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## PC Games: Down for the Count?

By Paul Pinella

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## Road Map

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There's no question that the future of interactive entertainment is bright. But whether the venerable PC will continue to play a starring role is open to conjecture. With Microsoft® ready to air details of its new [Microsoft Xbox®](#) on MTV next month, more next-generation game consoles coming soon and Sony's new PSP handheld selling briskly, a casual observer might conclude the **PC's days as a gaming platform are numbered**. Add to this the fact that retail sales of PC games are in fact flat and tomorrow's PC looks more and more like a dinosaur with a mouse.

Not so fast, says Ben Sawyer, an analyst with DFC Intelligence, a San Diego, Calif.-based market research firm. A closer examination of today's PC gaming market provides some critical clues as to what will likely happen tomorrow. Among the signposts that Sawyer says **paint a much more positive picture** are the following:

- The rise of massive multiplayer online games (which is still largely a PC phenomenon);
- The shift to new PC platforms, including this year's 64-bit and multicore chips and next year's debut of [Longhorn](#) .
- The emergence of [Widows® XP Media Center PCs](#) and growing demand for high definition televisions (HDTV); and
- The runaway success of WiFi.

"This issue that always comes up with new consoles is, 'How long can the PC market survive?'" says Sawyer. "But as bad as it may get, **the PC is such a highly adaptable system and market**, it will always find a way out of its problems. Still, the idea that you can create any old game, put it out there and expect it to do well" is long since past.

### Just a Few Big Hits

The two biggest shifts in the PC games software market that Sawyer finds significant are the growing popularity of casual online games such as those found on MSN and elsewhere (see September 2004 Market Analysis, "[Online Games Go Mainstream](#)" ) and the growing domination of massive multiplayer online role-playing games such as "EverQuest II" and online action games like "Half-Life 2." While most of the casual games run just fine on a vanilla PC, OEMs looking to profit from new hardware sales can **take solace in what's happening with massive multiplayer games**.

How so, considering retail sales of PC game titles are falling? "From an OEM perspective, the total number of PC gamers is not necessarily dropping," says Sawyer. "There is still good demand for the

latest and greatest PC games. But what is happening is that PCers are **packing more and more time into the one or two games they love**, rather than buying 30 games."

#### The Retail PC Games Market Has Cooled...

Worldwide retail box sales revenue for PC entertainment software

Year	Units Sold (in millions)	% Change from Previous Year	Revenue (\$USD Millions)	% Change from Previous Year
2005	132.4	1%	\$2,846	0%
2006	130.4	-1%	\$2,752	-3%
2007	131.5	1%	\$2,752	0%
2008	133.2	1%	\$2,744	0%
2009	136.1	2%	\$2,805	2%

Source: DFC Intelligence

#### ...But Online Game Play is Hot, Hot, Hot

Online revenue only for worldwide online games

Year	Total PC Game Pay Revenue (\$USD Millions)	Total Console Game Pay Revenue (\$USD Millions)	Total PC Game Ad Revenue (\$USD Millions)	Total Console Game Ad Revenue (\$USD Millions)	Total Online Game Revenue (\$USD Millions)	% Change
2005	\$2,800	\$328	\$382	\$53	\$3,563	44%
2006	\$3,686	\$900	\$492	\$145	\$5,222	47%
2007	\$4,420	\$1,627	\$625	\$226	\$6,897	32%
2008	\$5,270	\$2,244	\$749	\$299	\$8,561	24%
2009	\$6,011	\$2,543	\$901	\$359	\$9,814	15%

Source: DFC Intelligence

The net effect of this is two-fold: fewer titles overall than were available a few years ago -- but big revenue gains for developers with the blockbuster titles. What's keeping the market moving forward, says Sawyer, is a **constant stream of downloadable compatible content** (much of it free) from other players such as new maps and game levels. This is pushing average game play for a single title to 200 – 300 hours per year. Because the big-name titles thrive on powerful hardware, OEMs that cater to hard-core gamers can still do well, particularly when they learn what sets this culture apart.

#### Shifting Platforms

The biggest news on the hardware front this summer will undoubtedly be the shift to 64-bit multicore processors from Intel and Advanced Micro Devices (AMD) and the rise of 64-bit Windows (see April 2005 Road Map, "[x64 Windows: A New Edge for OEMs](#)"). While a handful of high-end PCs that use chips such as Intel's Pentium Extreme Edition are already shipping for gamers, **no titles have yet come out to take advantage of multicore architectures**. Most top games still rely more on fast clock speeds, powerful graphics cards, speedy disk drives and lots of memory. "My suspicion is that you'll see some transition to multicore if it provides good game performance in and of itself or until the chip manufacturers induce (i.e., pay) developers to add support for them in their games or game

engines," says Sawyer.

The top game publishers will likely **rally around the new architectures after Longhorn ships**, says Sawyer, who is expecting Longhorn's improvements to the user experience will make game loading, management and playing better. The goal is to make it as easy to load, run and patch a game in Longhorn as it is on the Xbox today. Helping Microsoft and its partners hit this target is cross-fertilization of certain development tools across both platforms. "It looks like Microsoft will take what it's learned from Xbox, including certain development tools, and put those to use into making PC games (and Longhorn) better," says Sawyer.

PCs based on [Windows® XP Media Center Edition](#) will likely keep PC game playing viable in the near term, although not for the reasons most people think. **"What's driving the Media Center PC is HDTV** and the prospect of a 60-inch VGA monitor in your living room," says Sawyer. "With HDTV as opposed to NTSC, you no longer have any of the problems that plague 'dumbing down' of the PC. While he expects Media Center PCs will continue to grow market share, Sawyer says console providers have nothing to fear -- and that in many cases, game players will welcome both platforms into their homes. "There's no doubt in my mind that moving PCs into the living room will not hurt the console market. The prices are different, the gaming libraries are different, and they are not mutually exclusive."

Perhaps the most **overlooked strength of PCs over other platforms is WiFi**. Already a big and growing presence in the home, newer WiFi-equipped notebook PCs are beginning to rival desktops in their game play abilities. "The overall future of PC gaming is to make the experience more ubiquitous in the household," says Sawyer. "I can run 'World of WarCraft' on my laptop and it follows me everywhere in the house. WiFi changes everything." Some consoles already have WiFi adapters, but Sawyer says they don't match the portability and overall utility of the PC.

**Online PC Gamers by Type (Worldwide)**

Game Type	2003	2009
Casual	75%	68%
Moderate	17%	23%
Hardcore	8%	9%

Source: DFC Intelligence

**Next Steps for OEMs**

OEMs looking to jump into today's PC game market **need to look beyond the basics**. In Sawyer's view, just building a hot box on the order of what everyone else is doing is the cost of entry, not success. "If you want to be seen as the crème de lay crème, you need to do three things:


"One, look and see how to wring the most performance out of the top tier games.

"Second, communicate through your feature set that you understand PC gamers."

And three, "if there are some cool tweaks you can do to your system or its configuration and you can explain why they work, that can go a long way."

As an example, Sawyer says that many gamers like to overclock their systems, but for obvious reasons the OEM may want to leave this to the user. However, an OEM **could consider adding a benchmarking utility to its system**, such as Futuremark Corp.'s 3DMark 05, or tweaks to graphics cards designed to enhance popular games such as Half-Life 2. "Or maybe you've read the message boards and found that what Half-Life 2 players really want is one graphics card over another. That happens all the time."

OEMs that go the extra mile and **cater to the game culture with additional features** can also win converts. Adding sound-deadening material to make a hot box less noisy is one example; adding a handle to make it easy to lug around to a LAN party is another. "All this helps you communicate that you really understand gaming," says Sawyer. "Like they say in *Pulp Fiction*, the difference between here and there is the little things."

The PC's ability to change and quickly adapt to new demands bodes well for its continued evolution as a game machine. **"The PC platform is always moving and changing**, and as such it does things that closed consoles cannot," says Sawyer. "There will always be high respect for innovation on the PC platform, and at the end of the day it will be what keeps gaming around on the PC." 

Source: DFC Intelligence

#### How to Reach the Hardcore Gamer

- ▶ Optimize PC designs for the top-tier game titles
- ▶ Add software or settings important to gamers (e.g., benchmarking utilities, optimal graphics card settings)
- ▶ Add features that stand apart from the crowd (e.g., beefy power supplies, innovative cooling systems, quiet fans, transportable cases)
- ▶ Monitor the latest trends on bulletin boards

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#### For More Information

[FAQ on Microsoft XNA next-generation software development platform for games](#)

[3DMark 05 Pro, a PC benchmarking utility from Fallon Computing](#)

#### About DFC Intelligence

San Diego, Calif.-based DFC Intelligence ([www.dfci.com](http://www.dfci.com) ) is a strategic market research and consulting firm focused on interactive entertainment and the emerging video game, online game, interactive entertainment and interactive television (ITV) markets. Since 1995 the company has published in-depth strategic market reports and subscription-based research services. Its research is used by many leading companies in over 30 countries worldwide. DFC analysts have been regular speakers at numerous major trade shows including E3, CES, NAB, Game Developer's Conference, IEMA Summit and Digital Hollywood. Tables in this chart are derived from the DFC Intelligence report, "[Worldwide Market Forecasts for the Video Game and Interactive Entertainment Industry](#) ", used with permission.

#### About the Author

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Have a question? Want more information? Contact the writers and editors at [oemedit@microsoft.com](mailto:oemedit@microsoft.com).

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