



Report: Middleware Market to Reach \$1.3 Billion by 2011

The middleware market for games is expected to grow over the next 5 years, but Acacia Research explains that the market "remains volatile and risky," as competition from in-house solutions is on the rise. [Updated]

Middleware has always been an important part of the video game industry. With next-gen games becoming more detailed, intricate and complex developers often turn to middleware solutions to ease the development burden. Epic Games' Unreal Engine 3.0 has already been licensed out to publishers for dozens of next-gen console and PC titles. It's no surprise that the middleware market is expected to grow during the next several years.

According to a new study from Acacia Research Group, the market for interactive entertainment middleware is set to increase from \$718.4 million to nearly \$1.3 billion over the next five years, representing nearly 12 percent growth. This figure includes mobile middleware and ITV middleware as well.

Acacia notes that third-party solutions account for roughly 25 percent of the total spending on game middleware, and third-party middleware sales are expected to rise from just under \$79 million in 2006 to more than \$108.4 million in 2011.

That said, Acacia explains that the middleware landscape is changing and vendors will have a number of challenges ahead of them as more in-house competition arises. "... in-house spending will rise even more quickly as developers build out in-house solutions for increasing platform complexity," the research firm said.

"Game middleware providers continue to see fierce competition in the form of in-house solutions," said Christine Arrington, Senior Analyst at Acacia Research Group. "Meanwhile, the mobile middleware market is still in the early stages but these providers are going to feel the pinch of in-house competition as well; with handset and chipset vendors providing adequate free solutions. Finally, ITV middleware vendors are finally seeing the first real deployments of MHP, with OCAP on the horizon and must innovate to provide solutions much more robust and revenue generating than less expensive standards-based alternatives."

The full 81-page report is available for purchase at the [Acacia website](#) or by e-mailing sales@acaciarg.com. The entire report costs \$3742.50, but individual segments for the game, mobile or interactive TV markets are also available for separate purchases.

[UPDATE] Acacia Research has provided *GameDaily BIZ* with even more detail from the study, including a few interesting points. Below are some choice quotes from their research.

"In our discussions with some Xbox 360 developers we found that their list of middleware solutions in

use was quite a bit longer than that of PlayStation 3 developers. There are a bevy of influencers that could cause this including the simple fact that many Xbox 360 developers are farther along in their product development cycle.

"Sony launched its PlayStation 3 Tools & Middleware program in the last half of 2005 but it has yet to ramp up its support and promotion of third-party solutions with the same enthusiasm as during the early days of the PlayStation 2. Interestingly, despite all of the effort Sony put behind that program, PS2 developers were the least likely to list third-party solutions as their middleware of choice.

"The issue of complexity remains one of the strongest drivers behind demand for third-party middleware. That has not changed and will only become more important as game consoles and PCs become more powerful."

Acacia also looked at the breakdown of middleware types, including engines, physics, AI and more. Engine middleware generated the most revenue in 2006 at \$38 million. It is expected to rise to \$48 million by 2011. Here's more:

"Game engines will continue to account for the majority of revenue generated by third-party middleware providers. Though, over the next several years, engine-level middleware will decline slightly as a percentage of total revenue it will still generate the lion's share of revenue.

"Stand-alone physics middleware is expected to see continued growth over the next five years though its percentage share of the total third-party middleware market will hold relatively steady - for a number of reasons detailed in Physics, below. Artificial intelligence solutions will grow as well, doubling over the next five years. We expect to see AI middleware providers continue to expand their offerings beyond pathfinding and decision-making into areas of more complex behavioral simulation - though pressure on physics vendors may drive them into competition somewhat on the character-specific behavior front.

"Network middleware, we believe, will evolve into a significant revenue stream for providers over the next several years. Connectivity is almost a market requirement for most games and all major game platforms now support networked games. Basic network capability is a given but we think we'll see continued innovation in community features, massively multiplayer features, security, and other areas."

GameSpy has survived the fallout among network software providers and a host of new entrants have been putting their toes in the waters of this market. The company has added features such as in-game competitions and advertising distribution and management. Direct revenue generating features like advertising will be a huge value-add and key differentiator for network solutions providers.

"The two 'Other' categories in our forecast are quite distinct. 'Other High-Level' is an emerging area containing specialty systems such as IDV's SpeedTreeRT natural vegetation solution, procedural terrain generation, weather systems, and similar specialties. We expect to see robust growth in this market over the next few years as existing providers perfect their systems and messaging, and as new systems emerge.

"'Other Low-Level', on the other hand, encompasses a wide range of products from memory management and file access to audio, video, and graphics rendering. Here, companies such as RAD Game Tools dominate the stage. This category has widespread acceptance in the industry with the majority of game developers having passed the torch to third-parties for components that have been deemed 'less sexy'."

by [James Brightman](#)

Comments or questions? Send them to editor@gamedaily.com

Find this article at:

<http://biz.gamedaily.com/industry/feature/bizarticles.asp?id=13996>

Check the box to include the list of links referenced in the article.