

## SCIENTIFIC REVIEW

# THE VIDEO GAMING INDUSTRY

## (from play to revenue)

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### ABSTRACT

*The game is constantly present in the life of a man and is needed both for the individual and the society, primarily because of the social connections that the participants of the game accomplish. The development of technology and the Internet has empowered the emergence of a new kind of game.*

*Video games are increasingly replacing traditional games and have a direct impact on how internet users fill their free time.*

*Availability of platform and game delivery technologies is an important factor in the emergence of massive interest in video games. The growing demand for video games opens a new industrial branch. The gaming industry, which involves creative professionals, in recent years, has become a leading one. The digital game sector remains very strong, even as other media industries suffer decline which represents a rapidly growing business branch and opens a broad platform of new businesses.*

**KEY WORDS:** *game industry, video game*

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## INTRODUCTION

Video gaming and programming keep us from the traditional understanding of the game and directing to explore the impact of redefining games on human society (Moulthrop, 2005). Galloway thinks that the video game belongs to the field of culture (2006, p.1) and integrates leisure activities needed for people. The game allows moving away from the problems of the real world and directs the players towards different priorities and behavioral changes in relation to everyday life. Kucklich believes that games are “cultural products with deep roots in the culture they stem from” (2006, p. 104).

The video game industry is emerging as a result of continuous innovation. Scholars have proposed the concept of “gamification” which suggests that the psychological elements involved in the game affect the motivation of employees and animate the consumer (Zichermann, Cunningham, 2011). Kerr (2006) supports the aspect that video games belong to the sphere of the ‘cultural industry’, as video games have many elements in common with other cultural industries.

## THE VIDEO GAMING INDUSTRY FACTS

“Video game industry was originally a product industry (games were sold to customers as fully featured final products), so the value proposition mostly related to product offering” (Rayna, Striukova, 2014, p.66). There are 2,711 video game companies across the USA, 65,678 workers, directly employed at a game software publisher, with annual earnings of \$97,000 (The Entertainment Software Association, 2018, p.14). The video game industry has numerous working areas that create a place for hiring professionals around the world (Zackariasson, Wilson, 2012).

According to the latest data, in 2018, will be 2 billion 341 million actively video game players around the world (Statista, 2018a), which means that video games cover the enormously wide spread market they are offering video content, products, virtual reality, special events and video game tournaments. These additional offers leads to increased sales and therefore to increased earnings (Greenberg, 2018).

The revenue from this industry also means revenue from adding complementary goods and services to core products, which have the potential to strengthen business models (Bonardi, Durand, 2003).

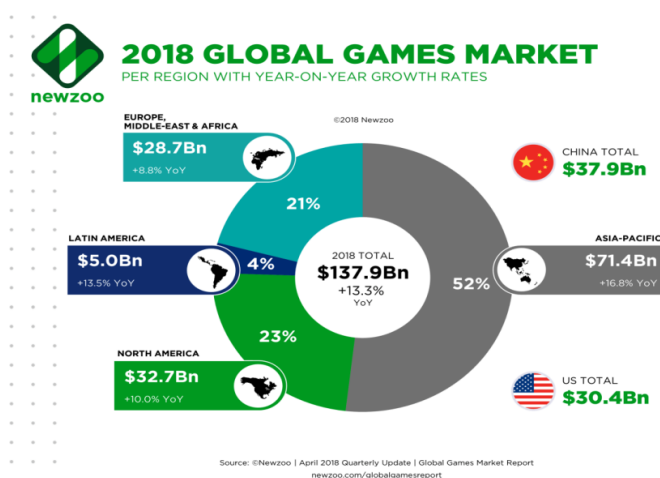


Figure 1: Global video games market  
Source: (Newzoo, 2018a)

From figure 1. we can see that the Asia and Pacific in 2018. will generate \$71.4 billion from global game revenues. China will generate \$37.9 billion; North America has estimated revenues of \$32.7 billion in 2018. In European countries, for Middle East and Africa expected revenue is \$28.7 billion. In Latin American income from game industry will be higher \$5.0 billion this year (Newzoo, 2018b).

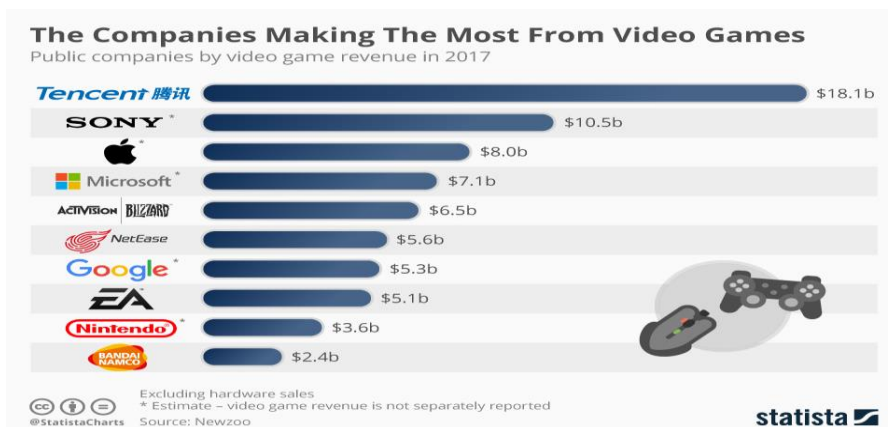


Figure 2: The Video games industry leading companies in 2018  
Source: (Armstrong, 2018).

In a “two-sided market” (Rysman, 2009), in the case of games, hardware producers, such as Sony, earn money from selling electronic equipment (market 1) and from the transfer of the production’ rights to distributors of video games (market 2). In this way, Sony can reduce the license cost, which leads to an increase in the number of interested users. It is undeniable that an increase in the number of users results in an increase in revenue (Rysman, 2009, p. 136).

From the latest data for Serbia we can see that:

- Income from the Video Games industry is US\$14m in 2018.
- It is expected that (2018-2022) the annual increase will be 5.6%, with a market volume of US\$18m by 2022.
- The market's largest segment is download games with a market volume of US\$5m in 2018.
- User penetration is 11.0% in 2018 and is expected to hit 12.4% by 2022.
- Each user provides revenue to the video industry in the amount of US\$18.43 (Statista, 2018b).

Three companies, dealing with the production of video games that are best positioned in Serbia are:

**Nordeus**, set in 2010, which launched Facebook game “Top Eleven Manager”. The game has more than 12 million players. Nordeus have received many awards.

**Eipix Entertainment** has established cooperation with “Big Fish Games” (USA). The most successful Eipix’s project is “Hidden Expedition Smithsonian Hope Diamond”.

**Cofa Games** started with a project “Awakening of Heroes”. EU Innovation Fund selected Cofa Games as one of the “12 Most Innovative Enterprises in Serbia”; This Company also, was selected among “Top 3 Startups in the Game & Entertainment Category” of Midnight Pitch Fest as well (Serbia ICT Talks, 2018).

## THE BEST POSITIONED VIDEO GAMES

The cost of production of digital games is undoubtedly high. Kerr, about twelve years earlier, states that the production of the game requires an amount of “\$3-10 million for production and the same amount for placement on the market” (Kerr, 2006, p. 46). Last years the situation has changed because competition is extremely strong, and firms are investing significantly more funds to make their product more attractive.



Figure 3: Amounts needed for video games production  
Source: (Big Fish, 2018).

Figure 3. gives an overview of the cost of production for some video games which ranges from \$100 million for video game “Red Dead Redemption” to \$500 million spent in production of video game “Destiny”.

This data indicates that the production and distribution of video games are high-risk venture, as final result depends on the positive response of video games consumers. Video game

## CONCLUSION

This paper presents the data about the video game industry that brings revenue more than any previous media. A game, that is always connected with human beings, thanks to the development of technology, becomes an entirely new, digestible form that takes attention of more than two billion users worldwide. The specificity of a video game, that is a kind of cultural product, requires a special approach if a positive market response is desired.

Investing in video game production is expensive and extremely risky business venture and this industry in Serbia is still at the beginning of development.

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