

The Video Gaming Industry Overview

Probably not what you think it is



The gaming industry is measured in the hundreds of billions of dollars. It is bigger than movies. It is bigger than music. In fact, it is bigger than the combined markets of films and music. With three billion people playing worldwide on various devices and platforms – and that number is growing daily – the forecast is for continued growth into the foreseeable future. And gaming is not limited to the act of playing.

An entire ecosystem has sprung around players: online communities, customized content, new technologies that heighten the senses, and other innovations that flirt with the border between virtual and real. This consumer segment is on advertisers' radars because it is so unlike the typical target audience. Who is a gamer? Who isn't, even people who do not consider themselves to be more than occasional participants.



Did you know

- A leading growth segment is people **ages 55-64**
- **China, Japan, and the US** are the biggest markets
- More than **40%** of players are women

Mobile gaming attracts the largest share of users, and that audience will grow as smartphones, tablets, and other portables become more sophisticated. Meanwhile, the biggest spenders are console users; per capita, they spend twice what mobile players do and four times more PC users pay for add-on content, level upgrades, or avatar costumes. Consoles are especially popular among families. Gamers with kids and grandparents are particularly likely to own more than one unit.

A rising marketplace is India, with nearly 700 billion Internet users, a young population where more than half the people are under 35, and mobile downloads are in the billions. The country is also a potential hotbed for esports, a sub-segment with growing reach and popularity that tops the list of industry trends.

For a little perspective, a Gen-Z gamer is more likely to watch an esports tourney than the NBA in the States or soccer anywhere else. While the audience skews to younger demographics, it is not confined to them. Nearly 40% of Gen-Xers and 20% of boomers are followers, and women of all ages are avid fans. Organized sports leagues dot the world and communities have sprung around them. Revenues are already approaching two billion dollars, and the potential growth involving sponsors, investors, and marketers is enormous.



What else is happening?

The next frontier is the cloud and the emergence of gaming-as-a-service. The infrastructure of cloud gaming speaks to a common business theme – the user experience – by combining increased processing power and storage capacity with improved graphics and reduced latency to make playing more immersive.

- **Augmented/Virtual Reality:** this is where the actual intersects with the digital, with players able to interact in real time. While AR and VR are related, they are not the same. AR creates a playing field within an existing environment, while VR provides a multi-sensory experience where players are part of and can influence the conditions.
- **Fitness gaming:** this dispels one more stereotype, that of the couch-bound player, by combining physical exertion with interactive play. It is also a good application of AR technology that puts a fun twist on exercise to promote greater participation and includes tracking tools to measure one's progress.
- **The metaverse:** this can potentially change the game, so to speak, letting players create their own avatars, along with shared spaces and games. This also injects a social element, or a sense of community, as players can interact with others in real time.
- **The overlap of gaming and entertainment:** intellectual property is everything in the world of content. Streaming services lose revenue when the bulk of what they offer is nostalgia. Enter gaming IP – Netflix added 55 titles to its gaming catalog, many based on existing programming.

The industry has not only held on to the mindshare it gained during the pandemic lockdowns, it has also continued adding to its audience. More players mean more revenue, spawning more competition as the cycle repeats. Technological advancement is a vital part of the growth fuel – Internet connectivity keeps spreading, mobile use keeps growing, and AI allows for better animation and more compelling characters. Meanwhile, game developers are recoding content designed for consoles to make it suitable for delivery through the cloud.

Each of these items speaks to what is perhaps the industry's biggest challenge – fulfilling the increased demand for material with engaging and fresh content. That is a frequent quandary in growing enterprises – innovation and development create expectations for more of the same, which is difficult to sustain in perpetuity.



Issues to confront

Producing games that are more immersive and complex with sharper animation is not just an issue of creativity but also one of investment. Developing competitive games that consumers are willing to buy is an expensive proposition that requires time for experimentation. Time is often an elusive commodity in a market driven by the demand of the moment, but it is necessary to shape the games themselves and adapt those games to new surroundings.

- Adapting to new platforms: developers have to optimize games for the various platforms used, but they also have to consider the next generation of console or mobile devices.
- Return on investment: entertainment consumption habits are moving from ownership to on-demand. Just as the tv and music industries have been transformed by the likes of Prime, Netflix, Spotify, and others, gaming is also embracing the subscription model and the utility of the cloud.
- On the other end of the financial spectrum is the free downloadable content that relies on microtransactions – the add-ons that players can buy while playing to enhance their characters and the experience. There have been attempts to ban this practice, which would likely impact the free games.
- Within esports, there is the challenge that comes with professionalization – having a regulatory and governance framework that protects players, sponsors, and league sponsors alike.
- Building communities: this is not solely about gamers; it is also about connecting the development and refinement process with consumers, maintaining relationships, seeking feedback, and interacting with users to keep them engaged.

As industries grow, a certain amount of consolidation is inevitable and that is true within gaming. This, in turn, draws the attention of government officials looking for anti-trust issues and the potential monopolization of the business. Whenever organizations like Microsoft, Amazon, Apple, and Google are involved, consolidating power in a limited number of hands is not hard to imagine.



How we fit in

Whenever an industry gains customers, it also sees an increased demand for customer service. We have extensive expertise in technology, SaaS, and cloud, supporting numerous web hosting companies, digital platforms, and electronics makers. That gives us a working knowledge of the service-related issues that companies face: scalability to handle growth, flexibility to manage peak demand periods, and to provide "wow" experiences.

Among our clients is an over-the-top streaming service that broadcasts sports that are often overlooked by major networks. This work involves subscription setups, billing issues, technical support, and scaling ahead of events that will draw large audiences. The client has experienced steady growth, while established broadcasters who rely on cable and rights fees are losing market share.

Part of our approach is a comprehensive feedback loop. Service agents interact with customers daily; what they learn is passed along to the client so that any decisions made are based on first-hand information, not speculation. This speaks to the challenge regarding communities and engaging the consumer regularly.

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