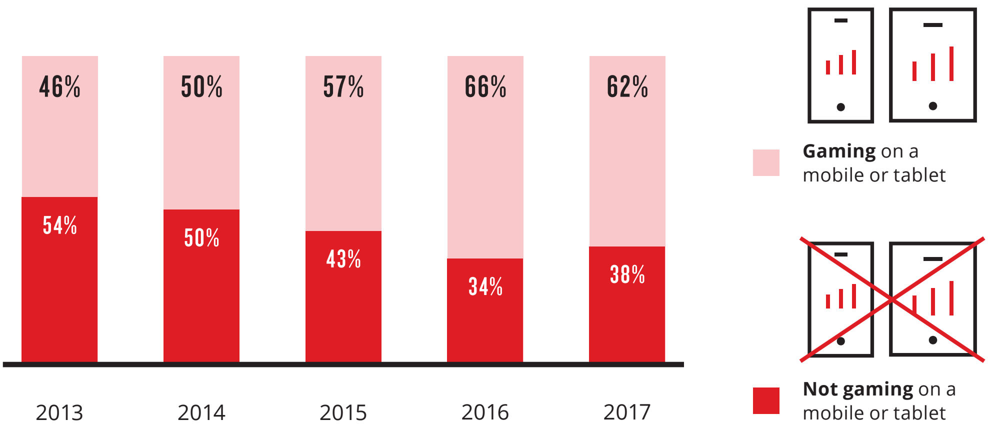
42% of the general population, aged 13+, are mobile/tablet players.

MOBILE AND TABLET

In recent years, mobile and tablet gaming has done much to grow the overall gaming industry. However, after several years of sustained growth, mobile and tablet playership appears to have leveled off. 62% of console players now play games on mobile or tablet, compared to 66% a year ago.

CONSOLE PLAYERS GAMING ON MOBILE/TABLET DEVICES

WHICH OF THE FOLLOWING, IF ANY, DO YOU PERSONALLY PLAY GAMES ON?
% OF CONSOLE GAMERS AGED 13+



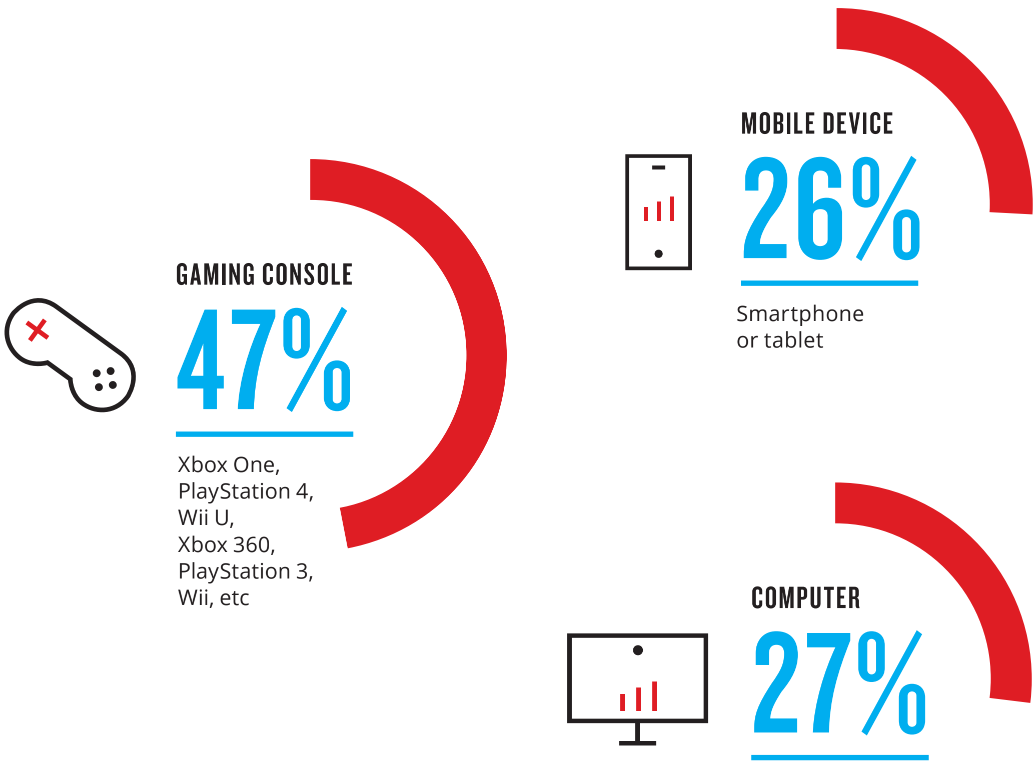
PLATFORM PREFERENCES

Among U.S. gamers, consoles are the preferred device to play on. 47% regard consoles as their favorite platform, while 26% prefer mobile devices and 27% prefer PCs. Sony's PlayStation 4 is the most recognized device among the general population, gamers and non-gamers, just ahead of Microsoft's Xbox One/One S.

Prior to the launch of Nintendo Switch in March, the general population was just as aware of the console as the PlayStation 4 Pro, which launched in November 2016. Microsoft's new Xbox project, Scorpio, has yet to be released, hence the lower current awareness figures. There is much speculation around the console: the latest details released suggest a focus on 4K optics, 12 GB of memory and greater processing power.

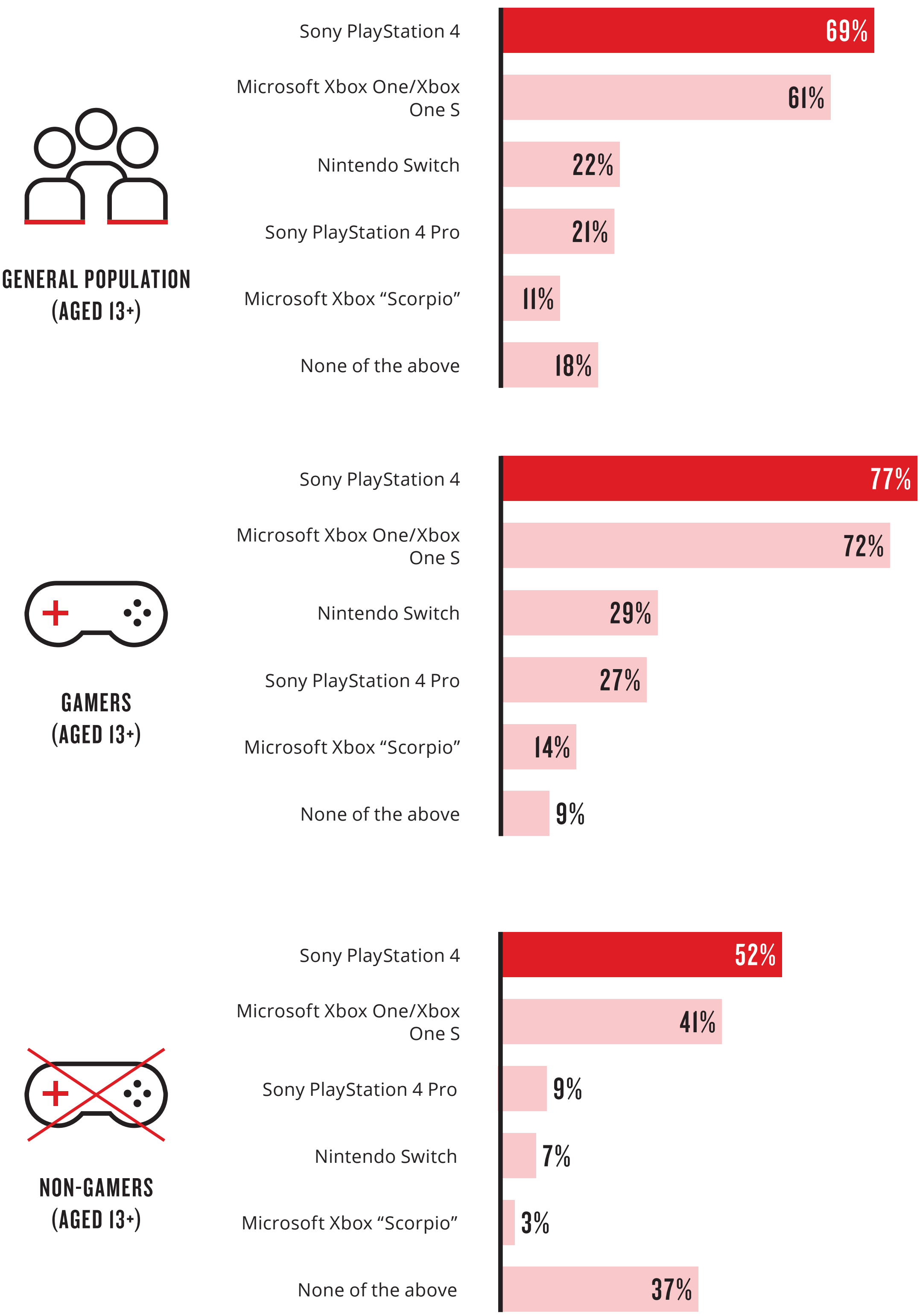
PLATFORM PREFERENCE AMONG GAMERS

WHICH OF THE FOLLOWING DO YOU MOST PREFER TO PLAY GAMES ON?
% OF CONSOLE, PC, AND MOBILE/TABLET GAMERS (AGED 13+)



AWARENESS OF CURRENT GENERATION CONSOLES

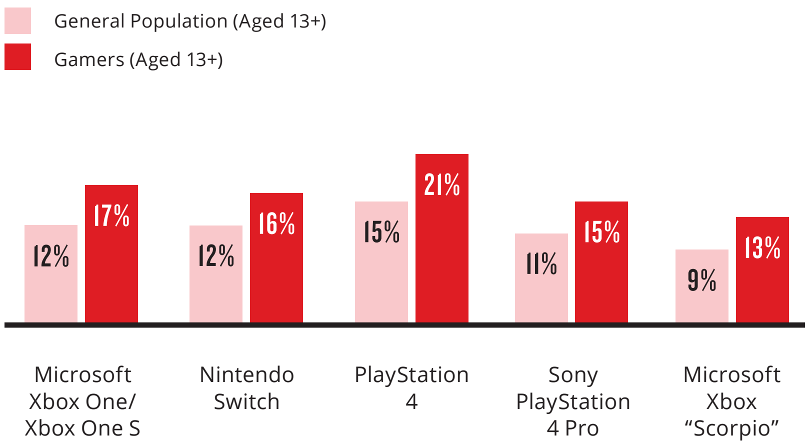
WHICH OF THESE VIDEO GAME SYSTEMS, IF ANY, HAVE YOU HEARD OF?



INTENTION TO PURCHASE

HOW LIKELY ARE YOU, OR ANYONE ELSE IN YOUR HOUSEHOLD, TO BUY EACH OF THE FOLLOWING GAME SYSTEMS?*

DEFINITELY/
PROBABLY WILL BUY



*For any that you already own, please indicate if you would buy another.

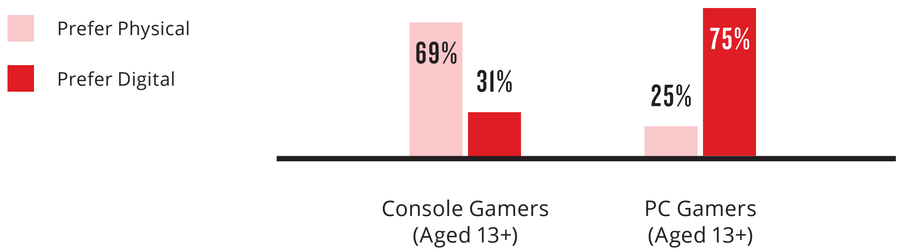
PHYSICAL VS DIGITAL SOFTWARE PREFERENCES

69% of console gamers aged 13 and older prefer physical software, but PC gamers show a stronger preference for digital (75%). Possible factors for this include the popularity and comparative cost-effectiveness of the Steam platform, the limited storage space on consoles (despite the introduction of 1TB and 2TB versions) compared to most gaming PCs, and the ease and speed with which games can be downloaded to a PC via a hard-wired internet connection.

Both console and PC gamers who prefer digital software spend more time per week gaming than those who prefer physical software. However, console gamers who prefer digital spend more per month on games, while PC gamers who prefer physical software are heavier spenders than their digital counterparts.

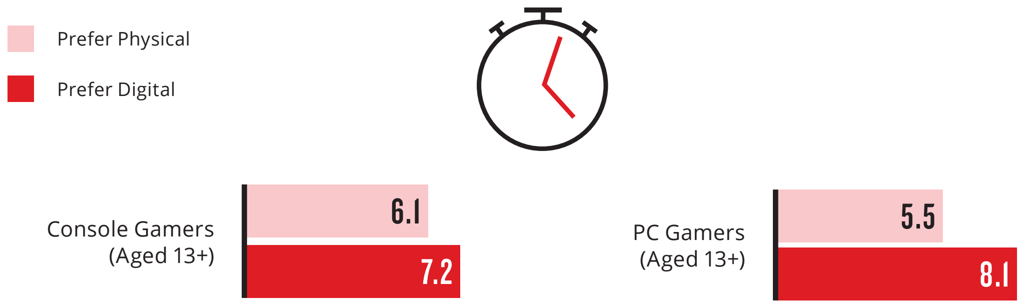
PREFERENCE

WHICH OF THE FOLLOWING TYPES OF CONSOLE GAMES/COMPUTER GAMES DO YOU MOST PREFER?



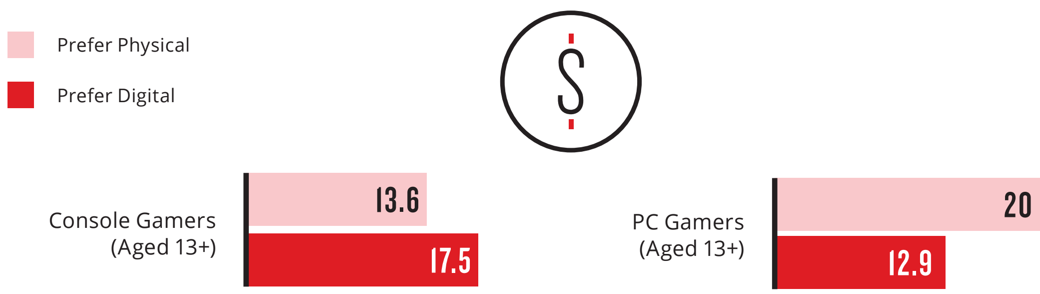
WEEKLY GAMING HOURS – OVERALL GAMING TIME

IN A TYPICAL WEEK, HOW MANY HOURS OF YOUR LEISURE TIME DO YOU PERSONALLY SPEND ON EACH OF THE FOLLOWING?



MONTHLY $ SPEND ON VIDEO GAMES – OVERALL SPEND

IN A TYPICAL MONTH, ABOUT HOW MUCH MONEY DO YOU SPEND ON VIDEO GAMES?



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Gamers are spending more of their leisure time than last year playing video games or engaging in eSports activities.

EVOLUTION OF THE GAMER

PLAYING TIME, PURCHASING HABITS AND THE WAY GAMERS ARE USING CONSOLES

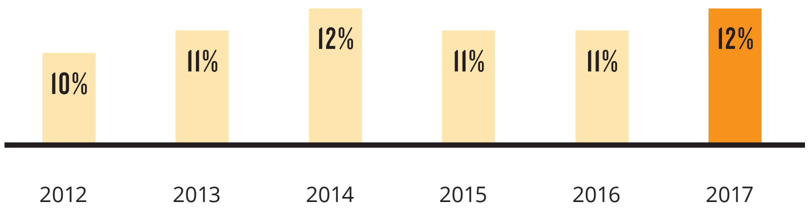
Gamers are spending slightly more of their leisure time playing video games or engaging in eSports activities – 12% in 2017 compared to 11% in 2016. Compared to time spent on other activities, gaming is behind social activities with family and friends, general internet and social media use, and watching TV and movies.

12%

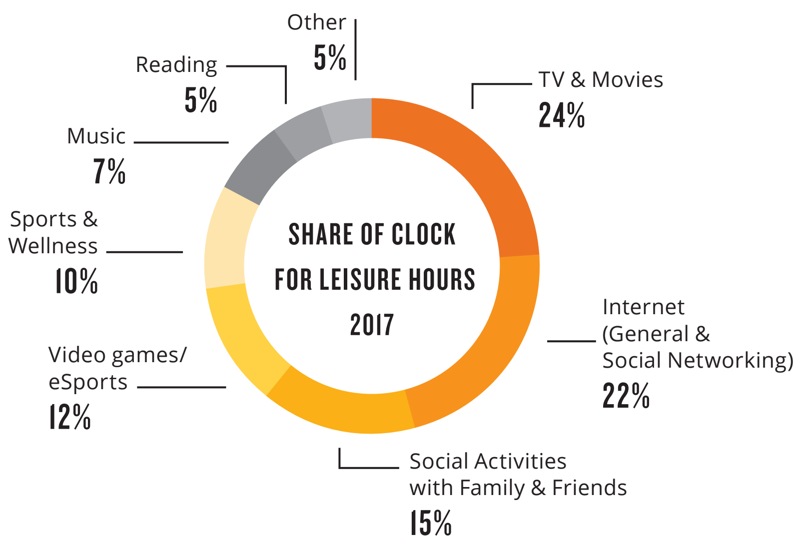
OF U.S. GAMERS' LEISURE TIME IS SPENT PLAYING VIDEO GAMES.

OVERALL TIME SPENT GAMING

IN A TYPICAL WEEK, ABOUT HOW MANY HOURS OF YOUR LEISURE TIME DO YOU SPEND ON EACH OF THE FOLLOWING?



SHARE OF WEEKLY LEISURE HOURS, GAMERS (AGED 13+)



GAMING TIME BY PLATFORM

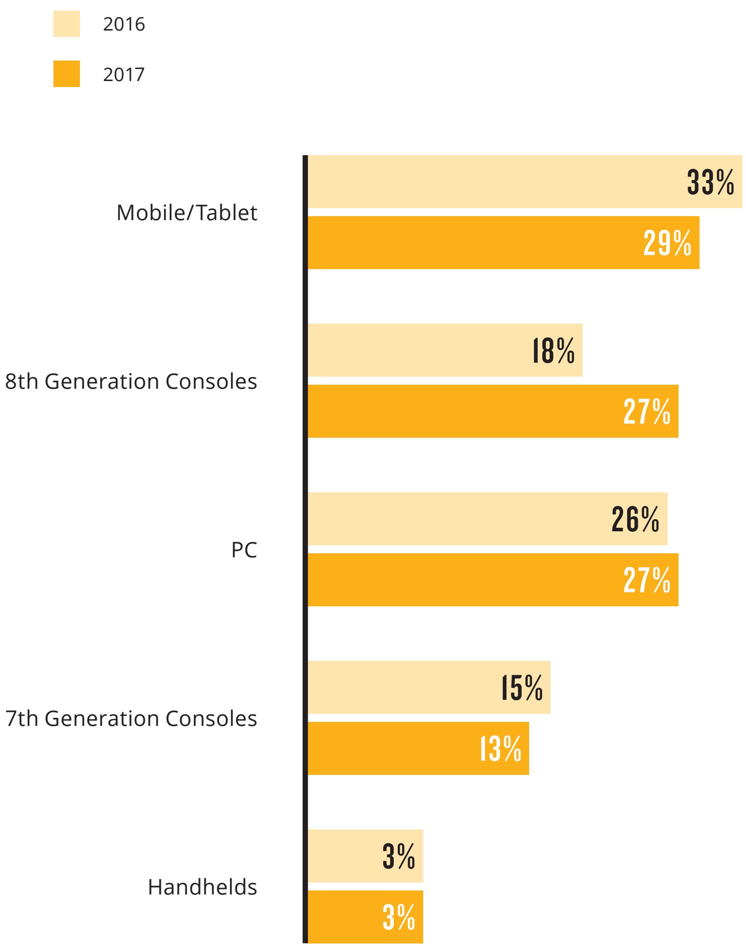
27%

OF GAMING TIME IS SPENT ON 8TH GENERATION CONSOLES.

Given the ongoing success of the most recent console generation, gamers are spending even more of their time on 8th Generation devices than last year. That time is sourced from mobile/tablet devices and 7th Generation consoles. In terms of specific devices, the most time is spent playing games on PCs (27%), followed by Sony's PlayStation 4/PS4 Pro (14%) and Microsoft's Xbox One/Xbox One S (13%).

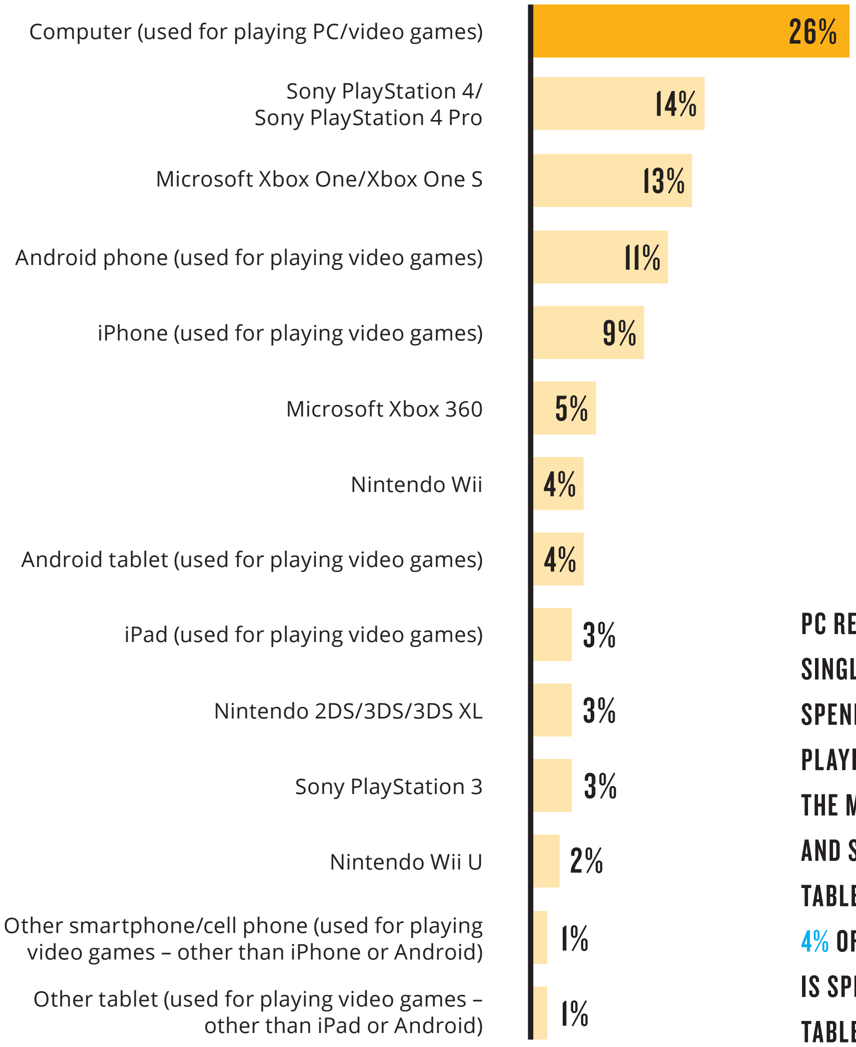
PLATFORM SPLITS

ABOUT WHAT % OF THESE HOURS ARE SPENT PLAYING ON EACH OF THE FOLLOWING?
% OF GAMING HOURS, GAMERS (AGED 13+)



CLAIMED WEEKLY GAMING TIME BY DEVICE

% GAMERS (AGED 13+)



PC REMAINS THE SINGLE DEVICE GAMERS SPEND MOST TIME PLAYING ON, AHEAD OF THE MAJOR CONSOLES AND SMARTPHONES. TABLET USE IS LOWER – 4% OF GAMING TIME IS SPENT ON ANDROID TABLETS AND 3% ON IPAD.

58%

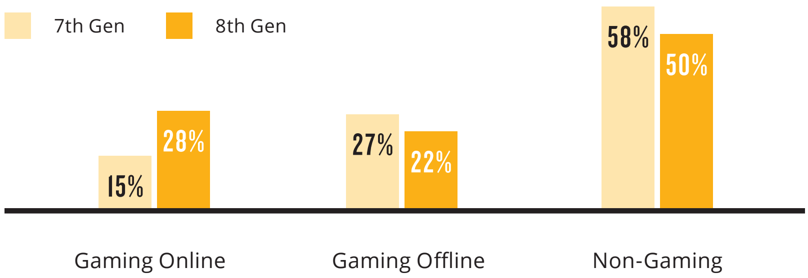
OF TIME SPENT ON 7TH GENERATION CONSOLES IS ON NON-GAMING ACTIVITIES.

CONSOLE USE

Year-on-year, streaming of video content has increased on both 7th and 8th Generation consoles – from 23% to 32% for 7th Gen and 15% to 22% for 8th Gen. Replaced for their primary purpose of gaming by 8th Generation consoles, a majority of 7th Gen console time is now spent on non-gaming activities. 32% of 7th Generation console use is spent watching video on-demand or streaming services, compared to 22% of 8th Generation console time.

7TH GENERATION VERSUS 8TH GENERATION CONSOLES

ABOUT HOW MANY HOURS A WEEK DO YOU TYPICALLY DO EACH OF THE FOLLOWING ACTIVITIES ON EACH GAMING SYSTEM? (% CONSOLE HOURS, USERS AGED 13+)



Console Activities	Xbox 360	PlayStation 3	Wii	Xbox One	PlayStation 4/4 Pro	Wii U
Gaming (Online and offline)	**51%**	**35%**	**40%**	**50%**	**48%**	**60%**
Playing Video Games Online	20%	15%	6%	31%	29%	16%
Playing Video Games Offline	31%	20%	34%	19%	19%	44%
Non-Gaming	**49%**	**65%**	**60%**	**50%**	**52%**	**40%**
Watching Downloaded Movies, TV Shows	4%	5%	2%	2%	3%	4%
Watching VOD/Streaming Service	24%	32%	43%	24%	20%	21%
Watching DVDs/Blu-rays	13%	13%	4%	9%	10%	2%
Other	8%	14%	11%	14%	18%	13%

80% of gamers indicate genre is a primary factor when determining their new game purchases.

TO BUY OR NOT TO BUY

When deciding to buy a game – and console gamers spend an average of $20 per month buying physical copies of new releases – gamers look to a title's genre, graphics and storyline in order to make their purchasing decisions. The longevity of several major titles has been extended by downloadable in-game content and updates – which may be contributing to the year-on-year decrease of gaming spend among some consumers, who say that the games they currently own are keeping them engaged. 30% of gamers who spent less year-on-year said they play free games or take advantage of free trials; PC and Steam users are more likely to play free games/trials (34%) than console players (27%).

VIDEO GAME PURCHASE INFLUENCERS

FACTORS INFLUENCING CONSOLE/PC GAME PURCHASES

- **80%** Genre of game
- **74%** Graphics
- **71%** Storyline

38% OF CONSOLE/PC GAMERS ARE SPENDING LESS COMPARED TO LAST YEAR; WHAT ARE THE MAIN REASONS FOR THIS REDUCTION? (GAMERS, AGED 13+)

- **34%** Games I currently own keep me engaged
- **30%** I play free games or trials
- **24%** I typically wait for games to be discounted

WATCHING GAMING CONTENT

70%

OF GAMERS WATCH GAMING-RELATED CONTENT ON YOUTUBE.

Most gaming-related video is consumed via YouTube. However, despite the advent of YouTube Gaming, the platform's dedicated gaming section, most gaming-related videos are still watched on YouTube's main platform. While Twitch is a fan-favorite for live game streams, platforms like Facebook and Twitter are becoming increasingly engaged in the space. Gamers who actively follow a certain developer, publisher or online personality tend to do so through YouTube. ESPN, which has invested in eSports content and coverage, is now among the top five video platforms for gamers.

TOP 5 VIDEO SERVICES

WHERE DO YOU TYPICALLY GO TO WATCH/VIEW ANY OF THE FOLLOWING TYPES OF GAMING-RELATED VIDEO? AMONG GAMERS (AGED 13+) WHO HAVE WATCHED GAMING-RELATED VIDEOS IN THE LAST 12 MONTHS

2016

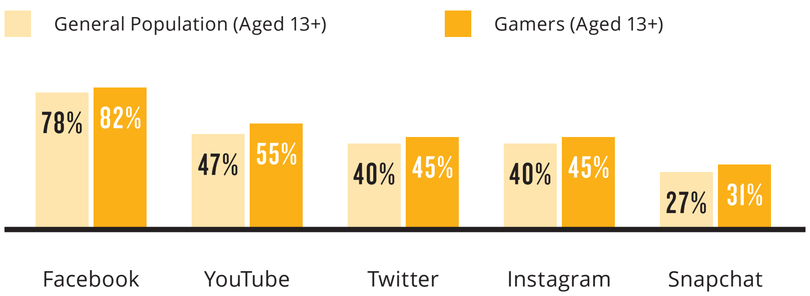
1.	YouTube	70%
2.	GameSpot	21%
3.	IGN	18%
4.	Twitch	15%
5.	Steam	14%

2017

1.	YouTube	70%
2.	Twitch	19%
3.	ESPN	17%
4.	GameSpot	17%
5.	IGN	15%

SOCIAL MEDIA MEMBERSHIP

WHICH OF THE FOLLOWING SOCIAL NETWORKING SITES, IF ANY, ARE YOU A MEMBER OF?

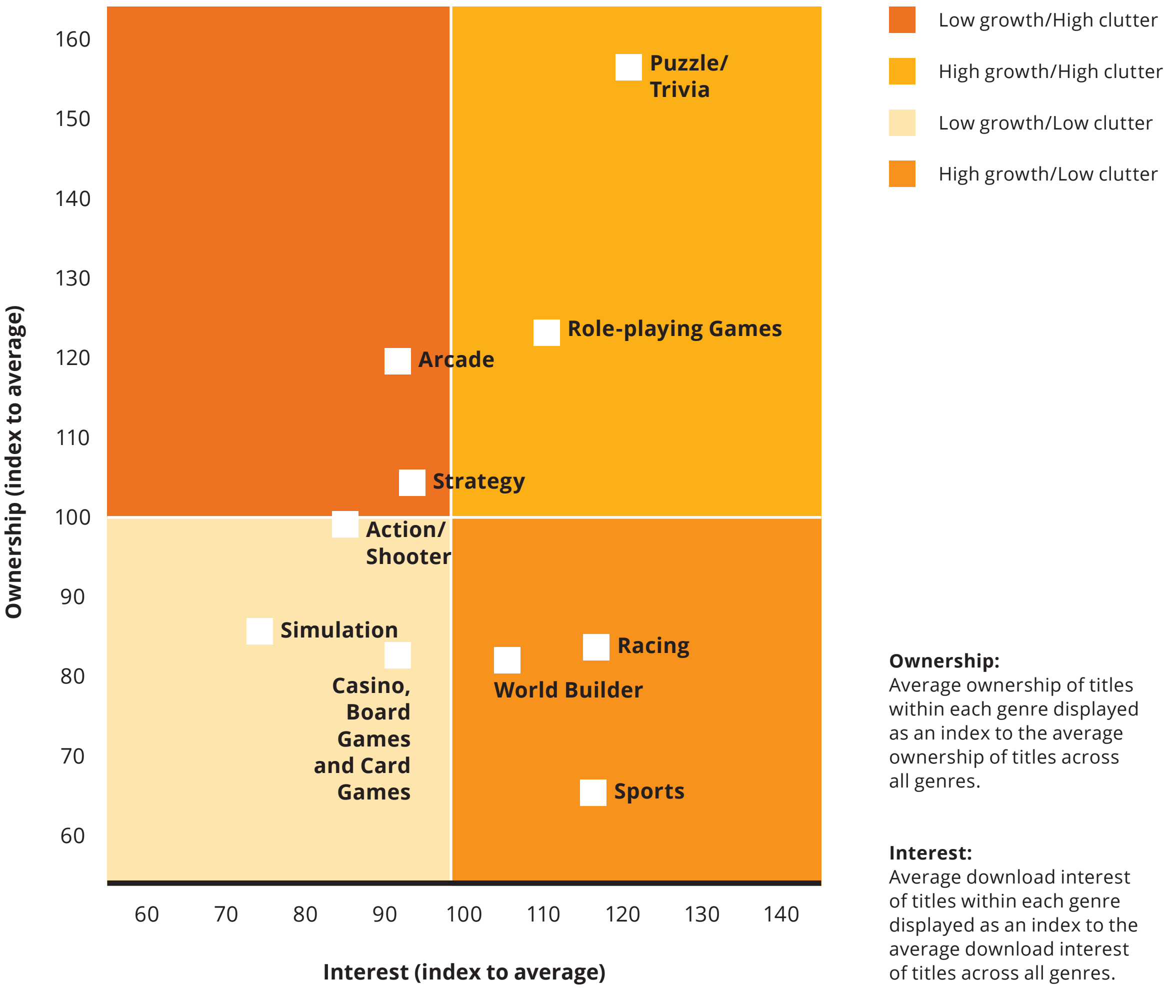


MOBILE GAMING: WHERE ARE THE OPPORTUNITIES?

Looking at current ownership versus demand, the top white space genres in mobile gaming are sports, racing and world builder games. These genres present a unique opportunity for developers to satisfy demand in a part of the mobile marketplace that is currently less saturated than others, with high growth potential. Of course, growth potential can exist even in cluttered genres as we see with puzzle, trivia and role-playing games. Titles like *Candy Crush* and *Pokémon GO* have saturated these genres, yet many consumers are still clamoring for more.

HOW DO MOBILE GENRES STACK UP?

INTEREST AND OWNERSHIP



Ownership:
Average ownership of titles within each genre displayed as an index to the average ownership of titles across all genres.

Interest:
Average download interest of titles within each genre displayed as an index to the average download interest of titles across all genres.

Source: Nielsen Mobile Game Tracking

3

In a more crowded marketplace for devices, 69% of those intending to purchase VR equipment are male.

TRENDS TO WATCH

ESPORTS, VIRTUAL AND AUGMENTED REALITY AND THE GROWING RELATIONSHIP WITH GAMING

In the United States, eSports fans are more likely to be male and 94% are already active gamers. Year-on-year, eSports fans are becoming more motivated by the social aspect of gaming. New eSports fans are most influenced by friends and family, while more established fans are primarily influenced by interest in a game. eSports continues to develop strongly: the past year has seen new tournaments created and existing ones continuing to grow, greater media attention, increased investment and engagement from brands and confirmation of several high-profile partnerships among publishers and established sports leagues and teams.

94%

OF ESPORTS FANS ARE GAMERS.

PROFILE OF US ESPORTS FANS

77% ARE MEN

23% ARE WOMEN

14% SIZE AMONG GEN POP

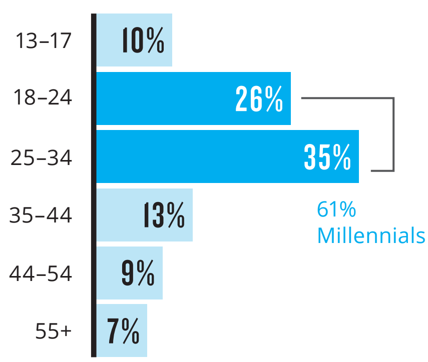
$ 64.7K HOUSEHOLD INCOME

ESPORTS & GAMING TIME

~0:50 Weekly eSports hours

~6:50 Weekly video game playing hours

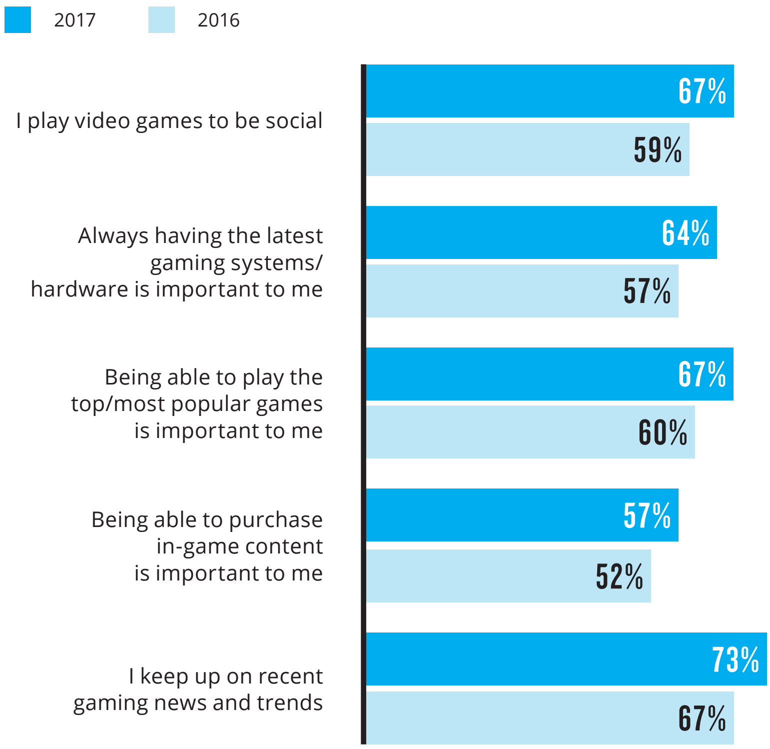
AVERAGE AGE: 31



Source: Nielsen eSports Report 2016

WHAT'S IMPORTANT FOR GAMERS?

HOW MUCH DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS ABOUT PLAYING VIDEO GAMES? (GAMERS, AGED 13+)



ESPORTS HAS GROWN VIRALLY

TOP REASONS FOR BECOMING AN ESPORTS FAN – ESPORTS FANS

New entrants
(less than a year)

1. **Friends and family**
2. Social media
3. YouTube, vlogger, online personality, entertainer
= Video from a traditional or mainstream site (such as YouTube)

Older entrants
(more than 4 years ago)

1. **Interest in a specific game that led to eSports**
2. Friends and family
= Fellow gamer

Sources: Nielsen eSports Report 2016

CASE STUDY

ESPN AND ESPORTS

In January 2016, **ESPN** launched a new eSports vertical with the aim of covering competitive gaming "with the same seriousness and credibility that we treat the NFL, NBA and Major League Baseball."

As the move was announced, Chad Millman, Editor-in-Chief of ESPN.com and ESPN The Magazine, said: "Fans will find the same level of quality content and journalism that users of ESPN.com have come to expect, including in-depth looks at the competitive gaming world and on-site reporting from the major tournaments."

The broadcaster has a history of broadcasting live eSports programming, including coverage of BlizzCon and The International Dota 2 Championships and the 2014 League of Legends tournament. The fresh investment in eSports storytelling, news coverage and analysis across television, website and magazine, has seen coverage expand to include tournaments like the Evolution Championship Series, Heroes of the Dorm and EA's FIFA Ultimate Team Championship.

17% OF GAMERS IN 2017 SAY THEY USE ESPN TO WATCH GAMING RELATED VIDEO.

The result of the greater coverage is that 17% of gamers in 2017 say they use ESPN to watch gaming related video, up from 12% in 2016. Among eSports fans, specifically, 37% say they consume gaming via ESPN compared to 29% a year ago.

The advent of virtual and augmented reality, plus the rise of eSports, open exciting new opportunities for the games industry.

63%

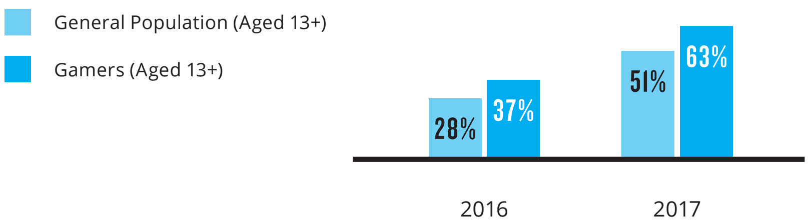
OF GAMERS ARE AWARE OF VR/AR GAMING DEVICES.

VIRTUAL AND AUGMENTED REALITY

Awareness of virtual and augmented reality has increased drastically among both the general population and gamers – in the case of gamers, awareness of specific VR/AR devices has increased from 37% in 2016 to 63% in 2017. In terms of individual devices, the Samsung Gear VR is the most recognized device in 2017 among both the general population and gamers.

AWARENESS OF ANY VR/AR DEVICE

WHICH OF THE FOLLOWING VR/AR DEVICES, IF ANY, HAVE YOU EVER HEARD OF?



Although the technology has much broader potential, VR/AR adoption is being led by gaming. A variety of VR/AR devices are in the market-place, positioned as gaming-first. Several require high-end gaming systems in order to be used. While, for example, PlayStation VR has been designed for console gaming, the Samsung Gear VR and Google Cardboard have been developed to work with smartphones. Oculus Rift and HTC Vive, meanwhile, have been designed for use with PCs.

34% of consumers have heard of Samsung's Gear VR, up from 12% a year ago – perhaps a result of its decision to give away the device with pre-orders of its mobile phone. Just over a quarter (26%) are aware of the Sony PlayStation VR against 10% in 2016, while 25% of consumers have heard of Oculus Rift compared to 16% last year. Just under half of the general population is unaware of the major devices, down from 72% a year ago.

VR/AR: PURCHASE INTEREST

HOW LIKELY ARE YOU TO BUY EACH OF THE FOLLOWING VR/AR DEVICES?
% RESPONDING: "DEFINITELY OR PROBABLY WOULD PURCHASE"

GENERAL POPULATION (AGED 13+)

1.	**Samsung Gear VR**	7%
2.	Sony PlayStation VR	7%
3.	Oculus Rift	5%
4.	Google Cardboard	4%
5.	HTC Vive	4%

GAMERS (AGED 13+)

1.	**Sony PlayStation VR**	10%
2.	Samsung Gear VR	9%
3.	Oculus Rift	8%
4.	Google Cardboard	6%
5.	HTC Vive	5%

LEFT TO YOUR OWN DEVICES

Among the general population, there is equal interest in purchasing a Samsung Gear VR and a Sony PlayStation VR. Gamers aged 13 and over are most interested in buying the Sony PlayStation VR, followed by Samsung Gear VR (9%) and Oculus Rift (8%). Google Cardboard and HTC Vive rank fourth and fifth in the list of devices both the general population and gamers are interested in purchasing.

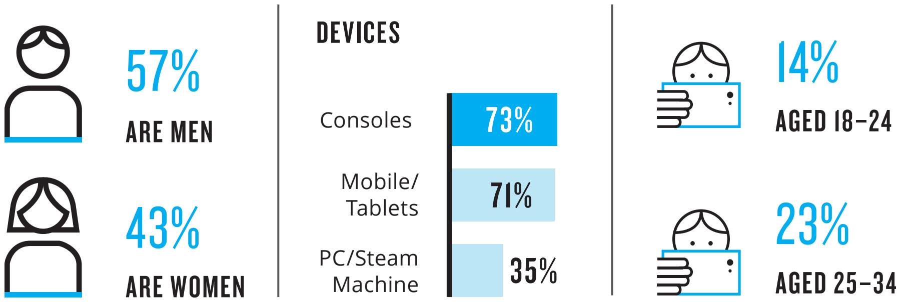
Those intending to purchase a VR device tend to be more motivated by new technology: 53% of gamers say that always having the latest gaming system and hardware is important to them, compared to 17% of the general population. As current VR and AR devices' high price points remain a major barrier to entry, all eyes will be on device manufacturers whose inevitable future price drops will represent a crucial step toward mainstream uptake of this technology. For now, heavily engaged gamers represent a key target audience as early influencers who can be leveraged to spread the word about VR/AR in the future.

VR/AR OWNERSHIP

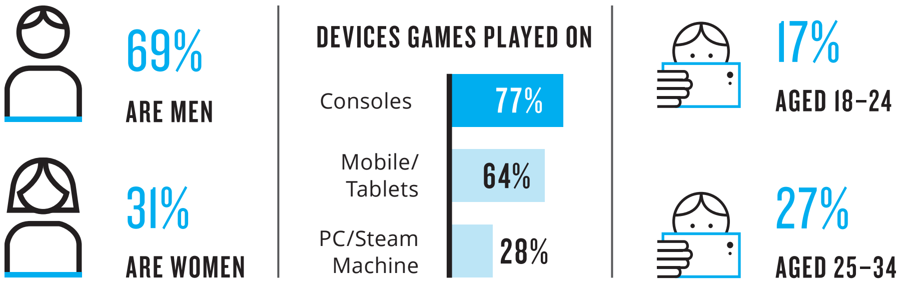
More men currently own VR/AR devices than women, with the current ratio at 57:43. And among those who intend to purchase a device in the future, nearly 70% are male. Nearly three-quarters of current VR/AR device owners play on consoles, while over a quarter of intenders are aged 25–34.

VR/AR

THE VR/AR OWNER



THOSE INTENDING TO PURCHASE A VR/AR DEVICE



GAMES 360 SUMMARY

In a marketplace that is increasingly complex, that time spent gaming continues to rise is a positive indicator for the games industry in the United States. The impacts of new technologies, being utilized in console upgrades and the rollouts of new VR/AR devices, is breathing new life into the current console cycle. More broadly, gaming's place in the wider entertainment mix will continue to be closely monitored as VR/AR continues to emerge, eSports gathers momentum and the consumption of gaming-related content – who is viewing and how – evolves.

53% of gamers say that always having the latest gaming system and hardware is important to them.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Nielsen Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population. For more information, **visit www.nielsen.com**.

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