

How the internet is changing the games industry

e-Marketing Winter 2007
Fachhochschule Wiener Neustadt



2007, Jurie Horneman

Who am I?

- Rockstar Games, JoWood Entertainment, Kalisto Entertainment, Blue Byte Software, Thalion Software
- Producer, game designer, QA manager, lead programmer



What am I going to talk about?

- Slightly more than online gaming
- An overview of the 'core' games industry
- How the internet is changing the games industry
- Online gaming, social networks, websites, user-generated content, virtual worlds and their economies, digital distribution, marketing, 'casual' games
- There will be time for questions



The games industry

- \$19B in 2004 (worldwide, hardware and software)
- Growing steadily
- A slump every 5 years or so
- The 'casual' market is hard to measure



Who plays games?

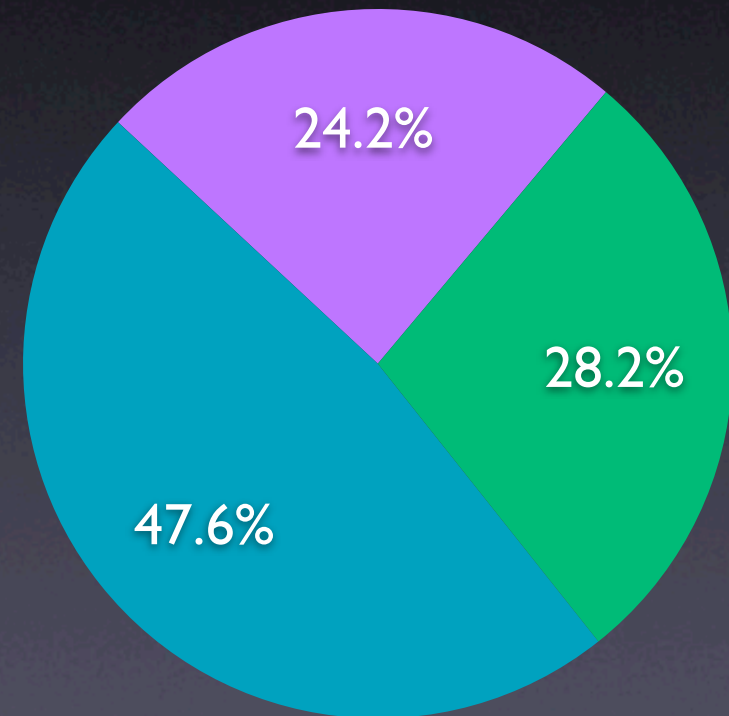
- Perceived demographics: kids or adolescent males
- Reality: quite different
- (What does this tell us?)

Gamer demographics

● < 18 ● 18 - 49 ● 50+

- Recent U.S. data
- The average gamer is 33 years old

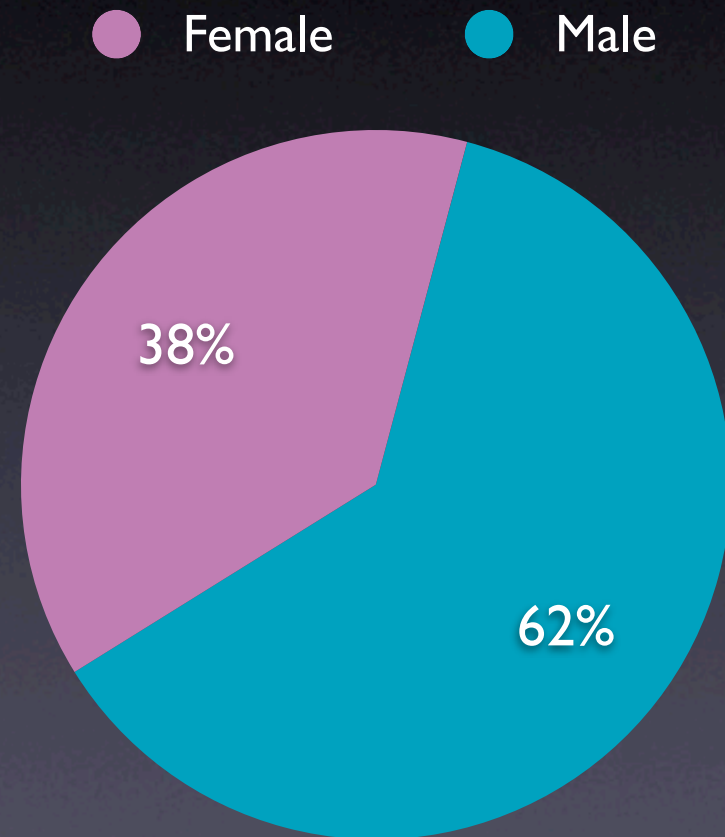
(Source: ESA)



Gamer demographics

- Recent U.S. data
- Women age 18 or older represent a significantly greater portion of the game-playing population (31%) than boys age 17 or younger (20%)

(Source: ESA)



The 'core' games industry

- Consoles and PC
- Action, RPG, racing, sports, strategy



The big players

- Console manufacturers
- Third-party publishers



Console manufacturers

- Platform holders
- Sony
- Microsoft
- Nintendo



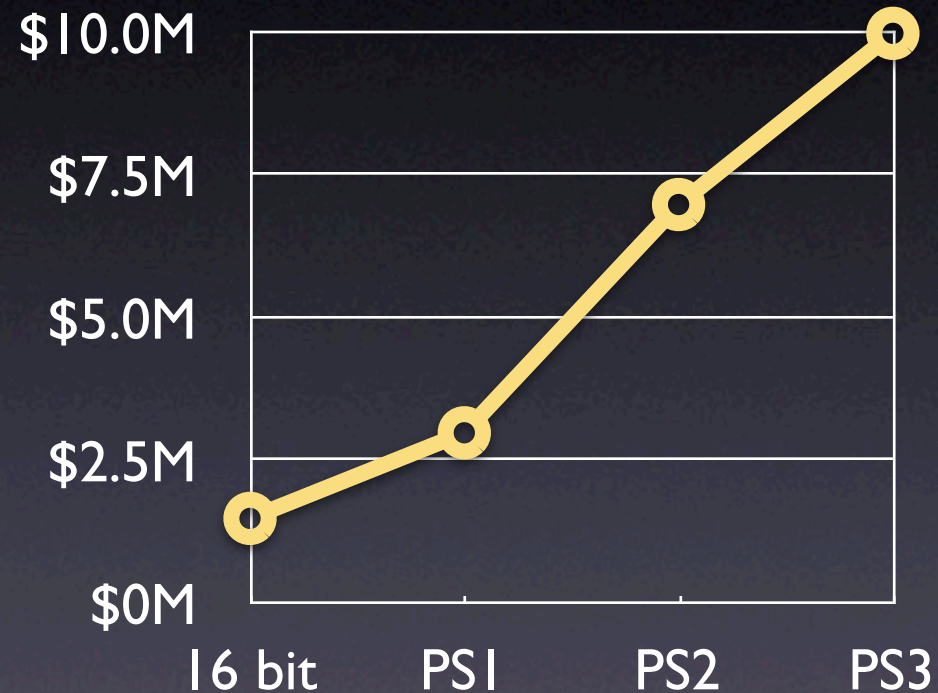
Third-party publishers

- Marketing, manufacturing, distribution
- Also developers - in any case, they have massive power over developers
- Electronic Arts (\$16.54B market cap)
- Activision (\$5.58B market cap)
- Ubisoft, Take2, Vivendi



Rising development costs

- Average development costs



(Source: Screen Digest)

Online Gaming

- Massively Multiplayer
- Non-massively Multiplayer



Massively Multiplayer Online Gaming

- A very brief history:
- 1978 - 1995
- 1996 - 2004
- 2005 - now
- Post World of Warcraft?

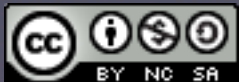


Non-massively Multiplayer Online Gaming

- 2-64 players
- Not necessarily over the internet
- 1993 Doom
- 1995 Quake
- 1999 Counterstrike
- 2001 Halo



So how is the internet
changing the games
industry?



2007, Jurie Horneman

The internet is now ubiquitous

- Every major gaming device currently available is online-capable



The internet on consoles

- Xbox Live
- PlayStation Network
- Wii
- Nintendo DS and Sony PSP



The internet as a community platform

- Unofficial websites
- Official websites
- Communities
- Extended services
- Statistics



Example: WoW Web Stats



The screenshot shows the 'WoW WEB STATS' website. At the top, the title 'WoW WEB STATS' is displayed in a large, bold, white font. Below the title is a row of ten circular icons representing different game classes or professions. A navigation bar contains links for 'Start WWS Client', 'Documentation', and 'Forums', along with a 'Guest' dropdown menu. The main content area features a user profile for 'daniasdf' with a blue and yellow shield icon, followed by the text 'Alar First Kill - Thu 06 September, from'. Below this, there are two menu items: 'Split' with a right-pointing arrow and 'Full report', and 'Browse' with a right-pointing arrow and 'Charts'. At the bottom, there are three tabs: 'Dmg. Out' (highlighted in blue), 'Dmg. In', and 'Heals'.

User-generated content

- Unofficial
- Official
- Growing



The internet as a marketing channel

- Publisher portals
- Online advertising
- Blogs, news sites, etc.
- Meta-review sites



The internet as a distribution channel

- Digital distribution
- Piracy and DRM



The internet as a trading platform

- Unauthorized and authorized
- Auctions, item-selling, currency trade

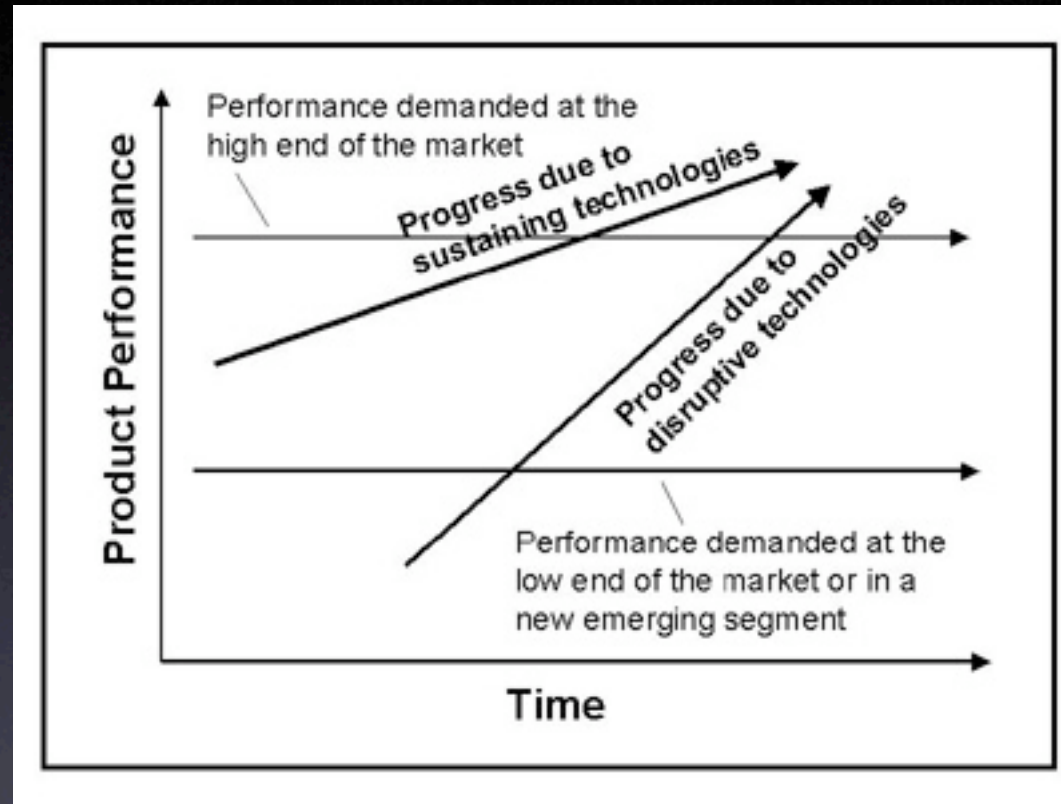


The internet as a gaming platform

- The most disruptive influence of the internet on the games industry
- ‘Casual’ and ‘Indie’ development
- Very different development and business models



The Innovator's Dilemma



'The Innovator's Dilemma', by Professor Clayton Christensen of Harvard Business School

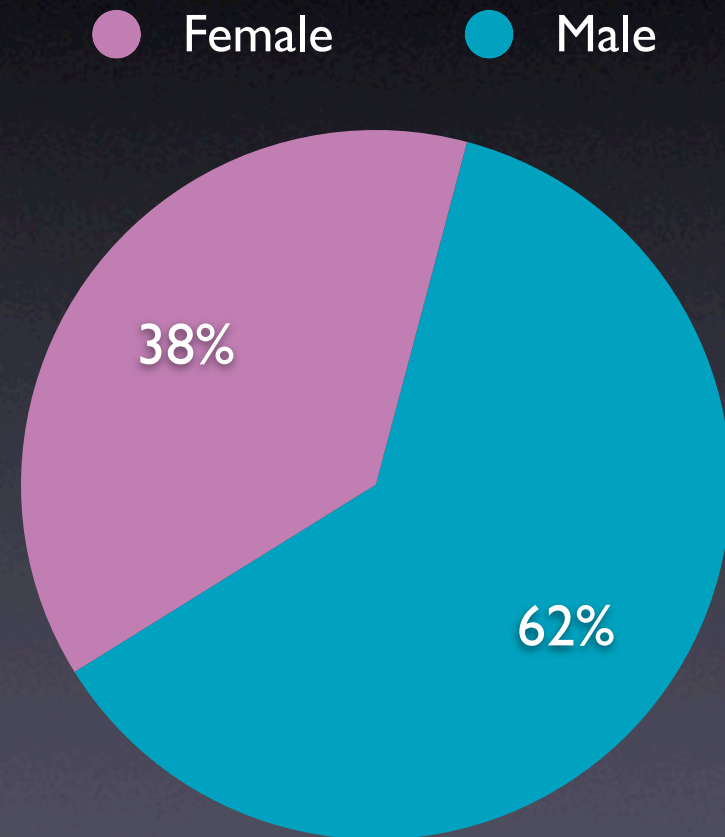
Target markets

- From niche to... less niche
- Most AAA games still do not appeal to a very broad audience
- Many games require too much time investment

Remember this?

- Recent U.S. data
- Women age 18 or older represent a significantly greater portion of the game-playing population (31%) than boys age 17 or younger (20%)

(Source: ESA)



Casual games

- Much lower investment for the player
- Still hard-core
- Much cheaper to develop and publish
- Solidifying as a market segment...



Indie games

- Independent of the 'core' games industry
- Potentially the most innovative, but this is not always the case in reality



A new kind of game

- Making much more use of the web



Line Rider



Desktop Tower Defense



2007, Jurie Horneman

Kongregate

- ‘YouTube for games’
- Strong on community features



Top 10 MMOs in the West

- 1. World of Warcraft, released 2004 - 8.5 million subscribers.
- 2. Habbo Hotel, released 2000 - 7.5 million active users.
- 3. RuneScape, released 2001 - 5 million active users.
- 4. Club Penguin, released 2006 - 4 million active users.
- 5. Webkinz, released 2005 - 3.8 million active users.
- 6. Gaia Online, released 2003 - 2 million active users.
- 7. Guild Wars, released 2005 - 2 million active users.
- 8. Puzzle Pirates, released 2003 - 1.5 million active users**.
- 9. Lineage I/II, released 1998 - 1 million subscribers.
- 10. Second Life, released 2003 - 500,000 active users.



Casual MMOs

- Runescape
- Puzzle Pirates
- Gaia Online
- Habbo Hotel
- (Papermint)
- Media giants such as Disney and MTV are moving into MMOs /VWs



Conclusion?

- This is very different compared to the 'core' industry
- There are a lot of opportunities here
- Web-style game development has much lower barriers to entry
- But it also causes pressure



Thanks!

- I left out a lot
- My blog:
www.intelligent-artifice.com
- I will post about the subject there
- Also on the Yahoo! Group
- Any questions?

