

Video-Game Industry

Recent trend in Japanese Market and Comparison with US Market

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2002/3/26

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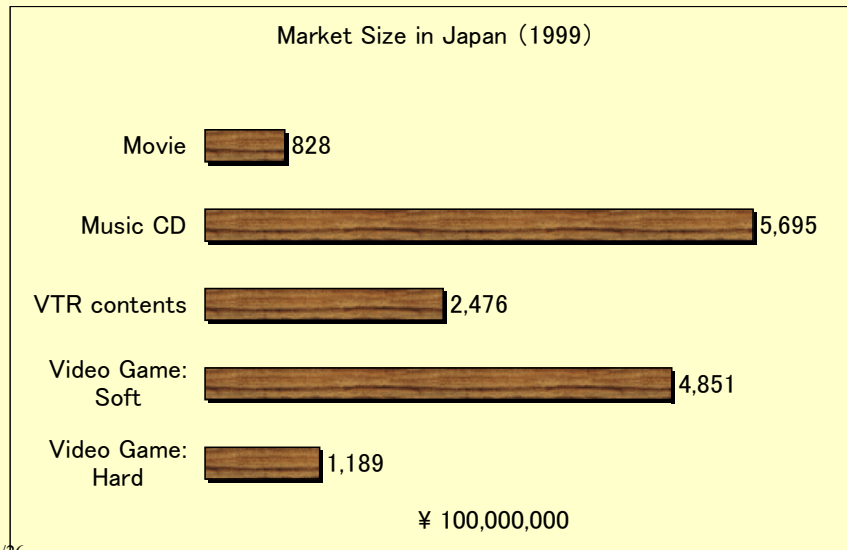
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1. Shrink in Japanese Market
2. Concentration on a Few Major Companies
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Contents Business: Market Size



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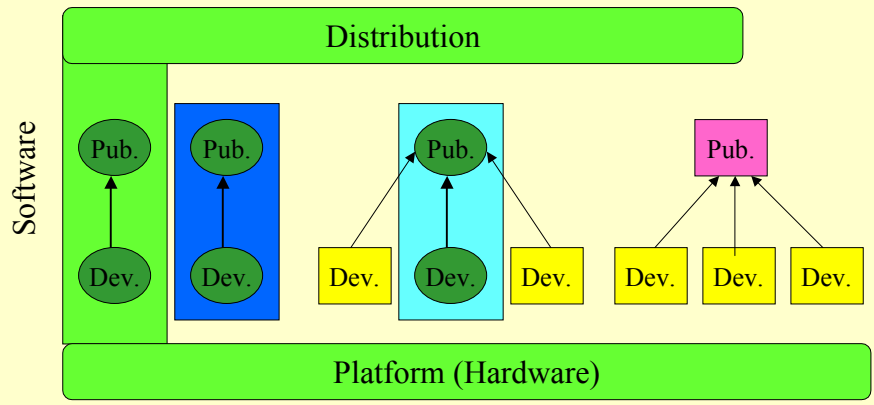
Hardware: Competition for De-facto standard

- Xbox -Microsoft
 - 2001/11 North America.
 - 1.5 million by the end of 2001.
 - 2002/2/22 Japan market.
- PS2 Sony
 - 2000/3
 - Global installed base is 26 million
 - Network game service: **PlayStation BB**

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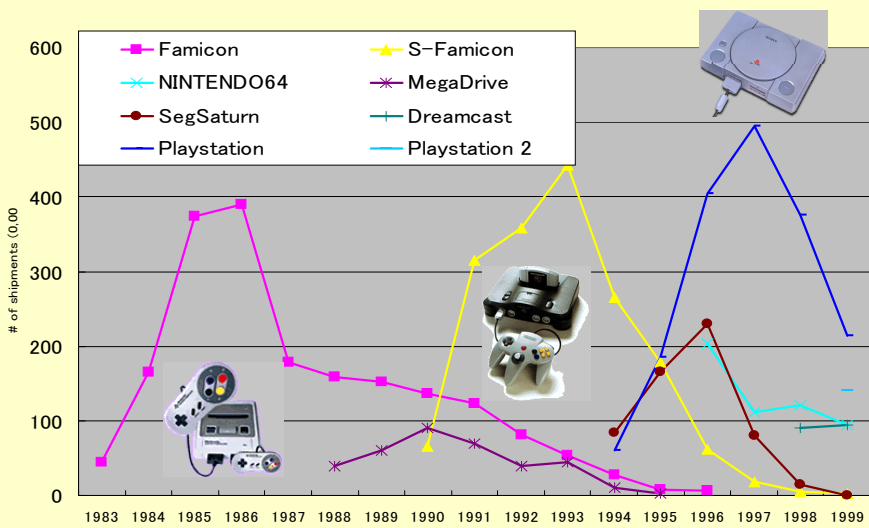
Scope of Activities



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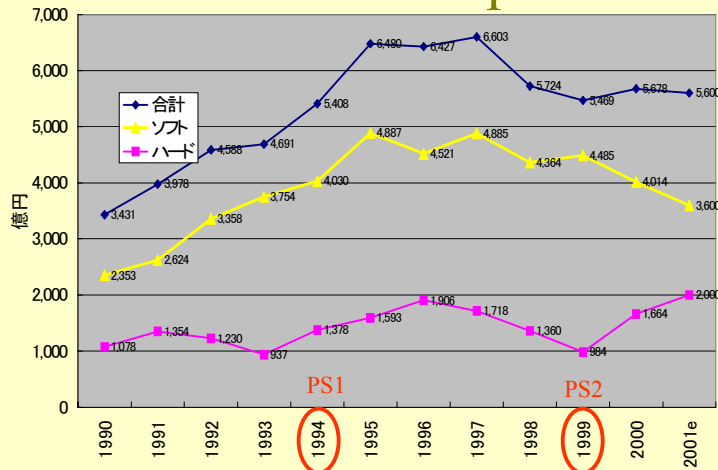
Generation transition of console machine



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Soft Market is Shrinking in Japan



出所: メディアクリエイティブ『テレビゲーム流通白書』各年版
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• Soft market is 2-3 times.

• Soft market is decreasing.

• Only hard market recover growth.

Positive Feedback: Hardware and Software

- Big installed base in hardware
 - many variety of software market
 - bigger hard sales
- New hardware had generated bigger software market.
- But
 - this feedback cycle collapsed.

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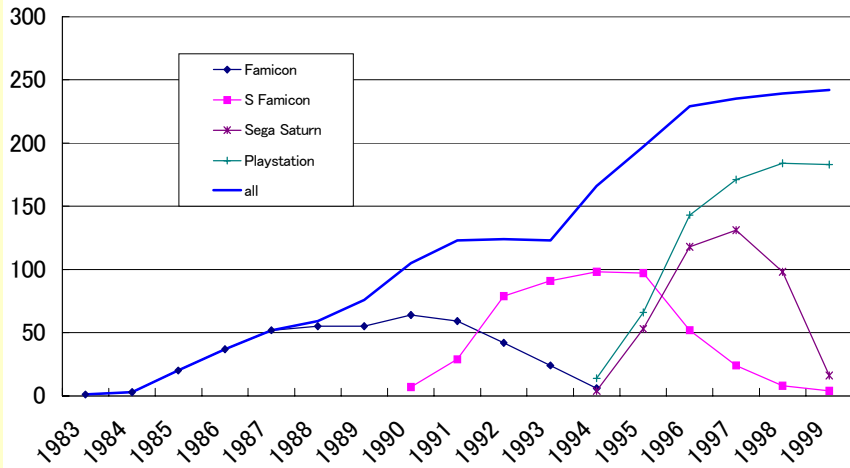
Many New Entrants but, High Concentration

- Many software venture entered in game market
 - New hardware stimulate new entrants
 - Many birth, many death
 - Life time of the venture is getting shorter
- Concentration on big firms

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Number of Game Soft Firms

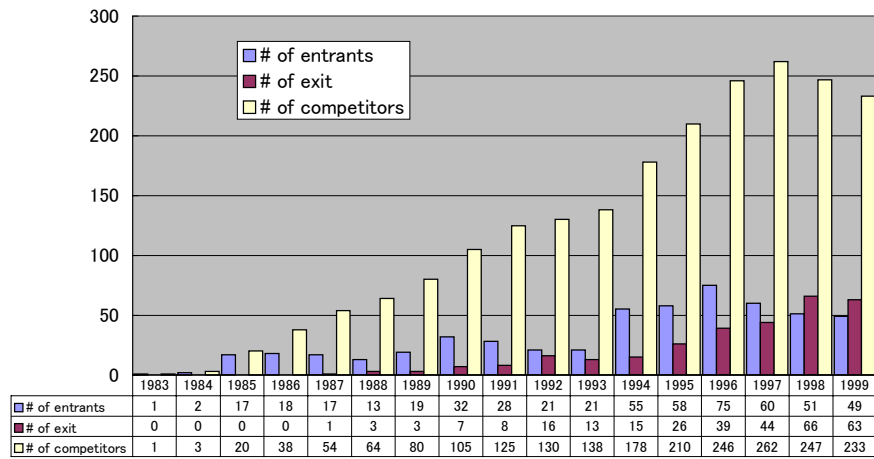


資料: アンビット『広技苑2000年春版』毎日コミュニケーションズ。

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New Entrants and Exit in Game Software



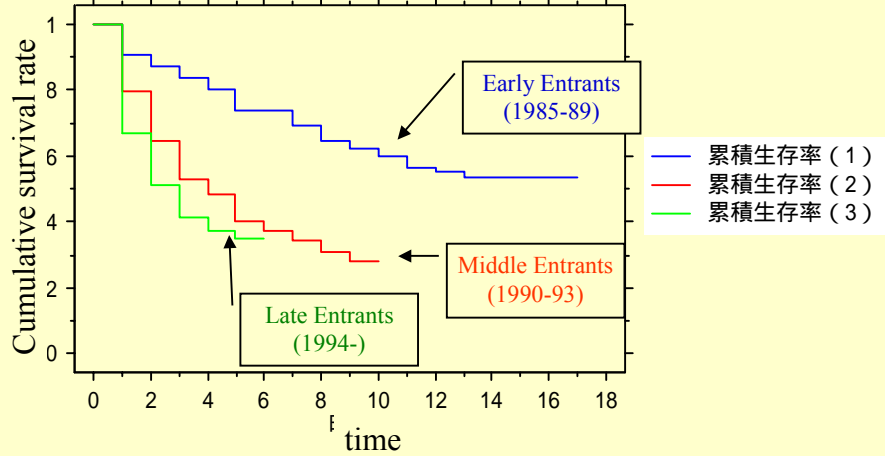
資料: アンビット『広技苑2000年春版』毎日コミュニケーションズ。ゲーム機17機種を対象とした。

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Event History Analysis

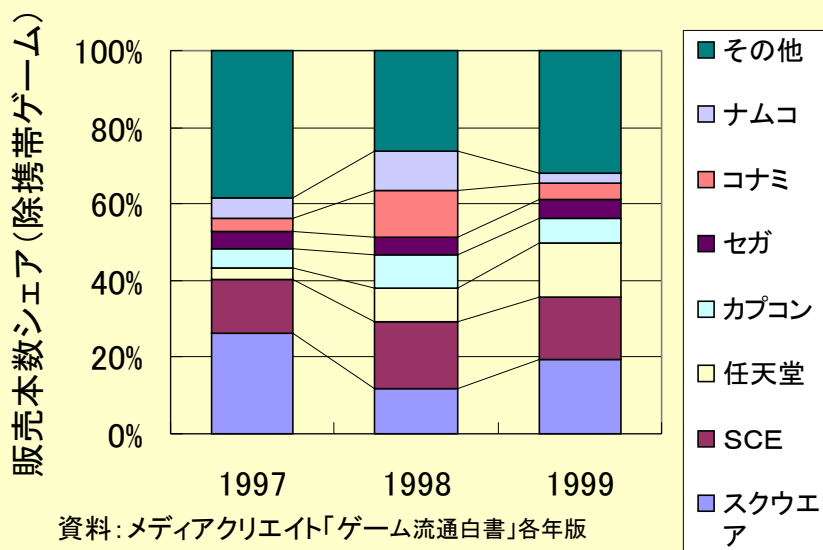
Kaplan-Meier法
 累積生存率曲線 : duration
 打ち切り変数 : censor
 群分け変数 : e p



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Market Share in Japan



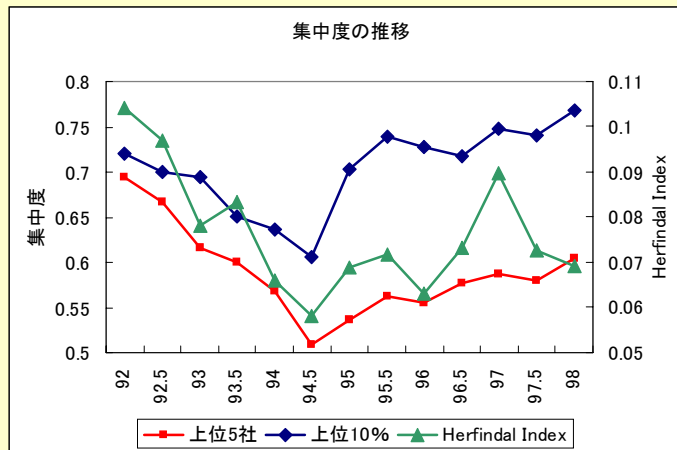
資料: メディアクリエイト「ゲーム流通白書」各年版

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Concentration Ratio

- Concentration ratio is getting higher after 1995.



データソース:
ファミ通ベスト
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Characteristic of Game Software

1) High development cost (big fixed cost)

¥100-200 million (¥3 billion at highest)

Retail price ¥5800-6800

Margin of software firms is ¥2000.

$¥2000 * 100,000 = ¥200$ million

Mass sales is necessary.

2) High risk = low hit ratio

Profitable product is 15-20%

movie: 20%, music CD: 10%, TV: 5%

3) Short lifetime

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Low Hit Ratio

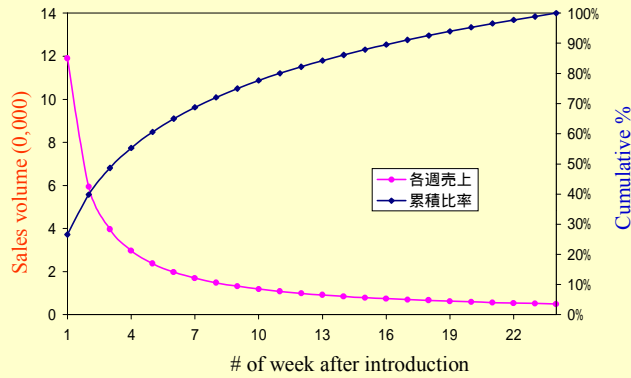
万本	プレイステーション		セガサターン		NINTENDO64		合計		
	97年	98年	97年	98年	97年	98年	97年	98年	計
0~	95 (31%)	176 (41%)	98 (45%)	72 (45%)	10 (28%)	7 (28%)	203 (36%)	255 (41%)	458 (39%)
1~	102 (33%)	157 (36%)	66 (30%)	54 (34%)	11 (31%)	8 (32%)	179 (32%)	219 (35%)	398 (34%)
5~	38 (12%)	37 (9%)	27 (12%)	21 (13%)	8 (22%)	3 (12%)	73 (13%)	61 (10%)	134 (11%)
10~	38 (12%)	33 (8%)	18 (8%)	8 (5%)	3 (8%)	4 (16%)	59 (10%)	45 (7%)	104 (9%)
20~	31 (10%)	29 (7%)	8 (4%)	5 (3%)	4 (11%)	3 (12%)	43 (8%)	37 (6%)	80 (7%)
100~	7 (2%)	2 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	7 (1%)	2 (0%)	9 (1%)
合計	311	434	217	160	36	25	564	619	1183
ヒット率	24%	15%	12%	8%	19%	28%	19%	14%	16%
ヒット作品の本数シェア	83%	74%	55%	47%	64%	84%	77%	71%	74%

* メディアクリエイイト作成の売上本数より筆者作成。

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Transition of Sales by Week



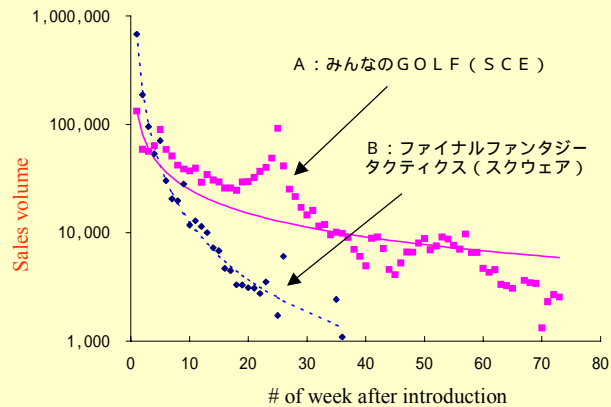
	初発率	通減率	総売上本数 (万本)	観測週
平均	0.296	0.499	40.247	23.7
標準偏差	0.499	0.162	4.697	10.1
最小値	0.032	0.249	3.682	15.0
最大値	0.716	0.979	327.378	72.0
サンプル数	104	104	104	104

注) メディクリエイト集計の売上データから、1997年と1998年発売で15週以上の売上データがあるものを対象とした。

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図4-5 ヒットタイトルの売上パターンの比較対照



	総売上	初発率	通減率	回帰曲線
A	158万本	8%	61%	$Y = 132715X^{-0.725}$ $R^2=0.947$
B	128万本	53%	30%	$Y = 678997X^{-1.737}$ $R^2=0.995$

資料) メディアクリエイト売上データを筆者が加工。

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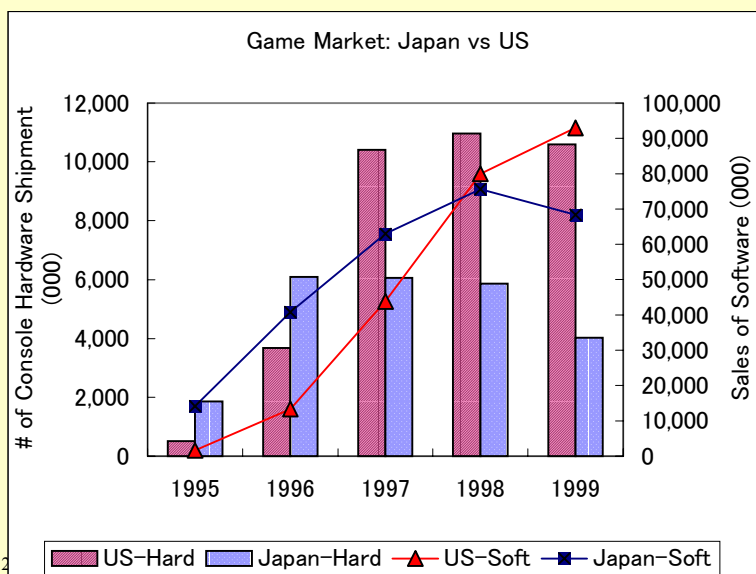
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Market Size: US > Japan

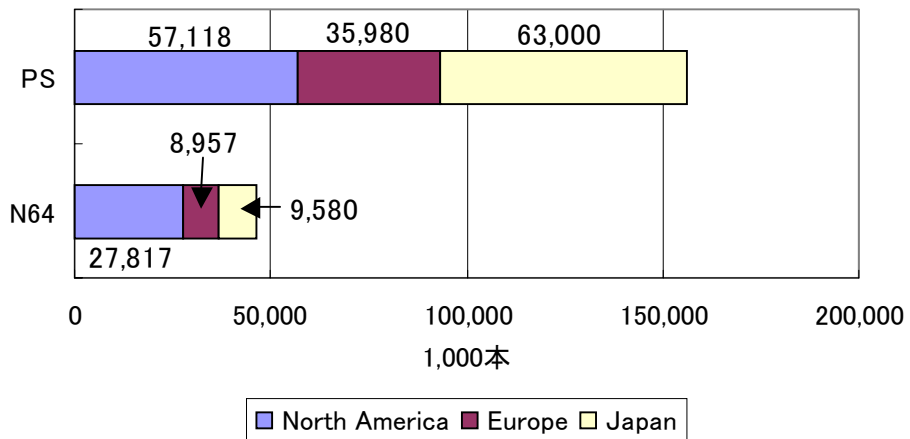


Hard: 1997
Soft: 1999

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Sales Volume by Major Region (Software, 1998)

ゲームソフトの地域別売上(1998年)

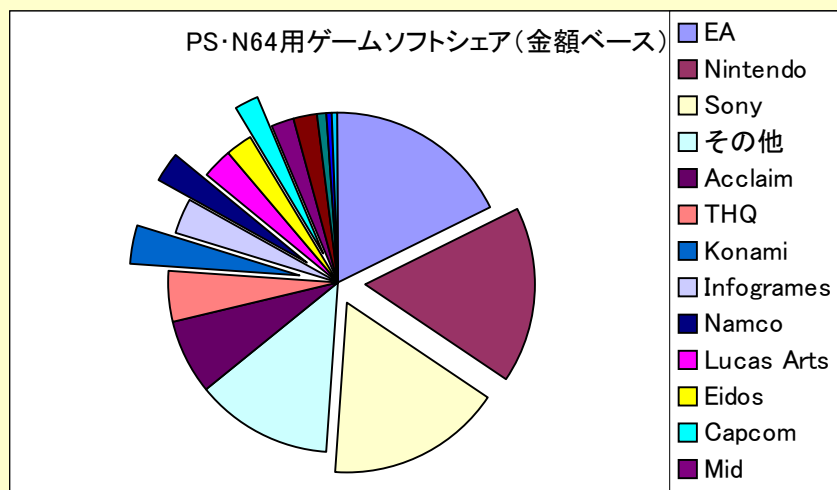


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Market Share of Software PS and N64

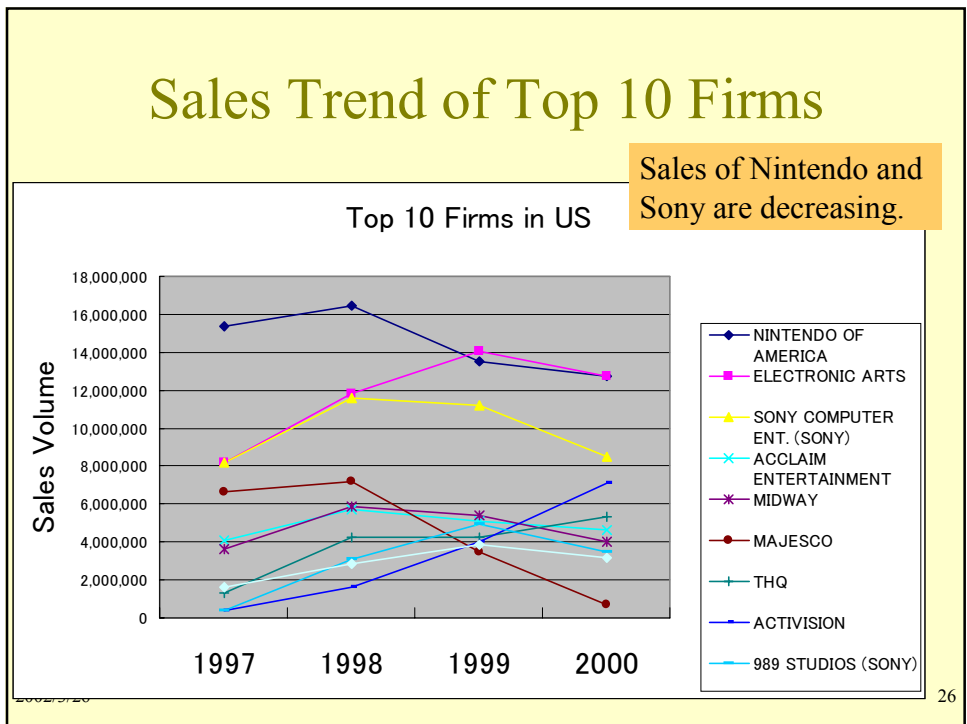
Share by sales



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出所: IDG "Multimedia Industry Update" December 1999

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Exclusive Domestic Markets

- Japan to US
 - Successful product is limited in
 - a few famous product
 - Software developed by platform firms
 - Software developed by American affiliation
- US to Japan
 - No big hit title
- Why?

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1) Big PC Market

- US PC game market is bigger than Japan.

USソフト市場(1999年)

	000s Unit	000 \$
3 Console	99,147	3,688
PC Entertainment	59,800	1,363

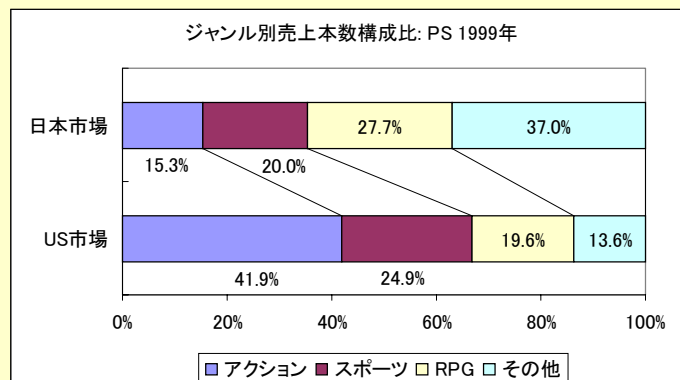
資料:IDG,"The multimedia Markets in North America and Europe" March 2000

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2) Major genre

- Japan -- RPG
- US – Action and Sports 67%



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3) High concentration ratio in top developer

- Concentration ratio is high
little lower in US

	Top 5	Top 10
Japan (1999)	61.3%	75.3%
US (2000)	52.4%	68.8%

売上本数ベースの企業集中度

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4) High concentration in distribution

- Pressure from big retailer: promotion, price
>> Marketing skill is important

US市場小売集中度 1-10/1999 1-9/2000

PS	Wal-Mart	19%	19%
	Best Buy	13%	15%
	Toys R Us	14%	15%
	Babbage's/Funco	9%	13%
	Electronics Boutique	11%	12%
	Top 5	66%	74%

資料:IDG,"The multimedia Markets in North America and Europe" March 2000

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5) Longer life

- Sales is almost zero in 20th week in Japan.
- Some title have over one year life in US.
- Ranking in Jan. 2001

RANK	TITLE	Int. Date	GENRE	Publisher
1	PSX WWF SMACKDOWN	NOV'00	WRESTLING	THQ
2	PSX DRIVER 2	NOV'00	COMBAT RACING	INFOGRAMES
3	PSX TONY HAWKS PRO	SEP'00	EXTREME SPORT	ACTIVISION
4	PSX FINAL FANTASY IX	NOV'00	HARD-CORE RPG	SQUARE EA
5	PSX GRAN TURISMO 2	DEC'99	ACTION ORIENTE	SONY
6	PSX MADDEN NFL 2001	AUG'00	FOOTBALL	ELECTRONIC A
7	PSX TONY HAWKS PRO	SEP'99	EXTREME SPORT	ACTIVISION
8	PSX TEKKEN 3	APR'98	FIGHT/HEAD TO	NAMCO
9	PSX DRIVER	JUN'99	COMBAT RACING	INFOGRAMES
10	PSX SPEC OPS	APR'00	ACTION	TAKE 2 INTERA
2002/3/26 ¹¹	PSX SPYRO: YEAR OF L	OCT'00	PLATFORM/SCRC	SONY

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Japan: Challenge for Online Game

- Brand new type of game, “online game” is needed for making new phase of market growth.
- Established Japanese firms had been skeptical, cautious.
- But PC and network infrastructure are establishing in Japan (2001)
- Network capacity of console machine.
- Platform: PC or Console

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Challenge for Online game

- Online Simulation Game
 - Console
 - Expansion of packaged software
- MMORPG (Massively Multi-player Online RPG)
 - PC platform
 - massive users, communication tool
 - Korean co. or JV with Korean and Japan