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VR GAMES: OPPORTUNITY ASSESSED

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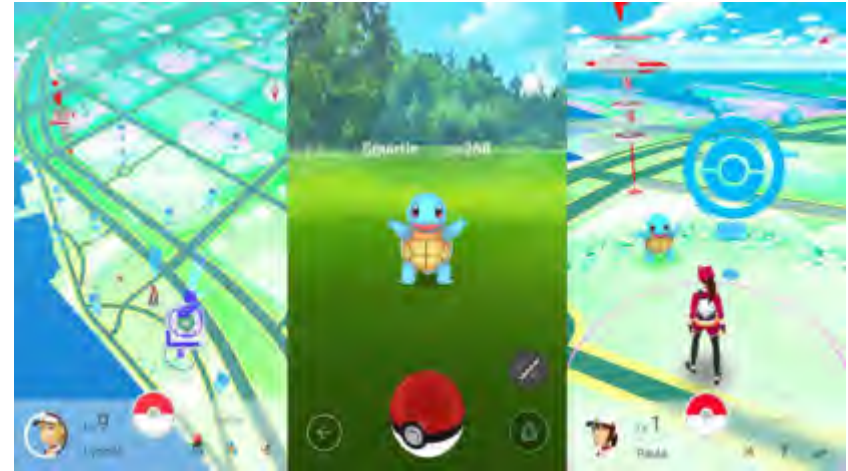
IHS Technology: Research covering the entire technology, media and telecom value chains: **from silicon to the end-user**

technology.ihs.com

Pokemon Go sparks the interest of AR games



Source: roadtovr.com

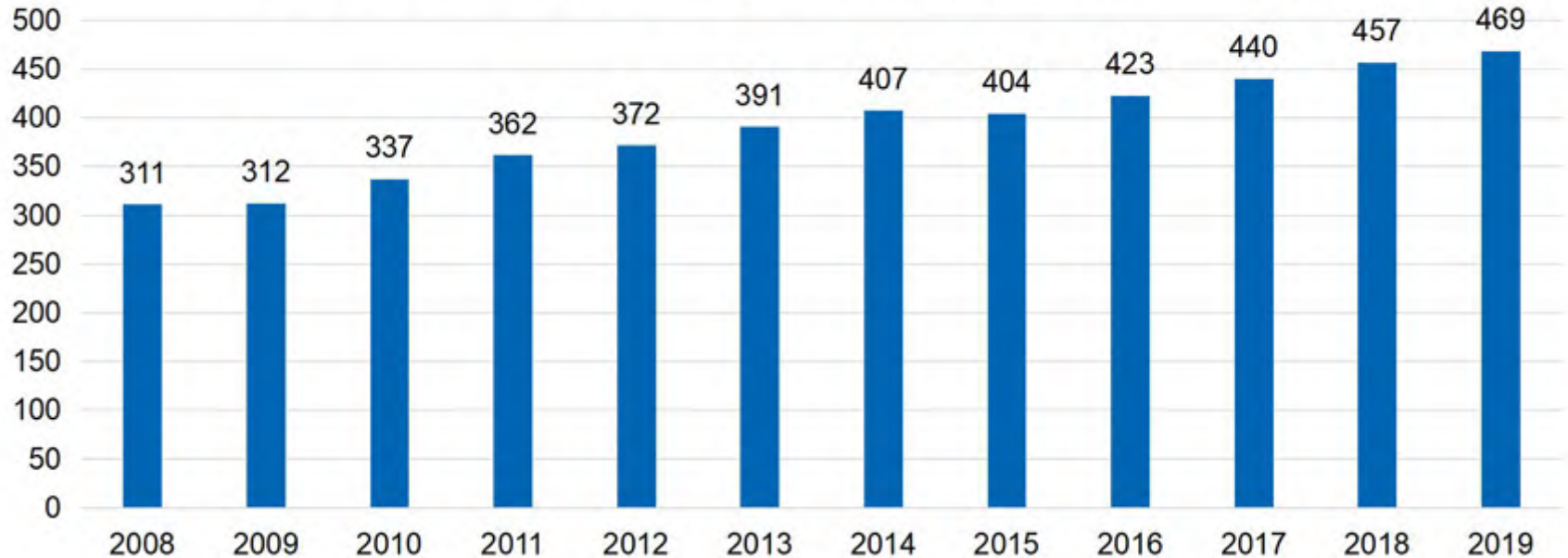


Source: modojo.com

Consumer VR in context: Why the excitement?

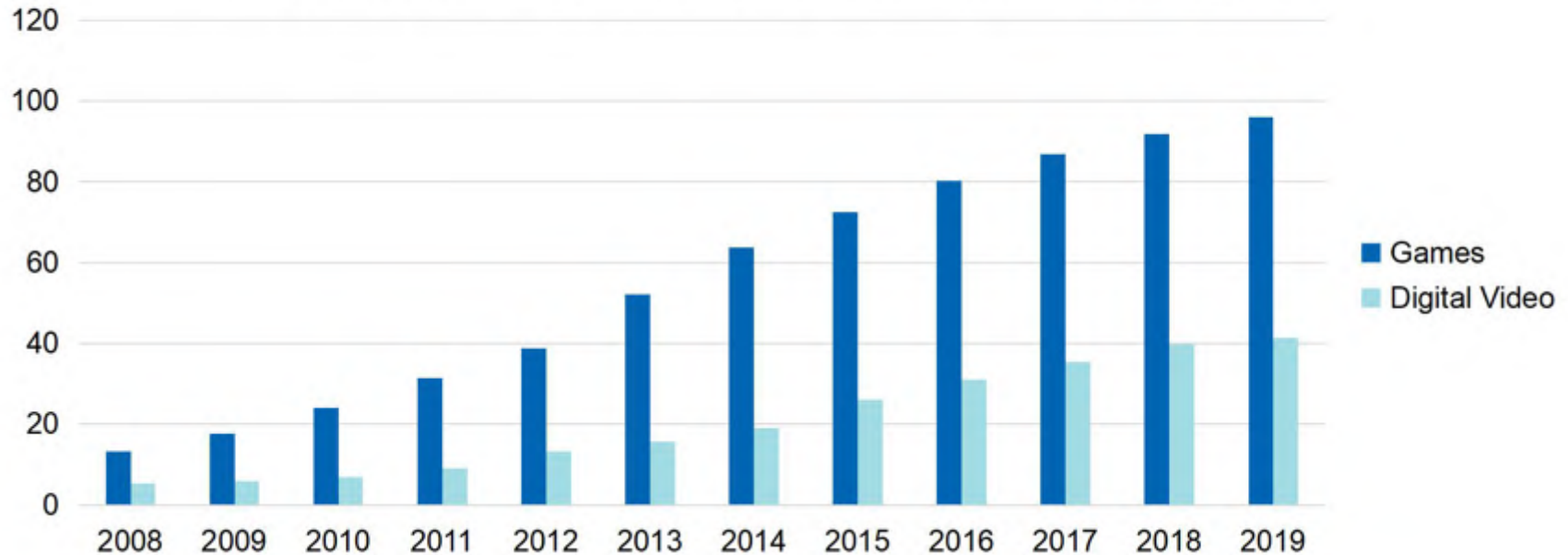
Direct consumer spending on entertainment media is a growing \$404bn business

World consumer spending on entertainment media (\$bn)



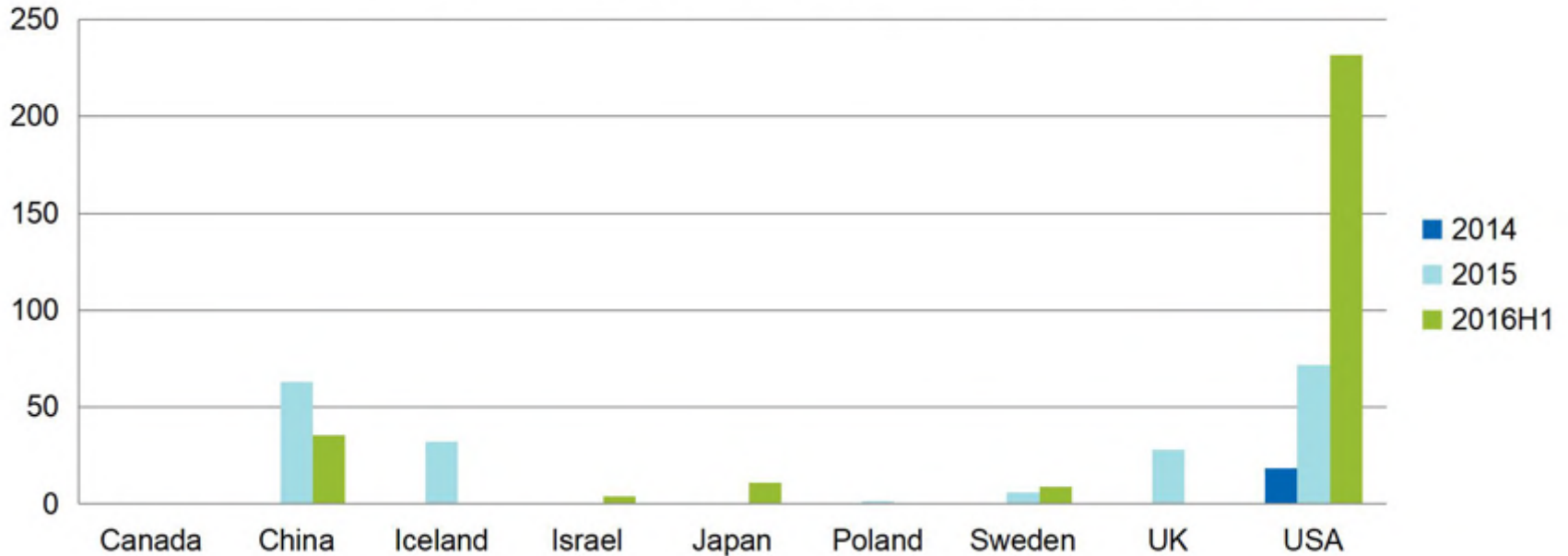
Games spending dominates the digital opportunity

Digital content spending: Games versus Video (\$bn)



USA and China secure major funding for VR games production

VR Games Funding for selected major countries

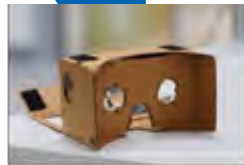


VR games development faces challenges

The VR headset market is bifurcated at present and relevant to multiple platform types: smartphones, PCs and games consoles

Smartphone
adaptor
headsets

Integrated
display
headsets



Source: <https://www.google.com/pressroom/2015/09/24/google-cardboard-2015-09-24/>



Source: <https://www.oculus.com/pressroom/2016/03/29/oculus-rift-2016-03-29/>



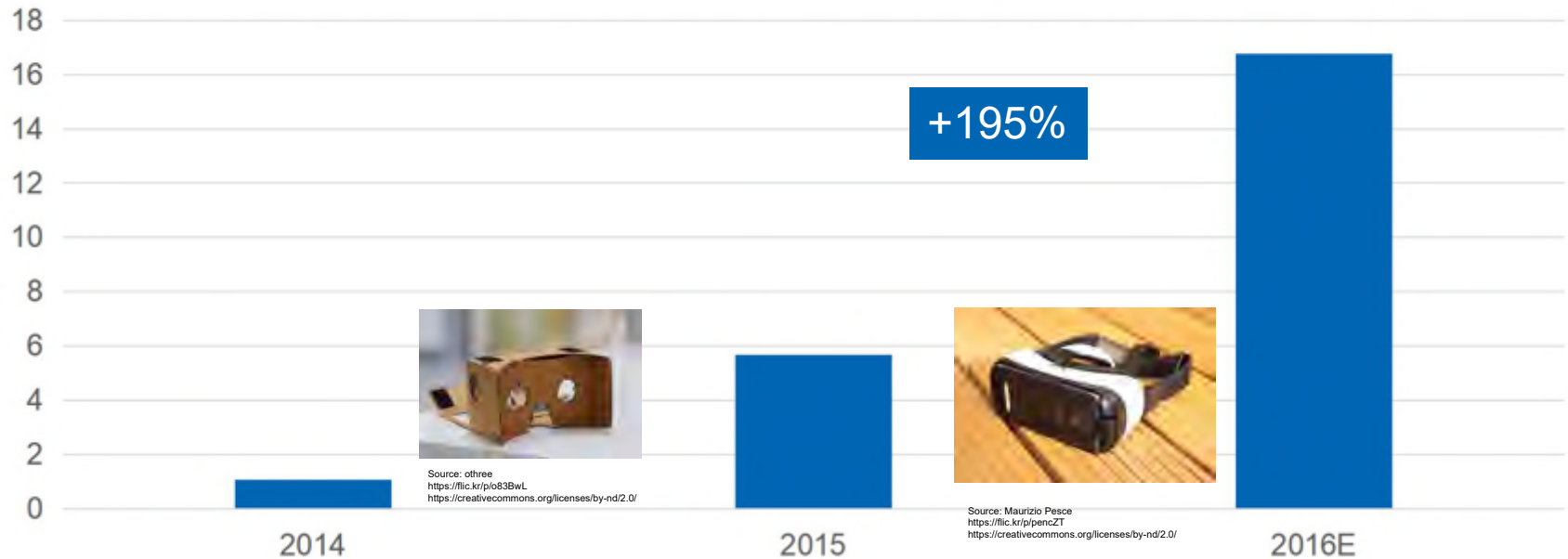
Source: Author

\$5 - \$99 +
smartphone

\$499 -
\$799 +
PC or
console

Unsurprisingly, cheap VR adaptor headsets is where most of the competitive action is taking place in 2016

Annual sales volume of smartphone adaptor VR headsets (m)



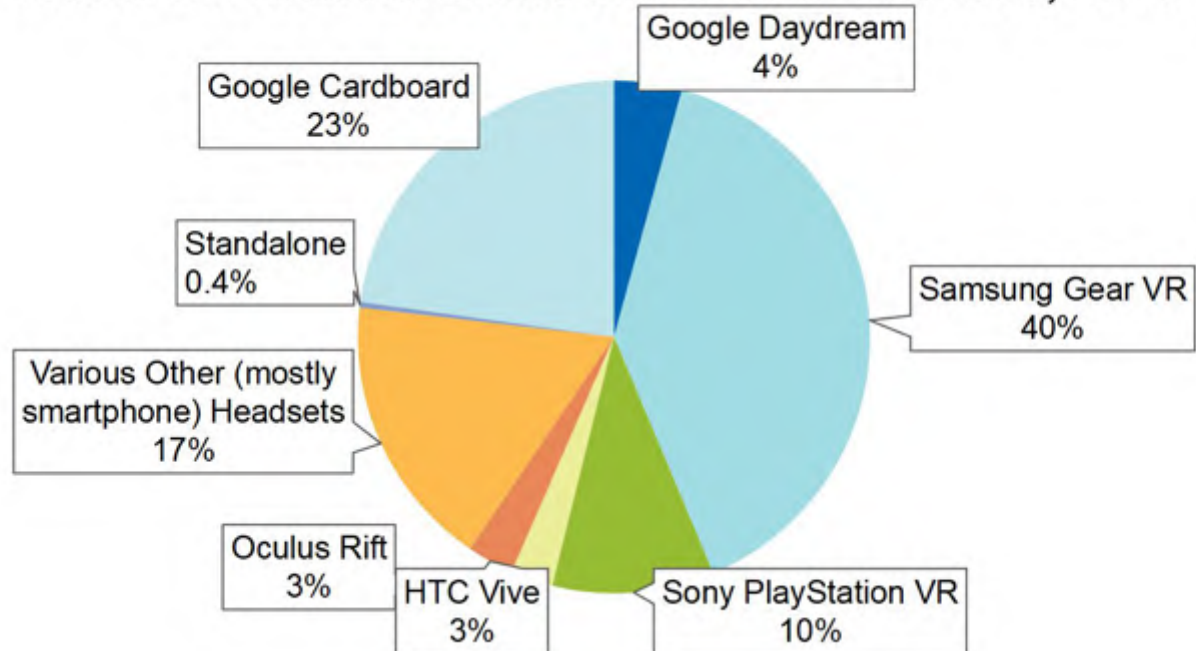
But where are the content strategies for these adaptor headsets?

- Samsung stands alone with its evolved VR content strategy.
- But even Samsung is relying on 2D video services and user generated content.
- Google's approach lays framework for content distribution but is hands-off in terms of premium content.
- Other smartphone vendors are relying on UGC and third-party apps...

**Race to win means
hardware is well
ahead of the VR
content curve**

In the short-term a relatively fragmented headset market

World VR headset brand installed base share, 2016E



That fragmentation not aided by non-standard input mechanisms



Photo Credit: Oculus Press Kit



Photo Credit: Microsoft Press Kit



Photo Credit: Sony Press Kit



Photo Credit: Author

Limitations on VR games genre



Source: www.dualshockers.com



Source: www.chinaseeq.com



Source: thewealthyhealthreviews.blogspot.com



Source: games.qq.com

The future of VR games monetisation?

Microtransactions

**Premium/Retail
\$1.21bn by 2018**

Advertising

Offline (Cafe, stores, theme parks, etc)

Where is the real VR games opportunity?



There is limited premium content available in 2016; Games lead the way

Free, promotional or ad-supported

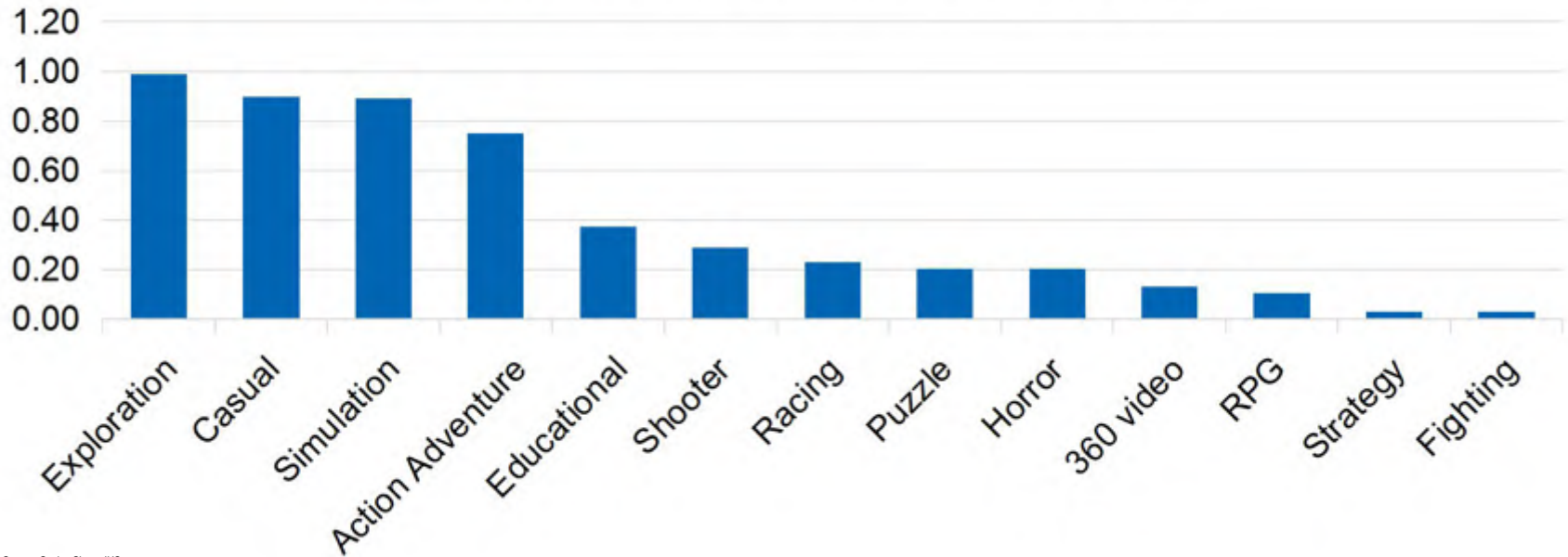
- 360° video – sports, travel, journalist, user generated
- Promotional VR ‘experiences’ / trailers
- Games and games demos

Premium, paid for

- **Games**
- 180° adult video
- Cinematic VR and premium VR ‘experiences’
- Live event streaming in 360°

Early VR consumption of games suggests a deviation from tastes on other platforms

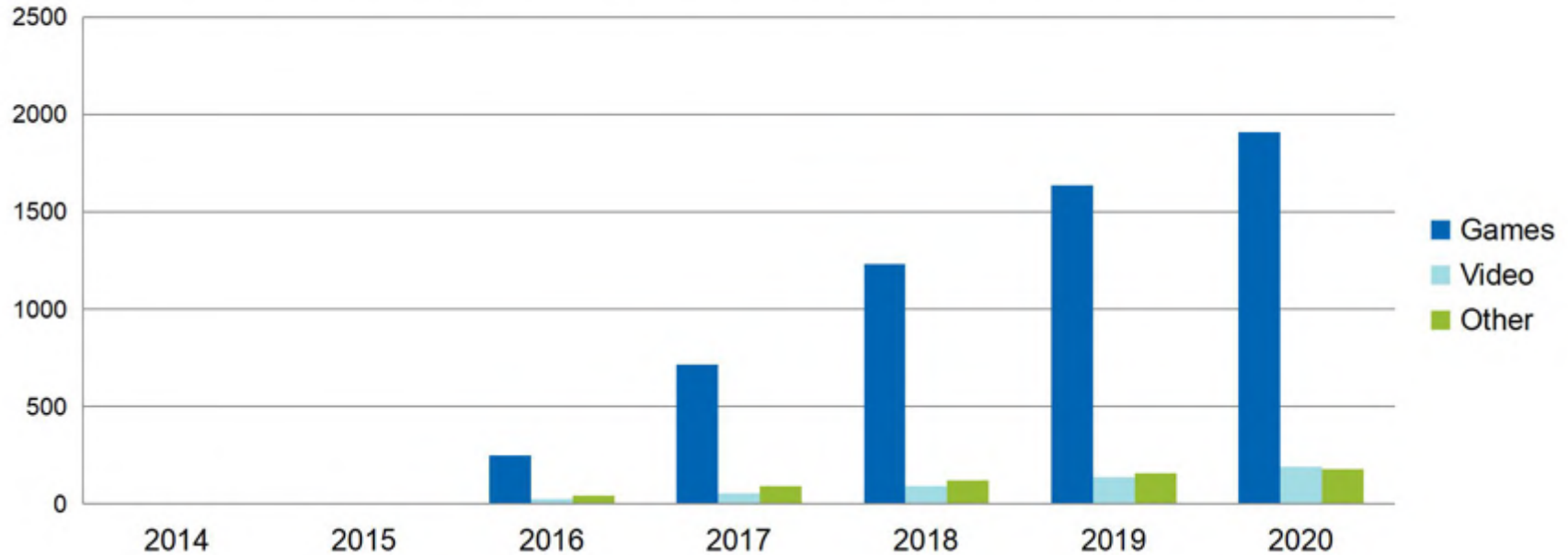
Oculus Share free downloads by genre (m)



Source: Oculus Share, IHS
Up to August 2015

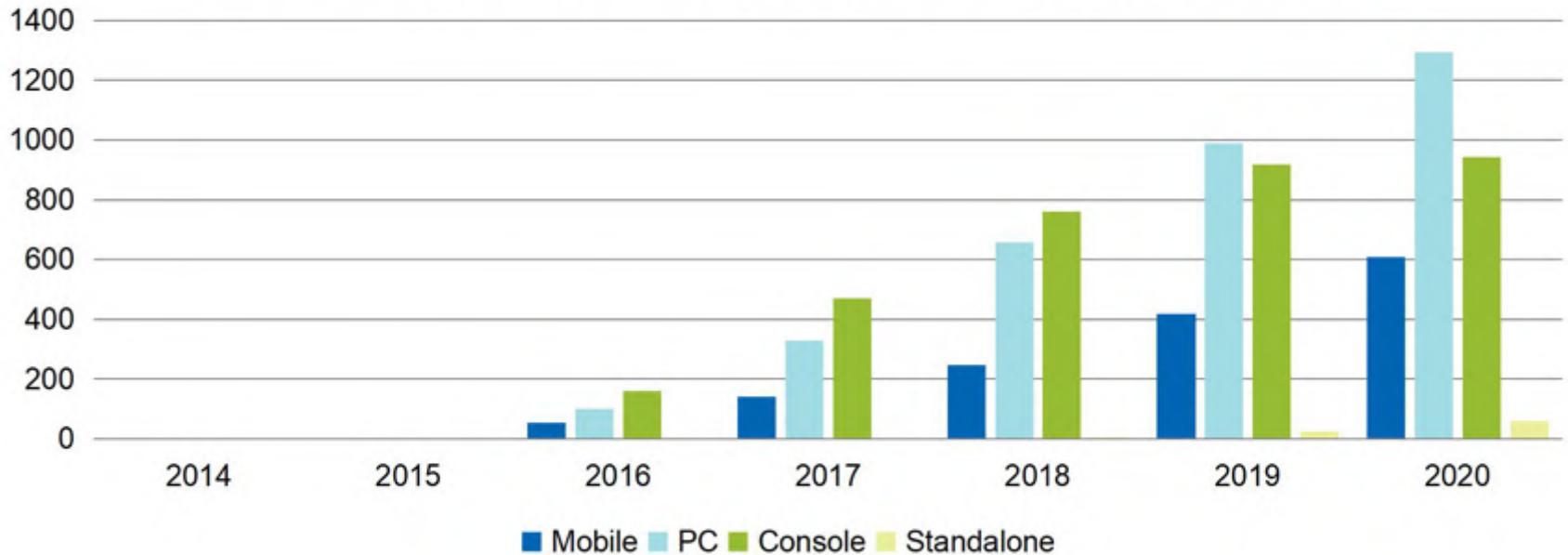
VR Content Spending: Games will dominate the market

VR content spending: Premium games versus Video (\$m)



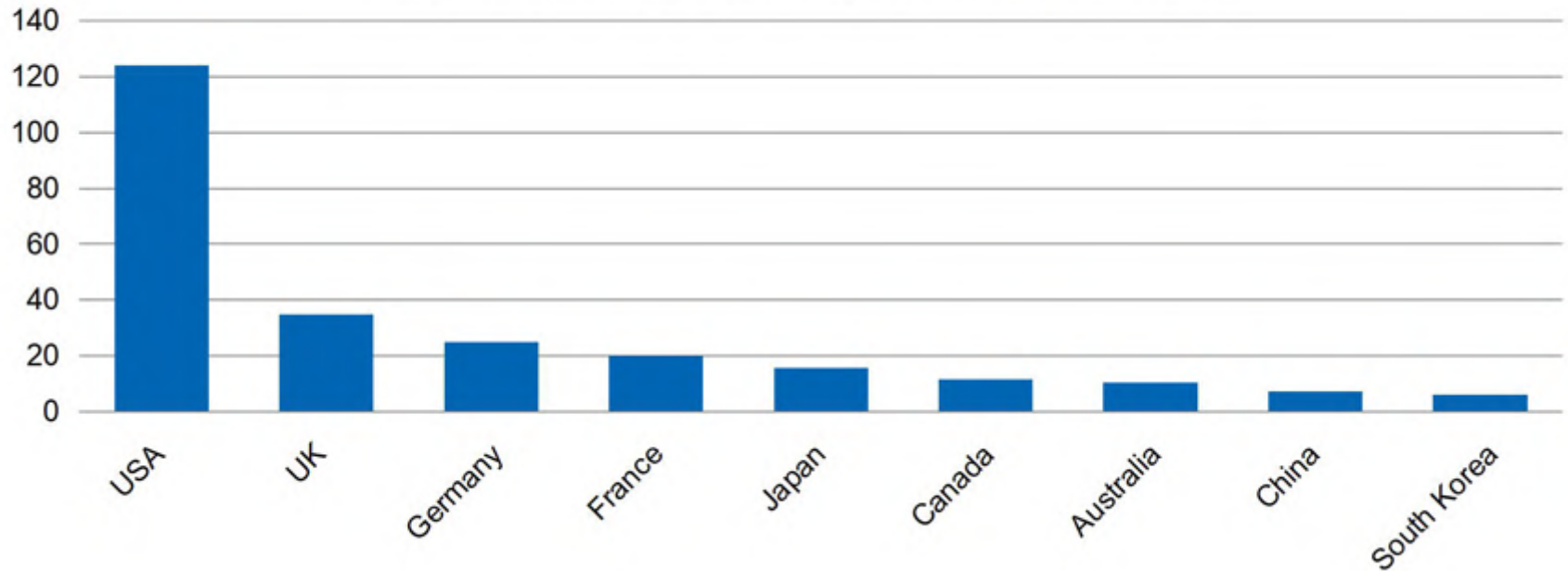
PSVR, HTC Vive and Oculus Rift become the major platform for games developers while Daydream dominates mobile sector

World VR games spending across multiple platforms (\$m)



North America and Europe are the main markets in early stage while China is playing catch-up

VR games spending across major countries in 2016 (\$m)





Key takeaways:

1. The rapid growth of investment and consumer spending on VR games indicate potential opportunity.
2. Fragmented market and non-standard peripherals present hurdles for market development
3. The profitable premium model for VR games poses challenges for Chinese market where freemium titles dominate
4. Exploration and casual games are popular as some other titles require more advanced technology support
5. China is likely to become one of the major market of VR games in our five-year forecast

New VR research! Get in touch to find out more.

Virtual Reality Market Opportunity Report, 2016

- Detailed databases and visualisation of VR hardware and VR content forecasts by platform and country.
- Extensive insight report examining platform strategies and market opportunity and potential.
- Visit technology.ihs.com to find out more or come and find me after this presentation.





Thank You
