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Video games lead innovation in the e-services economy

The video games industry is leading the overall trend of transformation of digital products into e-services, according to the report "Born digital/ Grown digital – Assessing the future competitiveness of the EU video games software industry" published today by the European Commission's Joint Research Centre. Online games, for example, play a major role in the digital content convergence process based on digital distribution of different types of content and the diffusion of interactive capabilities for consumers. This phenomenon is having an effect on the movie, video, music and mobile communication industries, and the whole publishing sector in general.

As one of the most innovative industries, the video games world constantly develops and experiments with new digital services online, offline and mobile by providing user-friendly, intuitive services that include the latest information and communication technologies such as context aware devices, sensors, cognitive technologies or movement recognition cameras. Furthermore, the fact that the industry is growing faster than any other in media and entertainment could intensify its effect as a breeding ground for other e-services such as eGovernment, eHealth, eCulture and eEducation.

The global video games market, estimated to be €45 to €50 billion in 2009, is expected to grow four times faster than the media and entertainment market as a whole. The former is expected to grow by almost 70% by 2013, whereas the latter by only 17%. In the UK, the video game market outgrew the cinema market in 2009.

Where does Europe stand? – Strengths and weaknesses of EU firms

The study published by the JRC's Institute for Prospective Technological Studies (IPTS) focuses, among others, on two segments: online and mobile video games, analysing their software industry, growth potential, value chain, business models and current evolution. It outlines major emerging technologies, investigates their disruptive potential on the market and analyses their contribution to the competitiveness of the European ICT industry.

At the moment, European businesses play a role in all stages of the games software value chain but to different extents. The study shows that the competitiveness of EU video games software industry has an important role on the global front:

- The European industry supplies a large share of the world's games engines, which play a central role in the new era of modularised engines.
- Europe hosts a large population of developer studios, often the creators of major market successes. These highly creative small development studios can be found mainly in the UK, France, Germany, the Nordic countries and, to a lesser extent, Spain.

However, the positive conditions may not be sufficient to overcome the weaknesses in the publishing and device segments.

Europe is the largest market for video games. In 2009, France, Germany, Italy, Spain and the UK accounted for nearly 30% of the global video games market, and there is room for

growth as other national markets are still unevenly developed. The EU market is likely to grow strongly over the next few years and will be increasingly focused on the online market with broadband penetration increasing and more consoles offer online game play options. This growing role of the online segment will open up opportunities for dynamic European companies.

Changing landscape of the online and mobile games market

Mobile games are challenging the monopolies of existing operating system owners (consoles, PCs) and offer a new distribution channel to developers. Online games are offering users a new role, which could bypass the publishers and create different revenue streams. These emerging trends will affect the future dynamics of video games software industry competitiveness. It is expected that the growth of the video games software market will be primarily driven by online and wireless game software, while revenues from hardware sales will proportionally decline, hence changing the landscape.

Online and mobile gaming point to the expansion of the video games industry in terms of supply, with the entry of new players (like portals of Internet Service Providers); demand, with the addition of new segments of customers, no longer the preserve of young males; and new business models based on advertising, micro-transactions or selling virtual items.

Background information

This study is part of the COMPLETE (Competitiveness by Leveraging Emerging Technologies Economically) project (2007-2010), financed by the European Commission Joint Research Centre's Institute for Prospective and Technological Studies (IPTS) and Directorate-General for Enterprise and Industry. It analyses the prospects of success for European ICT industries in the face of technological and market innovations in the following emerging technologies: online and mobile video games software, Web 2.0, displays (OLEDs and e-paper), RFID, emerging robotics and embedded software in the automotive sector.

Download

"Born digital/Grown digital – Assessing the future competitiveness of the EU videogames software industry": <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=3759>

More information

COMPLETE project (videogames):
<http://is.jrc.ec.europa.eu/pages/ISG/COMPLETE/games/index.html>

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