

Europe - Game Market Settlement & Overview

**World Game Market Overview Seminar
KOGIA, Seoul, 20 January 2009**

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A few words on myself

- since 1999 in the online games business
- 5 years with ISP Tiscali, Italy as Director Games International
- brought 1st commercially successful Asian MMORPG to Europe 2002
- 15+ times to Seoul since then
- CEO of Gameforge 4D GmbH since est. in January 2006
- Gameforge 4D publishes 3rd-party, client-based MMO(RPG)s across Europe
 - currently 5 Koreans titles
 - currently in up to 13 language versions
- Gameforge group: also self-develop and publish “browser games”
- Gameforge games played:
 - in virtually all European countries
 - in up to 40 languages
 - by 18.5 million active users (Dec. 2008)

Agenda

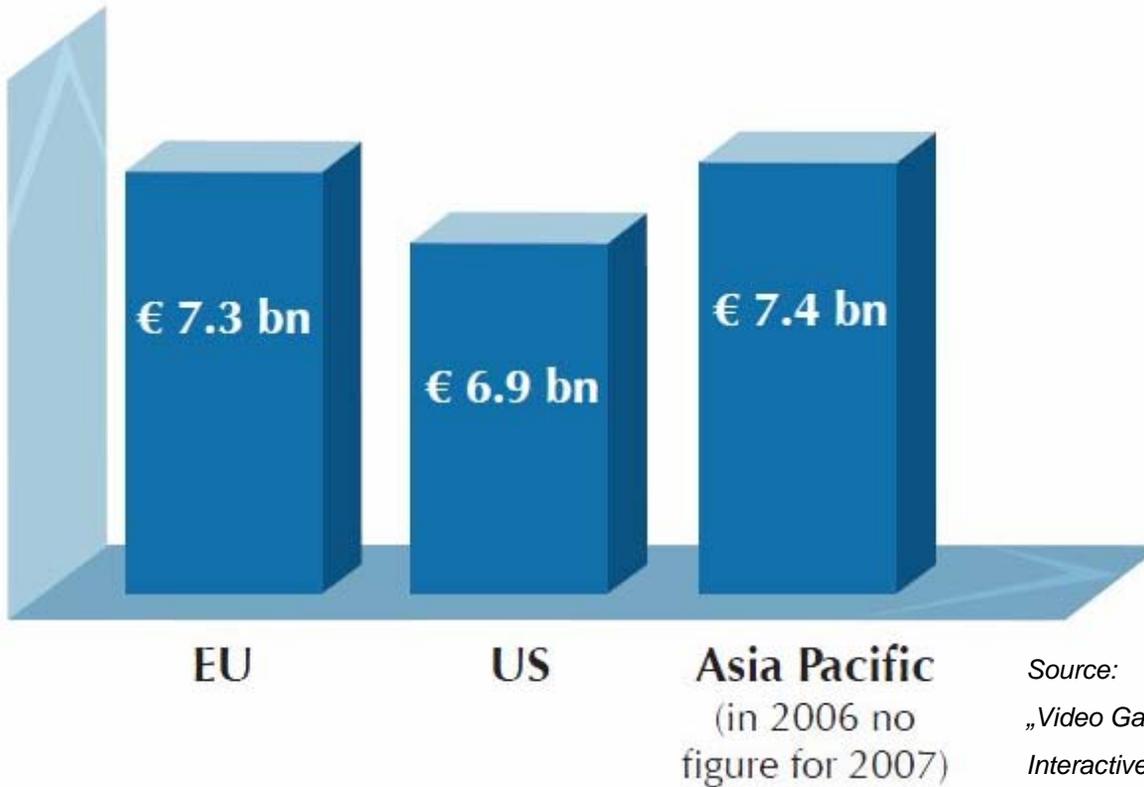
- The Market –
Games in general and Online games in specific
- The Demand –
Demographics and Trends
- The Supply –
Actors and Directors

The Market - Games in general and Online games in specific



Why listen? Europe is getting relevant!

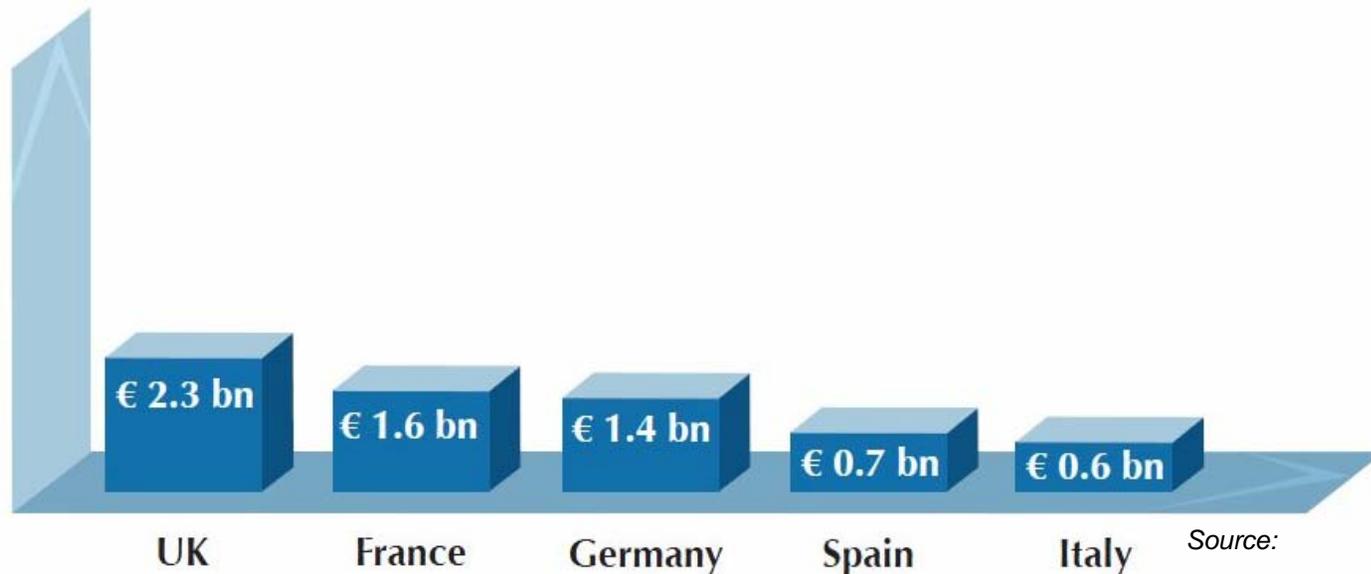
All Game software sales in triad regions - 2007



According to most-quoted market study by Nielsen Games, games' sales in Europe will surpass Asian-Pacific market region in 2009.

At first sight, 3-5 countries appear all-dominating.

Games software sales (Console&PC) in Europe – leading markets

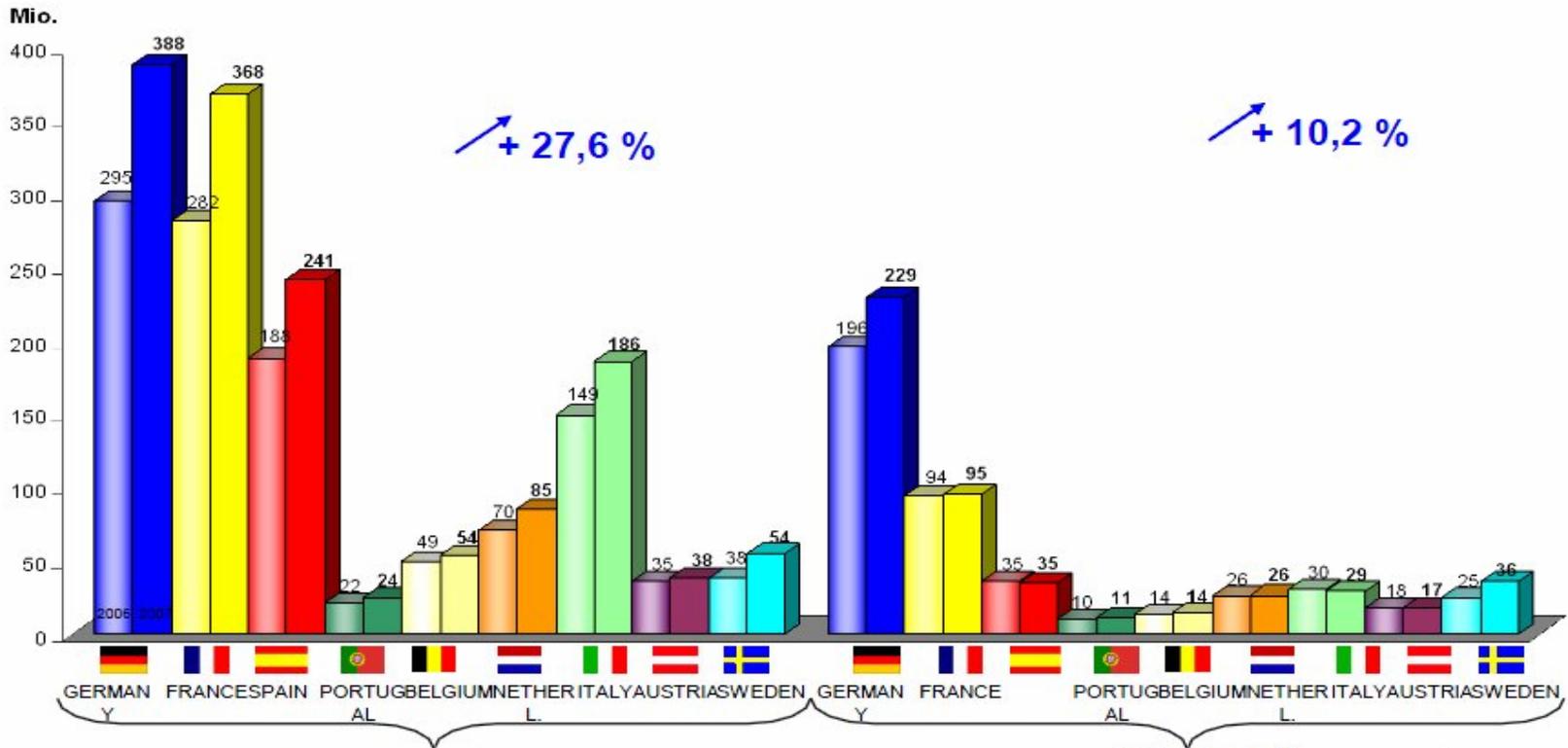


Source:

„Video Gamers in Europe 2008“, Nielsen Games
Interactive Software Federation of Europe (ISFE)

- 90% of game software sales are coming from 5 biggest countries above
- 73% from UK, France and Germany
- 25% Annual growth 2007; slightly more estimated for 2008 (Source: MediaControl GFK International)

On average Consoles sell three times the amount of PC games (cultural differences apply) - and growing...



Console Total
 Total 1.HY 2006 1.127,1
 Total 1.HY 2007 1.438,6

PC Total
 Total 1.HY 2006 492,7
 Total 1.HY 2007 447,1

Source:
 media control GfK Int. 2007
 Teut Weidemann

- In UK and Germany consoles sell about twice as much as PC games.
- In Southern Europe, the dominance of Console is even stronger, rel. to PC:
 France: 4x Italy: 6x Spain: 7x

However, online and mobile games will rock.

Game software revenues, combo Europe, Japan, USA

(million €)	2007	2008	2009	2010	2011	2012
Mobile games	1 130	1 640	2 139	2 621	3 032	3 324
PC offline games	3 748	3 855	3 916	4 000	4 048	4 083
PC online games	1 268	1 573	1 963	2 503	3 030	3 600
Home console games	10 672	12 153	13 168	13 939	14 300	14 400
Handheld console games	3 901	4 122	4 237	4 290	4 380	4 400
Total	20 719	23 343	25 423	27 353	28 790	29 807

Source: IDATE 2008

According to one of Europe's most relevant market researchers, until 2012:

- PC offline: nearly flat
- Console: + 35% until 2012
- Mobile: + 194% until 2012
- PC online: + 184% until 2012

You know what – let's do what you and me know best and is the future:

Let's concentrate on PC online! (My apologies to Mobile people!)

Online Games going strong!

- Is it? Probably... 😊

- Online Games revenues are the big unknown, especially in Europe
 - no dedicated governmental agency to accompany the market
 - no dedicated trade association to collect objective numbers

- Some researchers estimate the Western hemisphere (Europe plus North America) to surpass all of Asia in 2009
 - would be a dramatic increase: Asia is said to have contributed about 60% in 2008

- According to convincing KOGIA estimates, Europe is relatively catching up with North America, as it comes to ARPU, lagging behind as it comes to active userbase

Example: MMOG, EU vs. North America

Classification		2006	2007	2008 (E)	2009 (E)	
North America	Average Subscribers of MMOG (Unit: Mio.)	3.9	4.6	5.1	5.5	
	ARPU (USD)	Annual	145.4	147.0	148.0	149.0
		Monthly	12.1	12.3	12.3	12.3
EU	Average Subscribers of MMOG (Unit: Mio.)	2.1	2.6	3.1	3.5	
	ARPU (USD)	Annual	137.1	139.2	141.6	143.8
		Monthly	11.4	11.6	11.8	12.0

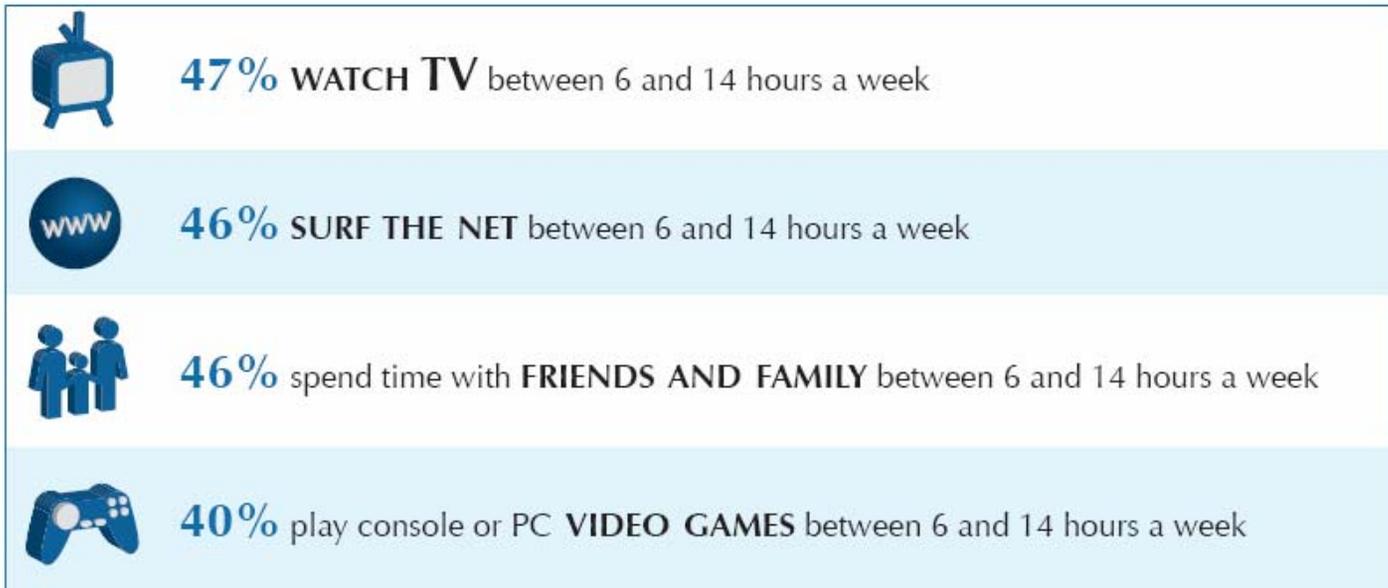
Source: Korean Game Industry Association

The Demand - Demographics and Trends



In Europe, Playing Games ranks (only) on no. 4

Today's most common leisure activities



Source:

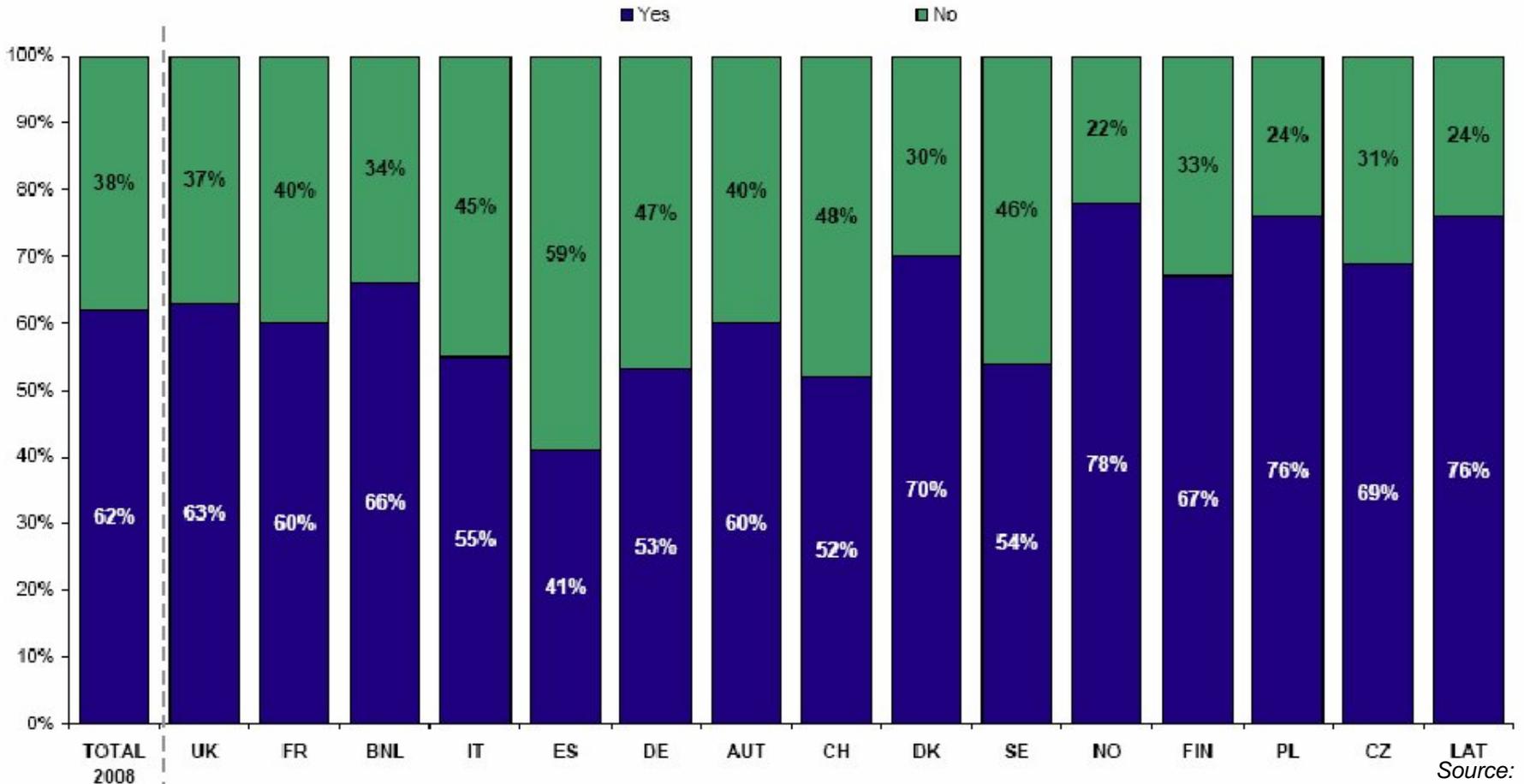
„The Profile of the European Video Gamer“
Interactive Software Federation of Europe (ISFE)

Amongst all gamers, the average age is quite high, ranging: Spain 26 yrs. ~ UK 33 yrs.

More than 60% of all European gamers play Online games.

Online Gamers in Europe - by Country

Do you play games online?



Source:

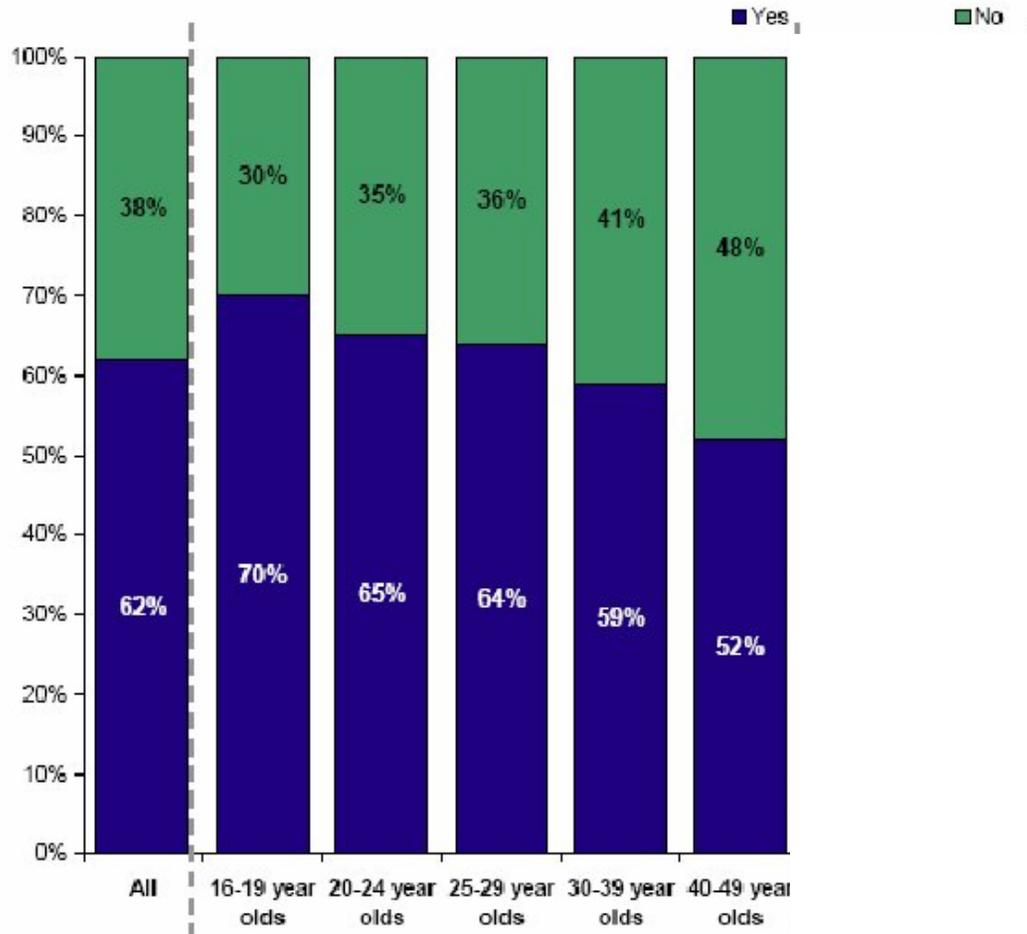
Rule of thumb: „Higher % in the North and East“

„Video Gamers in Europe 2008“, Nielsen Games

More teens than twens. More twens than others.

Online Gamers in Europe - by Age

Do you play games online?



- Online gamers are younger than the entire population of gamers

- avg. Online gamer gets older and older

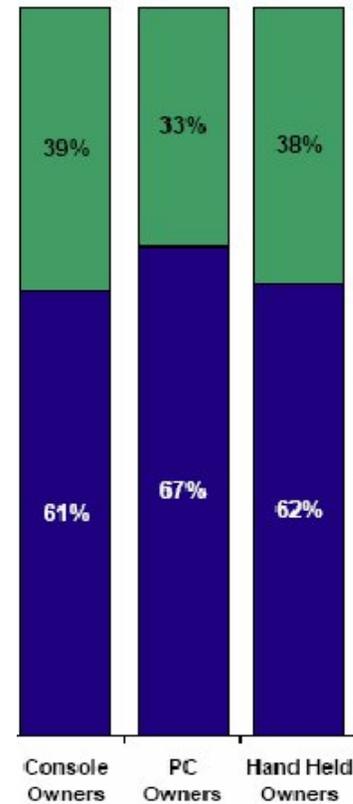
despite starting age going down

because „once a gamer, always a gamer“

PC gamers go online more.

Do you play games online?
 Base: All respondents

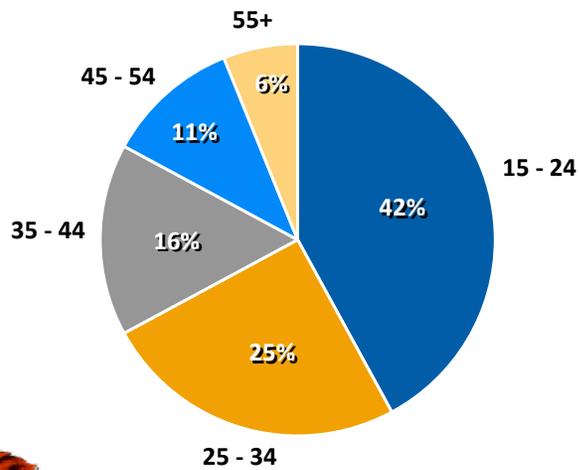
Online Gamers in Europe – by Platform



Source: „Video Gamers in Europe 2008“, Nielsen Games

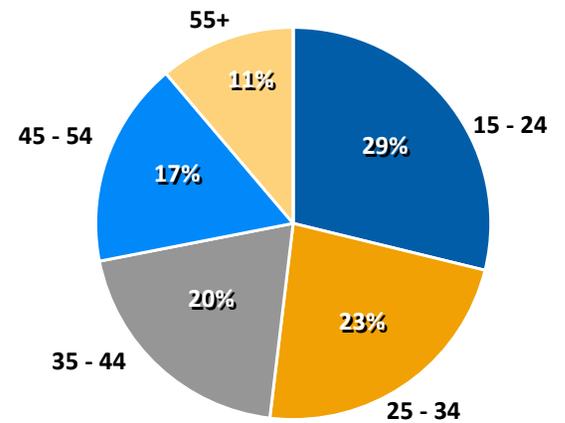
Gender Demographics

Male Players



Unique Visitors: 17.6m / 62.4%

Female Players

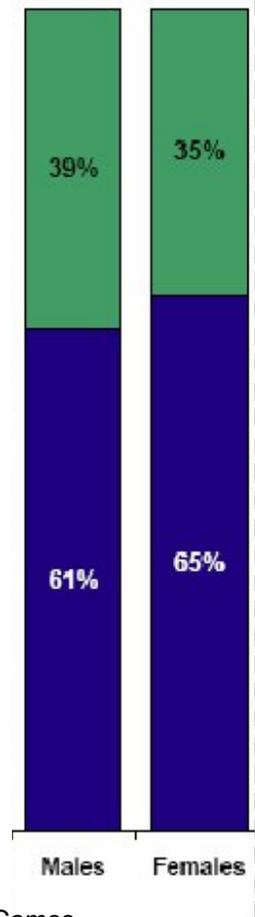


Unique Visitors: 10.6m / 37.6%

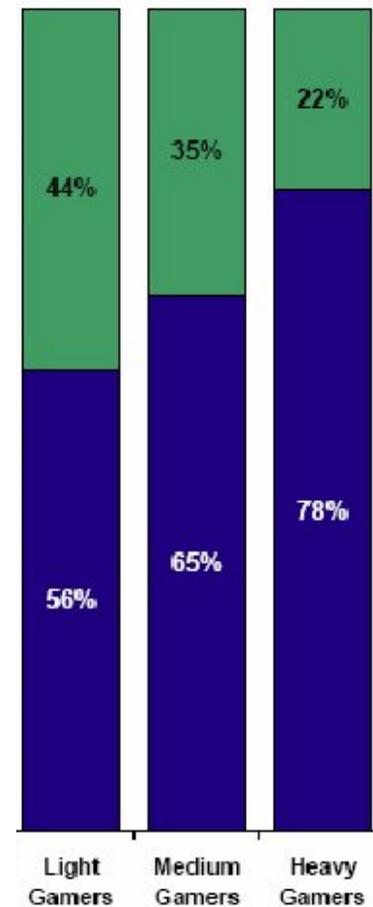
Women's propensity to game online is even slightly higher. Four out of five heavy gamers play online.

Do you play games online?
Base: All respondents

Online Gamers in Europe – by Gender

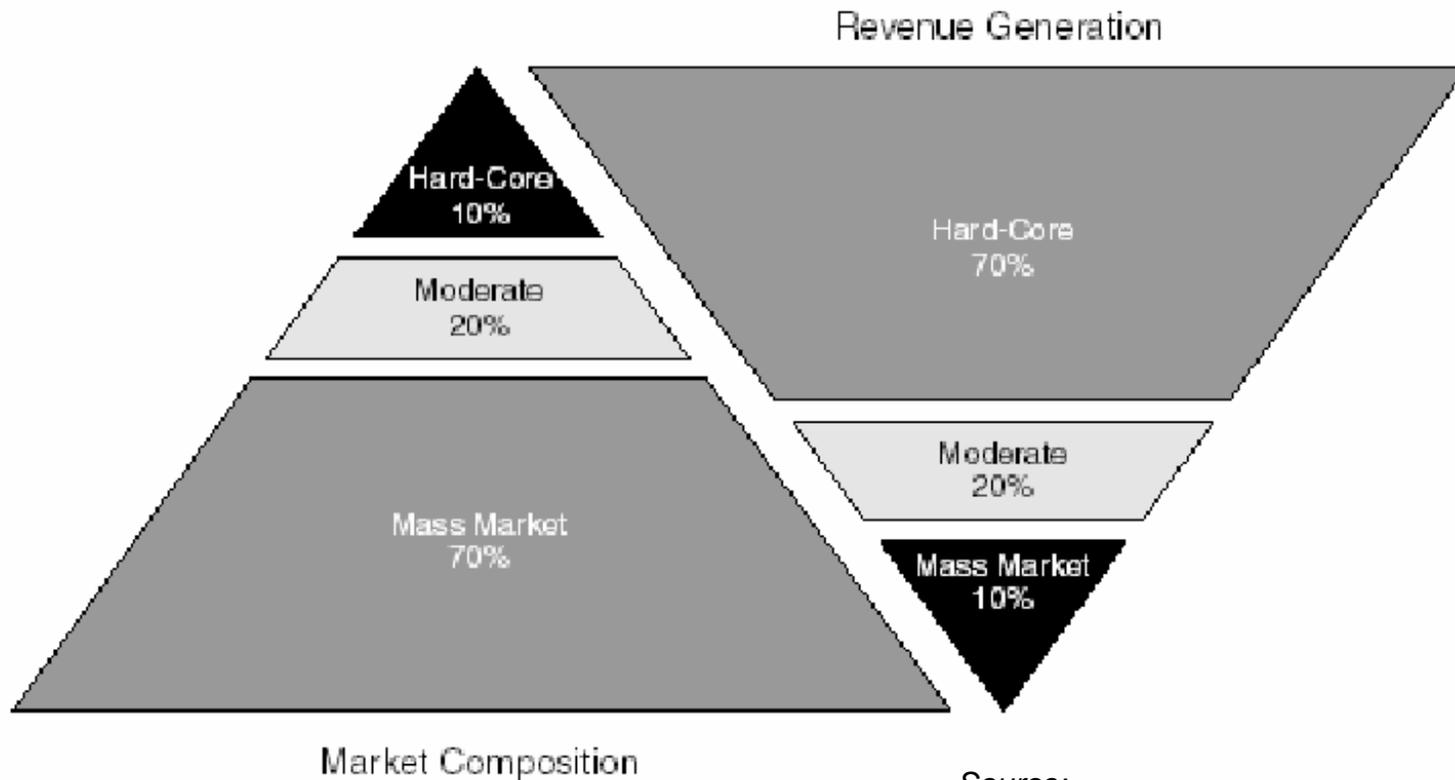


Online Gamers in Europe – by Intensity



Online game revenues are dominated by niche group of heavy or hard-core gamers.

Online Games Population and Revenue Generation

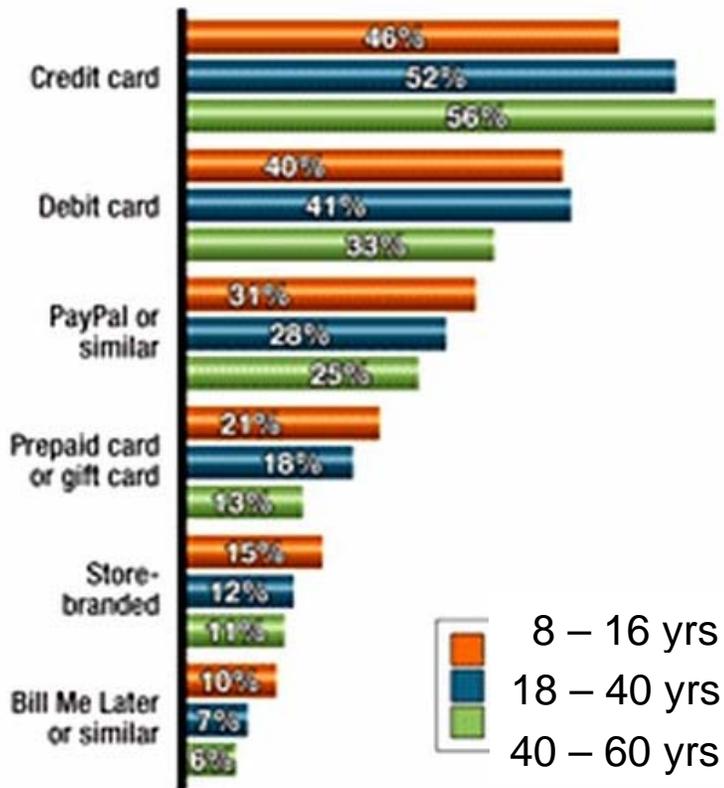


Source:

Magazine „Developing Online Games“, Dec 2008

Europe requires a multitude of payment methods!

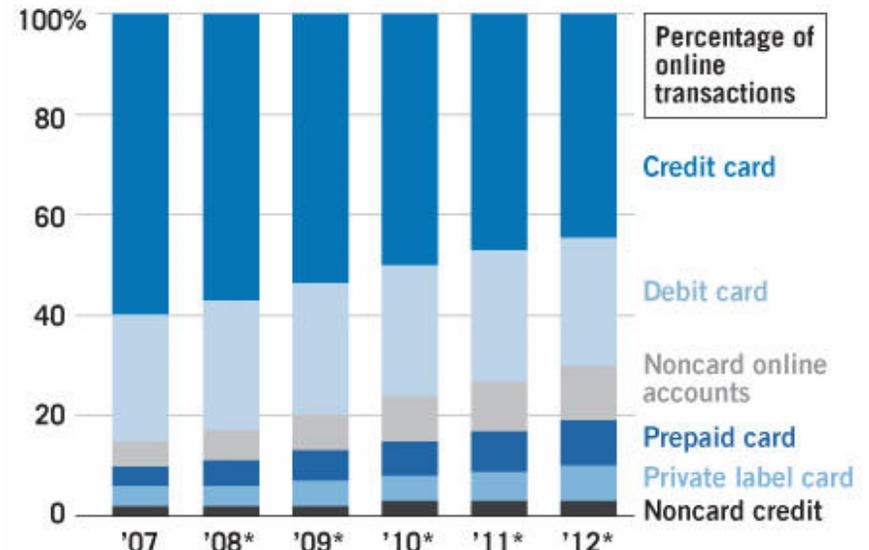
Payment Methods used 2007



Source: Internet Retailers 2007

Youngsters are using modern payment methods.

Development of Online Payment Methods 2007- 2012



Source: Javelin Strategy and Research 2008

All ages get more familiar with newer payment systems over time.

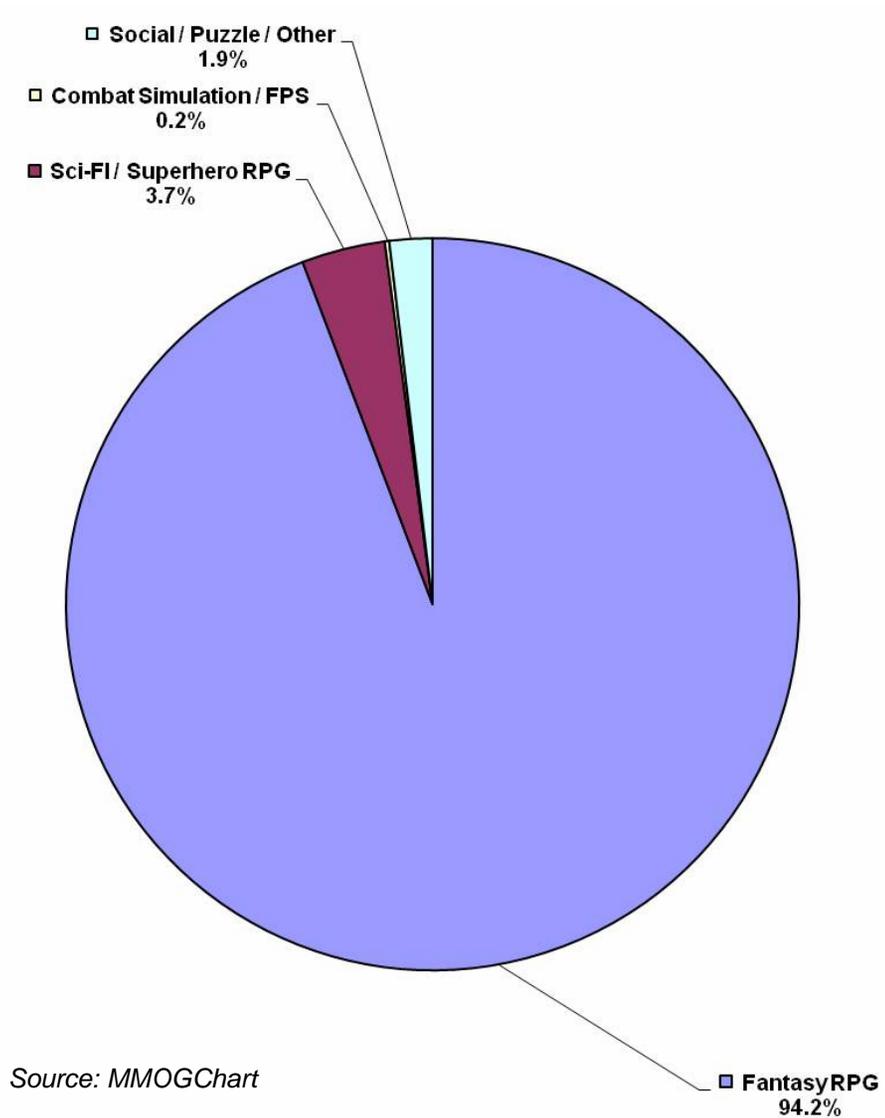
Near nothing in control hits your bottom line as direct as a high-performant billing & payment system.

Lessons learnt

- Gameforge has 150 payment providers interfaced into its proprietary billing engine
- do not underestimate, both importance and commitment required
- SMS most expensive – up to 75% collection cost!
- Internet cafe / PC bangs require specific solutions - somewhere important, in other countries irrelevant
- Prepaid / E-Pin: find the correct local supplier – at times exclusive co-op's possible
- Monitor payment partners minutely
- Smooth processes provide flexibility for timely market action (e.g. promotions)

In the West we think: RPG is still the dominating genre world-wide

Genres of Online Games played

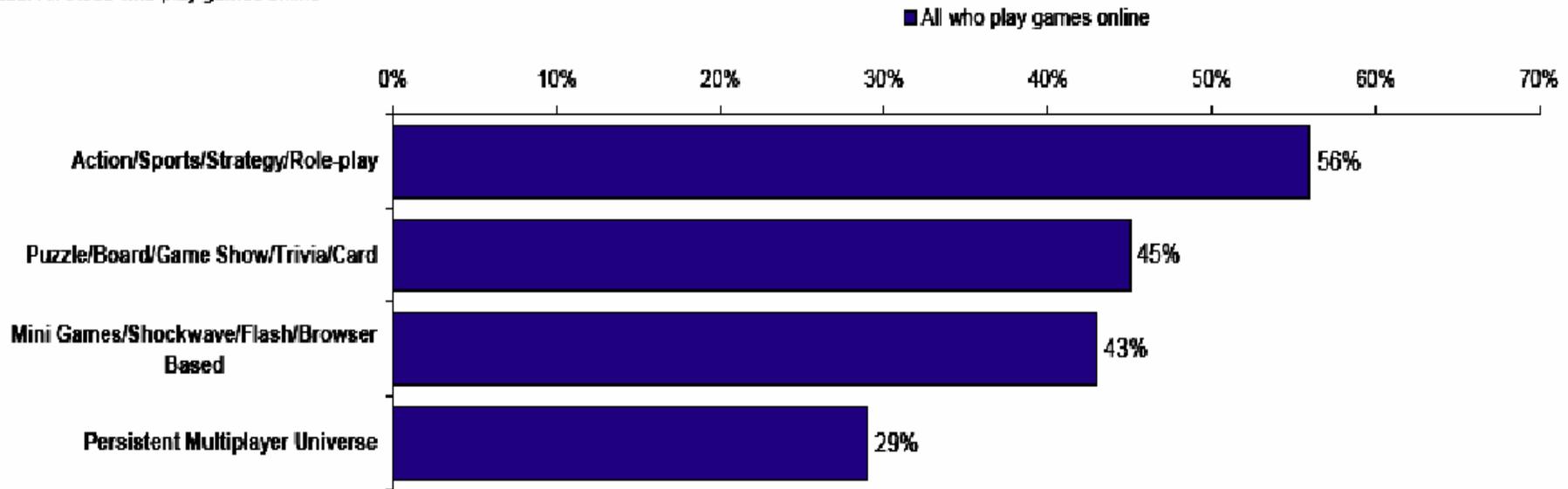


In Europe indeed RPG rulez, but other genres are catching up.

Total European Gamers Who Play Online:

What kind of games do you play online?

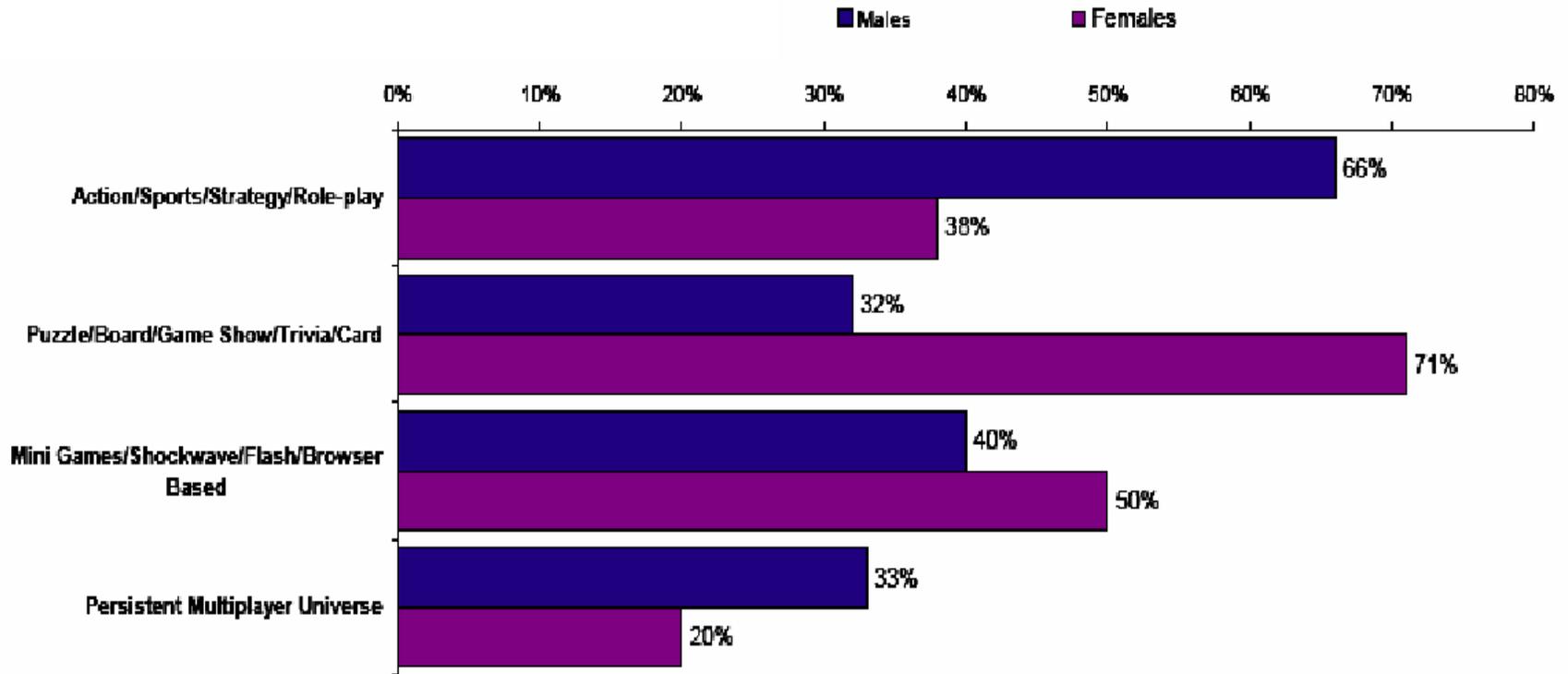
Base: All those who play games online



Source:
„Video Gamers in Europe 2008“, Nielsen Games

Obviously, female players prefer casual games. With their increasing numbers, are we finally able to crack a casual mass market..?

Genres of Online Games played in Europe - by Gender

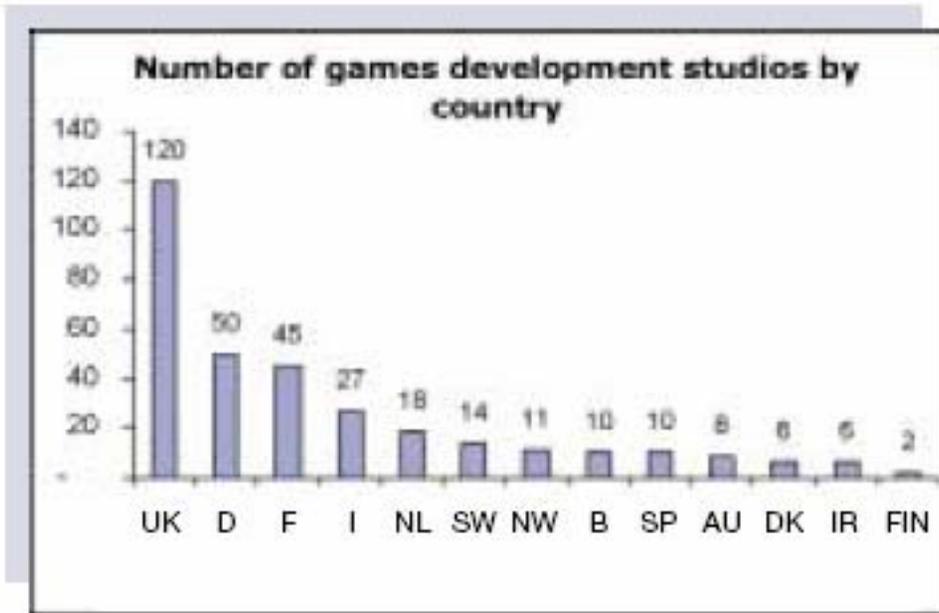


Source:
„Video Gamers in Europe 2008“, Nielsen Games

The Supply - Actors and Directors



The number of developers in Europe is rather limited – until very recently nearly none of them was developing online games.



Games development studios per country

Source:

ISFE: Entertainment for the 21st Century

The number of publishers is getting more and more populous.

Some players, not complete list

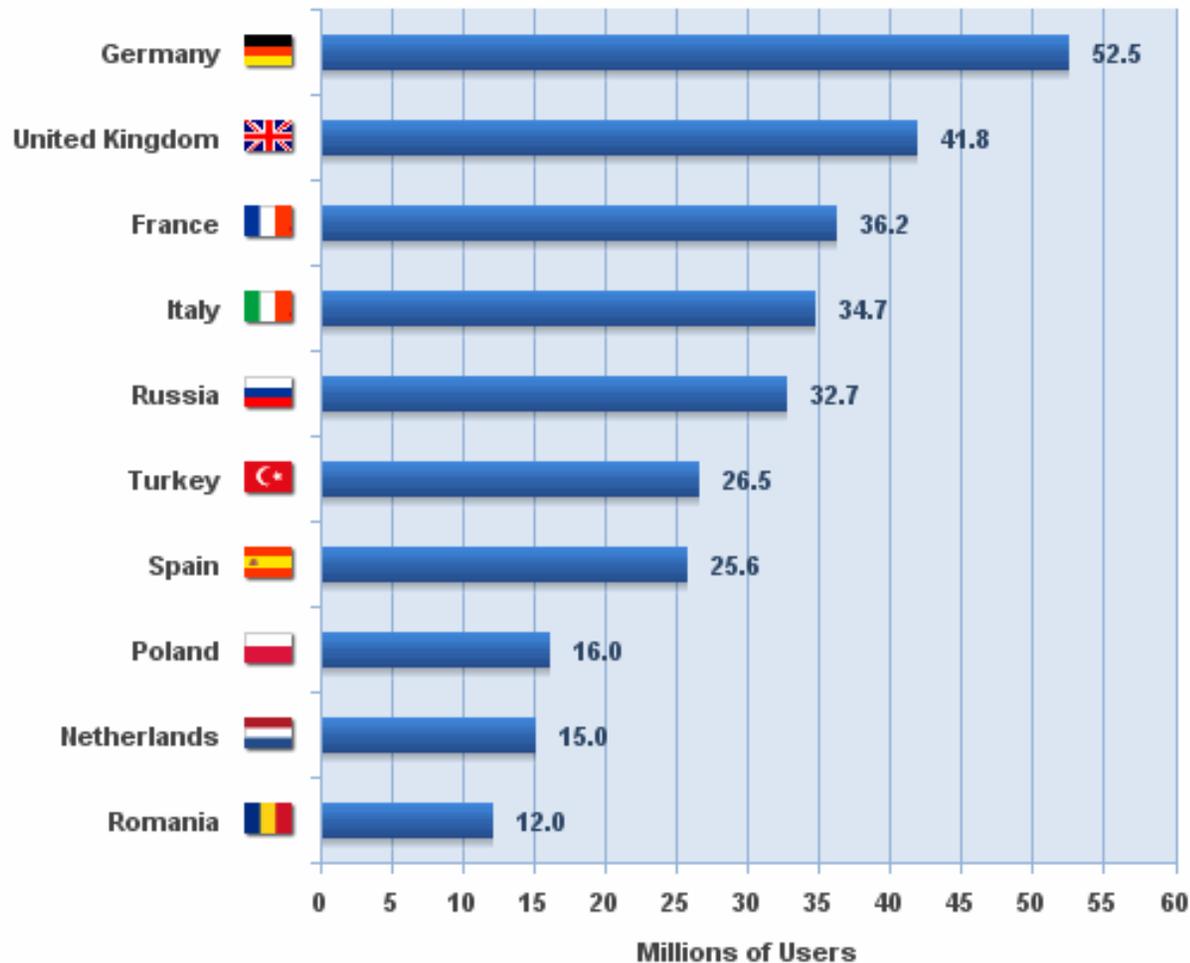


Highest penetration rate exists in small countries.

Internet Usage in Europe					
EUROPE	Population (2008 Est.)	Internet Users, Latest Data	% Population (Penetration)	% Users Europe	Usage Growth (2000-2008)
Austria	8,205,533	4,650,000	56.7 %	1.2 %	121.4 %
Belarus	9,685,768	6,000,000	61.9 %	1.6 %	3,233.3 %
Belgium	10,403,951	5,490,000	52.8 %	1.4 %	174.5 %
Czech Republic	10,220,911	5,100,000	49.9 %	1.3 %	410.0 %
Denmark	5,484,723	3,762,500	68.6 %	1.0 %	92.9 %
Finland	5,244,749	3,600,000	68.6 %	0.9 %	86.8 %
France	62,177,676	36,153,327	58.1 %	9.4 %	325.3 %
Germany	82,369,548	52,533,914	63.8 %	13.7 %	118.9 %
Greece	10,772,816	3,800,000	35.3 %	1.0 %	280.0 %
Hungary	9,930,915	4,200,000	42.3 %	1.1 %	487.4 %
Ireland	4,156,119	2,060,000	49.6 %	0.5 %	162.8 %
Italy	58,145,321	34,708,144	59.7 %	9.0 %	162.9 %
Netherlands	16,645,313	15,000,000	90.1 %	3.9 %	284.6 %
Norway	4,644,457	4,074,100	87.7 %	1.1 %	85.2 %
Poland	38,500,696	16,000,000	41.6 %	4.2 %	471.4 %
Portugal	10,676,910	7,782,760	72.9 %	2.0 %	211.3 %
Romania	22,246,862	12,000,000	53.9 %	3.1 %	1,400.0 %
Russia	140,702,094	32,700,000	23.2 %	8.5 %	954.8 %
Serbia	10,159,046	1,500,000	14.8 %	0.4 %	275.0 %
Slovakia	5,455,407	2,350,000	43.1 %	0.6 %	261.5 %
Spain	40,491,051	25,623,329	63.3 %	6.7 %	375.6 %
Sweden	9,045,389	7,000,000	77.4 %	1.8 %	72.9 %
Switzerland	7,581,520	5,230,351	69.0 %	1.4 %	145.1 %
Turkey	71,892,807	26,500,000	36.9 %	6.9 %	1,225.0 %
Ukraine	45,994,287	10,000,000	21.7 %	2.6 %	4,900.0 %
United Kingdom	60,943,912	41,817,847	68.6 %	10.9 %	171.5 %

But the big countries yet are most relevant.

Top Ten Internet Countries in Europe 2008



Well-known, yet true: Europe is (culturally) diverse.

Languages – as most prominent example:

- 123 languages are actively spoken in EU.
- European Union (EU) has 23 OFFICIAL languages
- „Half“ of Europe is not part of the EU, adding:
 - Russian
 - Turkish
 - Serbo-Croatian
- So, which territories to tackle...

Important for the Online Game Market are all:

- English, German, French
- Blockbuster languages to the middle and East: Russian, Polish, Turkish
- Italian, Spanish
- Scandinavian Languages: Swedish, Danish, Norwegian, Finish
- East European Languages: Chzech, Slovakian, Romanian, Bulgarian, Hungarian, Greek, etc.

(sorted by relevance for the Online Market)

Don't be scared: 1 to 2 dozen/s local language versions will do!



example:

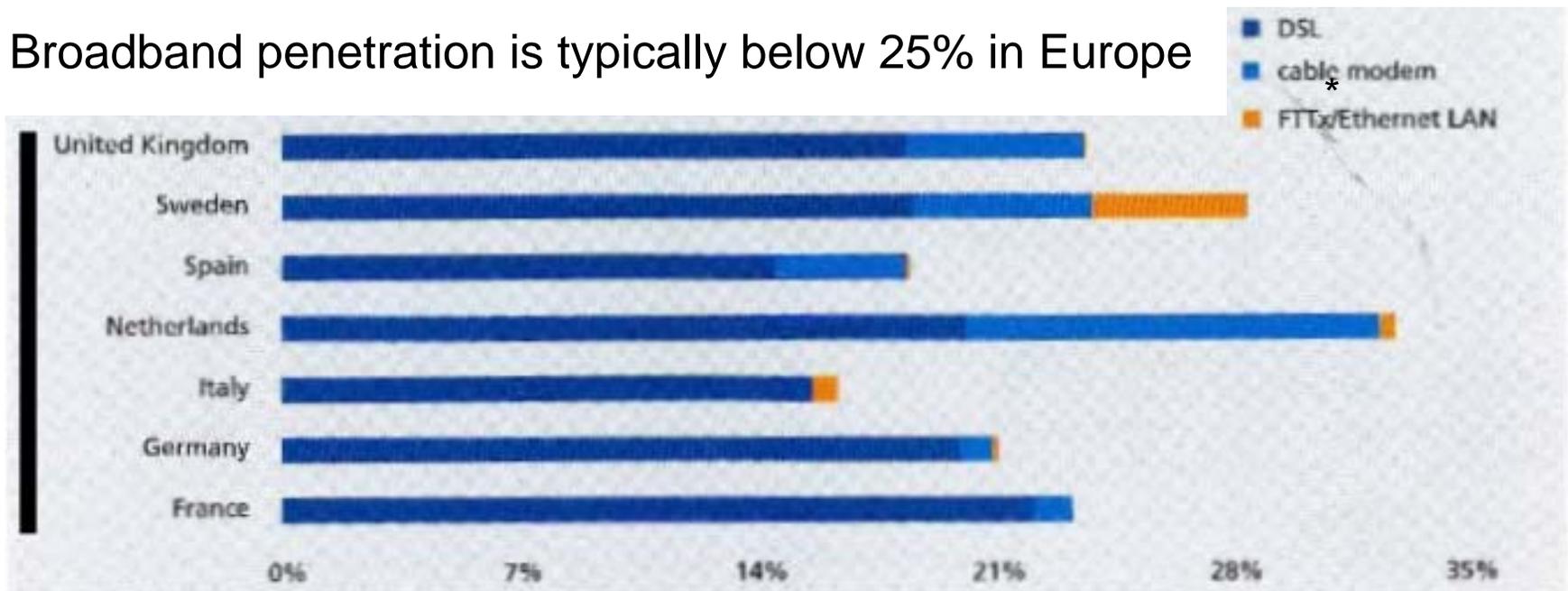


existing
language
versions

to be continued...

Pipes are small – so should be games

Broadband penetration is typically below 25% in Europe



Source: IDATE 2008

* FTTx describes optical fibre telecommunication connections

The directors are waking up....

So far there is:

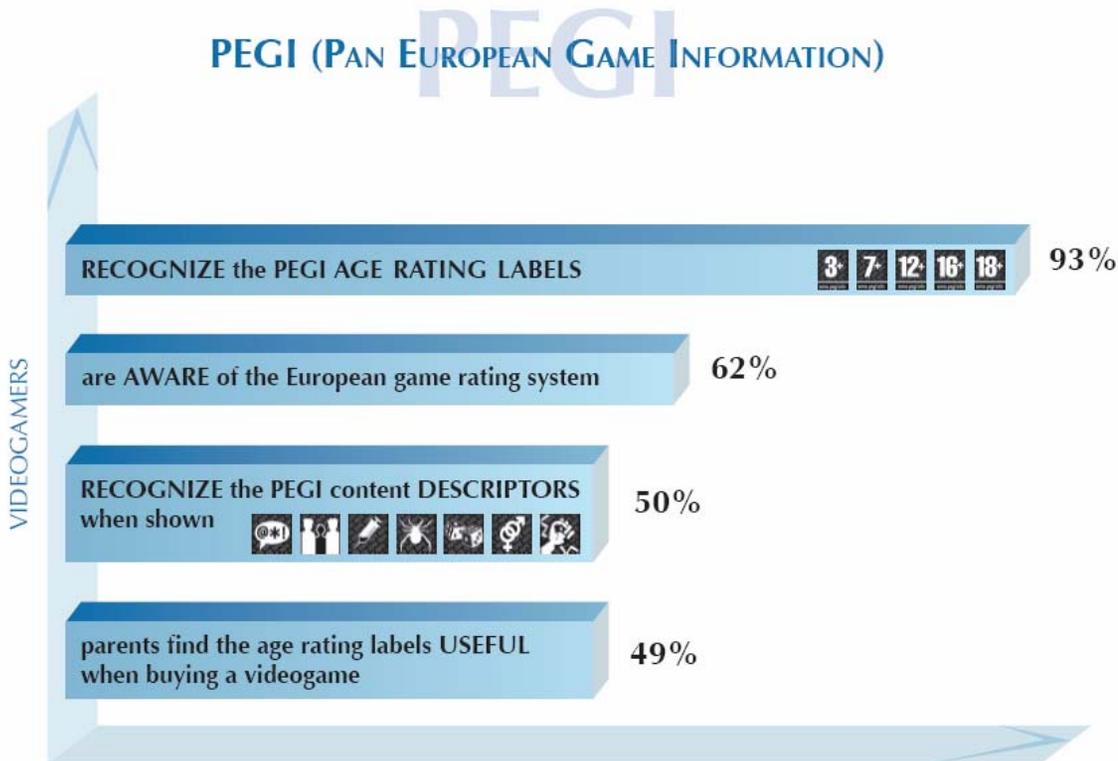
- No taxation on virtual goods
- No maximum game times
- No ID-check of users on registration
- No age-verification in most jurisdictions

But this will clearly change and the first approaches are everywhere:

example:

December 2008, announcement of taxation of in-game goods in Turkey

In Europe, having your games age-classified is mostly just deliberate.



In addition to PEGI, many national standards prevail.

Source:

„Video Gamers in Europe 2008“, Nielsen Games
Interactive Software Federation of Europe (ISFE)

There is a choice of specific events rather not to miss.



Games Convention ONLINE
(Leipzig, Germany)



GamesCom
(Cologne, Germany)



Game Connection
(Lyon, France)



KRI
Russian Game Developers Conference
(Moscow, Russia)

Currently, we are founding a Pan-European Online Games Association (PEOGA).

Thanks for your attention!
감사합니다



Any questions, ideas or proposals
– just get in touch:
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