

the transformation

OF THE VIDEO GAME INDUSTRY



entertainment
software
association



In the 1970s, individual gamers pecked at keyboards or manipulated a dial to move black-and-white dots across the screen. Forty years later, games are an experience for groups of family and friends to send their cartoon avatars soaring through multi-dimensional virtual cities. The gamer audience expanded, matured and diversified with the evolution of video games. A solitary pastime played on a box in the corner of a basement recreation room or bar barely resembles the collaborative educational, artistic and serious games simultaneously played on several continents by millions of contestants today. Devices for the young have become devices that keep senior citizens active, bring families together and train corporate professionals. In barely more than a generation, video games transformed from a diversion for the few into a mass medium, helping people live, learn, work and of course, play.

1972

The year Magnavox released the first home video game console, The Odyssey, predating the Atari Pong consoles by three years.

1,000,000

The number of units sold of the video game console Telstar, the first produced by Coleco, a toy manufacturing company in 1976.

\$199.00

The cost of the Nintendo 64 video game console released in 1996.



THE EVOLUTION OF GAMES

Game programming has developed beyond DOS-based games with simple linear programming to advanced artistic, dramatic and interactive game experiences. Pop-culture guitar and band games have players strumming in bars, spurring an entertainment

phenomenon to compete with karaoke. Today's games create new worlds where players can manipulate and change their environment through realistic animation and unique motion-sensor controllers.

Today's games also do more than create virtual worlds and entertain; they help tackle important social issues, improve the delivery of health care, increase our chances for workplace success, and strengthen our educational system. Nonprofit organizations and issue advocates use "serious games" as a medium to reach young tech-savvy consumers. Human rights group Breakthrough, for example, created a Facebook-based game to educate players on global issues including racial and sexual discrimination, immigration, labor and religious freedom. Games also enhance traditional medical treatments. Students at Champlain College in Vermont developed a series of games that use interactive activities to engage cystic fibrosis patients in traditional breathing exercises that help manage their disease.

Corporations and educational institutions have also found video games to be useful tools. Companies like American Express, Bank of America, IBM, JP Morgan Chase, Nokia and Pfizer offer interactive computer training that includes game-like simulations. In addition, a growing number of educators incorporate games into their lesson plans in classrooms across the country. Middle school and ninth-grade teachers use the online, game-based learning platform iCivics, conceived of by former Supreme Court Justice Sandra Day O'Connor, to help teach civics lessons.

72

The percent of American households that play computer or video games.

24

The percent of entertainment software industry sales revenue generated by purchases of digital game content.



TODAY'S GAMER

The individuals playing video games comprise an increasingly large and definition-defying group. According to the Entertainment Software Association's (ESA) *2011 Essential Facts About the Computer and Video Game Industry*, the average gamer is 37 years old and has been playing for 12 years. Forty-two percent of gamers are women, and women age 18 or older represent more than one-third of the game-playing population. In addition, 82 percent of gamers are adults, and more than a quarter are over age 50. As these statistics show, today's video game players include students, parents and grandparents.

The diverse segments of the gamer group drove the evolution of games into new territory. The first gamers grew up, started families and included their children and parents in the fun, multiplying the pool of multi-generational gamers exponentially. Active and social games also make this pastime more appealing to family members of all ages. The ESA's *2011 Essential Facts* report found that 45 percent of parents play computer and video games with their children at least weekly and more than 80 percent of parents say game play is fun for the whole family. Further, 65 percent of gamers play with other gamers in person. Schools also use active dance, fitness and sports games like these in gym classes to the delight of many students. Retirement communities hold video game tournaments and receive grants to purchase video game consoles.

As the population of gamers has expanded, market forces have driven game developers to make games more accessible to this new, diverse audience. Their creativity produces an ever-expanding variety of games to choose from in different formats and across platforms. Right now, every product with a screen - whether a mobile phone, a PC, a TV or a handheld system - plays games. According to the ESA's research, 55 percent of gamers play games on their phones or handheld devices. Casual games featured on social networking sites like Facebook are also growing in popularity. Online payment company PayPal reported in August 2011 that 40 percent of adults play online games, and Inside Network reported in 2010 that 12 million unique users pay for virtual goods offered as part of these games each month.



INDUSTRY GROWTH

In the 1970s, a handful of companies, including Atari Inc. and Magnavox, produced a limited amount of video games designed to appeal mainly to young males. In the following decades, competitors such as Nintendo, Sony and Namco joined the industry and companies began making games that appealed to a wider audience. Today, the growth of gamers and increased demand for games has translated into the explosive growth of the entertainment software industry. Video games are now a more than \$25 billion industry in the U.S. and the ESA has more than 30 member companies, including Microsoft Corporation, Nintendo of America, Sony Computer Entertainment America and Electronic Arts.

The entertainment software industry is currently one of the fastest growing industries in the American economy. Overall computer and video game industry hardware, software and peripheral sales reached \$25.1 billion in 2010. Of this total, game content sales generated \$15.9 billion, including \$5.9 billion in purchases of digital full games, digital add-on content, mobile apps, subscriptions and social network game play. By comparison, as recently as 1997, the industry generated \$5.1 billion over the entire year.

The industry also adds lucrative jobs to local economies with average total compensation reaching \$90,000. Computer and video game companies directly and indirectly employ more than 120,000 people in 34 states.



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