June 2014

ESSENTIAL VIDEO GAME NEWS

#2

MARKET, USE, CONSUMPTION: FRANCE AND EUROPE

S.E.L.L.

SYNDICAT DES EDITEURS DE LOGICIELS DE LOISIRS

Editorial

In February 2014, SELL introduced a new tool covering the entire industry and published three times a year: Essential Video Game News. Its aim is to help explain the particularities of the market, how it operates and its development at a time when retail and consumption methods are rapidly evolving.

For this 2nd edition to coincide with the IDEF professional trade fair (Interactive & Digital Entertainment Festival) organised by SELL, Essential Video Game News is evaluating the French and European markets as they stood at the end of May 2014.
2013 was marked by the arrival of new home consoles which received an extraordinary warm welcome from gamers, an historic moment for the industry.
This year again, great numbers of home consoles were purchased in France and throughout Europe and exciting innovations are keenly expected from the games.

The entire sector is revealing its dynamic energy. To understand the phases of console generation renewal, the cycles between the different video game markets must be examined: consoles, games and accessories. The transition begins initially and naturally with strong growth in home consoles leading to growth in games then accessories, which in turn progress in line with the rising number of home consoles. The gaming community's desire for new generation consoles is an extremely positive signal for the development of the 8th generation games market, for all of Europe.

You will also find information that we have never published before. We focused on French purchasing behaviour for video games by retail method compared with cultural goods and also according to European gamer profiles.

At a time when the new cycle of 8th generation consoles is en route, gaming can boast a central position in French households. Today, the new consoles are genuine entertainment platforms providing access to games, music and videos.
The perspectives are very positive, confirming the successful transition from 7th to 8th generation and announcing a bright future for consoles.

See you in October for the next edition of Essential Video Game News which will be published for Paris Games Week.

David Neichel,
Chairman of SELL

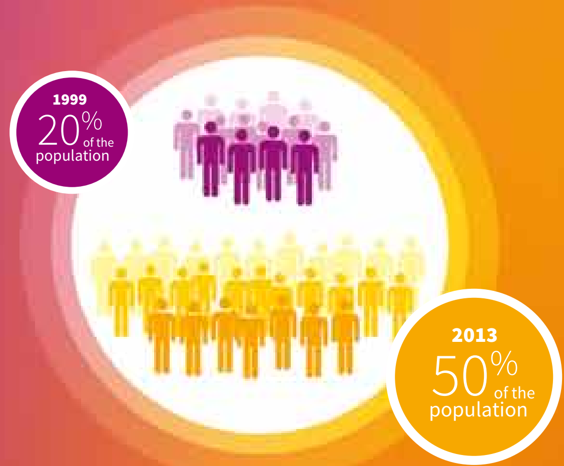
Contents

Essential Video Game News is produced by the Union of Video Game Publishers (SELL).
A reflection of the French video game industry in terms of the market and consumption; updates will be available three times a year.
*Consoles **Software

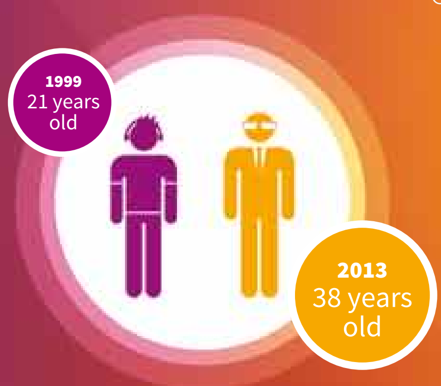
Chapter 1

Understanding the video game market: essential data

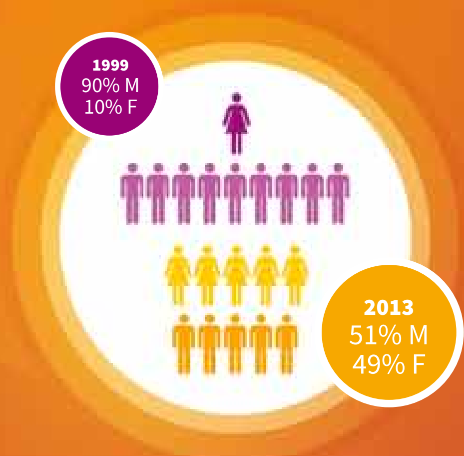
15 years in the making



GROWTH IN NUMBER OF PLAYERS



CHANGE IN AGE



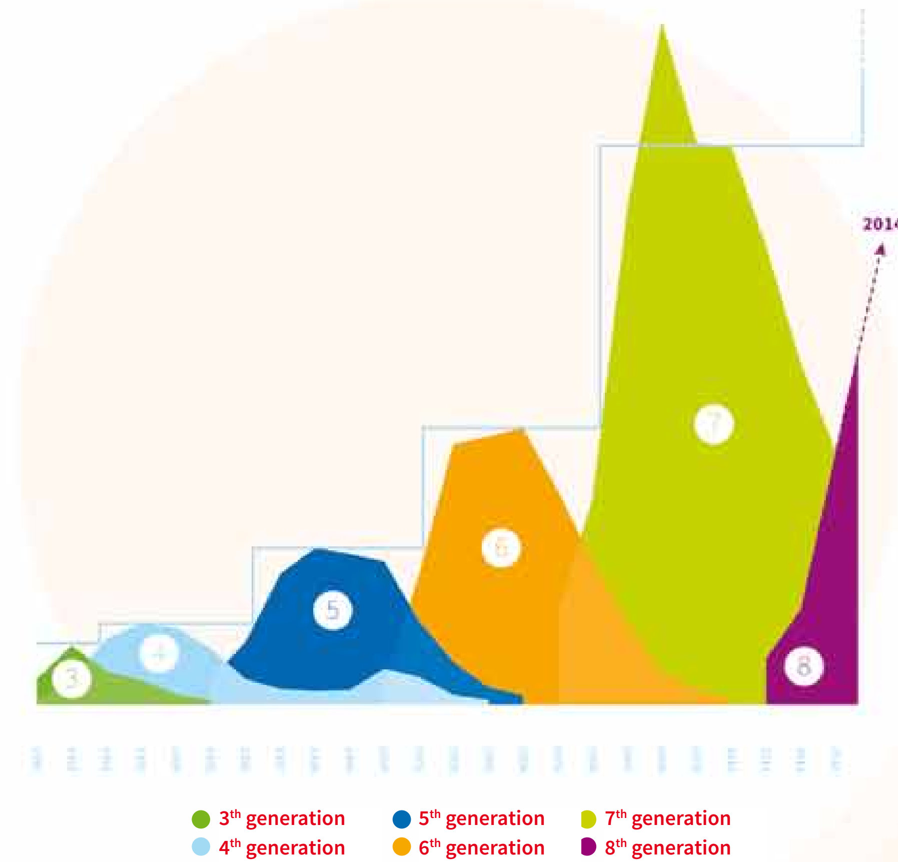
MALE / FEMALE DISTRIBUTION

Sources: GfK / REC+ November 2013

A growing market

Gaming console cycles

(Hardware + physical software)



The video game console market operates in cycles.
Each generation of consoles has enabled industry turnover to double.

Sources: GfK (Hardware + physical software) / Panel data at end 2013

2013 market report

A market enjoying regrowth

Turnover France
2.7
billion euros
(estimation)

Source: SELL

HARDWARE + SOFTWARE + ACCESSORIES + ONLINE + MOBILE

GAMING: 2nd **BIGGEST LEISURE INDUSTRY IN FRANCE**

FRANCE IS IN THE TOP 3 EUROPEAN MARKETS with the United Kingdom and Germany

Source: GfK / Panel data at end 2013

Consoles in France
7th and 8th generations at end 2013

15,113,000 home consoles

17,065,000 handheld consoles

50% percentage of French households with consoles

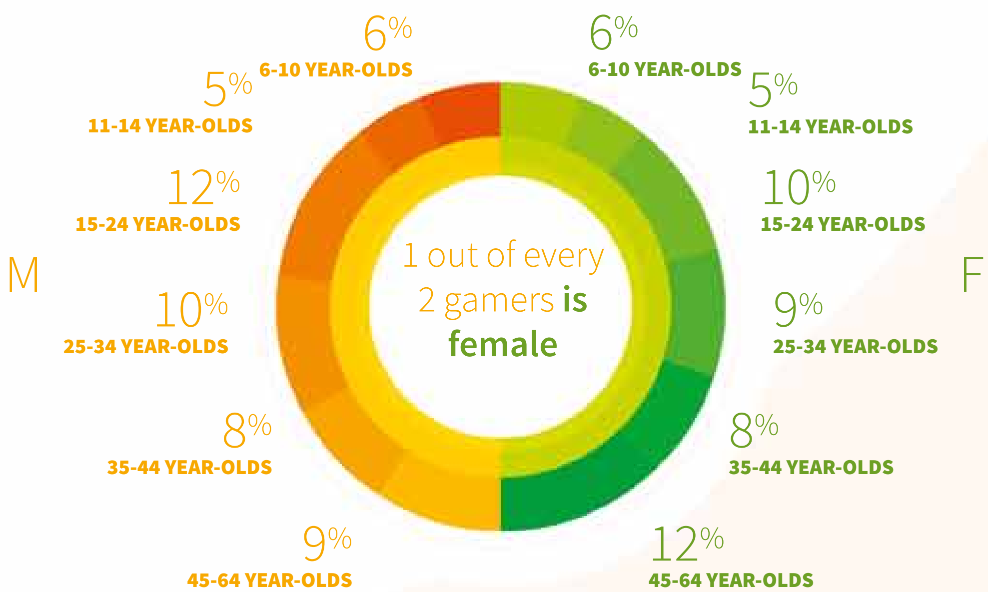
Source: GfK / Panel data at end 2013

Profiles of French gamers

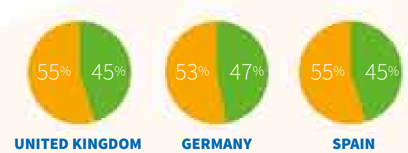
Who is playing?

29 MILLION GAMERS

BREAKDOWN BY AGE GROUP



M / F BREAKDOWN



Source: GameTrack / IPSOS / Q4 2013

Profiles of French gamers

What are they playing?

55% of **11-64** year-olds play or **25 million gamers**

33% of 11-64 year-olds or **15 million gamers** play

ONLINE

13% of 11-64 year-olds or **6 million gamers** play

MOBILE PHONE APPS

27% of 11-64 year-olds or **12 million gamers** play

PHYSICAL GAMES

Sources: Gametrack / IPSOS / French Gamer Profile Q3 2013

Chapter 2

The French video game market

GfK

Close-up on market segments: Hardware

8th generation consoles: a fast transition

207
million euros
generated between January and May 2014
Total Hardware

Or **+56%** in value

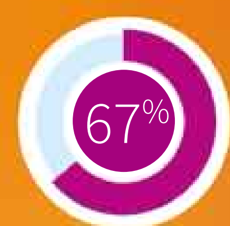
173 million on home consoles

34 million on handheld consoles

XBOX ONE PS4 Wii U PS VITA NINTENDO 3DS

8TH GENERATION CONSOLES (HOME + HANDHELD) REPRESENTED **82% OF CONSOLE TURNOVER AT END MAY 2014**

REPRESENTING **A THREE-FOLD INCREASE IN TURNOVER** OVER THIS PERIOD



XBOX ONE PS4 Wii U

8TH GENERATION HOME CONSOLES (XBOX ONE, PS4 AND WII U) ALREADY REPRESENTED **67% OF MARKET TURNOVER AT END MAY 2014**

REPRESENTING **AN ELEVEN-FOLD INCREASE IN TURNOVER** OVER THIS PERIOD

Source: GfK / Panel data end May 2014 vs January-May 2013

+14% in value (317 M€)

The 8th generation of home consoles (Wii U, Xbox One and PS4) witnessed a very fast launch with +14% in value compared to the 7th generation (Xbox, PS3, Wii) **over the first two quarters of sales.**

A large established base of 8th generation consoles

4.1M consoles

3.1M handheld consoles

1M home consoles

Source: GfK / Panel data at end May 2014

Close-up: market segments
console software

A dynamic cycle!

331
million euros
console software turnover
(physical + virtual)

Or
-3%
in value

DUE TO CYCLE RENEWAL

239 M€
on physical console software
(-7% in value)

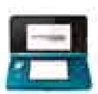
92 M€
on virtual console equipment
(+10% in value)

+112% in value

WII U

+144% in volume

+12% in value



3DS

+14% in volume

+6% in value

PS VITA

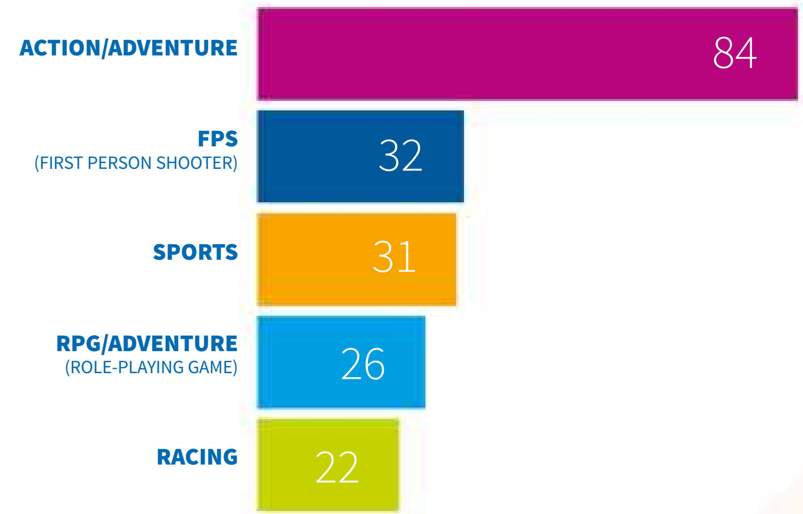
+12% in volume

Software sales for the 3 leading 8th generation consoles (3DS - March 2011, PS Vita - February 2012 and Wii U - November 2012) **have enjoyed strong growth since the beginning of 2014.**

Source: GfK / Panel data end May 2014 vs January-May 2013

Top 5 console gaming genres

IN MILLION EUROS



Source: GfK / Panel data at end May 2014

Close-up: market segments
PC software

134
million euros
physical
+ virtual
(estimation)

Or
-5%
in value

22 M€
on physical software
(-33% in value)

112 M€
on virtual
(+4% in value)

SOFTWARE MARKET REPORT
(CONSOLE + PC AND PHYSICAL + VIRTUAL)

-4%
in value

Source: GfK / Panel data end May 2014 vs January-May 2013

Accessories

98
million euros
generated between
January and May 2014

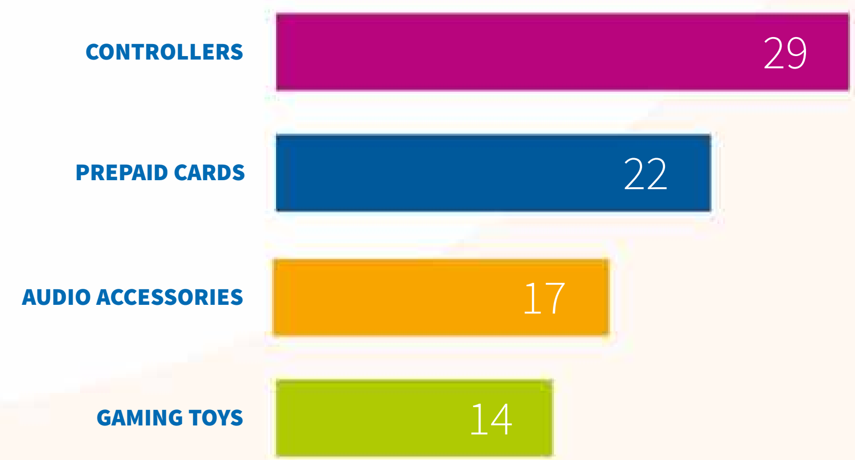
Or
-6%
in value

Turnover
for prepaid cards
22
million euros

+27%
in value

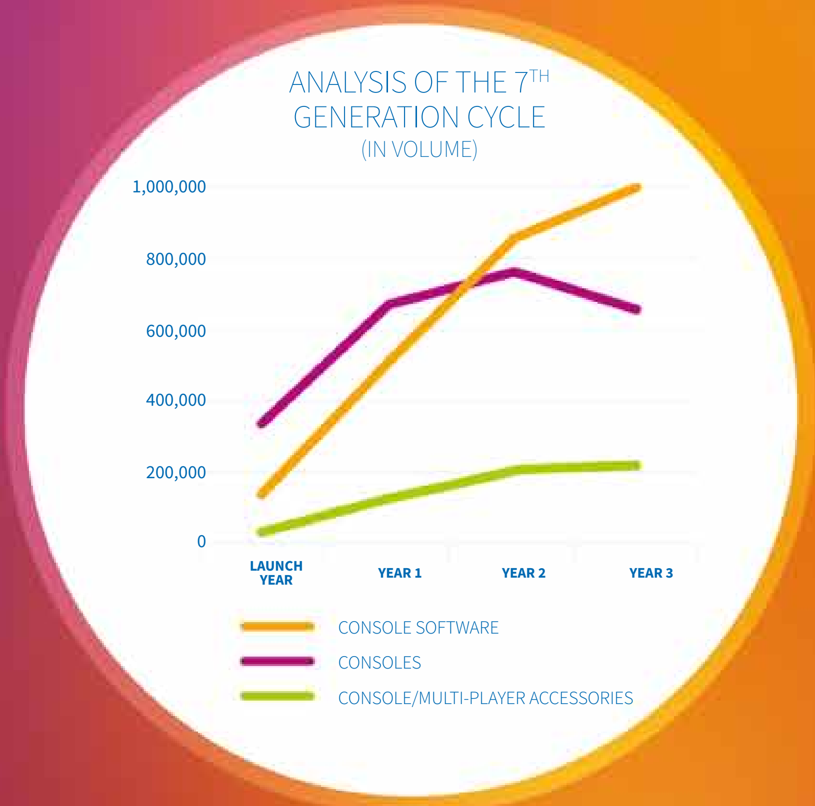
+20%
in volume

Top 4 console accessory segments
IN MILLION EUROS



Source: GfK / Panel data end May 2014 vs January-May 2013

Close up: market segments



The arrival of a new generation of consoles creates a cycle between the different video game markets (hardware, software, accessories).

The cycle has three stages:
1. Firstly, the growth of gaming hardware in households.
2. Next, consumers with home consoles buy games, which promotes the software market.
3. Finally, the accessory market grows as home console numbers increase.

Source: GfK

Forecast for 2014

A year of great potential

+7% turnover

AT END 2014, WITH OR WITHOUT VIRTUAL (HARDWARE + SOFTWARE + ACCESSORIES + ONLINE + MOBILE)

+42% turnover

HARDWARE SEGMENT AT END 2014
THIS INDICATES THE STRONG POTENTIAL OF SOFTWARE

Forecast at end 2014

85% in volume — 89% in value

SHARE OF 8TH GENERATION HARDWARE SALES

76% in volume — 86% in value

SHARE OF 8TH GENERATION HOME HARDWARE SALES

50%

SHARE OF 8TH GENERATION SOFTWARE SALES

Source: GfK forecast at end 2014

Chapter 3

The European video game market

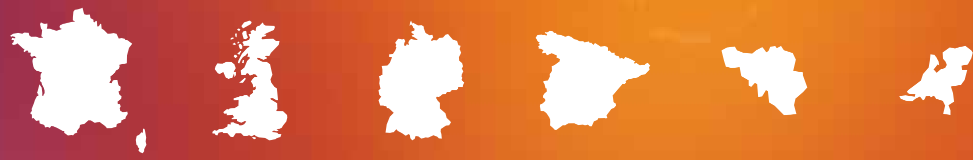
The console ecosystem enjoys strong growth in Europe at the beginning of the year

+67.4%

increase in turnover for hardware

+20.4%

increase in overall turnover

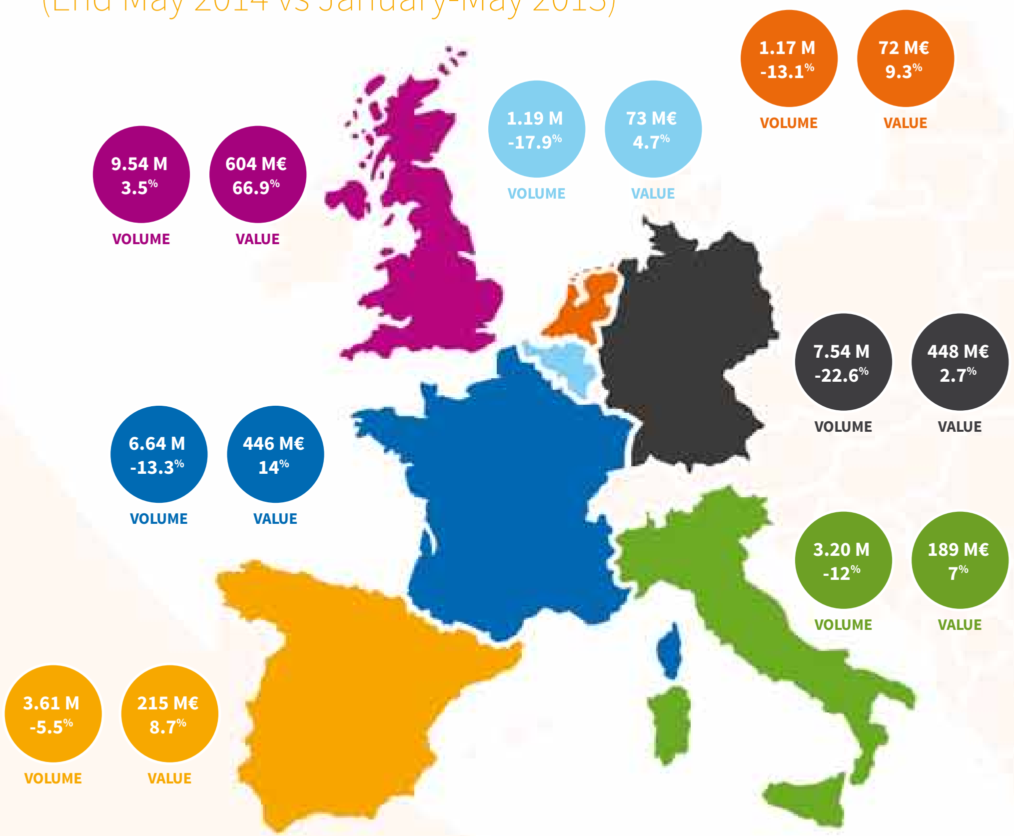


Source: GfK / Panel data end May 2014 vs January-May 2013

A successful transition

Console hardware + physical console software

(End May 2014 vs January-May 2013)



TOTAL IN VALUE		
Software	1,109 M€	-2.7%
Hardware	938 M€	67.4%
Total	2,047 M€	20.4%

TOTAL IN VOLUME		
Software	29.75 M	-12.8%
Hardware	3.17 M	13.6%
Total	32.93 M	-10.8%

Source: GfK / Panel data end May 2014 vs January-May 2013

8th generation consoles are growing in numbers throughout Europe

IN VALUE (CONSOLE HARDWARE / PHYSICAL CONSOLE SOFTWARE)

GERMANY		
Software	256 M€	-15.9%
Hardware	192 M€	46.1%
Total	448 M€	2.7%

BELGIUM		
Software	39 M€	-11.8%
Hardware	34 M€	34.2%
Total	73 M€	4.7%

SPAIN		
Software	117 M€	-07%
Hardware	97 M€	22.7%
Total	215 M€	8.7%

FRANCE		
Software	239 M€	-7%
Hardware	207 M€	55.8%
Total	446 M€	14%

ITALY		
Software	106 M€	-5.4%
Hardware	80 M€	29.6%
Total	186 M€	7%

NETHERLANDS		
Software	39 M€	-6.6%
Hardware	32 M€	37.6%
Total	72 M€	9.3%

UNITED KINGDOM		
Software	310 M€	20.5%
Hardware	294 M€	180%
Total	604 M€	66.8%

IN VOLUME (CONSOLE HARDWARE / PHYSICAL CONSOLE SOFTWARE)

GERMANY		
Software	6.92 M	-24.1%
Hardware	0.62 M	-0.7%
Total	7.54 M	-22.6%

BELGIUM		
Software	1.07 M	-19.6%
Hardware	0.12 M	-0.1%
Total	1.19 M	-17.9%

SPAIN		
Software	3.21 M	-6.3%
Hardware	0.39 M	1.3%
Total	3.61 M	-5.5%

FRANCE		
Software	5.95 M	-15.5%
Hardware	0.69 M	11.6%
Total	6.64 M	-13.3%

ITALY		
Software	2.88 M	-12.4%
Hardware	0.32 M	-8%
Total	3.20 M	-12%

NETHERLANDS		
Software	1.06 M	-14.5%
Hardware	0.15 M	1.4%
Total	1.17 M	-13.1%

UNITED KINGDOM		
Software	8.64 M	-0.1%
Hardware	0.89 M	59.8%
Total	9.54 M	3.5%

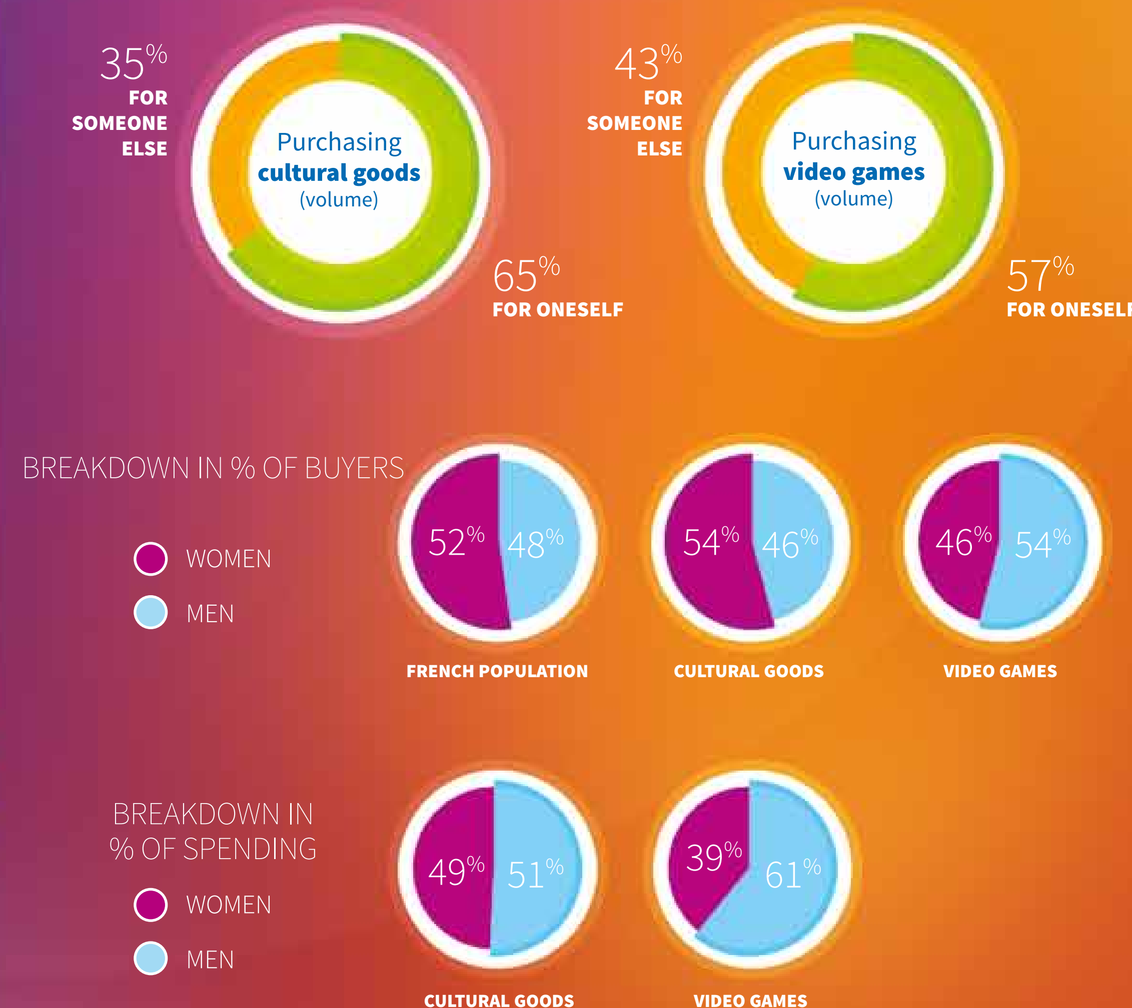
Source: GfK / Panel data end May 2014 vs January-May 2013

Chapter 4

Consumption and use

4 - 1 Purchasing behaviour

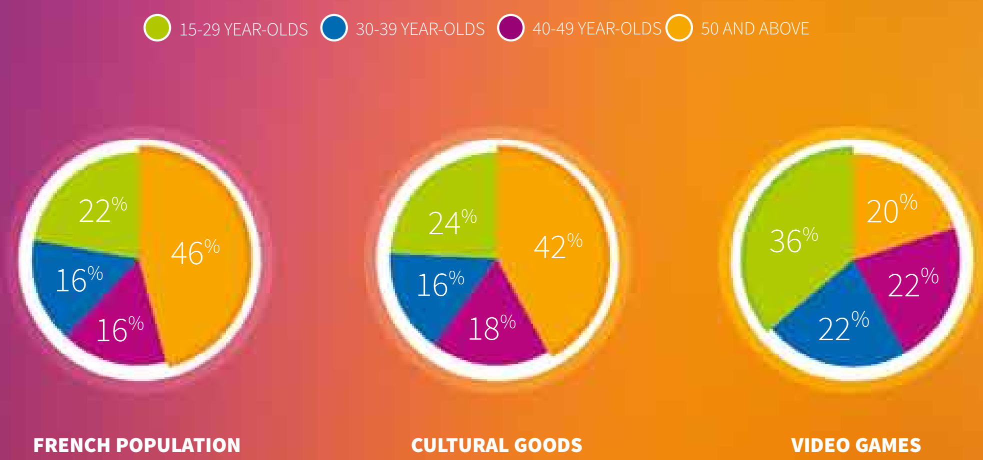
Purchasing behaviour



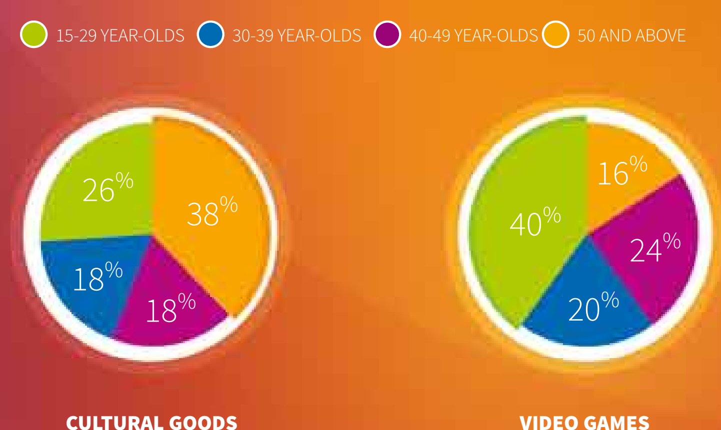
Cultural goods excluding cinema, excluding film hire

Source: Consumer panel aged 15 and older, GfK France, 2nd half 2013

BREAKDOWN IN % OF BUYERS



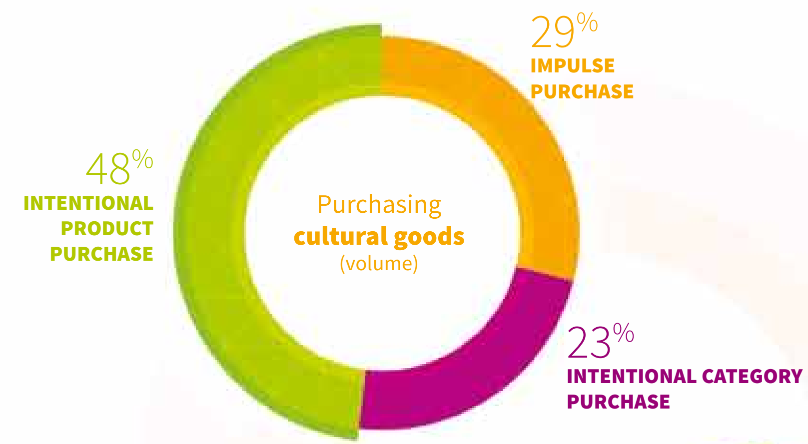
BREAKDOWN IN % OF SPENDING

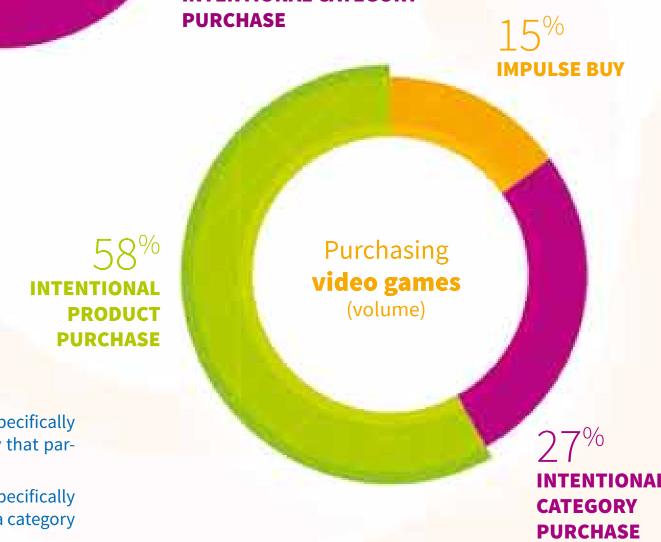


Cultural goods excluding cinema, excluding film hire

Source: Consumer panel 15 years and above, GfK France, 2nd half 2013

Intention to buy is more pronounced for video games than the average for cultural goods





Intentional product purchase: I specifically went to the shop or the website to buy that particular product.

Intentional category purchase: I specifically went to the shop or the website to buy a category of product but I didn't know which one.

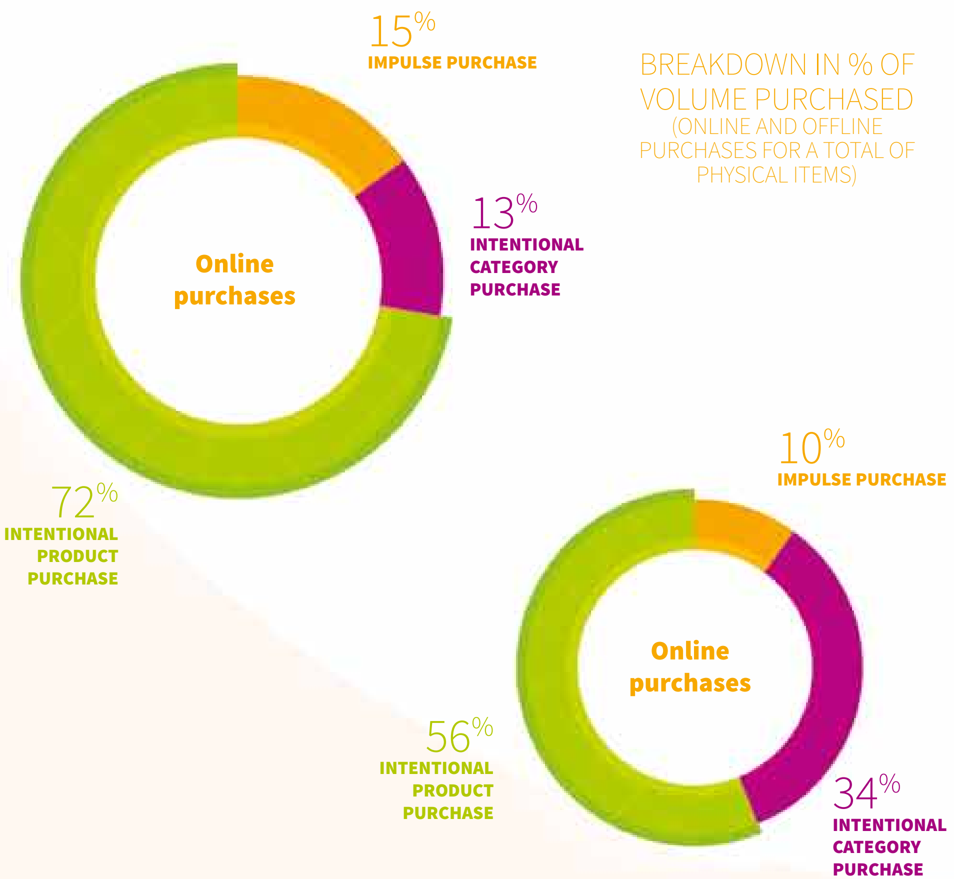
Impulse purchase: I went to the shop or the website with no specific intention.

Cultural goods excluding cinema, excluding film hire

Source: Consumer panel 15 years and above, GfK France, 2nd half 2013

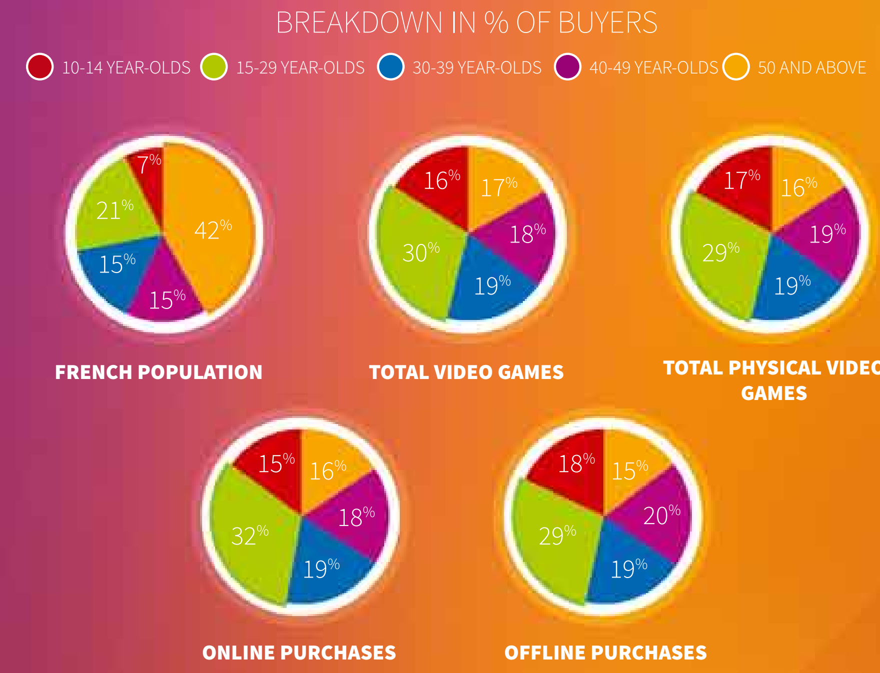
Disparities in behaviour depending on the retail channel

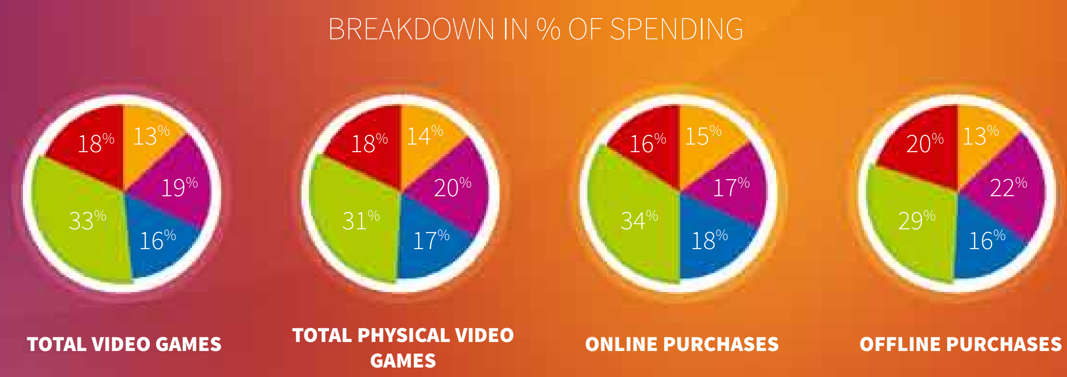
More intentional purchases on the Internet



Source: Consumer panel 15 years and above, GfK France, 2nd half 2013

Physical game consumer targets are similar in stores and on the Internet

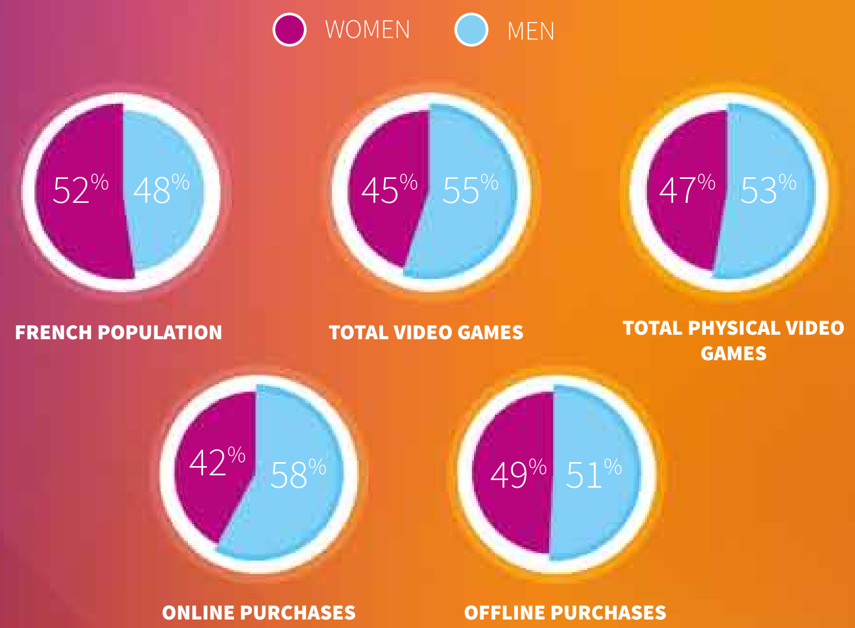




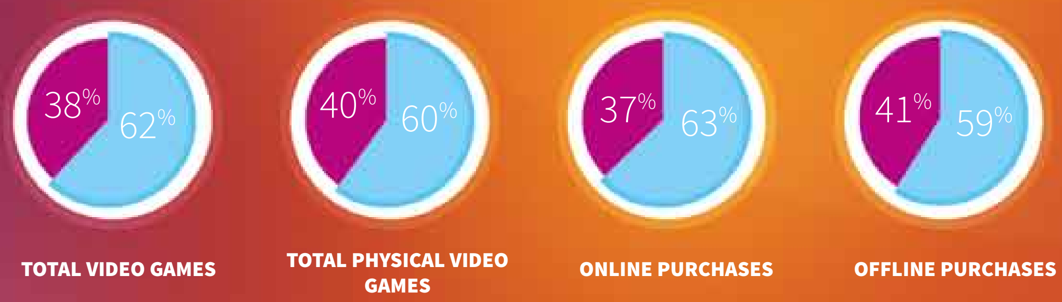
Source: Consumer panel 15 years and above, GfK France, 2nd half 2013

However, on the Internet, men are clearly more present

BREAKDOWN IN % OF BUYERS



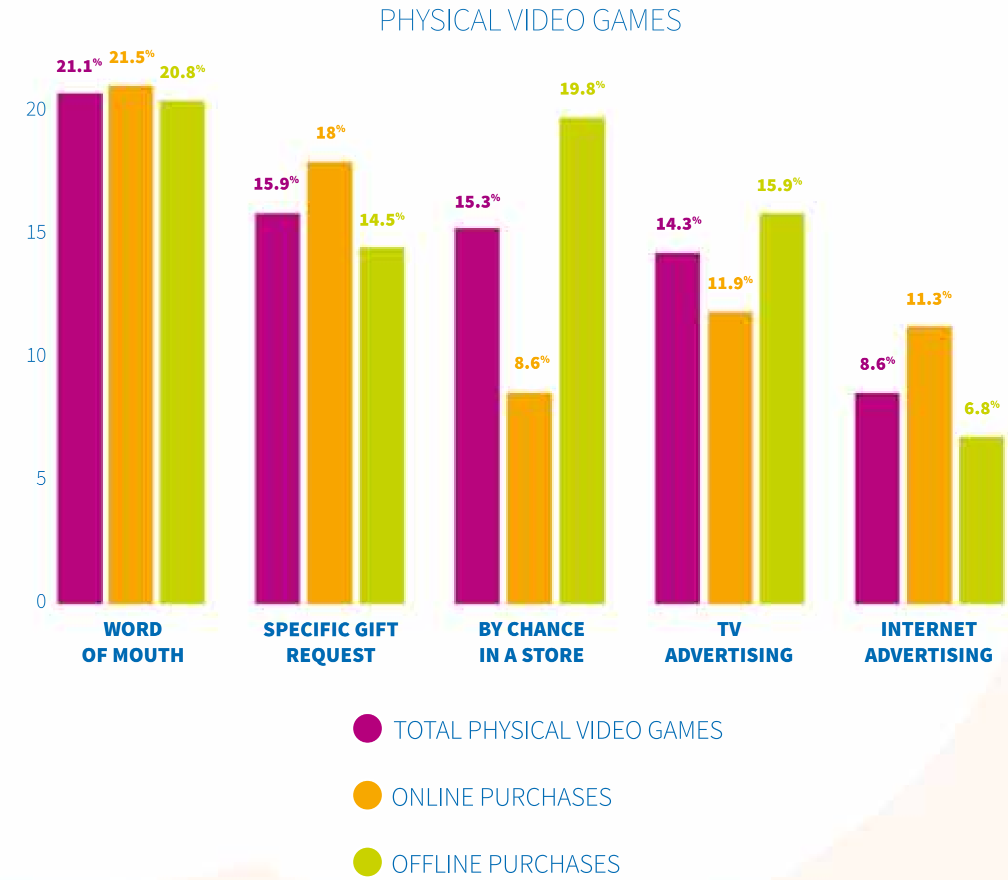
BREAKDOWN IN % OF SPENDING



Source: Consumer panel 15 years and above, GfK France, 2nd half 2013

Origin of point of contact with the item

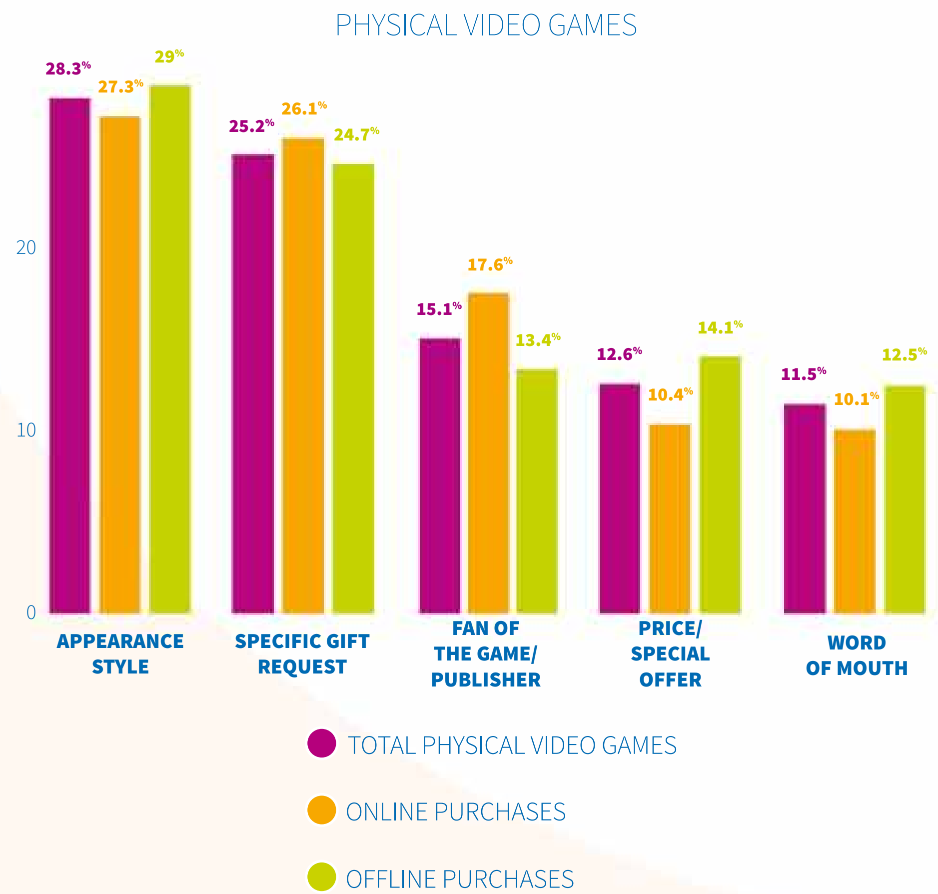
Top 5 sources of information about the item as a percentage of volumes purchased



Source: Consumer panel 15 years and above, GfK France, 2nd half 2013

Purchasing motivation

Top 5 buyer motivations for physical video games as a percentage of volumes purchased



Source: Consumer panel 15 and older, GfK France, 2nd half 2013

Chapter 4

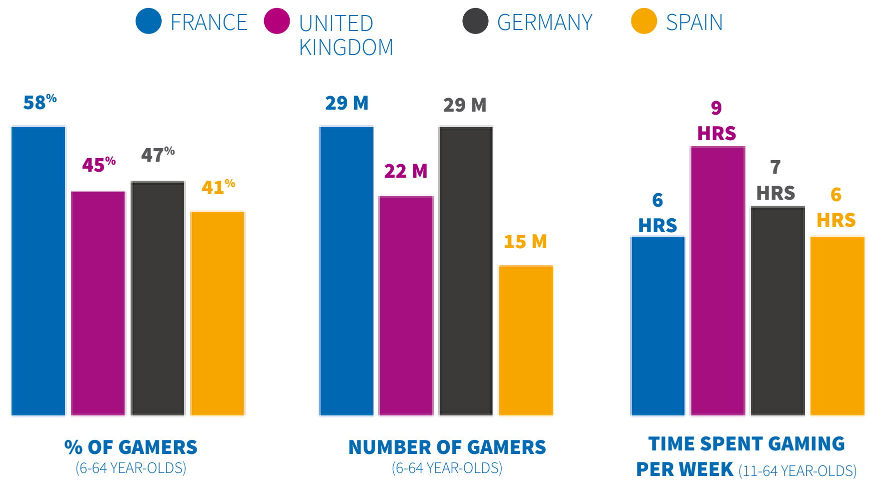
Consumption and use

4 - 2 Gaming behaviour

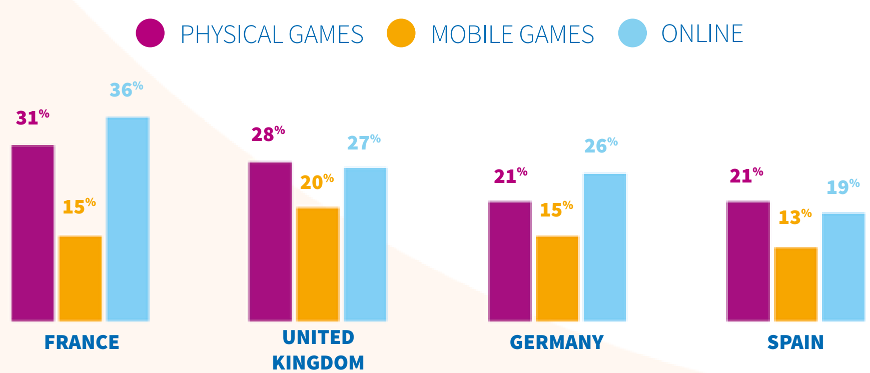
GAMETRACK

Gaming behaviour

Profiles of European gamers



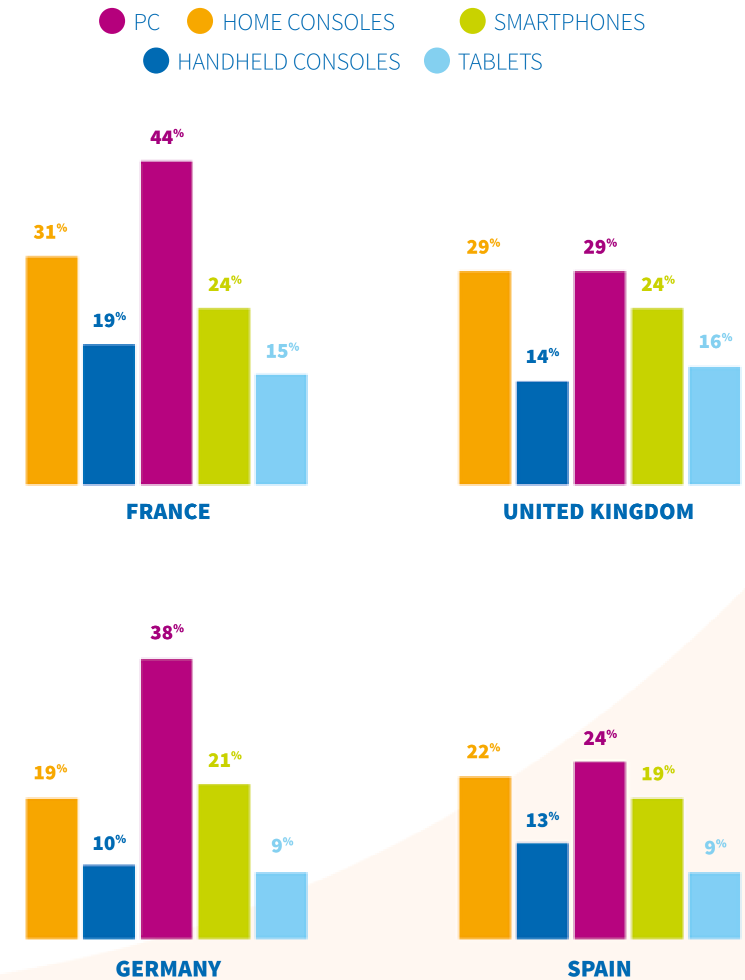
WHAT ARE THEY PLAYING? (6-64 YEAR-OLDS)



Physical games: all games that require a CD or a cartridge
Mobile applications: games that are free or to-buy apps on smartphones or tablets
Online: multi-player modes, free or to-buy, downloaded games, games on social networks and the Internet

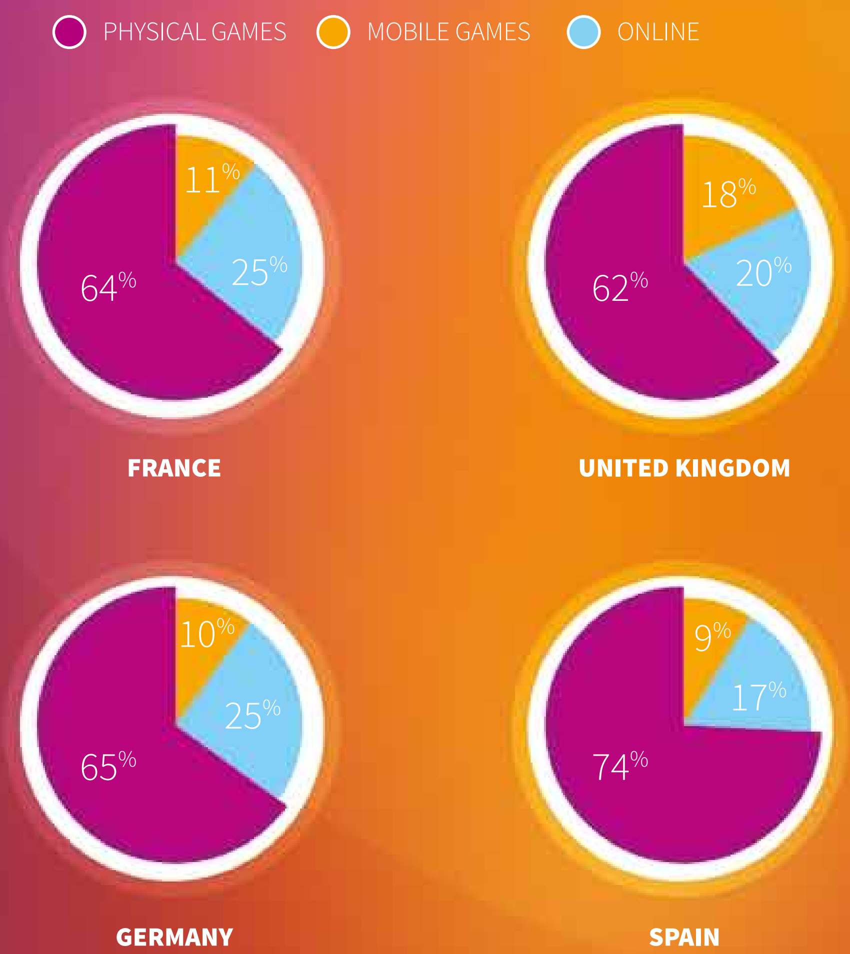
Source: GameTrack / IPSOS / Q4 2013

Breakdown of European gamers by platform (6 - 64 year-olds)



Source: GameTrack / IPSOS / Q4 2013

Breakdown of the European market in value



Physical games: all games that require a CD or a cartridge
Mobile applications: games that are free or to-buy apps on smartphones or tablets
Online: multi-player modes, free or to-buy, downloaded games, games on social networks and the Internet

Source: GameTrack / IPSOS / Q4 2013

PEGI: Pan European Game Information

A responsible industry

Simon LITTLE, Managing Director PEGI SA.

"The recent vote by the French National Assembly opens the path for government approval of the PEGI system and is fantastic news for our industry.

Used today in over 31 countries, since 2003 the PEGI system has proven that it can meet consumer expectations and satisfy the industry's desire for responsibility represented by the 600 video game companies that use it. Our system continues to develop and closely follow the evolution of video games and consumer gaming. These efforts have now been recognised through the French government's approval. This is a great encouragement for us to continue our work."

The PEGI age rating system (Pan-European Game Information) **gives parents throughout Europe the opportunity to make enlightened decisions before purchasing a video game.**

Launched in spring 2003, it has replaced a certain number of national age ratings through a unique system that is now used in most European countries. **The system enjoys the support of the leading console manufacturers,** including Sony, Microsoft and Nintendo, and also interactive game publishers and developers throughout Europe.

The age rating system was created by the ISFE - the Interactive Software Federation of Europe.

3 www.pegi.info | 7 www.pegi.info | 12 www.pegi.info | 16 www.pegi.info | 18 www.pegi.info

WHAT DO THE LABELS MEAN?

The PEGI labels appear on the front and back of the packaging, indicating one of the following age ratings: 3, 7, 12, 16 and 18. They provide a **reliable indication of the suitability of the game's content with regard to the protection of minors.**
The age rating does not take into account the difficulty of the game or the skills required to play it.

PedaGoJeux.fr

The website for information and raising awareness about video games

OLIVIER GÉRARD,
Coordinator of the PédaGoJeux Collective

The PédaGoJeux website guides parents and educators through the complex world of video gaming. Our objective is to pass on key information and promote best practices to help support children in their use of video games, with a particular focus on the importance of dialogue with the child about his or her gaming experience.

Similarly to the time spent gaming, the choice of game according to age is a major concern for parents. PédaGoJeux strongly believes that PEGI ratings should be clearly understood by adults. They can then choose games adapted to the age and sensibilities of their children.

In 2014, our site will evolve and we will increase our presence on social networks, multiplying meetings in the field with families, as we already do during Paris Games Week.

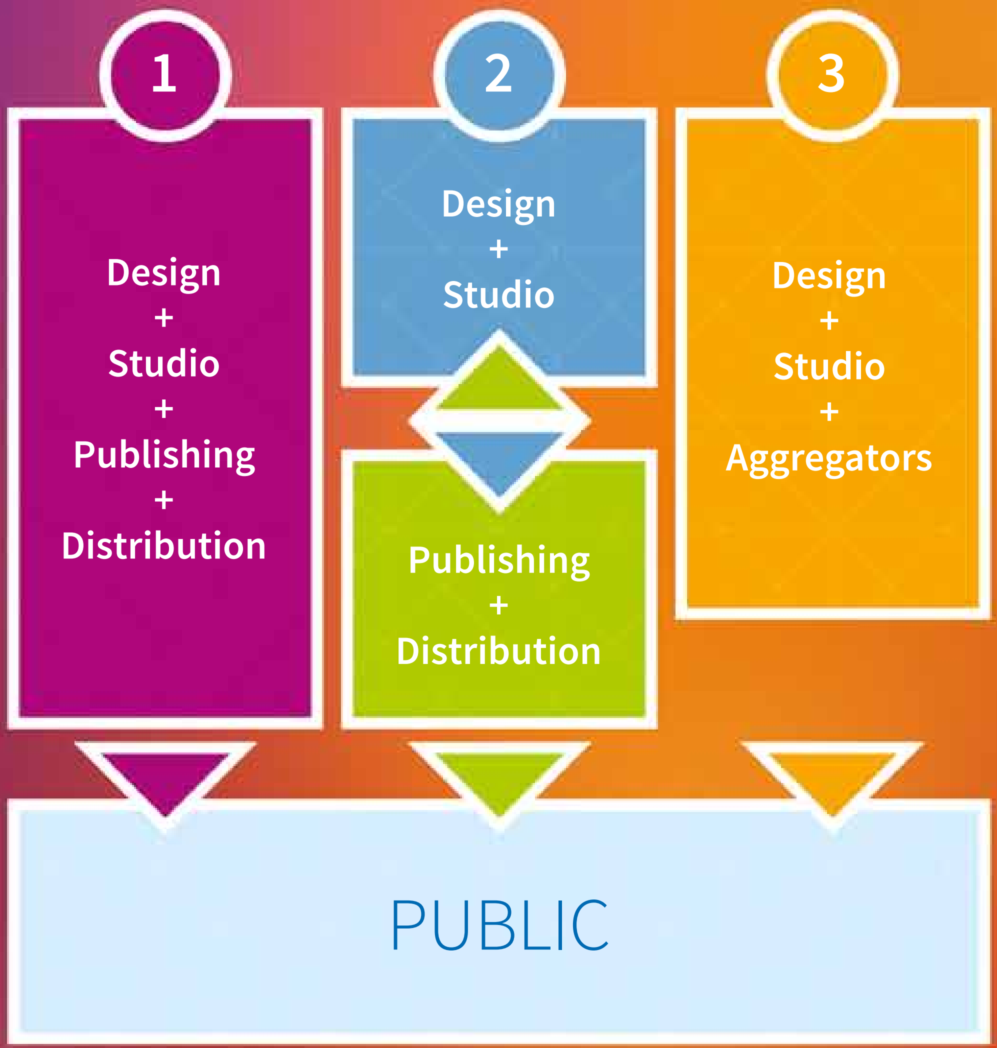
WWW.PEDAGOJEUX.FR

Chapter 5

The French video game industry

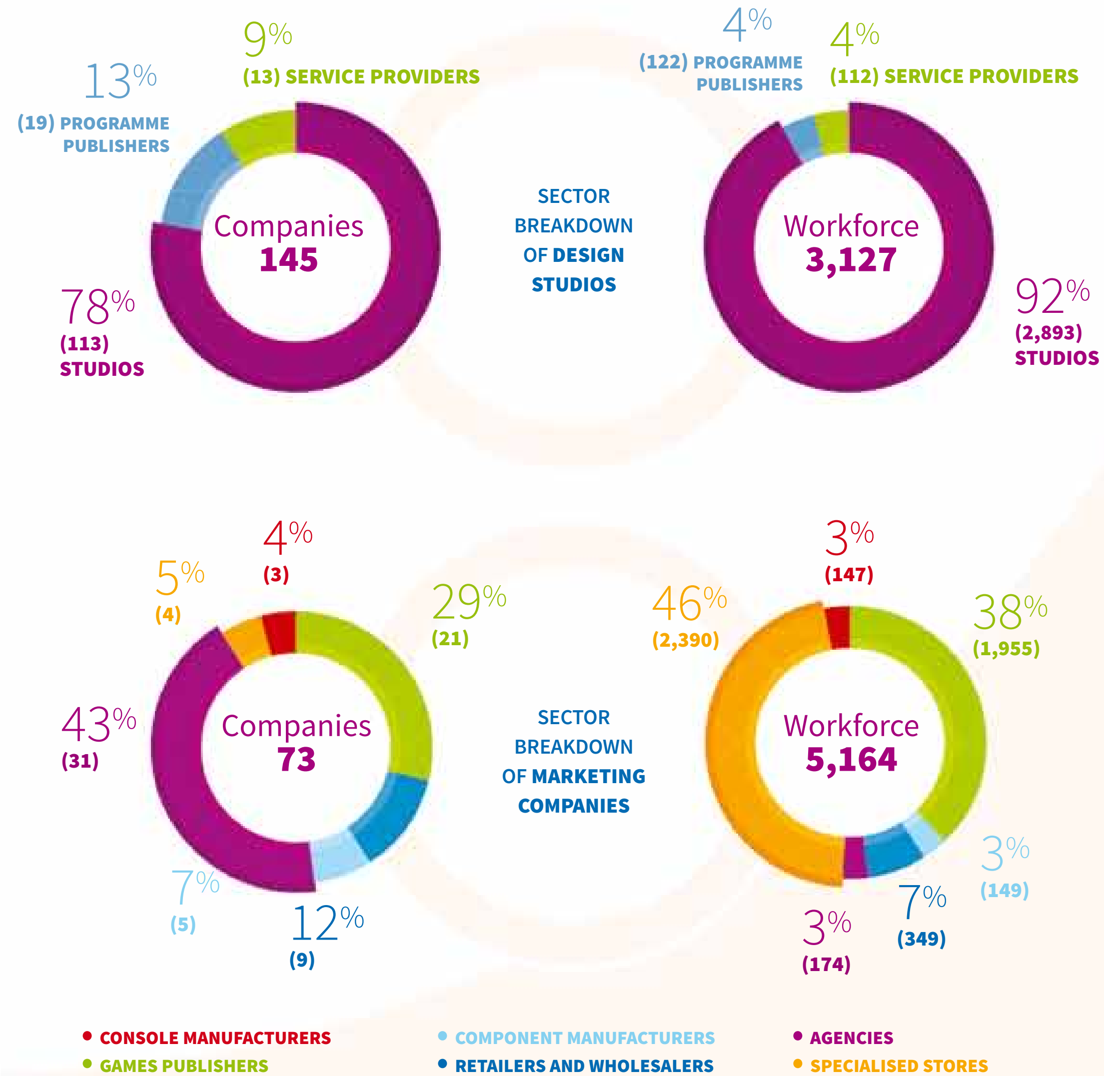
Business models

The 3 business models of video gaming



The French video game industry

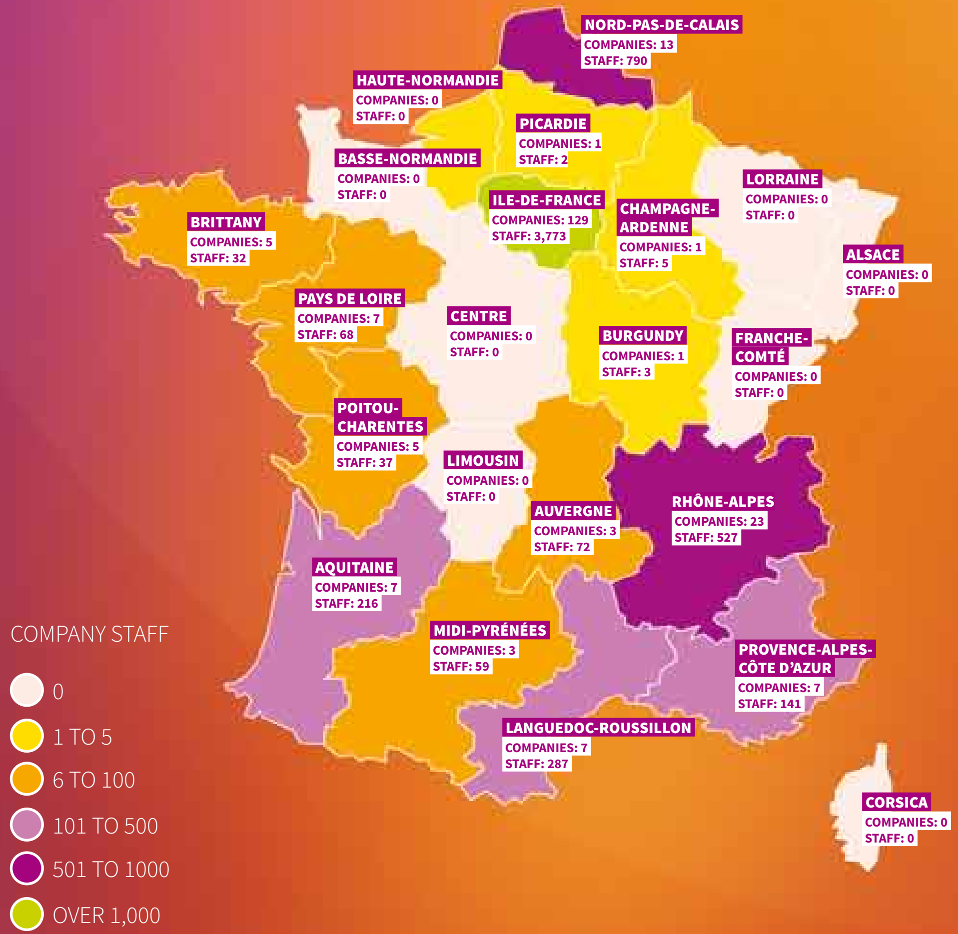
The French gaming industry



Source: Guide Du Jeu Vidéo, 3rd edition – David Téné, Pierre Gaultier – November 2013

Map

Regional distribution of creative and marketing companies*



*Referenced in the Video Game Guide (excluding specialised stores, pressers, training companies and the media)

Source: Guide Du Jeu Vidéo, 3rd edition – David Téné, Pierre Gaultier – November 2013

Chapter 6

SELL

The missions of SELL

SELL stands for the Syndicat des Editeurs de Logiciels de Loisirs, or the Union of Video Game Publishers.

Created in 1995, SELL is France's national organisation representing video games publishers and software manufacturers. Today it has around thirty members representing over 95% of the sector's turnover, according to the GfK panel.

SELL promotes and defends the collective interests of interactive programme publishers in different domains where there products are used (on- and offline) and within the different professional economic or legal boundaries concerning them, contributing to the market's structuring (ratings, promotion of the profession, anti-piracy, press, etc.) and its recognition by all professionals, public authorities and consumers.

SELL expresses our industry's desire for responsibility: the **PEGI** rating system, and **PédaGoJeux.fr,** an informative tool for parents.

SELL ALSO ORGANISES EVENTS FOR OUR INDUSTRY:

The European trade fair:
IDEF – www.idefexpo.com

The general public exhibition:
PARIS GAMES WEEK
www.parisgamesweek.com
(245,000 visitors in 2013)

Members of SELL

505 Games
Activision Blizzard
Bandai Namco Games
Bethesda
Bigben Interactive
Capcom
Disney Interactive
Electronic Arts
Focus Home Interactive
Game One
Innelec Multimedia
Just For Games
King
Koch Media
Konami
Microsoft
Nintendo
Orange
Sega
Sony
Square Enix
Take-Two Interactive
Ubisoft
Warner Bros Interactive

SOURCES

Market: GfK / Panel data at end May 2014

Purchasing behaviour: GfK / Consumer Panel, 2nd half 2013

Source: Gametrack / IPSOS / European Summary Q4 2013

French video game industry data: Guide Du Jeu Vidéo, 3rd edition – David Téné et Pierre Gaultier – November 2013

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