Towards The Global Games Market in 2017

A broad look at market growth by screen & region

CASUAL GAMES SECTOR REPORT

CASUAL GAMES ASSOCIATION

newzoo
games market research

What will the $100bn Global Games Market look like in 2017?

Key aspects shaping the 2017 global games market:

1. Global
Globalization of the games market is accelerating as platforms and business models become more aligned across all regions of the world. Free-to-play and eSports have moved from East to West, and at the same time, the East is opening up to Western IP and game devices. Mobile gaming has become the truly global playground for developers.

2. China
Continued online connectivity and economic growth are increasing China's influence on the games market in terms of leading companies as well as the consumer market potential.

3. Mobile
Tablets and smartphones are quickly becoming a necessity for global consumers, giving mobile games an immediate global mass audience to entertain. Both devices have their own right of existence, doubling the potential market size for mobile games in the future.

4. Screens
Understanding change on a global as well as local scale requires a consumer-driven viewpoint. Technical segmentation of the market disguises growth factors and gives no hints about the potential size of individual markets in the future.

5. Media
Free-to-play business models and the addition of mobile screens as game destinations lower thresholds and allow consumers to spend more time on games. Ultimately this is the only way to get non-paying gamers to start spending and expand the wallet of current paying gamers. In the same manner, time spent on game brands through other media will lead to higher game industry revenues in the West.

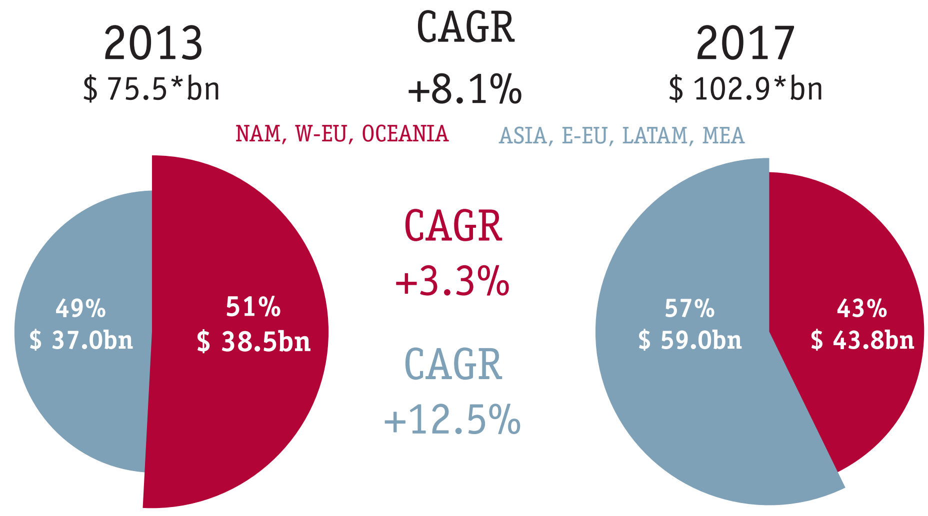
6. Brands
As games branch out to all media and entertain mass audiences, they become more than games but entertainment brands. A quarter of Western gamers play games on all four screens. Consumers are increasingly expecting games and media content related to their favourite games to travel with them across all screens and to be available at all times.

Asia and other growth regions will take 51% of the global market in 2017. A key driver for growth in mature Western markets is time spent, as games branch out to all media.

Global Games Market in 2017

US, Western Europe and Oceania currently account for 51% of the USD $75.5bn (billion) global games market with Asia, Eastern Europe, LATAM & MEA making up the remaining 49%. Over the next three years, this split will reverse as growth regions, with a Compound Annual Growth Rate (CAGR) of 12.5%, drive global revenues past the USD $100bn mark. Growth in these regions will be fuelled by increasing internet and smartphone penetration along with increasing wealth. The relatively saturated markets of North America, Western Europe and Oceania will experience more modest growth.

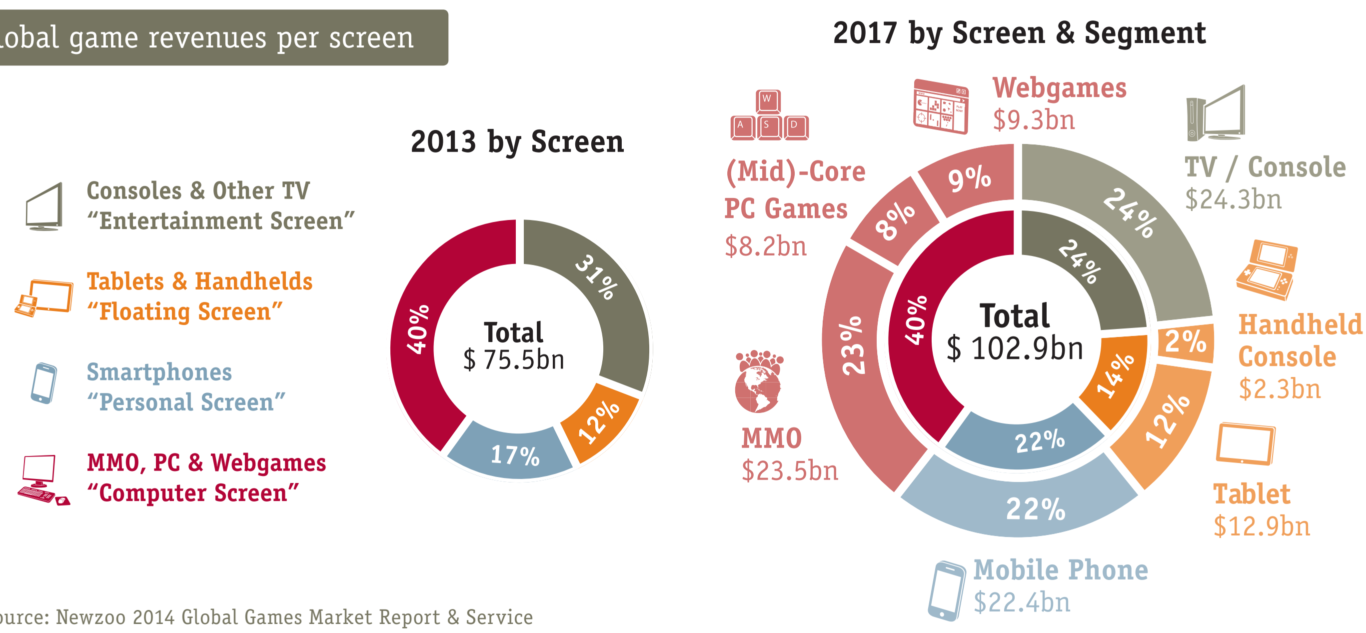
global games market 2013 & 2017



*New figures following final analysis of (company) revenue data in Q1 2014
Source: Newzoo 2014 Global Games Market Report & Service

Currently, 40% of all game revenues are generated on the *Computer Screen*, making it the most lucrative followed by the *Entertainment Screen* with 31%. By 2017, the *PC Screen* will continue to dominate, led by MMO games. The *Entertainment Screen* share will shrink to 24%, with the *Personal Screen* growing to account for 22% of all revenues. The decline of handhelds will be offset by a growth in tablet gaming, with the *Floating Screen* taking 14% of revenues in 2017.

global game revenues per screen



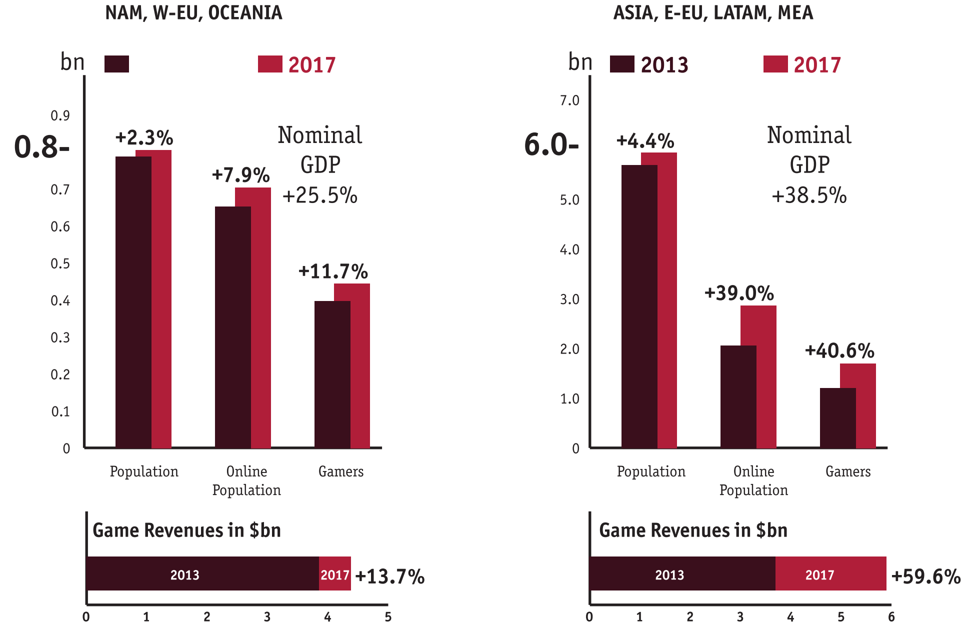
Source: Newzoo 2014 Global Games Market Report & Service

Global Growth Dynamics

Growth dynamics are different for the mature Western regions of US, Western Europe and Oceania than in the rest of the world. In Asia, Eastern Europe, Latin America, Middle East and Africa population and economic KPIs drive organic growth.

In the mature markets, smartphones and tablets allow gamers to spend more time, a necessity for further growth. As games also branch out to other media, growth will continue at a healthy pace towards 2017.

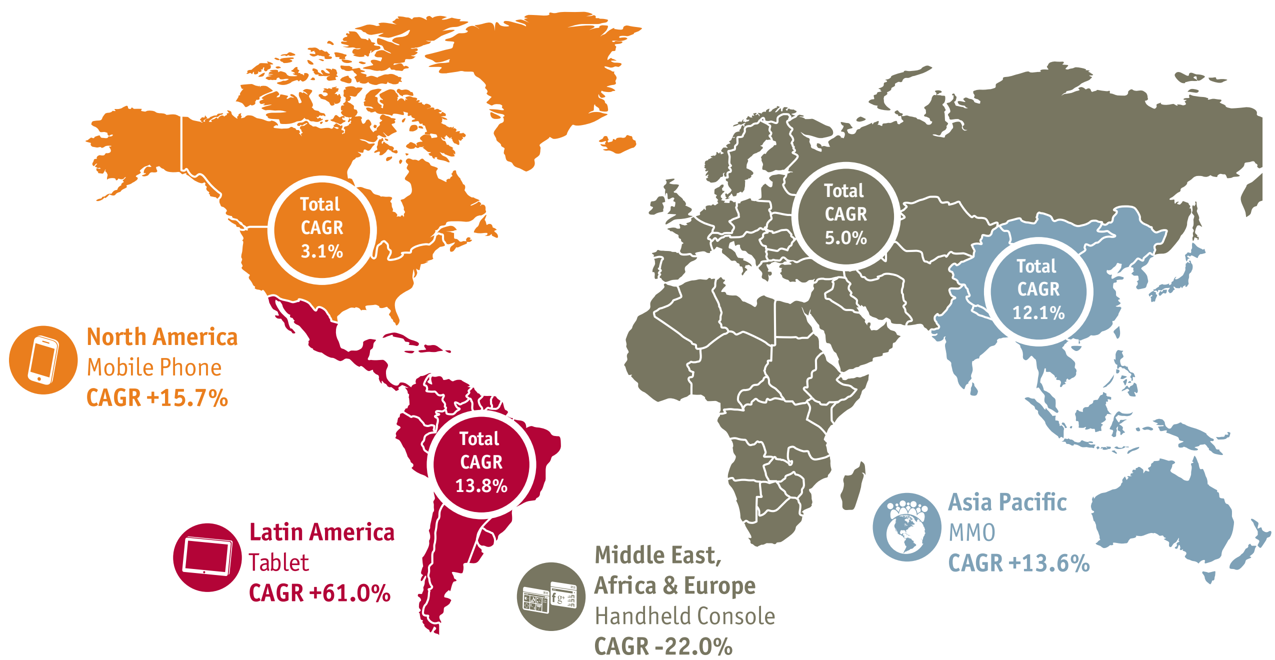
online connectivity & economic growth



Source: Newzoo 2014 Global Games Market Report & Service

growth per region and selected segments

Global 2013-2017 CAGR: 8.9%



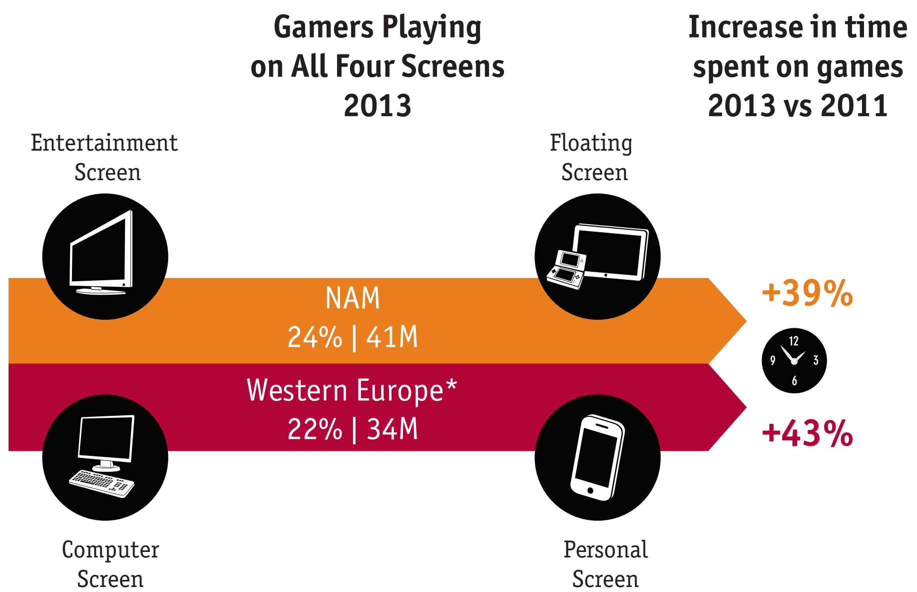
Source: Newzoo 2014 Global Games Market Report & Service

Time & Media Expand Potential

In mature game markets such as North America and Western Europe, where the internet population is almost at its max and the economy is in a recovery phase, an increase in revenues will have to come from current gamers.

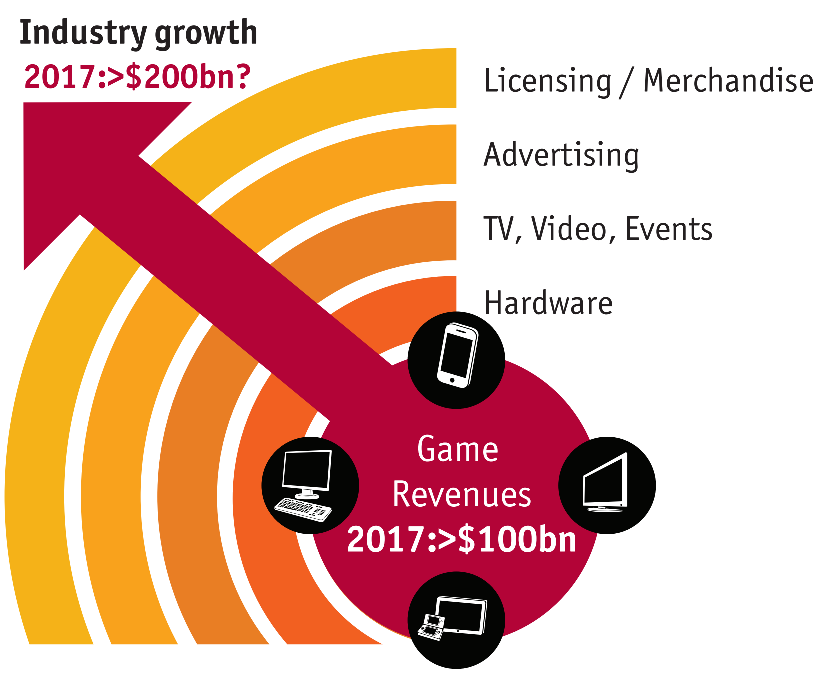
To convince more gamers to start spending money and paying gamers to dedicate a higher share of their leisure budget to games, time spend will become the determining factor. Time spent gaming ultimately represents entertainment value.

more screens leads to more time spent on games



* As aggregate of UK, GER, FR, NL, BE | Source: 2014 Newzoo Data Explorer, Trend Analysis

the broader picture: games branching out

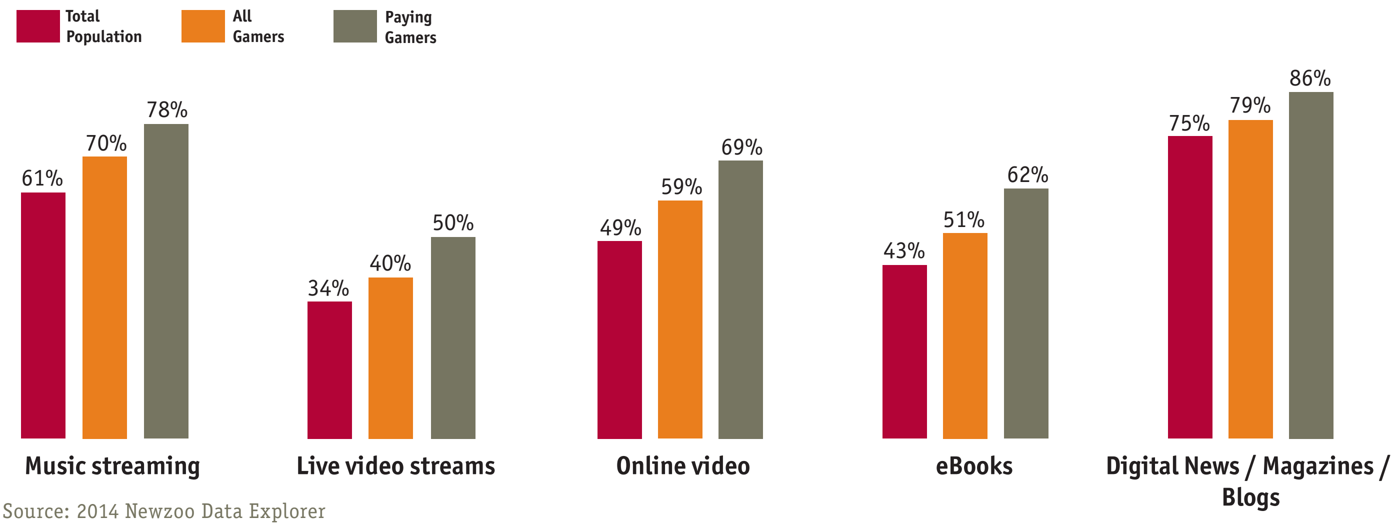


Source: Newzoo

The arrival of smartphones and tablets as gaming devices has made it easier for gamers to spend more time playing games. The dominance of the free-to-play business model on all screens except the Entertainment Screen, adds to this. The fact that game-related video content and streams are the most popular content on the web shows how games are impacting all media and creating new revenue streams. The explosion of eSports' popularity, including huge live events, is another direction in which games are branching out in the West. Through all media, games and game brands reach a mass audience opening up new advertising, licensing and merchandising possibilities. Taking hardware sales into account, the total size of the industry could grow to twice the revenues generated directly by games alone.

Games Become Media Brands

use of other digital content amongst gamers US & W-EU



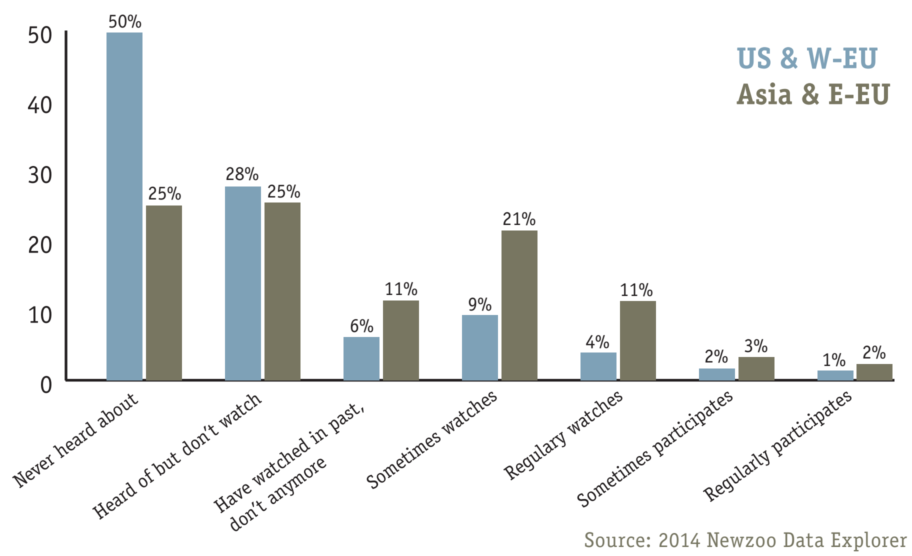
Source: 2014 Newzoo Data Explorer

Games are one of many forms of digital content that today's gamers can consume. In fact, gamers are more likely than the general population to use all forms of digital content, and these differences are even more apparent when it comes to paying gamers. Music streaming for example is done by 78% of paying gamers, compared to 61% of the general population.

This difference is even more pronounced for online video which is watched by 49% of the total population and 69% of paying gamers. Both music and videos can be used to enrich the gaming experience, but these differences also extend to non-gaming related digital content, such as eBooks.

eSports is long established in Asia and is now breaking off this niche and into Western markets. In terms of awareness, engagement and participation, the West still has some catching up to do. Half of US and Western European gamers are aware of the phenomenon, compared to 75% in Asia and Eastern Europe. An impressive 32% of Asian and Eastern European gamers watch eSports, compared to 13% in the West.

eSports viewership and participation amongst gamers



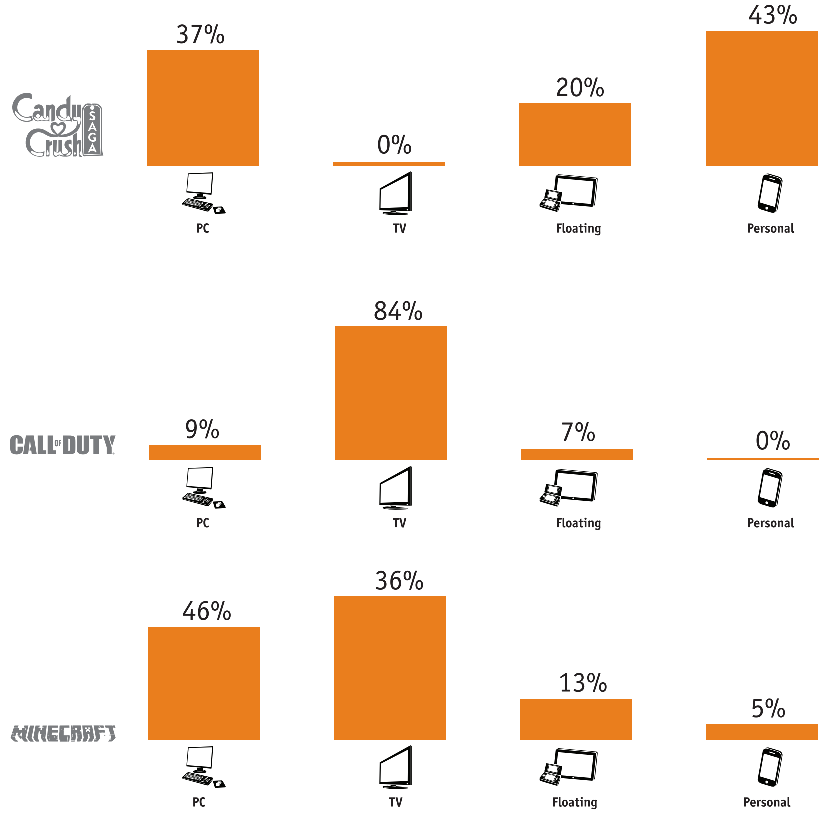
Source: 2014 Newzoo Data Explorer

Game Brands Travel Across Screens

Candy Crush, *Minecraft* & *Call of Duty*, show very different patterns when looking at the screens they are most played on. *Candy Crush*, a typically casual game, is most played on smartphones closely followed by the PC. The TV screen is extremely dominant for the "core" title *CoD* (85%) while the PC (36%) and TV (46%) are both popular choices for *Minecraft* gamers. It seems the PC is the most versatile platform, catering to each game genre.

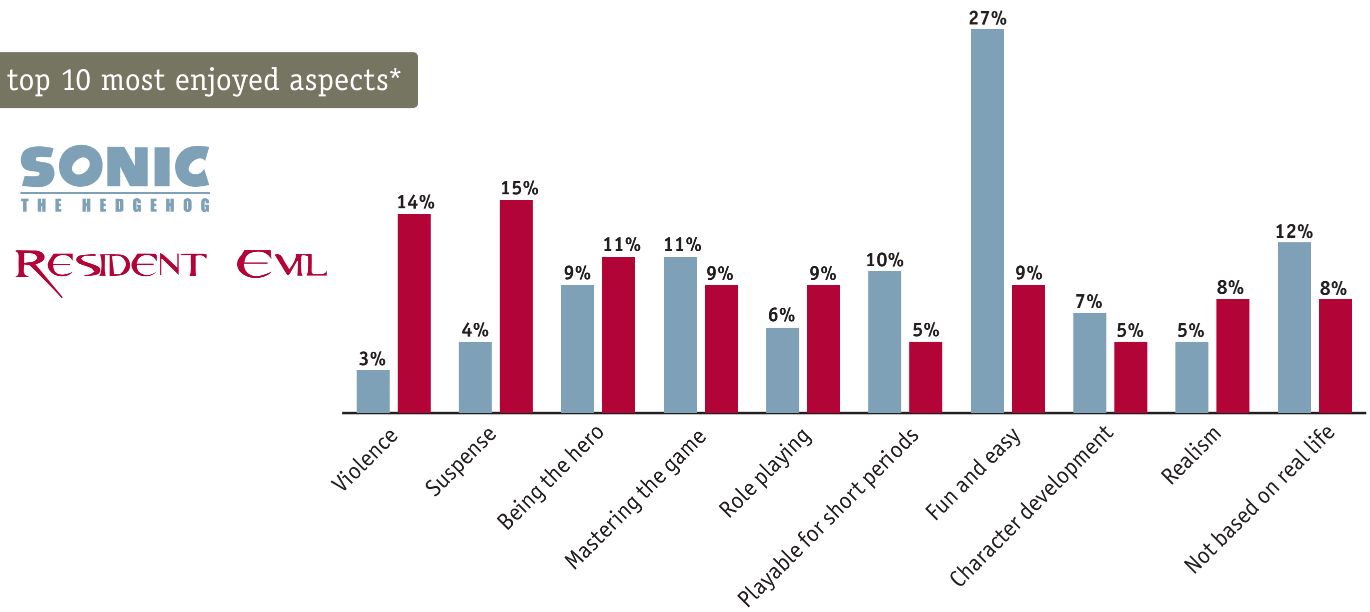
Not surprisingly, the most enjoyed aspect of Nintendo's *Sonic* title is that it's fun and easy while *Resident Evil* gamers most enjoy the suspense and violence. Being the hero and the satisfaction of mastering the game are almost equally important to both types of gamers, suggesting these aspects are universal to good gameplay, regardless of game genre.

franchises and screens most played on*



*Based on consumers in US, UK, FR, GER | Source: 2014 Newzoo Franchise Profiles

top 10 most enjoyed aspects*

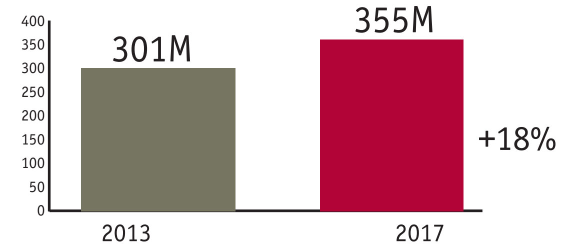


*Based on consumers in US, UK, FR, GER | Source: 2014 Newzoo Franchise Profiles

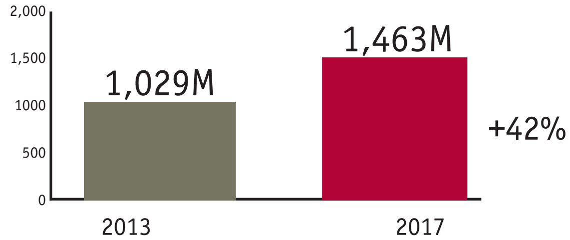
Mobile: The Truly Global Playground

mobile gamers 2013-2017

NAM, W-EU, OCEANIA



LATAM, E-EU, MEA, APAC



Source: Newzoo 2014 Global Games Market Report & Service

The growth of gaming on smartphones and tablets continues to exceed all expectations. Final reviews of 2013 mobile revenues were adjusted upwards by analysts and are widely acknowledged to have surpassed USD $17bn, or 23% of the global games market. In 2017, mobile game spending will surpass USD $35bn or 34% of the total market. Contrary to consoles, but similar to PCs, mobile devices are used on a global scale and seen as a necessity by an increasing share of the global population. The Google Play and iOS appstores demonstrate the global reach of mobile gaming, with countries from all regions of the world coming together in the top-grossing rankings.

The number of mobile gamers is expected to increase from 1.33bn in 2013 to 1.82bn in 2017. The figure to the left shows a growth percentage of 18% for Western mature markets and 42% for Asia, Eastern Europe, MEA and LATAM combined.

mobile country rankings march 2014 | year-on-year change

These rankings are based on revenues generated by the top 1000 games per app store.

iPad

1	US	—
2	UK	—
3	Australia	▲ 1
4	China	▼ 1
5	Japan	▲ 4
6	Canada	▼ 1
7	Germany	—
8	Russia	▼ 2
9	France	▼ 2
10	Italy	—

iPhone

1	Japan	▲ 1
2	US	▼ 1
3	China	—
4	UK	—
5	Australia	—
6	Canada	—
7	France	—
8	Germany	—
9	Korea	—
10	Taiwan	—

Play Store

1	Japan	▲ 1
2	US	▲ 1
3	Korea	▼ 2
4	Germany	▲ 1
5	Taiwan	new
6	UK	▼ 2
7	France	—
8	Russia	—
9	Australia	▼ 3
10	Canada	▼ 1

Notable developments outside of top 10

- Korea dropped from charts
- Thailand new at #18

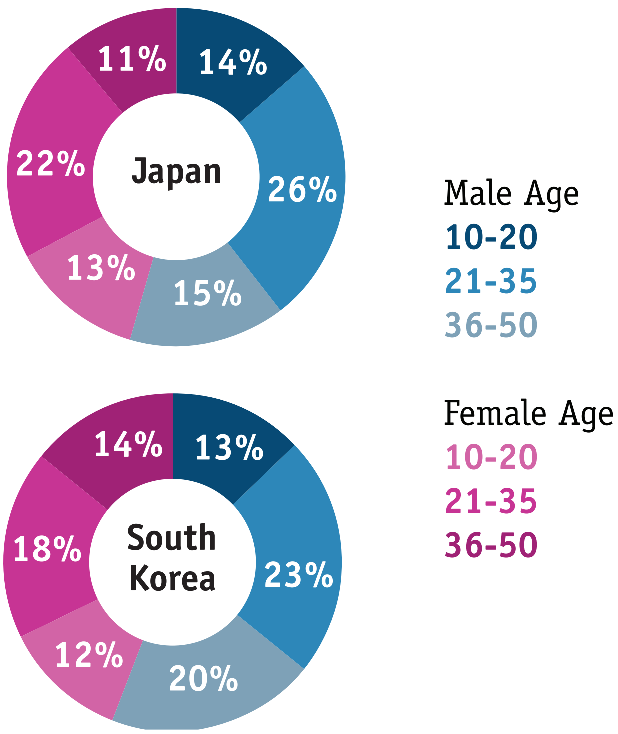
- HongKong climbed 4 places to #12
- Switzerland new at #13

- Indonesia now in charts at #20
- Sweden dropped 3 places to #18

Source: 2014 Newzoo / Distimo Monthly Rankings

Mobile Gamer Profiles

age and gender | mobile gamers



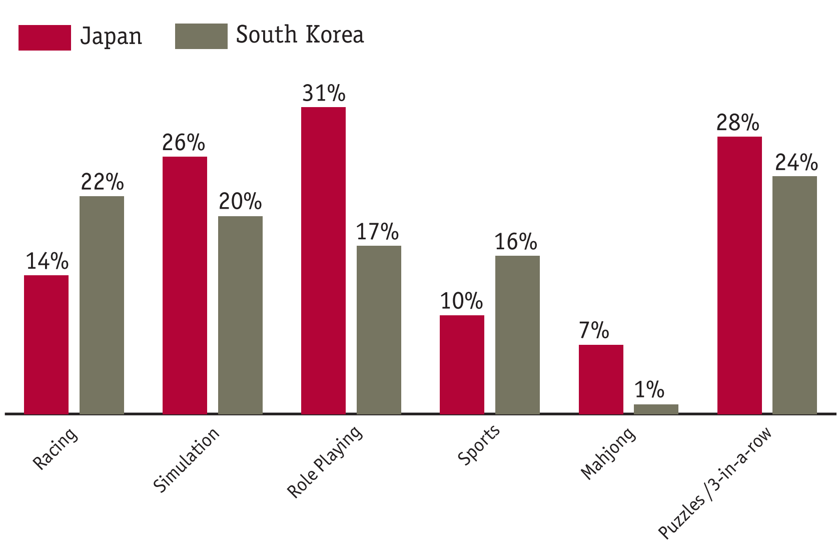
Source: 2014 Newzoo Data Explorer

The majority of mobile gamers in both Japan and South Korea are males aged between 21 and 35. In South Korea, males aged 36 to 50 make up the next largest segment but in Japan it is 21 to 35 year old females. Females make up a slightly higher proportion of Japanese (46%) than South Korean mobile gamers (44%).

Mobile phone brand preferences differ greatly between the Asian countries. 54% of South Korean mobile gamers own a Samsung phone and just 12% own an iPhone while one third of Japanese mobile gamers own an iPhone and just 7% owns a Samsung.

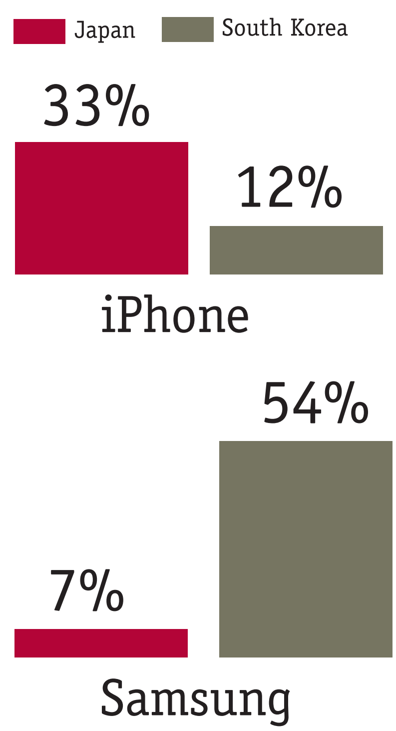
Role Playing games are much more popular with Japanese gamers (31% vs. 17%) while South Korean gamers are more likely to enjoy racing games (22% vs. 14%).

preferred genres | mobile gamers



Source: 2014 Newzoo Data Explorer

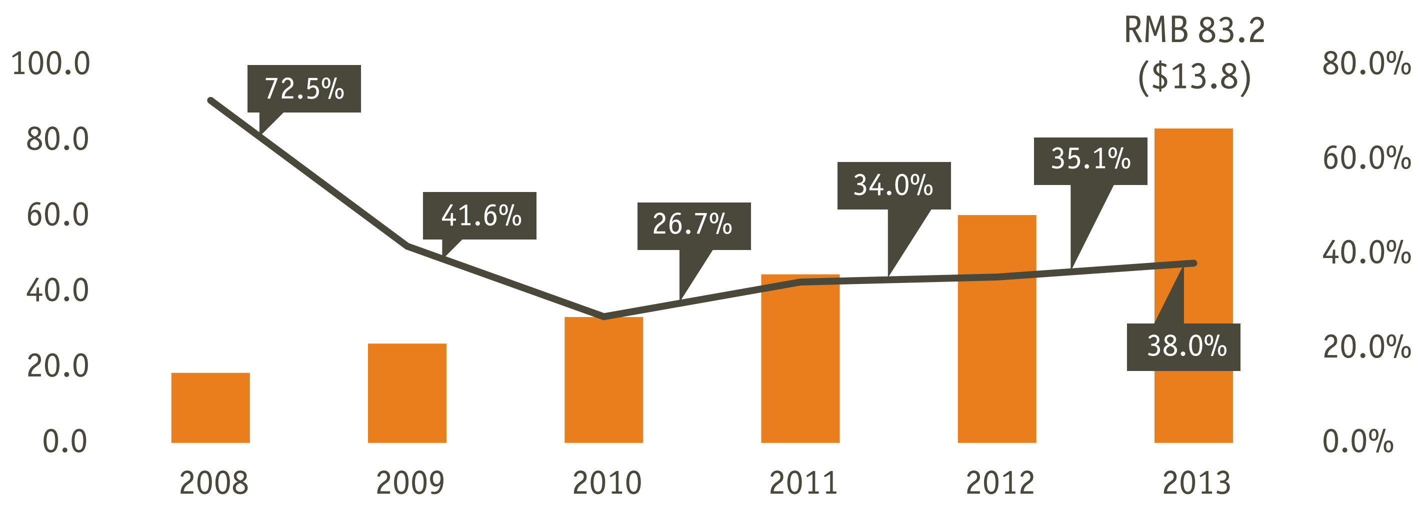
phone ownership | mobile gamers



Source: 2014 Newzoo Data Explorer

Chinese Games Market Growth

chinese games market growth | 2008-2013



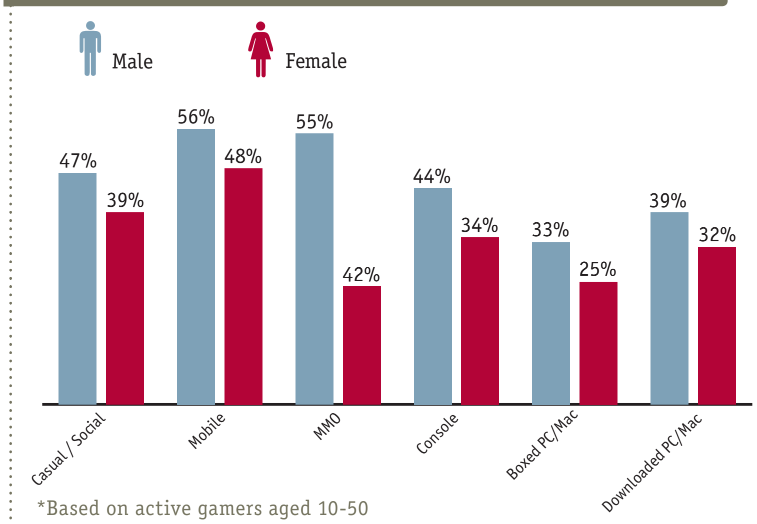
RMB and USD $ revenue in billions. Source: GPC China Games Market Report, December 2013

The Chinese games market has shown considerable growth over the past number of years. Between 2008 and 2013, revenues more than quadrupled to reach RMB 83.2bn (USD $13.2bn). Between 2012 and 2013, there was 38% year-on-year growth, according to GPC.

Domestically-developed games accounted for RMB 47.7bn (USD $7.9bn) of these revenues, representing 57% of the market and a 29.5% year-on-year increase.

Looking at the % of payers per segment, mobile and MMO score the highest for both male and female payers. Of Chinese mobile players, 56% of men and 48% of women pay and this is 55% and 42% for MMOs. Chinese boxed PC/mac gamers are the least likely to pay, with 33% of men and 25% of women doing so. This is likely due to the popularity of free, unofficial versions of Western PC titles.

chinese payers per segment*



*Based on active gamers aged 10-50
Source: 2014 Newzoo Data Explorer

China Insights

Due to strict censorship rules combined with serious piracy issues, there are very few Western companies that publish Chinese versions of their games. Nevertheless, Western single player titles are hugely popular among Chinese gamers and are readily available to download for free from various websites. In total, there are 7,231 single player games available for free download on Ali213.net, with the vast majority comprising of foreign single-player console and PC games that have not officially entered into China.

In general, Western games are rated very highly on the site, with criticism focusing on the low quality of the localization that is provided by the websites. When the non-official localization is done well, downloads are much higher. Monetization of high quality Western games can be achieved by a combination of working with a respected local partner, integrating in-game spending models and localizing the game in Chinese from day one.

downloads in China on Ali213.net

FIFA 13

User Rating: 9.0

Downloads: >2.000.000

Grand Theft Auto V

User Rating: 9.5

Downloads: >14.000.000

Source: Newzoo 2014 Introduction to the Chinese Games Market

major android app stores in China

360Mobile Assistant
Launched in 2011 by Qihoo 360, a leading (mobile) internet security company.

Tencent MyApp
Tencent released its new version 5.1 of WeChat exclusively through Tencent MyApp to attract users.

Wandoujia
Has over 300 million users and daily app downloads exceed 30 million.

UC AppStore
Launched by UC Web, a provider of mobile internet software technology and services founded in 2004.

The Baidu app store
Owned by China's leading search engine Baidu.

AnZhi Market
As of Q3 2013, AnZhi Market had 120 million users, of which 60% are active.

Alibaba
China's largest e-commerce company, announced it is building a platform to promote and distribute third-party mobile games.

Gfan Market
Total number of downloads to date is more than 3 billion, with 10 million new downloads everyday.

Source: Newzoo 2014 Introduction to the Chinese Games Market

In 2012 and 2013 the Chinese App ecosystem underwent dramatic change. A small number of leading Android appstores emerged facilitating discovery and distribution, and payment channels became more user friendly and secure. This helped generate massive growth of the app economy, in particular for (locally developed) Android apps. The market structure remains very different from the West. Google Play for example, is not widely available and Amazon only launched in 2013.

See you in San Francisco

Casual Connect USA will return to San Francisco this July 22 - 24, 2014 at the Hilton San Francisco in Union Square, in the centre of the city. Casual Connect USA is now open for registration and sponsorship. Please visit the website to ensure you get involved with this event that is anticipated to be nothing less than epic.... http://usa.casualconnect.org

For press inquiries, please email **jessica@casualgamesassociation.org**

Learn more about the games industry with the best speakers, networking, lectures and data to help you succeed in a crowded market at:

Casual Connect USA in San Francisco: July 22 - 24, 2014
Casual Connect EE in Belgrade: November 10 - 12, 2014
Casual Connect Europe in Amsterdam: Feb 4 - 6, 2015
Casual Connect Asia: May 2015

About Newzoo

Newzoo is an international full service market research and consulting firm, focused completely on the games industry. It provides independent market data across all game segments, business models and regions of the world based on a unique combination of primary consumer research, transactional data and financial analysis.

newzoo
games market research

ABOUT THE CASUAL GAMES ASSOCIATION

When it comes to the health of your business, the more things that work together, the better. Which is why the Casual Games Association is a critical portion of the success of your company and the industry as a whole. It means that you and your team have access to cutting edge educational resources and are connected to thousands of other game industry professionals, members of the press and service providers around the globe. Learn more at http://www.casualgamesassociation.org/

CASUAL GAMES ASSOCIATION