

# Trends in Video Game Release Timing

May 2009 EEDAR Exposé

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## OVERVIEW

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- Topic 1:** A comparison between quarterly software sales and quarterly SKU releases.
- Topic 2:** A quarterly comparison of SKU releases by quality score bands for all next-generation systems.
- Topic 3 & 4:** A quarterly comparison of SKU releases by quality score bands for the next-generation home consoles.

## DEFINITIONS YOU NEED TO KNOW

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**EEDAR Quality Scores:** An aggregated quality score based on a minimum of three review sites. EEDAR Quality Scores are similar in nature to Metacritic and GameRanking scores. Please contact EEDAR for a more detailed methodology.

**SKU:** Stock-keeping unit. A unique identifier that retailers use to track products on retail shelves. *Example:* Guitar Hero World Tour had 12 SKUs (four platforms with three different bundles each). For the purpose of this report, all SKUs are used when comparing sales; however, special edition SKUs (Guitar Hero World Tour Band Kit) are removed for the quality score comparisons.

**Distinct Game Title:** Several SKUs may make up one distinct game title. *Example:* Guitar Hero World Tour is 1 game title but has 12 separate SKUs.

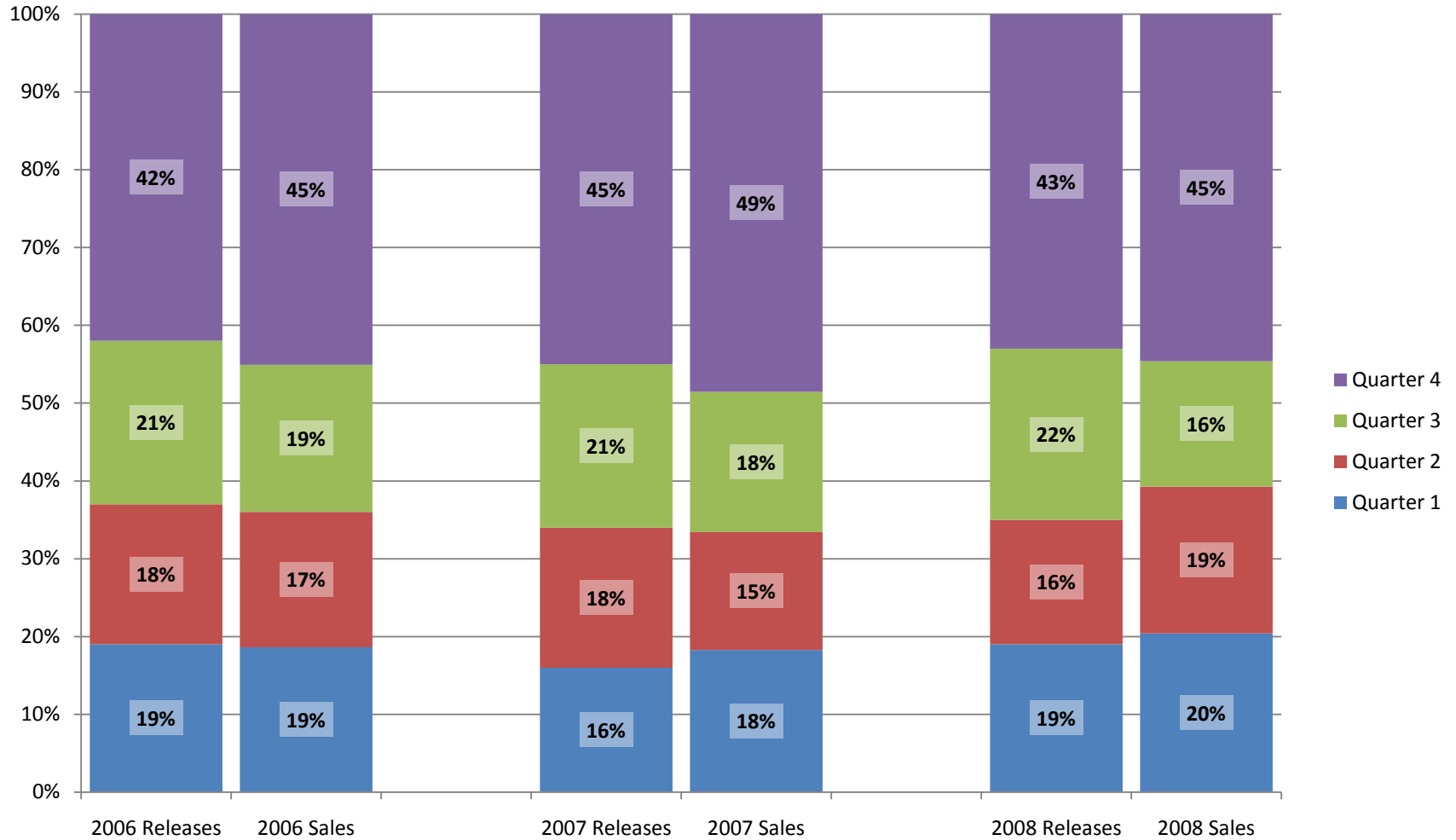
## KEY TAKE AWAYS

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- The game industry is efficient with its release schedule.
- Quarterly releases support quarterly sales proportionately for each quarter.
- 5% of all next-generation games receive a quality score 85 or higher.
- The holiday quarter, on average, produces 200% more high-quality releases than other quarters.
- As a percentage, the PS3 has the most high-quality releases at 13%; the Wii and DS are last at 2%.

## Comparison of SKU Release Quantities to Sales

By Quarter - All Console Platforms & Handhelds 2006 - 2008



Source: EEDAR & The NPD Group

## ANALYSIS

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One of the most vocal complaints from the gaming community over the holiday season is the sheer quantity of games released in the fourth quarter of the calendar year. For this month's newsletter, we will examine whether publishers are overloading certain quarters and whether quarterly sales support the quantity of releases.

The data from 2006 through 2008 indicates a close alignment between industry sales and the quantity of releases for each quarter. While the fourth quarter does have a significantly higher quantity of releases, so too does it have a significantly higher proportion of the year's sales. **The thoughts on releasing more games in Q4 seem to run analogous to expanding a sports stadium from holding 20,000 fans to 35,000 fans - if you can fill the seats, than the expansion is justified.**

**This data does not suggest causation and there is no one-to-one correlation between release quantities and sales by quarter. Instead, the data suggests that other factors such as quality scores, variety of releases, marketing, and economical factors play a role in shaping quarterly sales for the industry.**

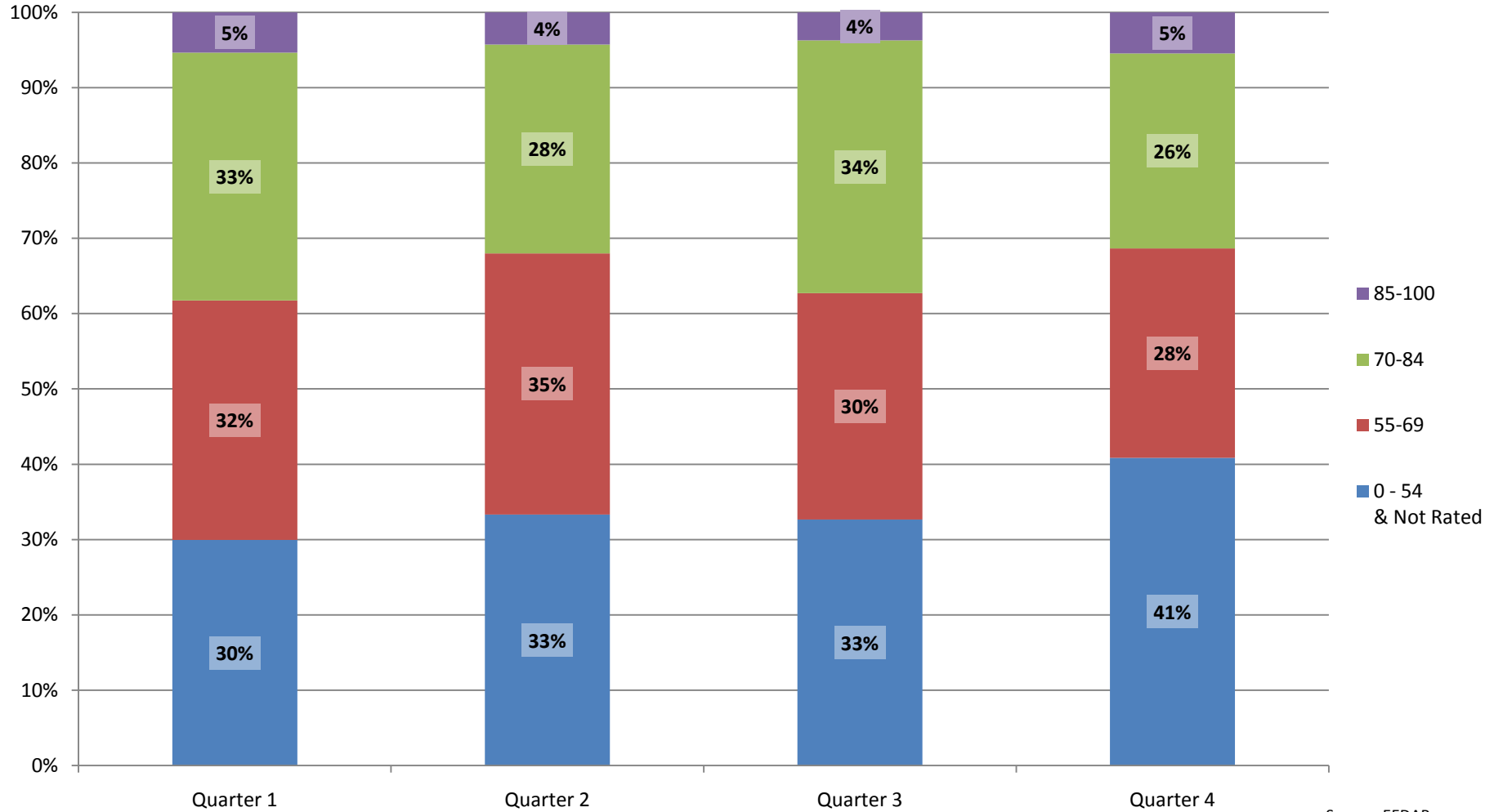
The data shows that any quarter can see a fluctuation of 3-4% in yearly software sales. This equates to about \$330 million or 4 to 6 million units in an off-season quarter, which is equal to the combined sales of two big AAA titles.

Quarter 2, 2008 is a good example of these fluctuations. In 2006 and 2007, the second quarter accounted for 17% and 15% of yearly sales, and both ranked last among the total sales. The second quarter of 2008, however, accounted for 19% of sales. We believe the fluctuation occurred due to the large quantity of AAA titles in Quarter 2 2008, consisting of *Wii Fit*, *Mario Kart Wii*, *Grand Theft Auto IV*, *Guitar Hero: On Tour*, *Metal Gear Solid 4*, and *Lego Indiana Jones*. For reference, *Wii Fit*, *Mario Kart*, and *Grand Theft Auto IV*, all sold over 5 million units in North America over their lifetime and all ranked among the top five in yearly sales of 2008.

The next few topics further examine the release schedule of the video game industry, but instead of comparing release quantities to sales, we compare them to quality scores. After all, the complaints from the gaming community are not necessarily about the total amount of releases, but rather about the total amount of *worthwhile* releases that hit retail shelves into the fourth quarter.

## Quantity of Games as a Percentage

Special Editions Removed - By Quality Score Band and Quarter - PS3/360/Wii/DS/PSP - 2007 - 2008



Source: EEDAR

## ANALYSIS

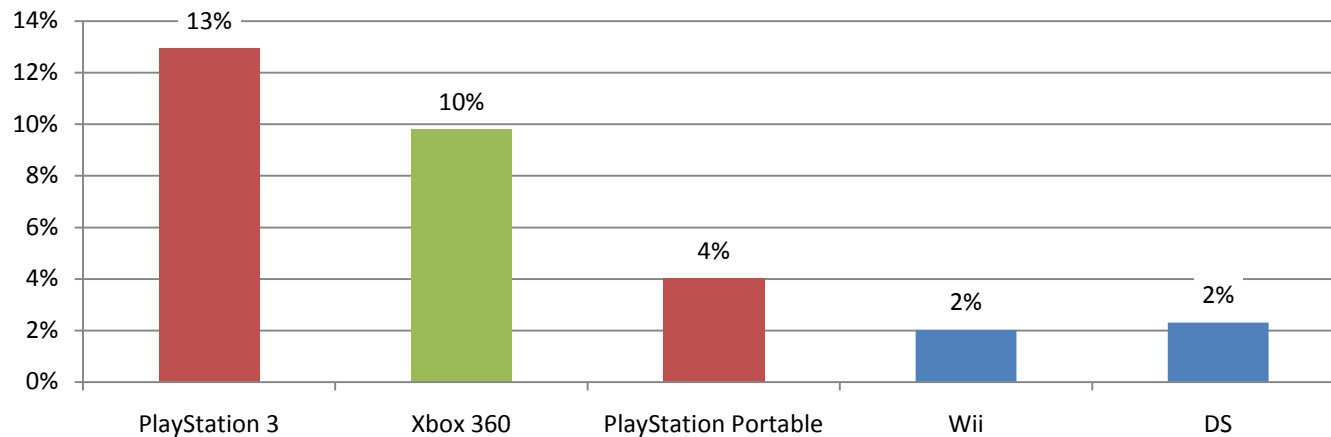
Looking at the distribution of the quality score bands by quarters, relative to total amount of SKUs released, there is no significant change in the percentage of high quality games in the fourth quarter. **The only significant change occurs with a decrease in “good” scoring titles (70 – 84) and an increase in those of poor quality (54 and below).**

Examining the Not Rated list of games (i.e. games with less than 3 reviews), past trends shows that few, if any, of these games would of score above 80, and that most, if not all, would come in below 54.

**Fact: On Average, only 5% of games released on next-generation home or portable consoles received a quality score 85 or higher.**

**Note: There is a large disparity between each platform.**

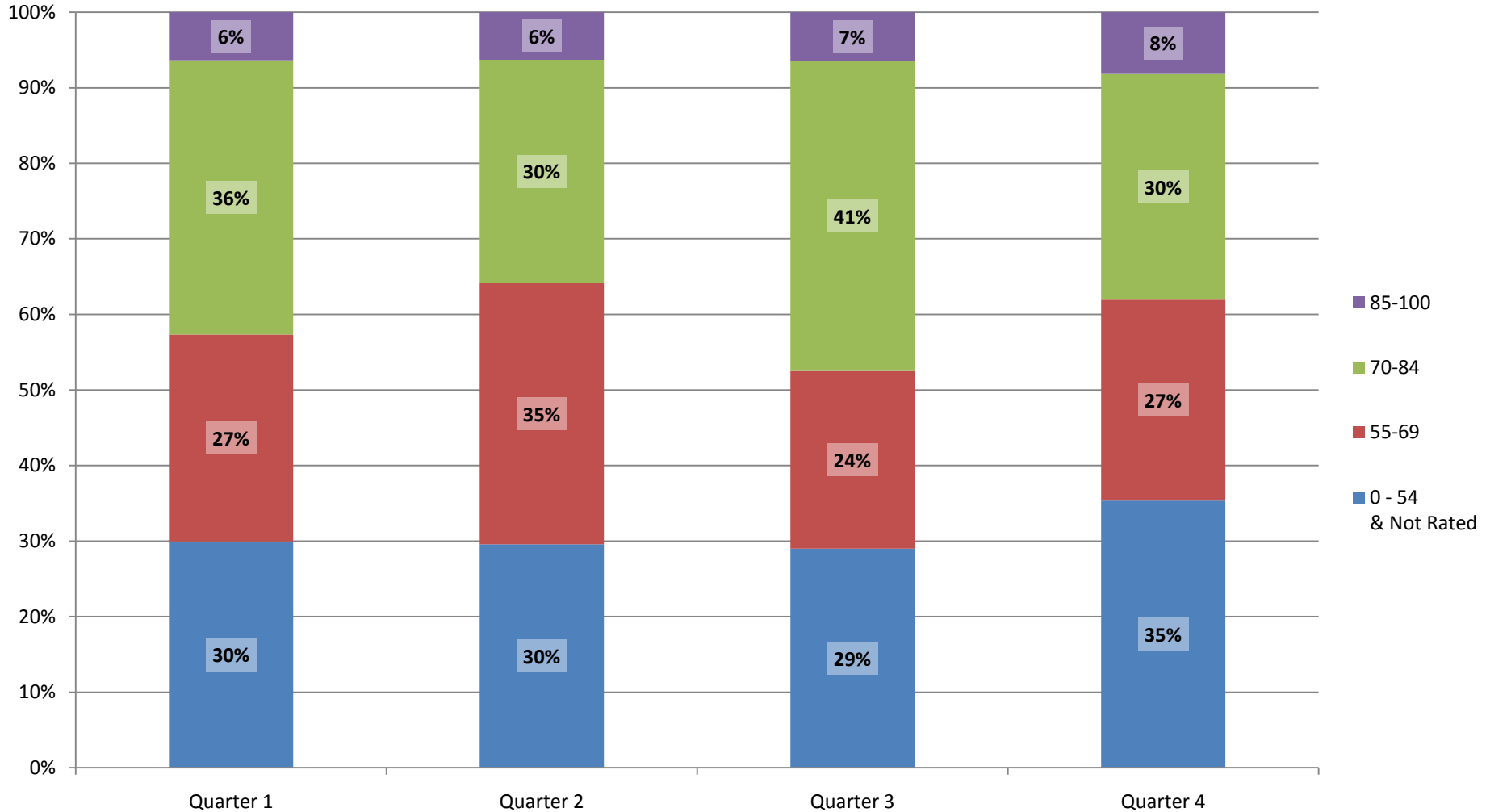
**Percentage of Games with a Quality Score 85 or Higher**  
Distinct Games Only - Special Editions Removed



Source: EEDAR

## Quantity of Games as a Percentage

Special Editions Removed - By Quality Score Band and Quarter - PS3/360/Wii - 2007 - 2008



Source: EEDAR

## ANALYSIS

One could argue that the Nintendo DS and the Sony PSP, both known for having a small library of 85 or higher rated games, could be skewing the overall figures. Accepting that, it makes sense to remove DS and PSP titles and only look at the next-generation home consoles.

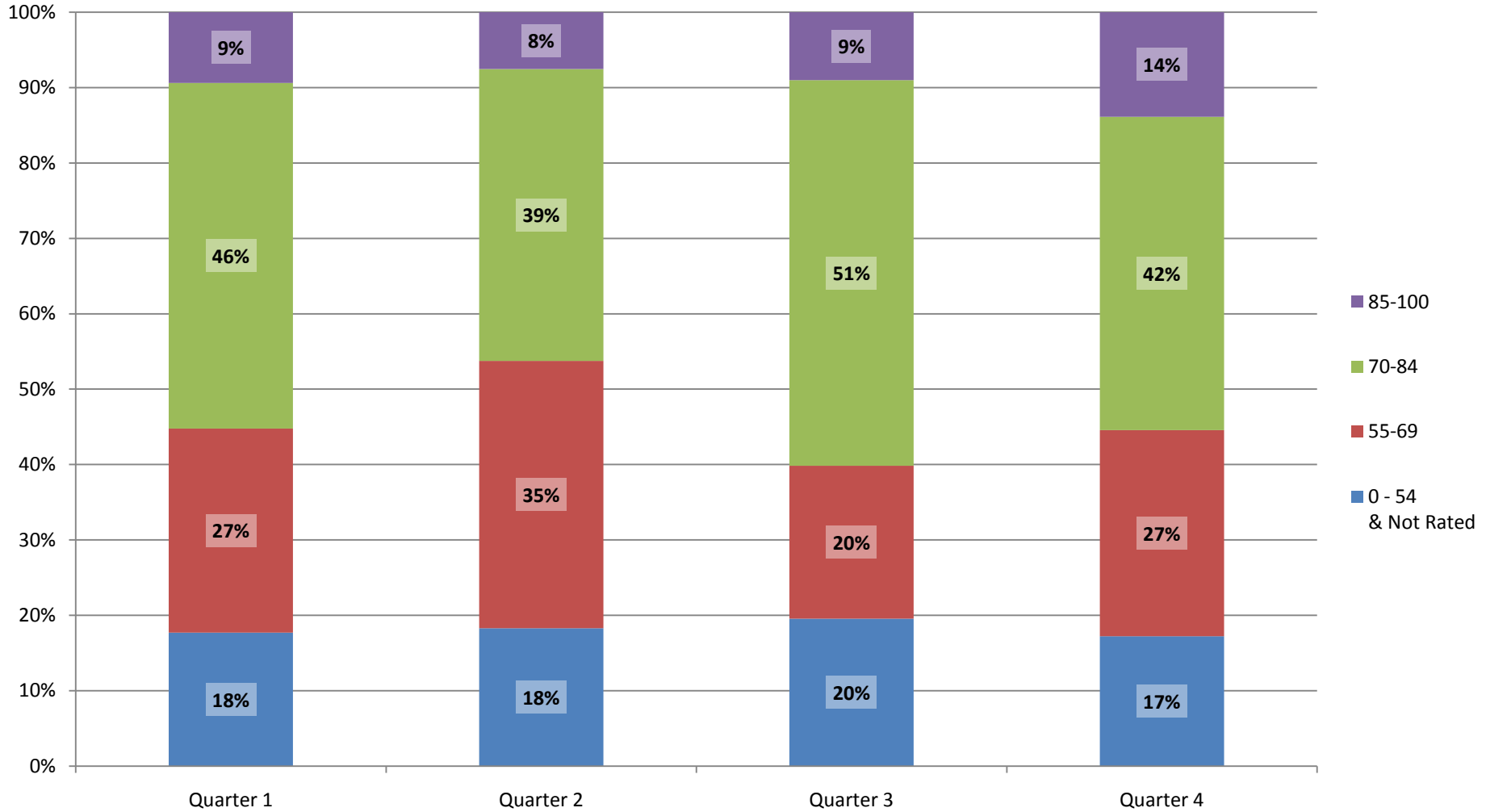
**Removing the Nintendo DS and Sony PSP, we can observe that there is only a marginal difference in the increase of highly rated titles. Again, games rated 54 and below accounted for the largest quantity of releases.**

Of course, one could further argue that it is not just the Nintendo DS or Sony PSP dragging down the averages of high quality titles, but additionally the Nintendo Wii given its large casual/mainstream base. Topic 4 removes the Wii and looks specifically at the Xbox 360 and PlayStation 3 releases.

***Fact: To date, first-party titles account for 65% of all Nintendo DS games rated 85 and above; 47% for PSP.***

## Quantity of Games as a Percentage

Special Editions Removed - By Quality Score Band and Quarter - PS3/360 - 2007 - 2008



Source: EEDAR

## ANALYSIS

Removing the Wii (leaving only the PS3 and Xbox 360), we see a marginal increase in the percentage of titles that scored an 85 or higher. **What is most interesting is that these increases occurred not because of an increase in the quantity of games in the 85-100 or 70-84 bands, but because of the decrease in the number of titles scoring 54 and below. Again, this reinforces that the Wii, DS, and PSP contribute to a significant percentage of the lower quality titles.** Still, the increase from an average of 9% scoring 85 or above in the off-season to 14% during the holiday quarter is trivial. A 5% absolute increase is hardly anything to sniff at. Or is it?

### Why All the Complaints?

Thus far, we have only looked at EEDAR quality score data relative to the total quantity of releases. This may be an unfair viewpoint given the spending patterns of the average core gamer. **The core consumers of our industry, like those of other entertainment sectors, do not view our industry as cyclical, despite the fact that 45% of game sales occur in the fourth quarter.** Instead, the typical core gamer has a more straightforward spending preference. For example, if you told the core gamer that there will only be eight (8) games a year worth purchasing and they could choose their release dates, their answer would likely be “Game 2 should be released when I’m finished with Game 1, Game 3 when I’m finished with Game 2,” and so on.

Herein may lay the cause of the uproar amongst the core of our community during the holiday season. While, as a percentage, we only see a moderate increase in the number of highly reviewed games, when examined from a quantity perspective the increase is actually quite large.

***Fact: In the holiday quarter, 2008 had 15 games that achieved a quality score 85 or higher; 2007 had 17.***

## Different Method of Calculation:

In the previous examples, we used SKU counts to formulate our data. Let us assume that a gamer owns all the next-generation systems and instead of calculating based on SKUs, where some games have multiple SKUs that score 85 or higher, we look at it on a per title basis. Additionally, instead of looking at the increases relative to the total amount of releases in a given quarter, we compare it relative to the previous quarters. Quarters 1 through 3, on average, each produce 5 distinct games that score 85 or higher. Quarter 4 on average has 15, a 200% increase.

**Fact: Your review conscious gamer that only purchases the highest quality games would go from a \$250 quarterly gaming budget in the off-season to \$750 budget during the holidays.**

## Conclusion:

The question on whether our industry is overloading the holiday quarter does not have a simple answer. On one hand, looking from a macro-view, the amount of releases rise proportionally to the amount of sales generated; the same for high quality scoring titles. On the other hand, a core gamer, whose discretionary gaming budget is likely consistent across the entire year, would have to increase their budget by over 200% in the holiday quarter to keep up with the high influx of high quality releases.

Is it more beneficial, financially, to release an 85 or higher quality title in the off-season or the holiday season? Again, the answer varies depending on the game, genre, and, of course, the marketing budget. On average, however, games released in the holiday season sell about 15-20% more than higher quality games released off-season, which is likely why despite the core communities complaints, publishers continue to overload the holiday quarter with their best releases.

**Fact: Regardless of how you slice the data, games that score 85 or above in quality sell 15 to 20% more in their lifetime if released in the holiday than in the off-season.**

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