June 2014

ESSENTIAL VIDEO GAME NEWS

#2

MARKET, USE, CONSUMPTION: FRANCE AND EUROPE
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
Chapter 1 - Understanding the video game market: essential data

Chapter 2 - The French video game market
  Hardware focus*
  Software focus** (Console and PC)
  Accessory focus*
  Forecast for 2014

Chapter 3 - The European video game market
  First half 2014: summary report

Chapter 4 - Consumption and use
  4-1 Purchasing behaviour
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  European gamer profiles
  PEGI
  PedaGoJeux.fr

Chapter 5 - The French video game industry
  Business models
  French video game market: breakdown

Chapter 6 - SELL
  Missions
  Members

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
15 years in the making

Change in age

1999: 21 years old
2013: 38 years old

Growth in number of players

1999: 90% M, 10% F
2013: 51% M, 49% F

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

**Profiles of French gamers**
Who is playing?

**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**

**29 MILLION GAMERS**

**Turnover France**
2.7 billion euros (estimation)

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

**Profiles of French gamers**
Who is playing?

**BREAKDOWN BY AGE GROUP**

1 out of every 2 gamers is female

**Source:** GameTrack / IPSOS / Q4 2013

**M / F BREAKDOWN**

55% M
53% F

**UNITED KINGDOM**
**GERMANY**
**SPAIN**

**6% 6-10 YEAR-OLDS**

**5% 11-14 YEAR-OLDS**

**12% 15-24 YEAR-OLDS**

**10% 25-34 YEAR-OLDS**

**8% 35-44 YEAR-OLDS**

**9% 45-64 YEAR-OLDS**

**98%**
Profiles of French gamers
What are they playing?

Essential data

**Sources:** Gametrack / IPSOS / French Gamer Profile Q3 2013

- **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 apps)
- **27%** of 11-64 year-olds or **12 million gamers** play (physical games)

Chapter 2

The French video game market
Close-up on market segments: Hardware

8th generation consoles: a fast transition

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

207 million euros
Or
+56% in value
generated between January and May 2014
Total Hardware

173 million on home consoles

34 million on handheld consoles

82% 67%
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

173 million on home consoles

34 million on handheld consoles

4.1M consoles
3.1M handheld consoles
1M home consoles

+14% in value (317 M€)

Source: GfK / Panel data at end May 2014
Close-up: market segments

console software

A dynamic cycle!

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

<table>
<thead>
<tr>
<th>Genre</th>
<th>IN MILLION EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTION/ADVENTURE</td>
<td>84</td>
</tr>
<tr>
<td>FPS (FIRST PERSON SHOOTER)</td>
<td>32</td>
</tr>
<tr>
<td>SPORTS</td>
<td>31</td>
</tr>
<tr>
<td>RPG/ADVENTURE (ROLE-PLAYING GAME)</td>
<td>26</td>
</tr>
<tr>
<td>RACING</td>
<td>22</td>
</tr>
</tbody>
</table>

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)

Or
-4% in value

Accessories

98 million euros
generated between January and May 2014

-6% in value

22 million euros
Turnover for prepaid cards

Turnover for prepaid cards

+27% in value

+20% in volume

Top 4 console accessory segments
IN MILLION EUROS

CONTROLLERS 29
PREPAID CARDS 22
AUDIO ACCESSORIES 17
GAMING TOYS 14

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

Source: GfK / Panel data end May 2014 vs January-May 2013
The French video game market

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

Analysis of the 7th generation cycle (in volume)

Forecast for 2014

A year of great potential

At end 2014, with or without virtual (hardware + software + accessories + online + mobile)

Hardware segment at end 2014

This indicates the strong potential of software

Forecast at end 2014

Share of 8th generation hardware sales

Share of 8th generation home hardware sales

Share of 8th generation software sales

85% in volume
89% in value
76% in volume
86% in value
50%

Source: GfK forecast at end 2014
The European video game market

Chapter 3

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

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

+67.4%
increase in turnover for hardware

+20.4%
increase in overall turnover

France
United Kingdom
Germany
Spain
Belgium
Netherlands

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)

8th generation consoles are growing in numbers throughout Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>Software</th>
<th>Hardware</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GERMANY</strong></td>
<td>Software: 256 M€</td>
<td>Hardware: 192 M€</td>
<td>Total: 448 M€</td>
</tr>
<tr>
<td><strong>BELGIUM</strong></td>
<td>Software: 39 M€</td>
<td>Hardware: 34 M€</td>
<td>Total: 73 M€</td>
</tr>
<tr>
<td><strong>SPAIN</strong></td>
<td>Software: 117 M€</td>
<td>Hardware: 97 M€</td>
<td>Total: 215 M€</td>
</tr>
<tr>
<td><strong>FRANCE</strong></td>
<td>Software: 239 M€</td>
<td>Hardware: 207 M€</td>
<td>Total: 446 M€</td>
</tr>
<tr>
<td><strong>ITALY</strong></td>
<td>Software: 106 M€</td>
<td>Hardware: 80 M€</td>
<td>Total: 186 M€</td>
</tr>
<tr>
<td><strong>NETHERLANDS</strong></td>
<td>Software: 39 M€</td>
<td>Hardware: 32 M€</td>
<td>Total: 72 M€</td>
</tr>
<tr>
<td><strong>UNITED KINGDOM</strong></td>
<td>Software: 310 M€</td>
<td>Hardware: 294 M€</td>
<td>Total: 604 M€</td>
</tr>
</tbody>
</table>

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

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The European video game market
Chapter 4
Consumption and use
4 - 1 Purchasing behaviour

Purchasing behaviour

35% FOR SOMEONE ELSE

43% FOR SOMEONE ELSE

65% FOR ONESELF

57% FOR ONESELF

BREAKDOWN IN % OF BUYERS

WOMEN
52%

48%

FRENCH POPULATION

54%

46%

CULTURAL GOODS

46%

54%

VIDEO GAMES

57%

43%

43%

53%

49%

51%

CULTURAL GOODS

39%

61%

VIDEO GAMES

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

Cultural goods excluding cinema, excluding film hire
Intention to buy is more pronounced for video games than the average for cultural goods.
Disparities in behaviour depending on the retail channel
More intentional purchases on the Internet

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

**BREAKDOWN IN % OF BUYERS**

- **10-14 YEAR-OLDS**
  - FRENCH POPULATION: 17%
  - TOTAL VIDEO GAMES: 15%
  - TOTAL PHYSICAL VIDEO GAMES: 19%
  - ONLINE PURCHASES: 21%
  - OFFLINE PURCHASES: 18%

- **15-29 YEAR-OLDS**
  - FRENCH POPULATION: 16%
  - TOTAL VIDEO GAMES: 30%
  - TOTAL PHYSICAL VIDEO GAMES: 18%
  - ONLINE PURCHASES: 19%
  - OFFLINE PURCHASES: 19%

- **30-39 YEAR-OLDS**
  - FRENCH POPULATION: 15%
  - TOTAL VIDEO GAMES: 18%
  - TOTAL PHYSICAL VIDEO GAMES: 15%
  - ONLINE PURCHASES: 19%
  - OFFLINE PURCHASES: 20%

- **40-49 YEAR-OLDS**
  - FRENCH POPULATION: 14%
  - TOTAL VIDEO GAMES: 18%
  - TOTAL PHYSICAL VIDEO GAMES: 17%
  - ONLINE PURCHASES: 16%
  - OFFLINE PURCHASES: 19%

- **50 AND ABOVE**
  - FRENCH POPULATION: 13%
  - TOTAL VIDEO GAMES: 14%
  - TOTAL PHYSICAL VIDEO GAMES: 16%
  - ONLINE PURCHASES: 18%
  - OFFLINE PURCHASES: 17%

**BREAKDOWN IN % OF SPENDING**

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  - FRENCH POPULATION: 16%
  - TOTAL VIDEO GAMES: 19%
  - TOTAL PHYSICAL VIDEO GAMES: 19%
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- **15-29 YEAR-OLDS**
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  - TOTAL PHYSICAL VIDEO GAMES: 18%
  - ONLINE PURCHASES: 34%
  - OFFLINE PURCHASES: 31%

- **50 AND ABOVE**
  - FRENCH POPULATION: 16%
  - TOTAL VIDEO GAMES: 15%
  - TOTAL PHYSICAL VIDEO GAMES: 17%
  - ONLINE PURCHASES: 17%
  - OFFLINE PURCHASES: 16%

Source: Consumer panel 15 years and above, GfK France, 2nd half 2013
However, on the Internet, men are clearly more present

**Origin of point of contact with the item**

Top 5 sources of information about the item as a percentage of volumes purchased
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
Gaming behaviour
Profiles of European gamers

WHAT ARE THEY PLAYING? (6-64 YEAR-OLDS)
- PHYSICAL GAMES
- MOBILE GAMES
- ONLINE

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
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.

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.

WHAT DO THE LABELS MEAN?

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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.
The French video game industry

Business models
The 3 business models of video gaming

1. Design + Studio + Publishing + Distribution

2. Design + Studio + Aggregators

3. Publishing + Distribution

PUBLIC

The French gaming industry

- **Companies**: 145
  - **Design Studios**: 133
  - **Programme Publishers**: 122

- **Workforce**: 3,127
  - **Design Studios**: 2,893
  - **Programme Publishers**: 2,390

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 their 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
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