

THINK RETAIL THINK VERDICT



UK Video Games & Consoles Retailing 2008

**Rapidly expanding market
defies wider slowdown**

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Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

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Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

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In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



"Verdict are the company of choice for any research analysis and insight into retailing"

Sir Stuart Rose
Executive Chairman
Marks & Spencer

UK Video Games & Consoles Retailing 2008

Rapidly expanding market defies wider slowdown...

Video games are proving themselves the stand-out performer in a sluggish UK retail environment, enjoying explosive growth at odds with other entertainment sectors. When this upsurge is over, video games will find itself with a larger, more significant, chunk of the retail market. The underlying reason for this is growth in the demographic, driven by technological innovation. Although leading specialist 'Game' and a number of well-run independents are well-placed to profit on the conspicuously buoyant market, other retailers are also keen to benefit, with grocers, online retailers and selected non-specialists all increasing their participation in the sector.

This new report published by Verdict Research provides market value and volume data, growth forecasts to 2013 and SWOT analyses of the key video games and console retailers in the market across specialists, non-specialists, grocers and pureplay online retailers. It also examines key market issues including pre-owned products, product innovation and changing channel dynamics.

11 Key Retailers profiled

Amazon	Play.com
Argos	Tesco
Asda	Toys R Us
Blockbuster	Woolworths
Game	Zavvi
HMV	

This new brief will help you to assess the competitive landscape and create strategies to exploit future growth in the UK video games and consoles market...

Woolworths SWOT analysis 2008

Strengths	Weaknesses
<ul style="list-style-type: none"> ➤ Having a franchise associated with brand name ➤ Some store locations have limited sector competition ➤ Attracts customers from a broad demographic ➤ Superior value based average customer spend 	<ul style="list-style-type: none"> ➤ Often uncompetitive on price ➤ Poorly merchandised ➤ Stock often unavailable and gaps in ranges ➤ Lacks the credentials of specialists ➤ High cost business model ➤ Poor store environments
Opportunities	Threats
<ul style="list-style-type: none"> ➤ Strengthen ranges in order to compete more effectively with specialists and online players ➤ Focus future offers in stores which have limited local competition ➤ Further develop its multi-channel games console & software proposition ➤ Publish digital download site ➤ Expand relationships with UK and overseas 	<ul style="list-style-type: none"> ➤ Console and online players continue to eat the specialist's share ➤ More stores switching to secondary and tertiary high street locations ➤ Continuity reporting of marketing sales and increasing losses

Source: UK Video Games & Consoles Retailings 2008

"Woolworths is suffering extremely tough times at the moment and capitalising on the growth of the video games market will be crucial if it is to survive its current woes.

Although it traditionally posts a loss in the first half of the year, due to its dependence on Christmas, the scale of these deficits is deeply worrying and if performance does not improve significantly in the crucial Christmas 2008 period there will be serious doubts about its future..."

- **Benchmark the performance of key video games and consoles retailers and the market**, identify which retailers are on the upward and downward curve and where the best prospects for growth lie using this report's profile of the video and games console competitive landscape.
- **Understand the key market developments driving growth in the video games and consoles retail market until the end of 2008** from handheld consoles, new product launches, audience development to innovations in gaming controllers.
- **Enhance your competitive strategies using the SWOT analyses contained in this report** for key retailers including Amazon, Argos, Asda, Blockbuster, Game, HMV, Play.com, Tesco, Toys R Us, Woolworths and Zavvi.
- **Anticipate key growth areas in the video game and console retailer market** using this report's market size estimates from 2003 to 2008 and five year growth rate forecasts to 2013.

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This brief answers key questions including...

- What are the key issues affecting UK video games and consoles retailing at present?
- Which retailers will be driving UK video games growth over the next 5 years?
- Who are the new entrants to the UK Video games and consoles market and who's doing particularly well?
- Why are UK video game sales defying the spending downturn?
- What does the future hold for UK independent specialists?

Key Market Data

- Market component breakdown
- Market size
- Channels of distribution
- Major independent video games specialists store data

Key issues examined in this brief...

Video games & consoles long term issues

Source: UK Video Games & Consoles Retailings 2008

"Piracy in video games consoles, virtually unheard of 10 years ago, has been a growing problem. While not as widespread as the music or video market it has become an issue, on the Nintendo DS console in particular. An 'R4 card' accessory, which is perfectly legal to sell and own in the UK, allows users to download widely available games from the internet for free and allows gamers to circumnavigate the DS' in-built copy protection system. The problems have also affected the PSP, and the other consoles to a lesser extent, with users hacking the consoles' firmware to allow them to run copied software..."

- **Online/Digital distribution.** The potential for online video games sales is clear. In 2008 Sony UK Managing Director Ray Maguire predicted that 90% of UK sales will be online within 10 years. This there will be a split between physical format and digital distribution, with the digital format likely to have assumed the mantle of driving growth by this time. The consoles own respective networks, such as Wiiconnect 24, Xbox live and the Playstation Network, will play a significant role in this.
- **New revenue streams.** In-game advertising is already beginning to massively take-off, as are pay-to-play and subscription based online services such as World of Warcraft, Second life or Xbox 360 live. These revenue streams are certain to develop further, in terms of both penetration and complexity.
- **New consoles.** The current generation of consoles are approaching their peak, hence mainstream developers are unlikely to release any new technology before 2010 at the earliest. Development and pre-launch information is likely to be kept very low key in an effort to ensure consumers do not stop purchasing the preceding generation of technology in anticipation of this new phase.

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