

Netflix makes second major video game acquisition

Article

The news: Netflix is digging deeper into gaming with a \$72 million acquisition of Finnish mobile game studio **Next Games**. The deal is expected to close in Q2 2022, [per](#) TechCrunch.

How we got here: The two companies have worked together in the past to publish mobile titles tied to Netflix properties like “Stranger Things,” and fully bringing it into the fold will help Netflix further flesh out its gaming division.

- Last year, facing slowing subscriber growth, Netflix went [full steam ahead](#) into gaming. The company hired a former **Electronic Arts** executive as vice president of its gaming operation, and soon after acquired independent developer [Night School Studios](#), which has made supernatural coming of age video games similar to “Stranger Things,” for an undisclosed amount.

Why video games? Netflix’s decision to invest heavily in video games puts it in a different playing field than competing streaming services that have recently turned their attention to [sports streaming rights](#) and [foreign markets](#) to help make up for a near industrywide slowdown in subscriptions.

Favorite Entertainment Activity Among US Teens/Adults, by Generation, Feb 2021

% of respondents in each group

	Gen Z (ages 14-24)	Millennials (ages 25-38)	Gen X (ages 39-55)	Baby boomers (ages 56-74)
Play video games	26%	16%	10%	3%
Listen to music	14%	13%	8%	11%
Browse the internet	12%	11%	10%	12%
Engage on social platforms	11%	7%	5%	2%
Watch TV shows or movies at home	10%	18%	29%	39%

Source: Deloitte, “Digital media trends survey, 15th edition,” April 16, 2021

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- Subscriber growth aside, Netflix is still enjoying the benefit of legacy among a field of newer streaming competitors. We estimate that 55.6% of Americans will be Netflix viewers by 2026 —the most of any major streaming service, although competitors’ viewership is growing at a faster pace.
- Gaming investments will help Netflix make inroads with new generations of users. Video games are an extremely popular hobby among Gen Zers; an April 2021 study from Deloitte found that 26% of Gen Z respondents said video games were their favorite entertainment activity. Millennials came in second at 16%.

Looking forward: Gaming may help Netflix seem distinct from other video-on-demand services, but the number of games streaming competitors is also growing.

- **Samsung** recently launched a gaming service on select smart TV models that would allow customers to stream video games, enabling them to play without purchasing a console.

- **Amazon's** games streaming service **Luna** was also released to the public on Tuesday, although similar efforts from companies like **Google** have ended in **failure**.