

# **How The Online Gaming Industry Generates Revenue**

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## **Overview**

Over the past few decades, video games have become a common ritual in the lives of millions of people. In the United States over 54% of households own a video gaming system of some sort. The video game industry has come a long way, from the very first extremely basic missile defense game, to today's multi-player Modern Warfare titles. What was once a scene dominated primarily by teenage males has now evolved into an attraction that is virtually unbiased.

The video gaming market is ever increasing, even in an economic downturn; the gaming market showed no sign of strain, in fact, over the past few years it has reached record sales, globally reaching tens of billions of dollars. One trend that has become extremely popular is online gaming. Broadband internet access availability has been constantly increasing over the past few years. This has influenced a stronger market for online gaming.

Currently, online gaming consists of many different platforms; this paper will talk about the following major online gaming platforms: Xbox Live, The PlayStation Network, Nintendo Wi-Fi, Steam, and Blizzard. Each platform has different specifications, and because of this, the ways they generate revenue may differ from one another. The purpose of this paper is to provide information on different online gaming platforms, and specifically show how each platform generates revenue.

## **Xbox Live**

XBox Live was designed by Microsoft Corporation to be used with their XBox video game consoles. Although some features can still be used with the original XBox console, the new features are designed for the next generation XBox 360 game console. These new features are the components we will focus our study on. The features offered on XBox Live are designed to give users a top-notch gaming experience while at the same time generating revenue for Microsoft's Entertainment and Devices Division. XBox 360 game consoles were designed to connect to XBox Live through various means, making it easier for all gamers to be able to connect to XBox Live. In addition to the ease of connection, XBox Live generates revenue by offering additional accessories needed to use various features online, subscriptions for additional features, and sales of online content to be downloaded directly to the user's XBox 360. XBox Live's dynamic mix of product offerings makes them the current number one online gaming option between the three major gaming consoles.

XBox 360 offers three options in connecting your console to XBox Live through the internet. The first and simplest way of connecting the console to the internet is by connecting directly to a modem using a computer and network cable. This will directly connect your computer and XBox 360 to the internet but limits your capability of connecting other devices to the internet such as laptops and TVs. Another option, which Microsoft indicates is the most reliable, is to connect using a wired router. This allows the option to connect your other devices wirelessly/directly wired to the internet, as well as the XBox 360 console. The third option, which can also have good connection reliability, is to use a wireless connection using a router

and a wireless adapter made for the XBox 360. The cost of this additional adapter runs between \$75 and \$100.

When a person first connects to XBox Live, there are several features which are available at no cost to the user. Below is a list of the online features available at the Silver level:

- HD Movies and TV Shows
- Game Demos
- Downloadable Arcade Games
- Game Add-Ons
- Avatars and Fashion
- Voice and Text Chat

While access to these features is free of charge, using these features will eventually cost a user fees to download the available content. Game demos, occasional add-ons, some avatar features, and voice and text chat are free from charges. However, most of the remaining content desired by users will cost a fee. These minimal charges are one way that Microsoft generates revenue with XBox Live. Downloading an HD movie rental or TV show, arcade games, add-ons, and nearly all of the additional avatar fashion accessories will cost a user a nominal charge.

XBox Live also has what they call a Gold Membership level. This gives users access to additional features that are not available at the Silver level. Below is a list of features on the Gold level, which are in addition to the Silver level benefits:

- Photo Sharing
- Online Gaming with Friends
- Netflix Streaming
- Video Chat
- Facebook and Twitter
- Early access to demos
- Exclusive Discounts

The main feature being used by gamers on the Xbox Live system is the online gaming experience. This allows players to play video games with their friends or other players online across the world. You no longer have to be in the same household to play games against each other. In order to access a Gold Membership, there is an annual fee of \$49.99, but you can find the same membership cards on amazon.com or ebay.com for as low as \$39.95. A new feature that Xbox Live has launched is the Netflix Streaming. You can now join up a Netflix subscription with your Xbox Live account to watch movies instantly downloaded to your Xbox 360. This also generates revenue for Microsoft by utilizing advertising revenue within the Xbox Live portal.

Microsoft offers various accessories to allow users a better experience with their Xbox Live accounts while also generating additional revenue for Microsoft. One accessory being sold is what Microsoft has called the Chat Pad. The Chat Pad is used to allow gamers and online users the ability to write messages to each other much like text messages on cell phones. It uses a full QWERTY keypad and can be used in conjunction with a controller to play games while at the same time writing messages to other users. The Chat Pad can be purchased for an additional fee of about \$19.99. Another accessory being sold by Microsoft to give users a better experience is the wireless network adapter which allows users to connect wirelessly to the Xbox Live network. This adapter connects to the back of the Xbox 360 and is available in two different types: The wireless N adapter and wireless G adapter. The wireless G adapter connects to IEEE 802.11 a/b/g Wi-Fi and the wireless N adapter is the newer unit that can connect to the IEEE 802.11 a/b/g and n networks. It also runs at 2.4 and 5GHz frequencies. These adapters vary in price due to the accessibility features and wireless network adaptor capabilities. The original

wireless G adapter can be found for \$60.00, while the better wireless N adapter can be purchased for \$75.00.

Purchasing online content through Xbox Live can be done by either using a credit card (mainly used for video games and movie rentals) or by using Microsoft Points. Microsoft Points can be purchased in either 1600 or 4,000 point increments, costing \$20 and \$50, respectively. Most of the online content has a point value for purchase. A map add-on for various video games will cost around 800 points, which equates to \$10 in actual currency. Using the Microsoft Points system, Microsoft makes money on nearly all the content made available on Xbox Live. In its five years of existence, Xbox Live has generated \$1 billion in revenue for Microsoft Corporation. In 2009, revenue from game downloads alone was nearly \$100 million. Xbox Live has seen a growth of about 28% in the past year, showing a trend that market analysts have thought to prove their market leadership in online gaming revenue.

Xbox Live currently has 20 million active members on its platform. With a Gold membership cost of around \$50 per year, Xbox Live can make nearly \$1 Billion per year in annual subscriptions if every user opts to sign up for the additional features. Their unique strategy of charging for various accessories, subscriptions, and online advertising generated revenue of \$7.75 billion in 2009 for Microsoft's Entertainment and Devices Division, further proving that Xbox 360 and Xbox Live have stamped their place at the top of the online gaming industry.

## **Playstation Network**

The Playstation Network (PSN) launched in November 2006 to coincide with the Sony Playstation 3 release in Japan and North America. PSN originally launched to offer video game players the ability to experience online multiplayer gaming. It has since evolved into a large “network” that not only involves multiplayer game access, but offers vast array of multimedia content to enhance the overall social gaming experiences. Playstation Network subscribers have multiple ways of accessing their PSN accounts using a personal computer on their official website, <http://us.playstation.com/psn/index.htm>, by using a Playstation 3, or through a Playstation Portable (PSP). Playstation 3 owners can access the Playstation Network by either by means of an IEEE 802.11 wireless connection or connecting through the PS3’s Ethernet (RJ-45) port. Playstation Portable users are also able to access PSN using an IEEE 802.11 wireless connection. People interested in registering a Playstation Network account do not have to own a PS3 or PSP and can register a new “Master” account at anytime for future use with Sony products. PSN offers both “Master” and “Sub” accounts in which parental controls and restricted settings can be enabled on Sub accounts using the Master account. The Playstation Network offers a diverse assortment of entertainment to its subscribers that are accessible via the internet and Sony gaming products.

As of February 2010, there are currently over 40 million Playstation Network subscribers. Sony has made over \$500 million in revenue for 2009 which is quite small compared to the online gaming industry that makes about \$15-\$17 billion as a whole annually. Revenue generated by the Playstation Network can be attributed to several factors. The most common method is through the Playstation Store. The Playstation Store is an online virtual market that

features both free and purchasable content. New content is added weekly every Thursday of the week. There are hundreds of games that can be purchased online starting at \$9.99. These include PSN exclusive games and also games that have been previously released on Playstation 1 and Playstation 2 consoles. Various add-ons such as additional game content, themes, wallpapers, avatars, and more are featured within the store. To further enhance the multimedia experience on Playstation Network, several high definition and standard definition movies and television shows are on hand for immediate download. Movie rentals start at just \$2.99 and respectively movies purchases start at \$9.99. The Playstation Network contains a joint venture with Netflix that further expands the ability to watch movies and television shows that may not be available in the Playstation Store. Once in a while, the Playstation Network will host an online promotional sale. The Playstation Spring Fever sale runs from March 25, 2010 to June 1, 2010. An assortment of PS3 and PSP games are half off and new promotions are added weekly during this sale. These promotions help push Playstation Network sales and will ultimately contribute to the success of the Playstation Networks revenues for 2010.

Online game accessories such as: keyboards, mouse, wired and Bluetooth headsets and the Playstation Eye help generate revenue in terms of the physical input and output devices used to enhance the PSN experience. Purchases within the Playstation Network are made by using a Playstation Network Card or the Playstation Network Wallet. PSN Cards are available in common retail stores and are sold in \$10, \$20 and \$50 increments. The Playstation Network Wallet allows users to add money to a virtual “wallet” by use of a debit or credit card in order to purchase new content. These are the two standard methods that allow PSN subscribers to purchase content.

Another way the Playstation Network generates revenues is through Qore. Qore is an online based subscription and active online magazine found within the Playstation Network. This service offers high definition videos, behind the scenes coverage of current and unreleased PS3 games. Users also receive exclusive game demos and betas that can be downloaded and instantly played that are not available to regular PSN subscribers. An annual subscription of 13 episodes costs \$24.99 and single episodes can be purchased for \$2.99. The majority of the people who subscribe to Qore are considered “core” enthusiasts and firm believers of the Playstation 3’s capabilities.

In order to generate more revenue, Sony has been thinking of adding additional content to PSN in order to charge an active fee similar to Xbox Live. This has been an ongoing debate as to what Sony could possibly offer in exchange for a monthly or annual service fee, since the Playstation Network has been free to use since its launch. The core fan base behind the PS3 is what many believe to be a result of the ability to use PSN free of charge.

In October 2009, Sony introduced a new slim version of the Playstation 3 and also decreased the system’s retail price. This has contributed greatly to the increase in PSN registered users as well as revenues generated by the Playstation Network. The Playstation Network has always been an appealing extension to the Playstation 3’s current capabilities. On April 22, 2010 Sony released a new firmware 3.30 update for the Playstation 3 that could only be accessed through the Playstation Network. Firmware updates are required on PSN when new software fixes, codec’s, or other updates are required. The 3.30 update allows 3Dimensional support for the PS3 console. 3D games are planned to release in June 2010 to coincide with the Sony Bravia 3D televisions. Currently, the Playstation 3 will be the only console on the market with 3D capability as no other gaming console at the moment supports 3D capabilities. This exclusive

technology allows Sony to edge out their competitors especially if 3D content makes its way to the Playstation Network. Sony hopes that 3D technology will promote all aspects of their products ranging from gaming consoles, media players, and new products.

In the future, Sony hopes to expand their online presence and plans to evolve the Playstation Network into what is being referred to as the Sony Online Service. This new multimedia system will be built around the existing Playstation Network. As Sony continues to introduce new products into the gaming and entertainment market, they hope that their Sony Online Service will be the network link for Sony's television, Blu-Ray players, smart phones, and gaming devices. Sony's ultimate vision is to give Sony Online Service subscribers the ability to access the service through any one of their products. Sony hopes to regain a portion of the music, entertainment, and technology industries that are currently ruled by the Apple iPhone, Apple App Store, and Apple iTunes. Overall, Sony is taking the right steps in order to expand their hold in the online gaming industry by continuing to offer the Playstation Network free of charge. By adding 3D support and expanding the Playstation Network, Sony will be able to sell more Playstation 3 consoles and gain more PSN subscribers. The future for the Playstation Network looks promising as Sony's new technologies will contribute to the overall revenue generated through its involvement in online gaming and entertainment.

## **Nintendo Wi-Fi Connection**

Nintendo Wii was launched in November 2006. The total global sales of Nintendo's Wii consoles were over 50 million in March 2009. This is the fastest selling game console in history. Nintendo Wii has many on-line tools such as, Nintendo Wi-Fi Connection, WiiConnect24, purchasing or downloading WiiWare game and Virtual Console game, Wii Shop Channel, Wii Message Board, and Updating Wii system software.

Nintendo Wi-Fi Connection is the network service. Players can play Wii games with anybody around the world by using the Nintendo Wi-Fi Connection. WiiConnect24 is the network service for downloading important data for Wii from Nintendo. Users can download necessary data automatically by using this tool. Virtual Console and WiiWare is a specialized section of the Nintendo Wii Shop Channel online service that allows players to purchase and download games and other software for Nintendo's Wii gaming console. Wii users can download some old Nintendo games by using the online service Virtual Console and can download some new Nintendo Wii games that are not sold in stores by using WiiWare. Wii Shop Channel is an online shop for the Wii game. This online shop allows users to download WiiWare or Virtual Console of Wii games. Users can purchase Wii Points at Wii Shop Channel. Wii Points are required for downloading Wii video games. Wii Message Board allows user to send e-mails or saved data of their video game play.

The average Wii game price is \$49.99 in the U.S. and almost all Wii games have available online content. The most popular Wii games are *Monster Hunter Tri*, *New Super Mario Bros. Wii*, *Super Smash Bros. Brawl*, *Red Steel 2*, and *Call of Duty Modern Warfare* as of April 24<sup>th</sup>, 2010. According to this information, the top 4 games are all action games; therefore, action

games are currently the most popular genre on the Nintendo Wii. By using Nintendo Wi-Fi connection, players can play these popular games with anybody online. For example, in Monster Hunter, players can do missions to clear the stage with other online members' help. Players can fight against other online users in Super Smash Bros. Brawl. Players can race and compete their times and scores with online player in Mario Kart Wii. Players can also trade items with other online members in Monster Hunter.

Basically this content is all free to use so users do not need to worry about using Nintendo Wi-Fi Connection. Nintendo Wi-Fi Connection service was started November 14<sup>th</sup> 2005 in the U.S. Key features of Nintendo Wi-Fi Connections are easy to connect to use, safe for everyone, and free. It is free to use but there is an exception that companies do charge money for some special items. For example, Monster Hunter is the hunting action game developed and published by Capcom. As the title suggest, the player takes the role of a hunter in a virtual world and completes quests by seeking out monsters to hunt or capture. A character can be strengthened by using strong weapons and protectors. Hero or heroine hunts or captures monsters to make weapons and protectors because he or she can use a monster's skin or bones to make weapons, they can also sell it to gain money. In the first stage, monsters are not strong and a player can easily hunt and capture those monsters even if they do not have strong weapons. But there are strong monsters in the final stages, where a player cannot hunt monsters without strong items. That is the point of generating revenue; players are already addicted to the game and want those strong items even if the item is not free. This is one of the ways Wii can make money with using online content.

Nintendo can make money by selling Wii Points which are required for downloading WiiWare games and Virtual Console games through Wii Shop Channel. It is another way to

make money with using online content. Wii Points also can be used for downloading Wii's Opera web browser that is the Wii Channels section for applications. Nintendo has two concepts for Wii. It is that anybody who usually does not play video game can use Wii without any trouble or constraint. The other one is that Wii makes people want to use it every day. Wii Channel was born by these concepts. Therefore, many kinds of channels such as daily news, weather news, and internet functions, are prepared for the person who does not usually play games. Users can add other applications on Wii Channel by using Wii Points. Wii is the video game console however; Nintendo can sell not only game but also those applications to new target market.

Since game console such as Wii has an online system, game console could be used for various objectives. There are many possibilities that player enjoys by using Wii and many possibilities that game industry make a profit by using new technology.

## **Steam PC Gaming**

The greatest part of the gaming industry is made up of personal computers, but unlike other platforms like the PlayStation 3 and Xbox 360; personal computers or “PC’s” are not commonly thought of as a gaming platform. This is because, many computer users are unsure of the technical aspect of having a PC that will play the game they want. Many modern games require certain specifications in order to function properly. As an example, the following are some of the many specifications required when a gamer decides to purchase or build a computer that would be able to play today’s PC games. They include: power supply wattage, type of processor, speed and size of ram, motherboard, video card type, type of cooling, along with many others. The process of building or obtaining a PC for gaming can be a daunting task, and as a result, has caused great misinformation on many potential gamers. Another reason, why the general public has a hard time seeing the personal computer as a gaming machine can be attributed to retail stores limiting shelf space for pc games, as well as the mainstream media’s coverage focusing primarily on the PlayStation 3 or Xbox 360. In an effort to increase growth and to better the pc gaming market, the PC Gaming Alliance was formed. The PCGA is a not for profit organization that currently consists of over 20 of the biggest names in the computer industry including:

- Acer Inc./Gateway, Inc.
- AMD
- Antec
- BFG Technologies
- Bigfoot Networks
- Capcom
- Dell/Alienware
- Entertainment Merchants Association
- Epic Games
- Flextronics
- GameStop
- GameTap
- Gas Powered Games
- Howie's Game Shack
- InstantAction
- Intel Corp.
- Logitech
- Microsoft Corp.
- NVIDIA Corp.

- Razer USA Ltd.
- Sony DADC
- Southern Methodist University  
Guildhall

The PCGA provides a forum where companies get together and think of ideas and solutions to problems affecting the industry with the ultimate goal of moving the pc gaming industry forward. Contrary to popular belief, the personal computer is actually the most powerful and most widely owned platform in the world. This is another reason why the PCGA was formed; they believe that this market can be extremely profitable since there are so many computer users worldwide. The PCGA believes that by working together with other companies, they will be able to rid the stigmas that are holding computer gaming back. The PC industry consists of many different platforms, but the platform that stands out most is: Steam.

Steam is a digital distribution, digital rights management, and multiplayer/communications platform, developed by Valve Corporation. It is the most successful company that utilizes digital distribution; they are estimated to be controlling over 70% of the digital distribution market. Digital distribution is the replacement of media that uses a disc with media that is downloaded directly to the gaming machine. This is beneficial not only for the game distributors, but game players as well. Since there is no need for disc based media distributions costs are a lot lower, this carries the savings onto the customers as well. Steam was first introduced on September 3, 2003 with only a handful of games, today there are over 1100 available games from some of the top game publishers. Many major publishers have catalogues on Steam, including Electronic Arts, Activision, 2K Games, Ubisoft, THQ, Sega, Codemasters, LucasArts, Capcom, and Bethesda Softworks. Steam has also surpassed 25 million active user accounts. On average three million of those users are playing at the same time on Steam's massive servers.

Steam is a free client available for download. With the client, new and old games can be instantly purchased. Once purchased these games are playable from any computer that has access to the internet. A great feature is that steam will automatically update all games with the latest patches, providing for less hassles and interruptions. Steam has an integrated chat client that allows a user to chat with friends and other gamers. This chat client also has the ability to find which games a friend is playing in, so that playing with friends is as simple as a few clicks of the mouse. As with all computer programs, there are minimum, and preferred system requirements. In order to be able to run Steam, a system requires the following: 1.2 GHz Processor, 256MB RAM, DirectX 7 capable graphics card, Windows 2000/XP/ME/98. Steam's preferred system requirements are as follows: 2.4 GHz Processor, 512MB RAM, DirectX 9 capable graphics card, Windows 2000/XP/ME/98. These requirements are for the Steam application, in order to be able to play the many different games, the system would have to meet or exceed the game's requirements.

Steam generates revenue in many different ways. The majority of their revenue come from the sale of digitally distributed video games receiving anywhere up to 70% of the profit. The reason Steam receives such a high percentage, is due to a program called Steamworks. The program is offered by Steam to game developers for free, and is used in the development and publishing of a game. This program provides access to every component of steam, giving the developers the ability to integrate Steam technologies into their games so that they can be offered on the steam client.

Another way steam makes money is through online, in game advertising. An example of "online, in game" advertising is, having a poster for an upcoming movie shown on a wall where the gamer's character passes by, just like a person passes by a billboard or flyer in real life. This

allows the game to operate fluidly, and without interruption, as well, it is profitable for Steam. Another way steam makes profits is through their apparel store. The store consists of anything from a mug to clothing, to action figures. Lastly, Steam heavily advertises discounts on old games, attracting customers with sales of up to 80% off original prices. Since most of Steam's games are online multiplayer, they want the games to be continually played so that there will be enough gamers to play with each other. By attracting new customers with aggressive sales, they are able to not only satisfy customers, old and new, but are able to make a profit as well. Becoming the leading platform in online PC gaming was not a coincidence; Steam's use of multiple applications to generate revenue has resulted in great success. Steam's policy is to not show annual income data, but in a multibillion dollar market, it is considered by its competitors to be the leader. One of those competitors is Blizzard entertainment.

## **Blizzard Entertainment**

The computer gaming industry has made incredible advances in the past few years thanks to the ingenuity and initiative of several major game developers. One of these game developers that happens to be one of the most well know PC gaming companies is Blizzard Entertainment. Most well known for World of Warcraft, a Massively Multiplayer Online Game released in 2004, they have created and released numerous other titles, many of which were breakout hits. They have continued to cater to gamers interests keeping a large, faithful following for several of their titles. They continue to innovate in the gaming industry with several games on the way in the next couple years. They have proven themselves to be one of the top PC gaming companies in the industry and show no signs of slowing down.

Blizzard Entertainment was founded in 1991 under the name Silicon & Synapse by three recent graduates of UCLA, Michael Morhaime, Allen Adham, and Frank Pearce. Originally, the company's primary concentration was creating game ports, or methods to designing games that run one platform to operate on another platform. In 1993, the company began developing their own software and released several titles before changing the name of the company to Blizzard Entertainment Inc. and becoming acquired by software distributor Davidson & Associates. Shortly after this, Blizzard released their breakthrough hit Warcraft: Orcs and Humans. The original Warcraft title is a was a real time strategy game that pitted two players against each other, one playing as orcs and the other as humans, to see who could build structures and warriors faster to conquer the other. It was one of the first real time strategy games to offer multiplayer capabilities and rival companies in the industry quickly realized this was the future of real time strategy games. The game introduced several innovations in gameplay elements and mission design that were incorporated by many other game developers. Warcraft: Orcs and

Humans was a landmark game that advanced this genre of PC gaming and put Blizzard Entertainment on the map as a suitable contender to the biggest game developers in the PC industry.

In 1996, Blizzard acquired Condor Games which had been working on a title called Diablo for Blizzard. Condor Games became known as Blizzard North and released Diablo, a dark fantasy role playing game in 1997. Set in a fictional kingdom, the player takes control of a hero with the mission to rid the world of Diablo, the Lord of Terror, a devil-like character who resides in hell and requires the player to go through dungeons to face him. The game went on to be very well received by critics, earned many awards, and received many near perfect scores from game reviewers. The release and reception of this game set the stage for Blizzard to become regarded as one of the top and coming role playing game developers in the industry and provided a platform for their next game to reach a huge demographic.

Blizzard released StarCraft in 1998 unknowing of the fame and notoriety the game and the company would accumulate from it. With more than 11 million copies sold worldwide as of 2009, it has become one of the best selling PC games. The military science fiction real-time strategy game builds on the gameplay of the Warcraft series with a completely redesigned storyline and game interface. In the distant future, three completely separate and unique races are pitted against each other in a futuristic war on an interplanetary scale. The Terran, humans exiled from Earth are one race, a balanced and adaptable faction. The Zerg, a race of insectoids bent on destroying everything possible with their quick, inexpensive warriors, and the Protoss, highly advanced and very powerful aliens with the intent of stopping the Zerg from their path of destruction round out the opposition to the Terran. This storyline has gained the game countless praise for the ingenuity and uniqueness of every facet involved in the creation and execution of a

near perfect real time strategy game. StarCraft has been described as the most important and best video games of all time and took gaming to entirely new level of inventiveness and originality. Many have called it the defining game of the genre and the standard for which all other games will be judged. Some awards that StarCraft has received are Game of the Year by many different publications and made several Greatest Games of all Time lists. A groundbreaking feature of StarCraft was the multiplayer function. Once purchasing the game, players could access Battle.net, a free service for players to connect with other players and form games with people from around the globe. To this day, South Korea hold televised tournaments where professional players compete for money and fame. StarCraft single handedly changed a genre and the future of Blizzard Entertainment as one of the leaders of the industry.

After the release of StarCraft came many follow-ups and expansions to the original WarCraft, StarCraft, and Diablo series. Many of these games were very well received by critics and showed great advancement of the game industry but they did not revolutionize their individual genre or create a completely separate new one. This revolution did come in 2004 with the release of World of Warcraft. It is the fourth game set in the Warcraft universe but complete changes the concept. Whereas the first three were real time strategy games involving two separate races, World of Warcraft is a Massively Multiplayer Role Playing Game with the player takes control of one character in a third person view and interacts with their environment and other players in this universe. Some tasks include exploring the world, fighting various monsters, completing quests and tasks, and engaging with other players. The original game gave players the choice of the race of their character from eight different races of humans, elves, orcs, and other humanoids and then gave the choice of the specialty of their character, from warriors to priests to mages. The sheer originality of this game is hard to describe in words but instead

must be experienced firsthand. The uniqueness of this game is visible from the moment a player first enters the universe to when one becomes a seasoned and experienced player. After experiencing much success in other game genres, Blizzard entered into an entirely new one and became the forerunner of it. The artistic and functionality of the game has made it what it is today, the number one subscription based game in the world with 11 million subscribers and one of the most best selling and best received video game of all time. In 2008, World of Warcraft was estimated to hold about 62 percent of the MMORPG subscription market. World of Warcraft has been an incredible source of income for Blizzard, considering the cost of the game when released was \$49.99 with the continuous cost of \$14.99 per month for access to the online servers. As of now, there have been two individual expansions for the game, Burning Crusade and Wrath of the Lich King, with a third expected to be released in within the year. The World of Warcraft has been Blizzard's latest showing of their potential, ingenuity, and presence in the gaming industry.

Since the release of World of Warcraft and the steady income of the millions of subscribers, Blizzard has reported very high revenues. In 2007, Blizzard reported a net income of \$1.1 billion with \$517 million in operating income. A major change came in 2008 when Vivendi Games, which is a holding company that owns Blizzard, was acquired by Activision with the resulting company being called Activision Blizzard. In 2009, Activision Blizzard reported a net revenue of \$4.28 billion dollars. This huge increase includes the many games that Activision produces, from Guitar Hero to Call of Duty, but Blizzard's income is a definite portion of it. After the merger of the two companies, Activision Blizzard has become the 3<sup>rd</sup> top video game developer, after Nintendo and Electronic Arts.

The future of Blizzard Entertainment looks very promising. They have continually raised the bar for each in their games in several different genres and undoubtedly continue to do so. They have perfected their gaming niche so that many other developers have tried and unsuccessfully tried to emulate their success. Blizzard has several different games on the horizon, from the third expansion for World of Warcraft, Cataclysm, to the completely redesigned and reengineered StarCraft II, due out sometime in 2010. These many achievements have shown Blizzard is still very much at the top of their game and shows no signs of slowing down.

## **Conclusion**

After analyzing the top major platforms of the gaming industry, it is clear to see why it is such an enormous source of income. From a Nintendo Wii situated in a living room, to the current PC gaming titles, it is no secret that video games are a huge part of today's culture. In the last decade alone there has been a massive advancement in the video game industry, with the current platforms blurring the line between personal computers and gaming systems. The anticipation of new games and systems has permeated our cultural so much that these subjects have become news headlines and even movies. An entire industry has been created solely to cater to the needs and desires of the gaming population. Video games have transformed from an interesting fad, to a hobby of many, and eventually to where it is today. In today's world, video games can be an obsession, a profession, a way to socialize, and can even help you learn. Gone are the days when gaming was exclusively for the nerds but has become widely accepted as an enjoyable activity for all ages. We have seen how far video games have come and eventually will see what they will become.

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