



The State of the Console

Video Game Console Usage

Fourth Quarter 2006

Nielsen Wireless and Interactive Services
The Nielsen Company

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Key Takeaways

- The console household universe has grown 18.5% since fourth quarter 2004, compared to a 1.6% growth in the total universe of television households.
- Two-thirds of all Men aged 18-34 have access to a video game console in their home.
- The universe of connected console households (households subscribing to a service to connect their console to the internet) has grown to more than 4.4 million households, even before the newest Playstation 3 and Wii consoles are considered.
- In the NTI (Nielsen Television Index) fourth quarter of 2006 (9/18/06-12/31/06), 93.8 million US Persons aged two and older used a video game console for at least one minute.
- In any given minute, approximately 1.6 million US Persons aged two and older are using a video game console.
- The heaviest console users accounted for 74.4% of all console usage and averaged 345 minutes (5 hours and 45 minutes) of usage per usage day during the fourth quarter of 2006.

Introduction

Video game consoles have become active players in the battle for the living room. The most recent generation consoles are designed and positioned as multimedia hubs, serving not just as gaming platforms but as IPTV systems, HD-DVD/Blu-Ray players and media centers with processing powers as high as two teraflops¹.

Keeping up with the capabilities and potential of these systems, game developers have been hit with skyrocketing development costs, some as high as \$20 million plus². Seeking new sources of revenue to offset these tremendous costs, many developers now partner with advertisers trying to reach 18-34 year-old males and other coveted demographic groups that are well represented in the video game audience.

Yet, as advertising has become an important economic factor for the industry, the critical usage data have been derived almost exclusively from survey-based, user-recall research. While survey research will continue to provide some insights, Nielsen is prepared to deliver new levels of information to the media industry through our Nielsen GamePlay Metrics™ service, later this year. Nielsen GamePlay Metrics will provide, for the first time, metered video game usage and demographic information by game title, genre and platform – data that can better inform the buying and selling of in and around-game advertising.

Already, The Nielsen Company has a wealth of information on the general usage of video game consoles – connected or otherwise – through our National People Meter Sample. In addition, our quarterly Home Technology Report offers added context around this community.

This paper – the first in a series of examinations of the video game industry – provides a brief overview of what we already know about the US video game console user.

Methodology

The numbers included in this analysis are derived from Nielsen's National People Meter (NPM) sample of more than 12,000 US television households. When metering sample households, Nielsen monitors not just television activity on all metered televisions but the usage of any attached video game console to those televisions – old or new. When a video game console is the detected viewing source, we collect and process tuning and demographic data for that console just as we would a television viewing source. This NPM sample provides the ratings data generally considered the currency for the \$70 billion television advertising industry.

¹Sony Computer Entertainment Inc. announcement of the PlayStation 3 (www.us.playstation.com/News/PressReleases/279)

² "Why Gears of War Costs \$60," Rosmarin, Rachel. *Forbes*. 12/19/06

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Until actual game titles and platforms are tracked individually by Nielsen later this year, Nielsen's top line console usage data represents *all* television uses of the console, be that in the form of video game play, DVD play or even Internet web browsing. As such, the following data should be understood in terms of broad video game console consumption.

Console Penetration

The number and proportion of US television households with video game consoles has increased in recent years. The console household universe has grown 18.5% since Q4 2004, compared to a 1.6% growth in the total US television households universe. Nielsen estimates that in the fourth quarter of 2006, there were 45.7 million console households in the U.S, a penetration of 41.1%; up from 39.1% (43.0 million) in 2005 and 35.2% (38.6 million) in 2004.

Within console households, Nielsen estimates that there were 148.4 million Persons two and older in Q4 2006, meaning that more than half of the total US television population (52.4%) had access to at least one video game console system in their home during that period.

Among key video game demographic segments, the degree of penetration was even higher. Two-thirds of all Men aged 18-34 and 80% of Men aged 12-17 have access to a console in their home. Figure 1, below, shows the total universe and that which has access to a video game console in their home, by demographic break.

Fig. 1 **Console Universe Estimates, Q4 2006**

	Total TV Universe (000)	Console Universe (000)	Penetration
HHL	111,400	45,774	41.1%
P2+	283,500	148,456	52.4%
P2-11	40,060	28,332	70.7%
P12-17	24,790	19,794	79.8%
P18-34	66,700	41,950	62.9%
P35-49	63,900	36,577	57.2%
P50+	88,050	21,802	24.8%
M2-11	20,490	14,491	70.7%
M12-17	12,650	10,101	79.8%
M18-34	33,480	22,657	67.7%
M35-49	31,370	17,793	56.7%
M50+	40,480	10,642	26.3%
F2-11	19,570	13,841	70.7%
F12-17	12,140	9,693	79.8%
F18-34	33,220	19,293	58.1%
F35-49	32,530	18,784	57.7%
F50+	47,570	11,160	23.5%

Source: Nielsen Media Research - National People Meter Sample

As console penetration has grown, so too has the connectivity of in-home consoles. Nielsen estimates that since Q4 2003, the universe of connected console households has grown approximately 77%. In Q4 2006, we estimate that more than 28 million US households owned or rented at least one console system capable of connecting to the Internet (even before consideration of the Sony Playstation 3 or the Nintendo Wii, both released in late 2006). Among those households that owned the Sega Dreamcast, Sony Playstation 2, Microsoft Xbox, Microsoft Xbox 360 or Nintendo Gamecube, we estimate that 16%, or approximately 4.4 million console households, subscribed to a service to connect their system to the

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Internet. In Q4 2003, just 2.5 million households (10.6% of those who owned a connectable system) subscribed to such a service³. In a future report we will take a deeper dive into console connectivity.

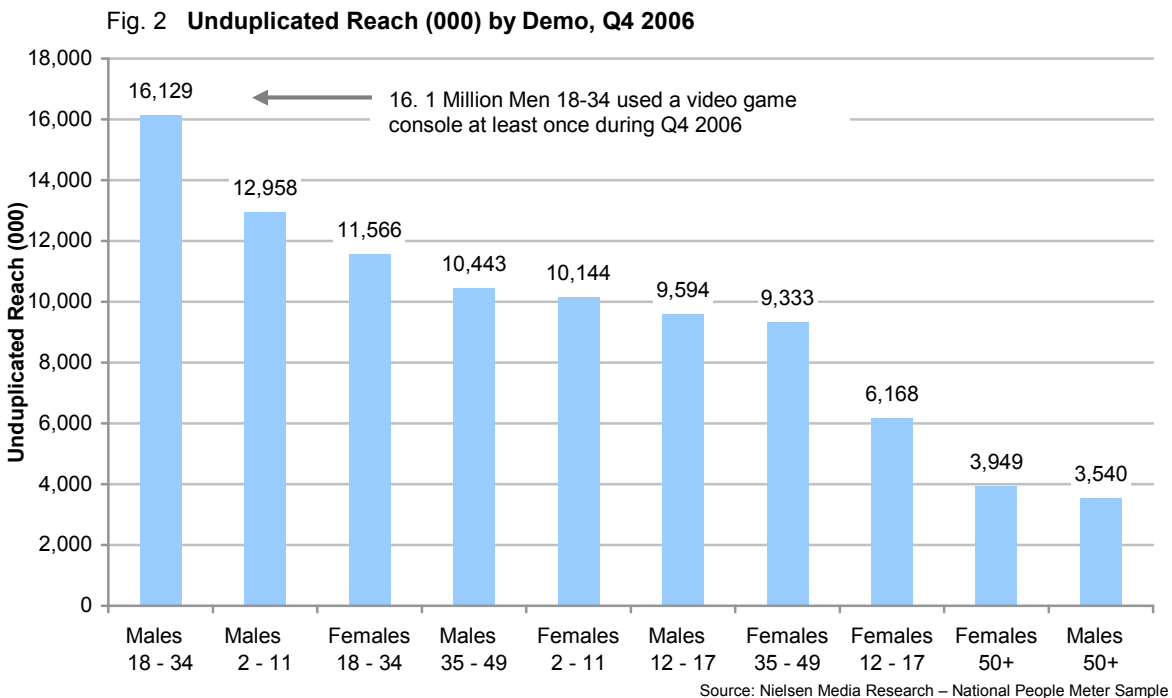
Console manufacturers are seizing connectivity as a means to more multimedia ends for the video game console. Through connectivity, for example, Microsoft's Xbox 360 serves as an IPTV and movie download platform. Even without connectivity, users are picking up on the basic multimedia capabilities of their devices. 50.7% of console users with a DVD player in their home identified their video game console as one of their DVD players⁴. Meanwhile, the subsidized cost of the latest generation of consoles makes Sony's PlayStation 3 player one of the cheapest Blu-Ray players available on the market.

As consoles jockey for position as the multimedia hub in the home, Nielsen recognizes the increasing capability of these systems to serve in additional multimedia function, beyond gaming.

Console Audience Usage

In Nielsen Television Index's fourth quarter of 2006 (NTI, 9/18/06-12/31/06), 93.8 million Persons two and older (33.0% of the total US television population) used an in-home console for at least one minute. Those 93.8 million console users age two and older averaged 135 minutes, or 2 hours and fifteen minutes with their system, per playing day.

Among key console demographic groups, the reach and frequency is quite staggering. Three out of every four Boys aged 2-11 (75.8%) used an in-home video game console for at least one minute in Q4 2006. Those Boys 2-11 averaged 2 hours and 30 minutes of usage per usage day. Almost half of all men aged 18-34 used a console at least once for a period of one minute or more during the fourth quarter (48.2%, or 16.1 million). Men 18-34 who did use their console, averaged 2 hours and 43 minutes per usage day. Even among demographics generally considered less significant in the video game market, the reach of consoles over the course of Q4 2006 is impressive. For example, half of all teenage girls (50.8% or 6.1 million) used a console at least one minute during the quarter. Figure 2, below, shows the total unduplicated audience in millions, by age and gender breaks, for Q4 2006.



³ Source: Console penetration and connectivity estimation based Nielsen Home Technology Reports, Q4 2003 – Q4 2006, augmented to include recent estimates for Microsoft Xbox live penetration among Xbox 360 homes.

⁴ Nielsen Home Technology Report Q4 2006

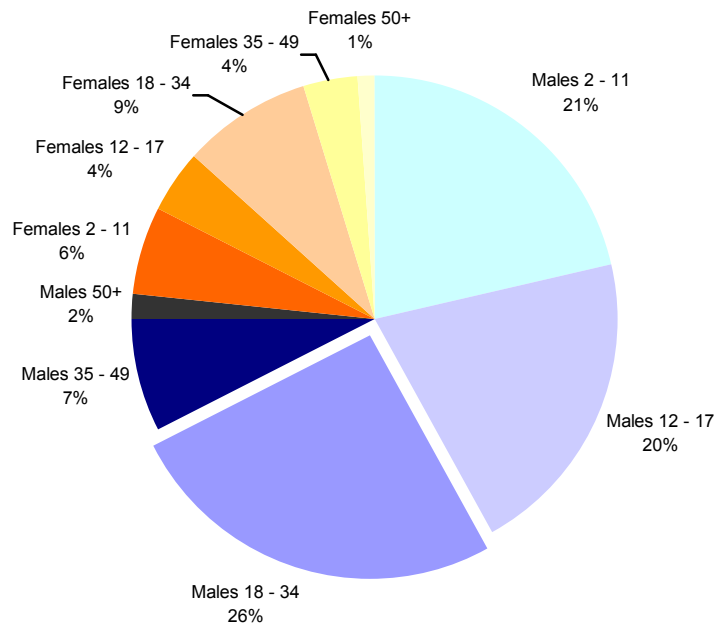
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Metering technology also allows us to examine the actual – not self-reported – usage behavior of the “typical” video game console audience: those persons using a console in the average minute.

On average, in any given minute in the fourth quarter of 2006 we estimate that more than 1.6 million Persons aged two and older were using an in-home video game system. The age-gender composition of that average audience supports conventional wisdom in terms of gender (77.1% of the average console audience for the period was male), but is more diverse in terms of age.

The average video game console audience is not dominated by one age group or another. Three core groups: Children, Teens and Persons aged 18-34, are all comparably represented in the average video game console audience. The group most represented in the average console minute is neither children nor teens, but the oft-coveted 18-34 year-old demographic. In the average minute of Q4 2006, roughly one-third (34.2%) of console users were Persons aged 18-34. The median age of a console user was 17 for that quarter, up from 16 in the fourth quarter 2005 and 15 in Q3 of 2004. Below, Figure 3 depicts the average console audience in Q4 2006.

Fig. 3 **Average Video Game Console Audience Composition Q4 2006**



Source: Nielsen Media Research – National People Meter Sample

Beyond the average console audience, we can also examine the heaviest subset of console users through quintile analysis. In Q4 2006, the top quintile console users (those in the top 20% of users based on average use over the quarter) accounted for 74.4% of total console usage.

Top quintile gamers spend vast amounts of time at their console. Here, actual usage data is particularly useful compared to existing self-reported (self-perceived) data on console behavior. In Q4 2006, top-quintile console users averaged of 345 minutes (5 hours and 45 minutes) of usage per usage day.

In a future report on console usage, we will more closely examine the composition and behaviors of this heaviest console audience.

Console Dayparts

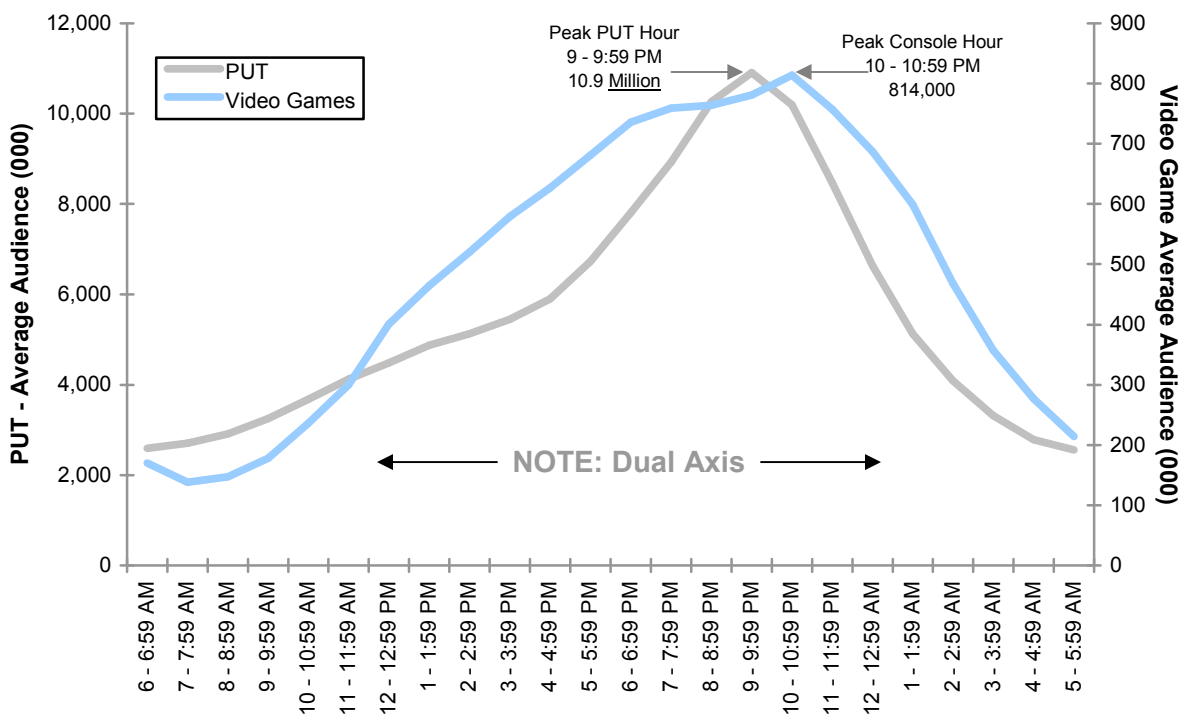
Nielsen’s metering technology tracks not just the “who,” but also the “when” for console activity. When is video gaming ‘Primetime’? Looking first at traditional television dayparts, overall console usage in Q4

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2006 for Persons two and older was heaviest during Early Fringe (M-Sa 6-8 PM, M-Su 6-7PM) and Primetime (M-Sa 8-11PM and Sun 7-11PM). The average Persons two and older audience for video game consoles was 2.8 million during Early Fringe and 2.7 million during prime.

To get an even more detailed look at console usage by individual weekday and hour we examined console usage for the month of January 2007, hour by hour, with particular attention to Men aged 18-34. The heaviest console usage hour for Men 18-34 during January 2007 was 10:00-10:59 PM, when there were, on average, 814,000 Men 18-34 using an in-home console. The following graph, Figure 4, depicts the average audience over the course of a day for console usage and, on a separate axis because the audience is much greater, PUT (Persons Using Television) viewing sources by hour. PUT represents all television tuning, excluding times of DVD, VCR, DVR and Video Game use. For visual comparison of dayparts only, these audiences have been overlaid, but readers should note that PUT viewing sources have a far greater audience throughout the day.

Fig 4 Relative Daypart Comparison - Video Games and PUT Viewing Sources
Average Audience - Men 18-34 - January 2007



Source: Nielsen Media Research - National People Meter Sample

Though Men 18-34 peak in console usage in the 10 o'clock hour, teen males 12-17 actually peak during the 8-8:59 hour, with an average audience of 745,000 M 12-17.

By day, average console audience was largest on Saturdays. In the average Saturday minute during January 2007, there were 2.6 million Persons two and older using a console, with an average total day audience of 560,000 Men 18-34.

Cross-Media Technology and Behavior

According to the Q4 2006 Nielsen Home Technology Report, console users - those respondents who own and have used an in-home video game system - reported spending about the same amount of time watching television as the overall Home Technology Report sample of Persons 12 and older: console users reported that they watched TV an average of 21.4 hours over the prior week, compared to 21.7 hours among total Persons 12 and older. In addition to saying they watch as much television, console users are more likely to come from digital cable households (54.2% vs. 48.7% of Persons aged 12 and

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older), and - among those who receive cable - report receiving 21.5% more channels. 175 channels on average among consoles users compared to 144 among total Persons 12 and older. So what are console users watching?

In terms of networks on which to reach video gamers, an analysis of audience duplication from the first 8 weeks of the 2006-2007 television season shows us which networks had the highest concentration – not necessarily impressions - of console users in their audience. During that period, the Nicktoons audience was the most highly concentrated television audience of console users; 43.2% of the Nicktoons audience also used their console for at least one minute during the period. Adult Swim followed Nicktoons with a console-user concentration of (41.6%). Figure 5, below, shows the top twenty television networks in terms of concentration of console users for the period.

Fig. 5 TV Networks Highly Concentrated with Console Users*

Duplication analysis, first 8 weeks of 2006-2007 television season

	% of Network Viewers		% of Network Viewers
NICKTOONS	43.2	FUSE	31.2
ADULT SWIM	41.6	MTV	30.1
TOON DISNEY	38.7	SCIENCE	29.7
CARTOON	37.7	VH1	29.0
NOGGIN	35.5	FAMILY	28.7
NICKELODEON	35.2	BET	28.1
NICK-AT-NITE	35.1	COMEDY	27.9
MTV2	33.3	SCIFI	27.9
VH1 CLASSIC	31.9	ANIMAL	27.6
G4	31.8	SPIKE	27.6

*Console users are those who used a console one or more minute in the same period

Source: Nielsen Media Research - National People Meter Sample

The Nielsen GamePlay Metrics service currently in development will allow us to offer network and program rankers by total console audience and more finitely by the audience of a particular game title, genre or platform. Soon we will be able to report the number of players of Video Game A that was tuned – at other times – to Television Network B. We will highlight those and additional cross-media insights in a forthcoming study.

For More Information

For more information about data elements contained in this report, information that will be available in future such reports or to learn more about how Nielsen GamePlay metrics will bring traditional ratings data to video gaming by title, genre and platform, contact:

Nicholas Covey
 Wireless and Interactive Services
 The Nielsen Company
 p: 312-385-6718
 e: nicholas.covey@nielsen.com
www.nielsen.com



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