

Sony bets on service games for Playstation's future

Article

The news: Sony is going all-in on service games and is bringing more of its gaming intellectual property to TV and streaming services, it disclosed in an investor presentation.

- The company announced plans to develop 12 live service games by 2025 with the help of developer **Bungie**, which it recently [acquired](#) for **\$3.6 billion**.

- It will also bring more of its console-exclusive titles to PC, where it can more closely compete with **Microsoft's Game Pass** service.
- The development of shows based on the “**God of War**” and “**Horizon**” franchises with **Amazon** and **Netflix**, as well as a yet-to-be-placed “**Gran Turismo**” show, are the latest in a series of video game adaptations on streaming platforms.

Games as a service: The “live game” model has been a huge success for the video game industry, producing lucrative hits like “**Fortnite**,” “**Apex Legends**,” and Bungie’s “**Destiny**” series, which helped popularize the format.

- Sony has traditionally been resistant to service games, even as they’ve proved successful for competitors. In 2019, “traditional” game releases made up 88% of its PS5 business investments, while live games only made up 12%. It expects to boost that to 49% this year and to 55% by 2025.
- Service games keep players coming back over long periods of time but can also open up opportunities for Sony’s rumored advertising platform for free-to-play games, which make up 25% of Playstation Store spend.
- Sony’s “Add-ons” category, which can take the form of expansions to “traditional” games or updates and purchasables to service games, is also expected to grow from **\$15 billion** this year to **\$24 billion** by 2025.

Share of US Teens/Adults Who Play Video Games, by Generation, March 2022

% of respondents in each group



Note: ages 14+; Gen Z born 1997-2007, millennials born 1983-1996, Gen X born 1966-1982, baby boomers born 1947-1965, seniors born 1946 and earlier; respondents were asked to choose their 3 most frequent activities

Source: Deloitte, "Digital media trends survey, 16th edition," March 28, 2022

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Expanding on intellectual property: Gaming, thanks to the pandemic, is experiencing a popularity peak, which is coinciding with streaming services’ war to gain viewers by any means possible.

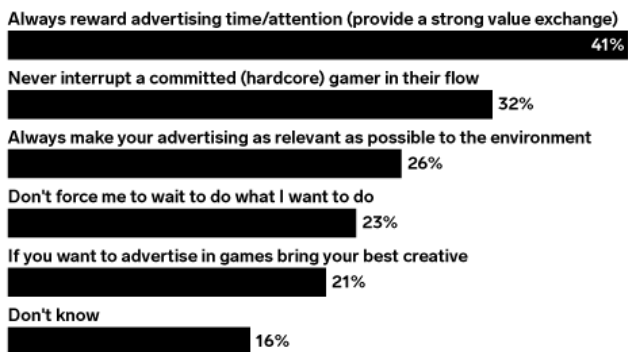
- One of those means is through adapting popular games for the screen. Several major video game franchise adaptations are in the works:
- **HBO Max** is making a show based on Sony-owned “**The Last of Us**”; Netflix has several video game adaptations like “**Arcane**”; **Paramount+** has adapted **Halo** (which was created by Bungie); and Amazon is also working on an adaptation of (now Microsoft-owned) “**Fallout**.”

The big takeaway: Gaming brands are flexing their substantial audiences by adapting some of their most popular intellectual properties and pivoting toward service games.

- Gaming revenues continue to climb, and advertisers will likely flock to free-to-play and service games in the coming years to reach their growing audiences.

What Advice Would US Gamers Give to Advertisers Looking to Advertise Within a Game?

% of respondents, Q4 2021



Note: ages 18-34

Source: Anzu, "The US In-Game Advertising Report 2022," April 13, 2022

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