

# Dataxis

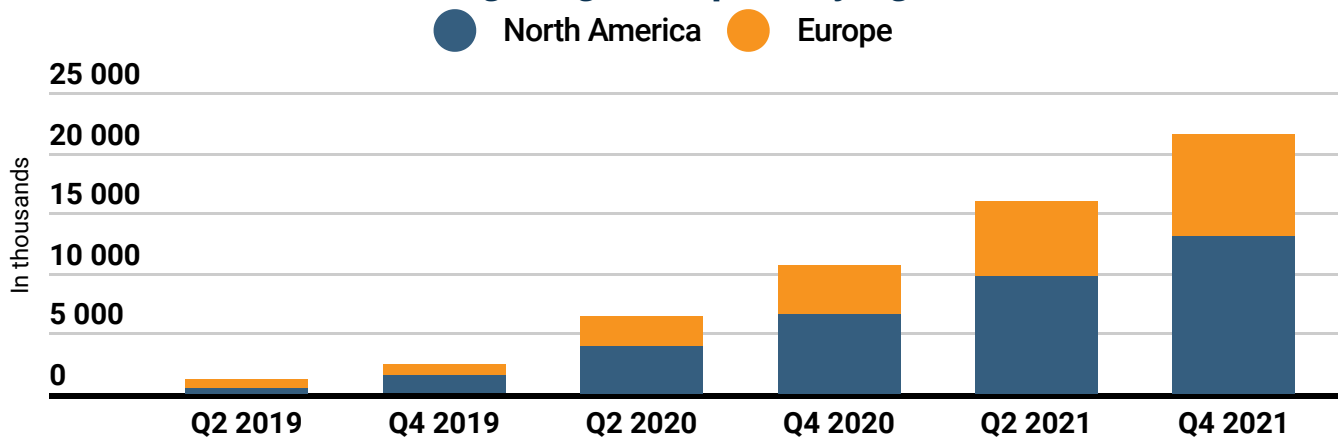
## Cloud gaming in Western countries: the next big revolution?

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Over the last two years, the cloud gaming market in Western countries has grown tremendously. While less than 1 million people were subscribing to a cloud gaming offer at the beginning of 2019, the market now counts 20 million cloud gaming subscribers, in Europe and North America only.

Although most of the growth can be attributable to well-known established game publishers and console manufacturers such as Sony, Microsoft or Nintendo, a growing number of independent actors and tech companies have managed to generate revenues, multiplying distribution partnerships with telecom operators for instance.

### Cloud gaming subscriptions by region



SOURCE: Dataxis ©

After two years of fast-paced transformations, three distinctive business models have emerged. The D2C-only market first, comprised of cloud gaming providers offering direct cloud gaming subscriptions, now accounts for more than a third of the total subscriber base in North America and Europe. The leading actor of this segment is Nvidia's service GeForce Now, which launched at the beginning of 2020, and now accounts for the vast majority of D2C subscriptions.

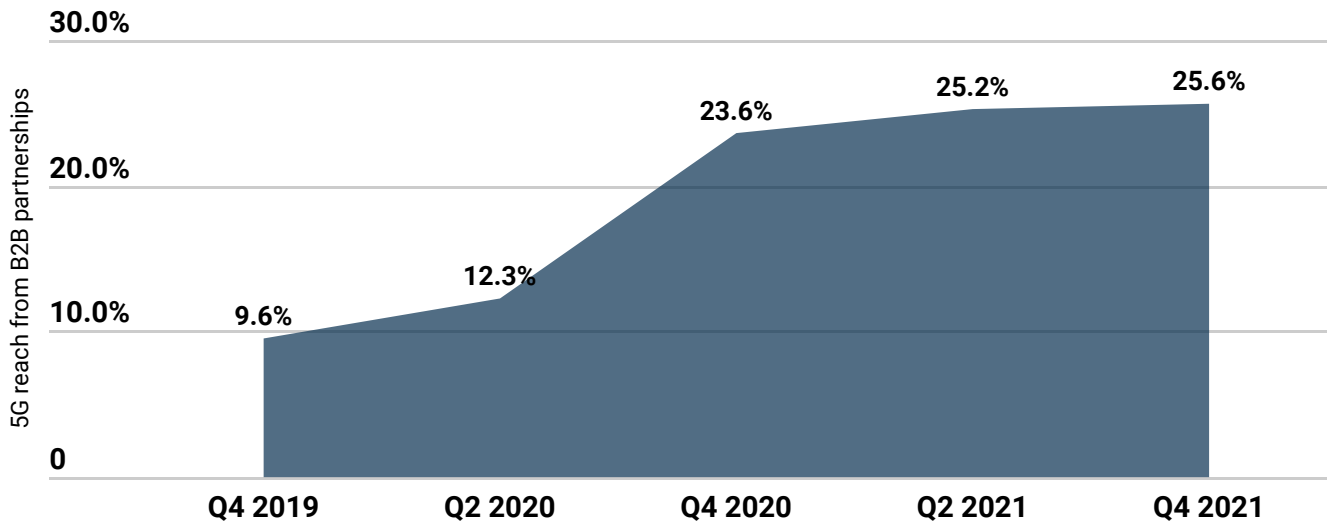
The second business model gathers game publishers which launched cloud gaming subscriptions to generate additional value to their existing gaming offers. The leading actor of this segment is Microsoft's Xbox Cloud service, offered for free in the Game Pass Ultimate subscription plan. These actors pursue 2 main objectives: on the one hand to increase the time spent by players on their games, providing them multi-devices options thanks to the cloud, on the other hand to increase ARPUs, anticipating that more time spent on the service should translate into new game purchases.

Finally, the third model gathers actors who offset their lack of direct relationship with customers by partnering with telecom operators. These actors are mainly based in Europe, and while their revenues come for the most part from B2B agreements – 95% of Blacknut revenues are derived from distribution deals for instance -, they can also have a small D2C component.

Over the last months, a growing number of partnerships have then been signed between European cloud providers such as Blacknut, Gamestream or Hatch Entertainment, and telecom operators across Europe, Southeast Asia and the Middle East.

However, if this B2B approach is the option selected by most cloud gaming providers, it is also the model which drives the lowest subscription figures so far. This can be explained by several factors: many cloud gaming services lack extensive gaming libraries, especially the latest releases, and they usually target 5G customers, who represent only a small share of the total customer base.

### Cloud subscriptions' share of 5G accesses in Europe



SOURCE: **Dataxis** ©

Oddly enough, North America is lagging behind Europe in terms of partnerships, as very few operators are currently providing cloud gaming offers. This is due to the already high penetration rate of D2C services such as Sony' PS Now or Xbox Cloud, and the significant growth of Google Stadia in the country.

Dataxis expects the cloud gaming industry to grow at an even faster pace in the next years, as major digital actors like Netflix and Amazon, as well as central gaming players like Nintendo, have not invested massively into cloud gaming yet. The significant increase in 5G subscriptions should also drive usages up, following the multiplication of partnerships in Europe.

Dataxis is releasing a new Cloud Gaming module, providing extensive data on subscribers, revenues and partnerships between providers and operators across Europe and North America.

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