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Video Games in the Philippines

PRE-COVID PERFORMANCE

Video Games Software Maintains Growth Despite Decline for Hardware

Video games maintained dynamic double-digit current value growth in 2019. Nevertheless, despite new launches, video games hardware saw a continued current value decline due to the drop of static consoles. In 2019, Nintendo launched the Nintendo Switch Lite, and although this is cheaper than Switch, its sales have not been that successful. Those who plan to buy a console still prefer the original Switch because of its more extensive features. Moreover, although it has a lower price, this is not that significant. Therefore, Nintendo Switch continued to grow in 2019, although the strong decline seen by PlayStation 4 negatively affected the static consoles category overall.

According to trade sources, console gaming is considered a niche in the country, and it is usually only actual "gamers" who use consoles, while most people are satisfied with mobile and computer games. The relatively weak internet infrastructure in the Philippines is the saving grace for consoles, because Filipino gamers still prefer this hardware for a reliable gaming experience, especially for high-quality games, which would not normally run smoothly online. Filipinos are now anticipating the launch of the PlayStation 5, although its success is not guaranteed, and it will depend on the improvements to specifications and other features. Sales of console hardware only really pick up during the holiday season.

Also within video games hardware, despite the wider availability of AR/VR headsets and continued growth, sales remained low in 2019. The category is expected to be slow to take off in the country, because Filipinos are price-sensitive, and only a very small percentage of the population, mainly serious gamers, will find the high expenditure worthwhile.

With video games hardware suffering a decline, the video games software was the growth driver in video games in 2019. This category also continued to be the dominant revenue contributor to video games in the Philippines in this year, driven by online and mobile games. Increasing smartphone penetration has presented strong potential for mobile games in the country. Filipinos are price-sensitive, and mobile games are readily available and reasonably priced or even free. The market size of mobile gaming in the Philippines is driven by the number of players, and not by the average amount each player spends on mobile gaming. Filipinos are actually known to be reluctant to spend money on mobile games. Most Filipinos prefer free apps. It is therefore in-game purchases which are fuelling the growth of mobile games, due to the wide array of affordable options and different electronic payment methods available.

Game developers believe that mobile games have the potential to boost awareness of the whole gaming industry; also benefitting other platforms.

E-sports Contributes Strongly to Growth in Video Games

Competitive video gaming has been around in the Philippines for the last decade. E-sports is even being backed by the government because of the potential benefits it could bring to the country, including the creation of more jobs and a boost to tourism. E-sports is also recognized as a legitimate sport in the Philippines; from 2018 professional players could obtain athletic licenses. Today, over 30 million Filipinos are gamers, while around 17 million watch e-sports tournaments online.

The Philippines hosted several world-class e-sports events in the last few years, some sponsored by global e-sports organizations and others locally produced. In March 2019, the Philippines kicked off its first franchise-based e-sports league. The Nationals is an ambitious project that hopes to take control of the Filipino market with its extensive scope. The six founding corporations all have a stake in the league itself, hoping to create a franchise that spans multiple games. They also began their inaugural season with three video games rather than focusing on just one, separating them into PC Gaming, Mobile Gaming and Console Gaming.

The popularity of e-sports is doubtless contributing to the strong growth of video games in the Philippines, with the most popular e-sports game in the country being Dota 2. TV programs covering e-sports tournaments and the sponsorship of players are strongly increasing consumers' awareness of e-sports, encouraging more people to participate, which should continue to boost video games' sales in the forecast period.

2020 AND BEYOND

COVID-19 impact

This year, sales of video games are now expected to grow by 23% in constant 2019 value terms in light of the impact of COVID-19. This compares to a 16% rise in sales forecast in Euromonitor's 2019 edition of toys and games.

Video games are expected to see a surge in demand during 2020, mainly due to the lockdown to limit the spread of COVID-19, as such products are a major source of entertainment for children. However, many adults are also spending more time at home and want to be entertained. In the Philippines, consoles have been one of the indoor games promoted by toy retailers, especially as families can play these games together, or become involved in e-sports events with others. As most sports have been halted, e-sports is in a unique position to fill the gap and boost interest in both playing and watching.

However, it is not all about entertainment, with education

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also featuring prominently. With schools closed, many parents have turned to online resources to maintain their children’s education. Finding ways to socialize has also become important during lockdown, with gaming providing an opportunity to communicate with friends despite social distancing. As consumers stay at home, maintaining online relationships has become more important than ever. Gaming is being used to maintain relationships with friends, as players are entertained together, which helps them to stay connected to one another.

Although most sales of video games were already online in 2019, such as mobile games and digital video games, major bricks-and-mortar video games specialist retailer DataBlitz also went online a month after lockdown to enable online ordering and delivery. Therefore, the closure of non-essential retailers is expected to have little negative impact on sales.

Affected Products within Video Games

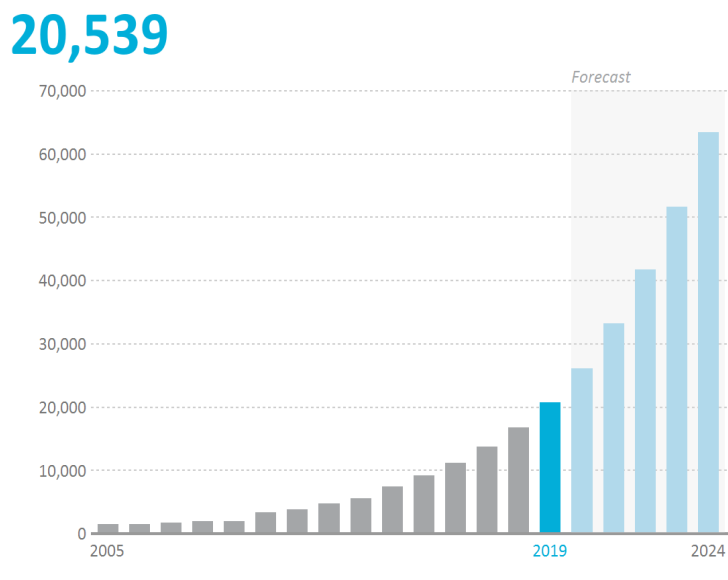
Most categories within video games are expected to see higher growth rates than previously anticipated before COVID-19. Although static consoles are expected to see marginally slower growth, this is likely to be due to the high cost of these devices. Due to the economic impact of COVID-19, fewer consumers are likely to be willing or able to spend on such products. Nevertheless, hand-held consoles, which are much cheaper, are expected to see a much stronger performance than previously anticipated, moving from decline to growth.

Mobile games are expected to see one of the biggest increases in demand in 2020 compared with the original forecast. With the rising smartphone penetration rate and more time spent at home, more owners of smartphones are expected to download games apps for the first time, playing them to entertain themselves and maintain relationships with their friends and family, leading to growth of in-game purchases in particular. Mobile games is also expected to see the highest growth rate of any category within video games in 2020. Although physical video games software is expected to see higher growth than originally anticipated, the growth rate is expected to be low, as most consumers will turn to digital video games software due to ease of purchase.

Recovery and Opportunities

COVID-19 is expected to stimulate strong growth in demand for video games in 2020, and growth is expected to continue at a similar high rate for the rest of the forecast period; with a higher Compound Annual Growth Rate (CAGR) than seen in the review period. People who were encouraged to purchase a new console during the lockdown are now likely to keep buying new games for these devices. Meanwhile, those who turned to mobile games for the first time due to spending more time at home are likely to be hooked, and interested in trying different games in the forecast period. However, video games were already on a strong rising trend before COVID-19, and growth is mainly expected to be due to the long-standing digitalization of play and education.

Sales of Video Games in Philippines
Retail Value RSP - PHP million - Current - 2005-2024



Therefore, mobile games are expected to remain the biggest and one of the fastest growing categories within video games in the forecast period. More developers are expected to recognize this and continue to introduce mobile versions of existing games, as well as remaining innovative and launching completely new products to maintain the interest of new gamers. The industry remains optimistic that the strengthening of mobile games can also benefit other platforms, as more and more Filipinos will become aware of gaming through the mobile platform and may eventually transition to computer and console gaming. This has been seen in the strategies of big companies; for instance, Blizzard released a mobile version of its popular game Diablo, using it as a tool to introduce its games to an untapped market; hoping to eventually converting them to console/PC users. Due mainly to the rising popularity of mobile games, digital video games software completely dominates, with few gamers purchasing physical video games software, mainly console games.

Static consoles are expected to see strong growth in the forecast period, as more new products are launched, such as the PlayStation 5. Although AR/VR headsets are also expected to see growth in the forecast period, this will remain a small category, as these are purchased mainly by serious gamers with higher incomes.

The industry recognizes the positive impact of e-sports on the gaming industry, as e-sports has served as marketing campaigns for some developers. Awareness and acceptance of gaming is being expanded through e-sports, which is likely to have a positive impact on the growth rate in the forecast period. ■

Check out our previous issue:
Tea in Japan

