

GOT GAME

HOW THE GAMER GENERATION
IS RESHAPING BUSINESS FOREVER

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Contents

<i>Acknowledgments</i>	ix
Introduction: Planet of the Rotting Minds? How Video Games Forged the Next Baby Boom	1
Chapter One: Space Invader How Games Became So Important Without the Rest of Us Noticing	27
Chapter Two: Sex, Violence, and Stereotypes What We Worry About in Games . . . and Why We Don't Need to	47
Chapter Three: Not the Real World How the Experience of Gaming Differs from Just About Everything Else . . . and Why That Makes Gamers Different	59

Chapter Four: Want 'Tude With That?	77
How Gamers' Values and Skills Shape Their Professional Performance	
Chapter Five: Play Nice	109
After All That Time Alone, Can Gamers Be Great Team Players?	
Chapter Six: Win or Go Home	133
How Video Games Built ROI into This Generation's DNA	
Chapter Seven: Gamers On Top	153
What To Expect From Gamers as Executives	
Chapter Eight: Press Start to Continue	173
What's Next For Gamers—and Us?	
Appendix	181
<i>Notes</i>	187
<i>Index</i>	193
<i>About the Authors</i>	199

Planet of the Rotting Minds?

HOW VIDEO GAMES FORGED THE NEXT BABY BOOM

The children now love luxury; they have bad manners, contempt for authority; they allow disrespect for elders and love chatter in place of exercise. Children now are tyrants. . . . —Socrates

If that widely reproduced quote is to be believed, tension between the generations is perennial. The dominant group worries about the rising cohort, sometimes even condemns it. Meanwhile, the new group not only overlooks the experience of the past, but often dismisses it as irrelevant. So for people interested in practical results, the question isn't whether a new generation is coming along; that is always true. The real question is: Does the behavior of this new group change the world in any way that really matters?

If you're in business today, the answer is clearly yes. *This* new generation is huge: 90 million people in the United States alone.¹ Already, there are more of them around now than there are baby boomers (individuals currently aged 40 to 58).²

Most, about 56 million, are old enough to be real employees, real managers, even in some cases real executives. (This generation moves fast; the Department of Labor estimates that 12 percent are already managers in the current workforce. No wonder that 43 percent of U.S. employees say their managers are “noticeably younger” than they are.) So, like the boomers, these people are so numerous that, by pure volume, they are worth business attention. If such a large group is different from established norms in important ways, they almost automatically change popular culture. Where there are conflicts, they tend to win. They may outnumber their elders, and, biologically, they’ll outlast them. Eventually, by reaching vital positions, they can reshape a huge part of the business landscape.

And what our research shows is that this new generation is indeed different from the boomers—very different—in ways that matter throughout business. They have systematically different ways of working. They choose systematically different skills to learn, and different ways to learn them. They desire systematically different goals in life. The way that members of this generation think about their careers, their companies, and their coworkers is a long way from what boomers have come to expect. How hard this huge new cohort works, how they try to compete, how they fit into teams, how they take risks—all are different in statistically verifiable ways. And those differences are driven by one central factor: *growing up with video games.*

America’s New Favorite Pastime?

If that statement sounds unlikely, you (like many of us) might have overlooked just what a force video games have

become since we were adolescents. Perhaps the simplest way to measure the power of gaming is to look at the pure size of the market. To those of us still unconsciously living in the Atari era, it is a surprisingly grown-up industry, and a stunningly large business. Games are not a niche any more. Take a look at those ads in the Sunday paper. Video game consoles and software, though also sold in specialty stores, are now staples of the "big-box" retailers—Best Buy, Wal-Mart, Target, Toys 'R Us—the places that practically define the mass market. Penetration of games is almost certainly much broader, economically speaking, than penetration of computers and the Internet. Some 92 percent of American kids from age two to age seventeen have regular access to video games. Only 80 percent live in households with computers.³ By definition, anyone with a computer or an Internet connection has game-playing hardware. In addition, there are hundreds of millions of dedicated game devices: consoles that hook up to your television, PCs created especially for gaming, all those Game Boys. And whereas parents may complain about the cost, compared to computers—and to computers with broadband connections at \$50 per month—game devices are cheap. One of the most popular consoles, Nintendo's GameCube, lists for just \$100. No wonder, then, that gaming is everywhere, including homes that can't afford much computing. No wonder that the Sony PlayStation *alone* is in 25 percent of all U.S. homes. And no wonder that Microsoft was willing to spend \$750 million—that's three quarters of a *billion* dollars—just on initial marketing for its Xbox game console.⁴

Americans now spend more money on video games each year than they do on going to the movies, and more time at home playing video games than watching rented videos.⁵ In

2003, global sales for the entire game sector approached \$28 billion. Deutsche Bank forecasts worldwide game software revenue to grow at 13 percent yearly over the next four years. Perhaps most telling, games have begun to displace the defining boomer technology, television. As early as the fall of 2003, network executives were admitting that video games had caused a sharp drop in television viewing among the valuable young-male demographic.⁶

As a social phenomenon, gaming is far broader than we tend to assume. Already, five out of every ten Americans—about 145 million consumers and employees—play video games in one form or another. Here in the United States, some 39 percent of computer gamers are women (the percentage is lower for game console players).⁷ Nearly half of all gamers play with other family members. This surprising reality is echoed in Europe and Asia. In the European Union, console and computer games reduced the market share held by traditional toys and games by nearly a third—and it took just four years. Meanwhile, the British industry is being driven by adult and sophisticated teen purchasers, not younger kids. As for Asia, a single Korean game claims 3.2 million paying subscribers, and the Chinese game market has already reached 14 million users despite hurdles of cost, censorship, and technology.⁸

Gamers are not only all around us; they are also committed, at least as measured by the money they spend. Take a look at the market for gaming. Millions of people worldwide play complex interactive fantasy games. One stalwart is Sony's *EverQuest*, with 650,000 registered players who stay online an average of twenty-two hours a week.⁹ That's like having a part-time job—only instead of getting paid, it costs you money. At thirteen dollars a month, that adds up to

about \$101 million a year in revenues from subscription fees alone. Some 30 million people play fantasy sports games, increasingly online. Thirteen percent of those visiting online sport sites say that fantasy games are a main attraction—so attractive that ESPN now charges \$29.95 per season of fantasy football or baseball. The games are such a pull that one operator, Sportsline.com, projects about \$12 million in annual revenue from fantasy sports leagues alone in 2003.¹⁰ IDC calculates that the average gamer spends over two and one-half hours each day gaming—time that once would have been spent in front of the television or at the movies.¹¹ As Terry Press, Dreamworks' marketing chief noted, the movie *Tomb Raider* had to list the name of the video game character, Lara Croft, instead of actress Angelina Jolie. "Their target audience has no idea who Angelina Jolie is," said Press.¹²

The market also shows us that gaming and related behaviors don't stop just because gamers become adults. Like the baby boomers, the millions of members of the game generation will have more economic impact as they grow older and continue to play and expand their collection of games. Already, you can see the signs. In Great Britain alone, adult consumption of leisure products and activities has grown by £15 billion in just four years, industry analysts note, "as adults spend more to alleviate their increasingly stressful lives."¹³

The Industry Standard

These numbers mean that video games are a standard part of our culture. And in the United States, at least, they have been for roughly two decades. That's what created the game generation. Throughout America, video games became, rather

abruptly, both pervasive and invasive. When 50 percent of Americans are playing them, then, by numbers alone, video games have become the center of the new mainstream, not the geek haven so many of us might assume.¹⁴ As Lee Unacke, group publisher of the Ziff Davis Media Game Group, once put it: "Video gaming is much more a part of our lives and everyday entertainment choices than twenty years ago. Gamers have become a key demographic target for advertisers and vendors. Where movies and television are aimed—that's exactly where video games are."¹⁵

Yet to most baby boomers in business—you know, *us*, the people still dominating the managerial ranks—video and computer games are practically invisible. Unless we are in the industry, we simply don't think about them, or their effects. That sounds extreme, we know. Most of today's business professionals know that games exist, of course. Games may even play some part in their personal lives, whether as a distant memory from late adolescence, another chronic worry in rearing their own children, or one more option for electronic entertainment. But they still think of them as a niche.

And that belief is where the game generation—and the generation gap between gamers and boomers—comes in. Once you really look, you discover that Game Boy and PlayStation aren't just a faintly embarrassing part of the economic landscape; they are a central, defining part of growing up for many millions of people. The first massive wave of mainstream gamers, the ones who as ten-year-olds made Nintendo so popular, are in their twenties and early thirties now. For these people, the gaming world was never a niche; they have been so surrounded by it that they think games are just another part of the real world. Members of the game generation themselves recognize that the experience defines them. Our

BOX I-1: WHAT IS A “VIDEO GAME”?

The world of video games is not only huge, it's diverse. There are arcade games: coin-operated machines, normally one game per machine. There are computer games, which run on (of course) personal computers. There are handheld games, either dedicated (such as those little bass-fishing devices) or capable of playing many different games (such as Nintendo's Game Boy). And there are digital games, such as Sony's PlayStation, which run on consoles and display on your TV. These differences not only include delivery platform, but extend, somewhat, into the nature of the games played there and the way users play them. But if what you care about is impact on business, all these differences can be safely ignored. Many, many game titles are available on more than one type of platform. More important, the lessons that games teach have much more to do with the basic nature of playing any video game than with the specific platform, genre, or title. *Pokemon* on the Game Boy is far different from *EverQuest* on a networked PC, but they are much more like each other than they are like any experience outside the game world. To avoid repetition (computer, handheld, or console, etc., games), we use several terms describing video games interchangeably.

interviewees say things like: “Unless you're living in a cave, everyone has played a video game. It's part of our culture.”

And they are right. If you are a business professional over thirty-four, the chances are very good (two to one) that you had little or no video game experience as a teenager. For

professionals under thirty-four, the proportions are not only reversed, they are also *doubled*; our survey shows that chances are four to one that people in this age group have had substantial game experience growing up. And, as you might know, the games they grew up on were much more powerful than those available to older groups. For them, for their entire generation, video games have been a defining part of their reality. What do we mean by "defining"?

- ***Everywhere.*** For anyone whose attitudes formed before the mid-1980s, video games were a fad. Huge, but a fad. For today's young adults, and the many millions coming along behind them, games are much more than any fad. For one thing, they're far more pervasive. Atari became one of the most successful technology introductions in U.S. history by selling about 3 million consoles a year; twenty years later, Sega's Dreamcast was a failure, withdrawn from the market, for selling about that many. Today's game market is huge because *nearly every kid is involved*. When the *Pokemon Gold* and *Silver* cartridges came out for Game Boy Color, they sold 6 million copies in just three months. Nintendo was able to count on selling 24 million Game Boy Advance units—nearly as many as all the Atari machines ever sold—in a single year. *Final Fantasy*, a video game series far more esoteric than *Pokemon*, has sold more than 30 million copies worldwide. At last count, Nintendo had sold 110 million Game Boy machines, enough to literally cover every square inch of Massachusetts, Connecticut, and Rhode Island. With numbers like that, whether kids own game machines or not, they have experienced them.

- **Established.** People now in their twenties and early thirties have never known a time without digital games. They grew up in a world where *of course* PlayStation was the biggest success in Sony's fifty-year history and the source of nearly half Sony's profits, and where *of course* Nintendo sold 1.4 billion video games. It is largely because this generation takes games for granted, as something found in every home, that Deutsche Bank can seriously predict that 70 percent of U.S. households will own a next-generation game console. Market penetration like that might not be quite in TV's ballpark, but it's certainly in the same league.
- **Emotional.** "I have all these warm memories of playing over at friends at 3 a.m. when I was younger with a little TV hidden in the bed . . . [and] of the first time we found the ice beam in *Metroid*," said gamer Chelly Green of some of his favorite childhood experiences.¹⁶ And the power of those growing-up experiences doesn't fade just because gamers become adult customers, employees, and managers. As another member of the generation wrote, "Forget football and women—if you really want to bond with a man in his mid-twenties, simply mention Manic Miner. . . . memories from 1987: sitting around a small TV hooked up to a computer with the processing power of an abacus waiting for half an hour to load a game made up of about eight colors and a single moving dot." Veteran game retailers, who make their living understanding this connection, expect these same people, all grown up, to purchase millions of next-generation game machines for themselves and their children.

- **Expected.** In our interviews, we consistently find that business professionals from their early twenties to mid-thirties believe that almost all business colleagues their age have played video games more than casually. The modal estimate is 90 percent; the lowest estimate we've ever heard is 60 percent. And they're right; our own survey found that, of the business population age thirty-four or younger, fully 81 percent have been either frequent or moderate gamers. So a thirty-four-year-old manager for a *Fortune* 100 company wasn't exaggerating when he told us, "It would be hard to come across somebody of my generation who hasn't played Nintendo or Atari. They are all pretty easy to figure out. My parents' generation might have trouble. . . ." Even presumed bookworms play video games. Asked what he would do with the \$12,000 prize he won in the 2003 Scripps Howard National Spelling Bee, thirteen-year-old Sai Gunturi reportedly said, "I'm going to buy a lot of video games. Like, a lot."¹⁷ A junior manager from a multinational company summed it up: "[T]he people who play now are professionals and business people—a cross section, just normal people on the upper end of the pay scale."

Looking closely at this group's connection to games tells us (and our data confirms) that video games are central to understanding the generation. The relationship between the gamers and their technology is powerful (see box I-2), more powerful than the boomers' once-frightening rock and roll revolution, or the insidious teachings of television. And like popular music, games are a mix of entertainment content and technological delivery medium that