

January, 2019

Global Animation, VFX & Games Industry
Strategies, Trends & Opportunities

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Animation, VFX & Games Market Research

Global Animation, VFX & Games Industry

OVERVIEW

The demand for animation, VFX and gaming has expanded with the increase in targeted broadcasting hours by cable and satellite TV, availability of low cost internet access, penetration of mobile devices along with the growing popularity of streaming video. In addition, the demand for Animation and VFX content to power immersive experiences such as Augmented Reality and Virtual Reality is growing exponentially. The rapid advancement of technology has made animation, VFX & games available to the masses, and this industry has become one of the fastest growing segments in the global media and entertainment market. We are increasingly seeing more of the global animation, VFX and games production taking place in a globally distributed mode. Production work is becoming global with tax incentives, regional low labor costs and lower computing costs, which put pressure on companies to reduce costs and set up facilities in tax advantaged or low-cost regions. This is a model which is increasingly being tapped by content producers.

MARKET SIZE

The total value of global animation industry was US\$ 259 billion in 2018 and is projected to reach US\$ 270 billion by 2020. Most of the segments in the animation industry are growing at the rate of 2% YoY. The spend on special effects as a percent of production cost is about 20%-25%. The traditional form of content viewership is giving way to a sharp increase in streaming video consumption. The size of streaming market for animation content was US\$ 2.9 Billion in 2018 and is growing at an annual rate of 8%. The size of global video gaming industry was US\$ 96 billion in 2018. Global eSports industry is growing at the rate of 30% YoY & is predicted to be a billion-dollar industry by 2019.

STRATEGIES, TRENDS, OPPORTUNITIES, GROWTH FACTORS

Global consumers are displaying a growing appetite for engaging, high-definition visual experiences. Moviegoers are demanding high quality productions with engaging visual effects and realistic animation and studios are including more animation and VFX shots into films. Consumers are consuming more immersive content across channels such as ultra-high-definition TVs, tablets and smartphones to head mounted devices. Animation, VFX and games content is being consumed not only on Netflix,

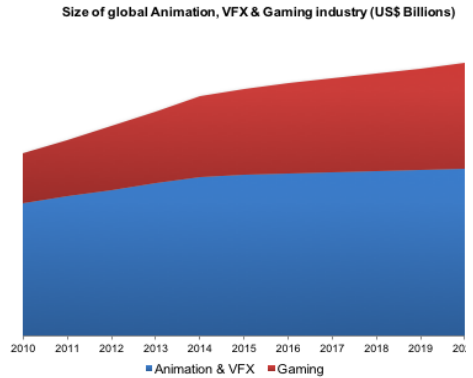
Amazon, Hulu and Twitch, but also on YouTube, Twitter and Facebook. With the growing internet penetration and access to multimedia devices, customers are spending more time on streaming digital content. Streaming video is the fastest growing segment distribution channel for animation and is witnessing double digit growth and the same is expected to continue for the next few years. This growth is attributed to the exponential growth in the number of online video viewers throughout the world. Cloud computing is playing a key role in character rendering and modeling processes as cloud based rendering of animation films is more effective and efficient as it reduces the time and cost compared to traditional rendering.

Cloud Gaming services which are growing at an exponential pace would need the right pricing model to both drive adoption and generate sufficient returns for platforms and publishers. The availability of low cost micro-payment systems is allowing users to pay for access or download small quantities of digital content and is the key for online games market to grow. Artificial Intelligence and Machine Learning based techniques are being used for in-game analytics, customer acquisition, retention, cross sell, churn, classify player behavior etc.

Popular eSports tournaments have rich spectator interactions and immersive fan experiences for in-person and online viewers. Micro-segmentation of fans is emerging as eSports leagues and tournament are consolidating various genres, platforms and viewing experiences by careful customer segmentation, targeting and positioning. China has become a leader in eSports and several tournaments are organized throughout the year with millions participating in both online and offline modes.

Global Animation, VFX & Games Industry

- The value of Global Animation, VFX & Games industry was US\$ 259 billion in 2018 and is projected to reach US\$ 270 billion by 2020
- Most of the segments in the animation industry are growing at the rate of 2% YoY
- The production cost per animation movie ranges anywhere between US\$ 20 Million to US\$ 300 Million
- The spend on special effects as a percent of production cost is about 20%-25%
- The traditional form of content viewership is giving way to a sharp increase in streaming video consumption. The size of streaming market for animation content was US\$ 2.9 Billion in 2018 and is growing at an annual rate of 8%
- Production work is becoming global with tax incentives, regional low labor costs and lower computing costs, which put pressure on companies to reduce costs and set up facilities in tax advantaged or low-cost regions
- Cloud computing is playing a key role in character rendering and modeling processes as cloud based rendering of animation films is more effective and efficient as it reduces the time and cost compared to traditional rendering



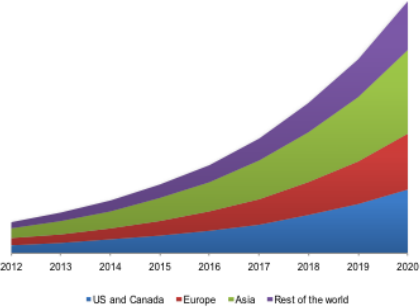
3D animation software market segment and size



Global Video Games Industry

- The size of global video gaming industry was US\$ 96 billion in 2018
- Gaming companies are focusing on Augmented Reality (AR) and Virtual Reality (VR) enabled games
- Cloud Gaming services would need the right pricing model to both drive adoption and generate sufficient returns for platforms and publishers
- The availability of low cost micro-payment systems is allowing users to pay for access or download of small quantities of digital content and is the key online games market to grow
- Artificial Intelligence and Machine Learning based techniques can be used for in-game analytics, customer acquisition, retention, cross sell, churn, classify player behavior, etc.
- The traditional revenue models of video games industry is changing and firms are exploiting competing models that they are using alone or in combination
- In the games industry, both digital and physical distribution channels exist side by side with the share of physical distribution channels expected to shrink in the future

Geographical break-up of Global eSports Industry (US \$ Billion)



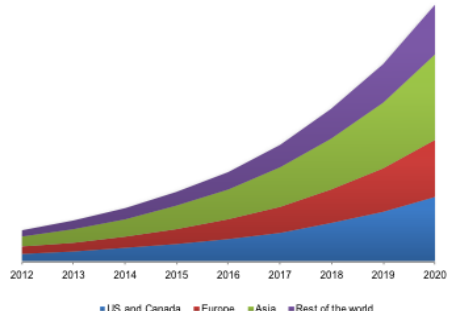
Revenue break-down by Game Genres



Global eSports Industry

- eSports industry is growing at the rate of 30% YoY & is predicted to be a billion-dollar industry by 2019
- eSports online streaming has gained significant traction
- Popular eSports tournaments have rich spectator interactions and immersive fan experiences for in-person and online viewers
- Micro-segmentation of fans is emerging as eSports leagues and tournament are consolidating various genres, platforms and viewing experiences by careful customer segmentation, targeting and positioning
- China has become a leader in eSports and several tournaments are organized throughout the year with millions participating in both online and offline modes

Geographical break-up of Global eSports Industry (US \$ Billion)



eSports industry revenue break-up



Animation, VFX & Games Industry Research

GLOBAL ANIMATION, VFX & GAMES INDUSTRY

- **Single User License: US\$ 8,000**
- **2-5 Users License: US\$ 16,000**
- **Enterprise License: US\$ 32,000**

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