

Updating Business Models: Innovation through Online Games

Prepared by Giuditta de Prato
for the Innovation & Regulation in Digital Services Chair/ IPTS workshop
Paris September 13, 2011

Based on the teamwork “ASSESSING THE COMPETITIVENESS OF THE EU VIDEOGAMES SOFTWARE”
by Giuditta de Prato, Claudio Feijoo, Daniel Nepelski, Marc Bogdanowicz, Jean Paul Simon.

Disclaimer

The views expressed are those of the presenter and may not in any circumstances
be regarded as stating an official position of the European Commission.
Neither the European Commission nor any person acting on behalf of the Commission
is responsible for the use which might be made of this presentation.



Institute for Prospective Technological Studies

Mission:

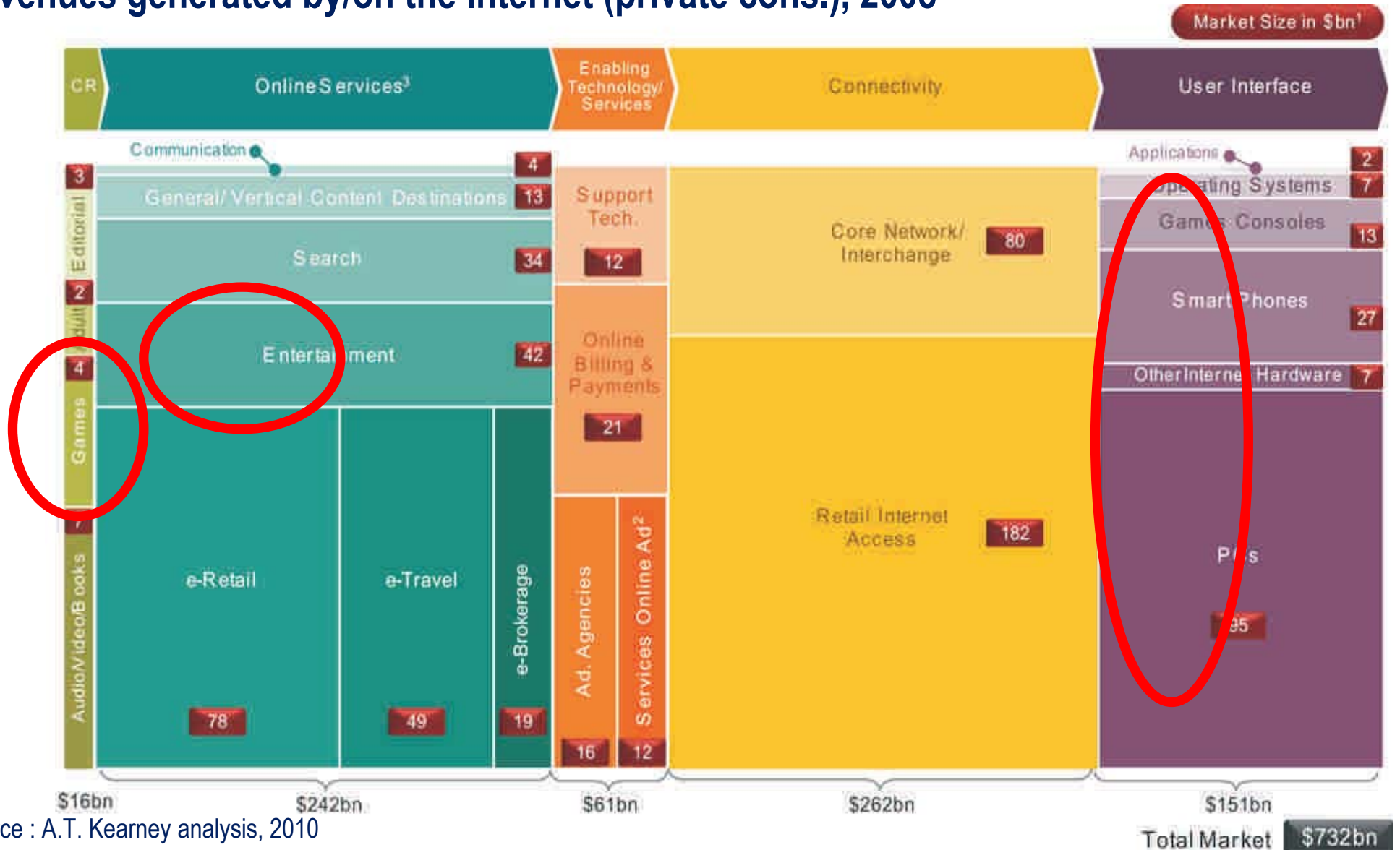
- to provide customer-driven support to the EU policy-making process
- by developing science-based responses to policy challenges
- having both socio-economic and scientific /technological dimension



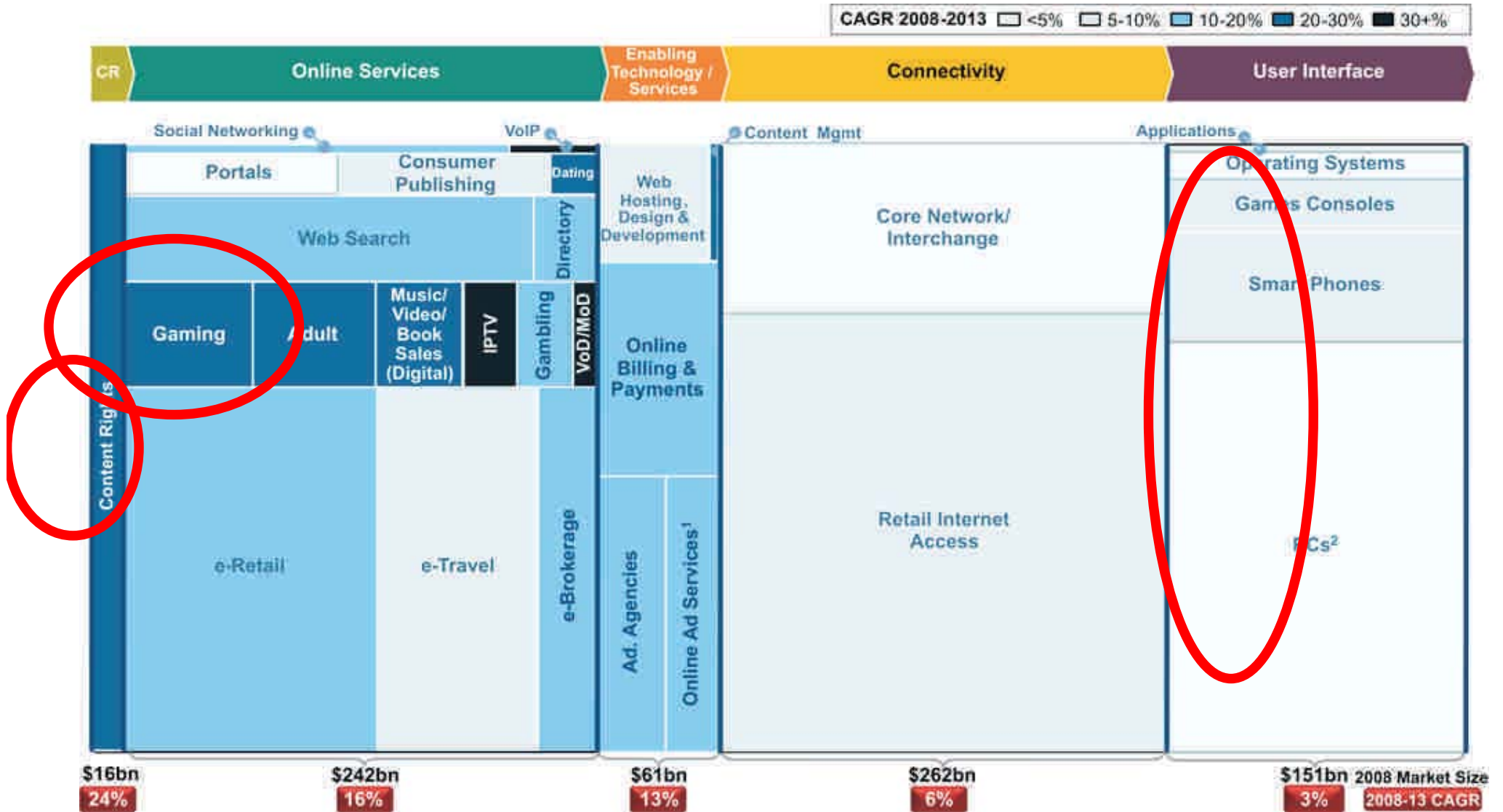
- 1. A disruptive segment in a dynamic industry**
- 2. The on line game ecosystem**
- 3. Value chain and business models evolution**
- 4. e-lab for future e-services**
- 5. Conclusions: e-lab for future e-services**

- 1. A disruptive segment in a dynamic industry**
2. The on line game ecosystem
3. Value chain and business models evolution
4. e-lab for future e-services
5. Conclusions: e-lab for future e-services

Revenues generated by/on the Internet (private cons.), 2008



Growth perspectives by/on the Internet - Forecast 2008-2013



Source : A.T. Kearney analysis, 2010

1. A disruptive segment in a dynamic industry
- 2. The on line game ecosystem**
3. Value chain and business models evolution
4. e-lab for future e-services
5. Conclusions: e-lab for future e-services

“Browser-based games“

- no installation required
- easy to play
- easy plot / content
- o small efforts / teams
- o short projects
- o smaller investment

“Client-based games“

- client activity still relevant
- sw engine to be installed
- persistent virtual worlds
- complex content / plot
- o big teams
- o long projects / persistent
- o big investments funded by publishers

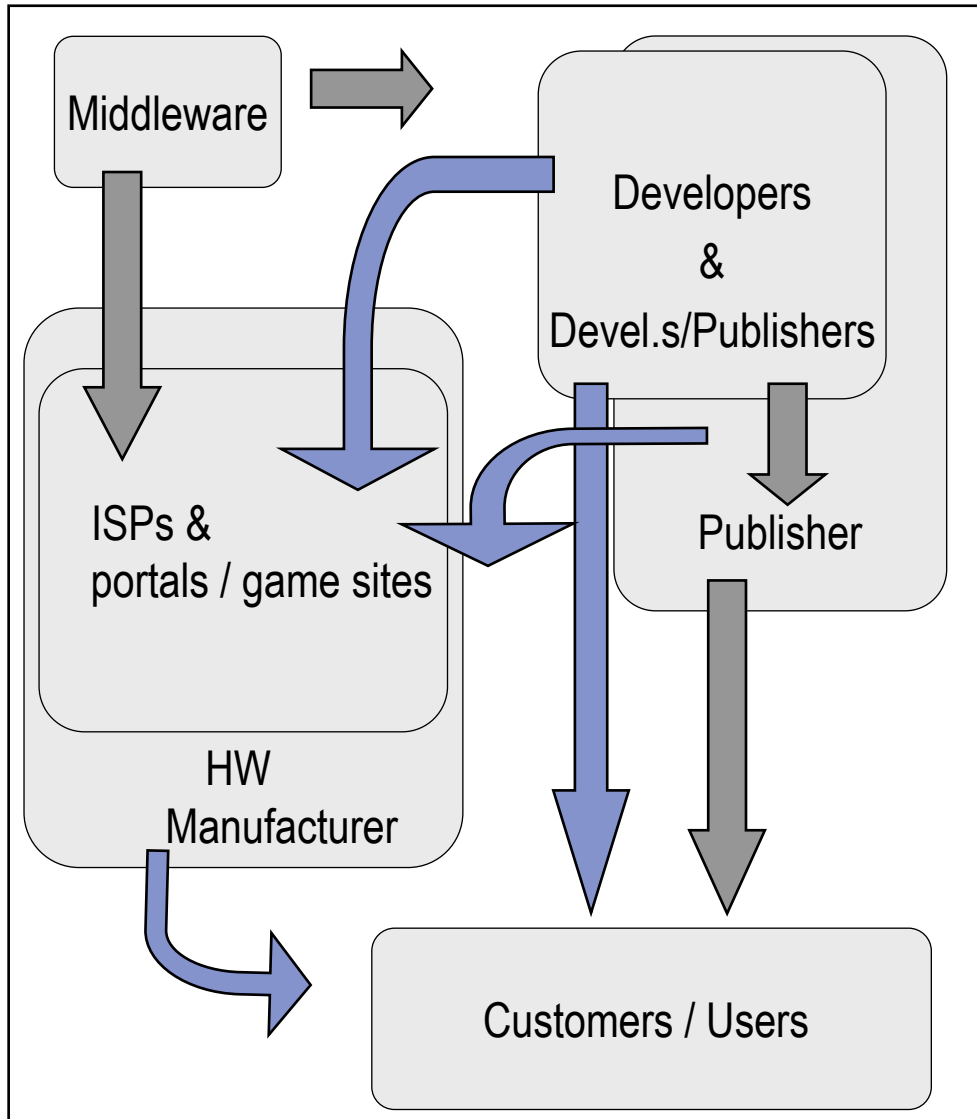
single user / stand alone games ⇒ multiplayer games ⇒ MMOGs

- **Table 11: Traffic Rank of Online game web sites: top 10**
- ***Rank Online game web site name Alexa Traffic***
Rank 1 Play-Free-Online-Games.com 47,358 2 Apex Web Gaming 55,574 3 Multiplayer Online Games Directory 86,907 4 Omerta 107,869 5 Internet Gaming 69,006 Myth-Weavers 149,234 7 GamesByEmail.com 176,567 8 RolePlay onLine! 179,114 9 Top Mud Sites 217,784 10 Just Riddles and More 152,369
Source: Author's elaboration on data from Alexa.com, last accessed on 28 July 2010.

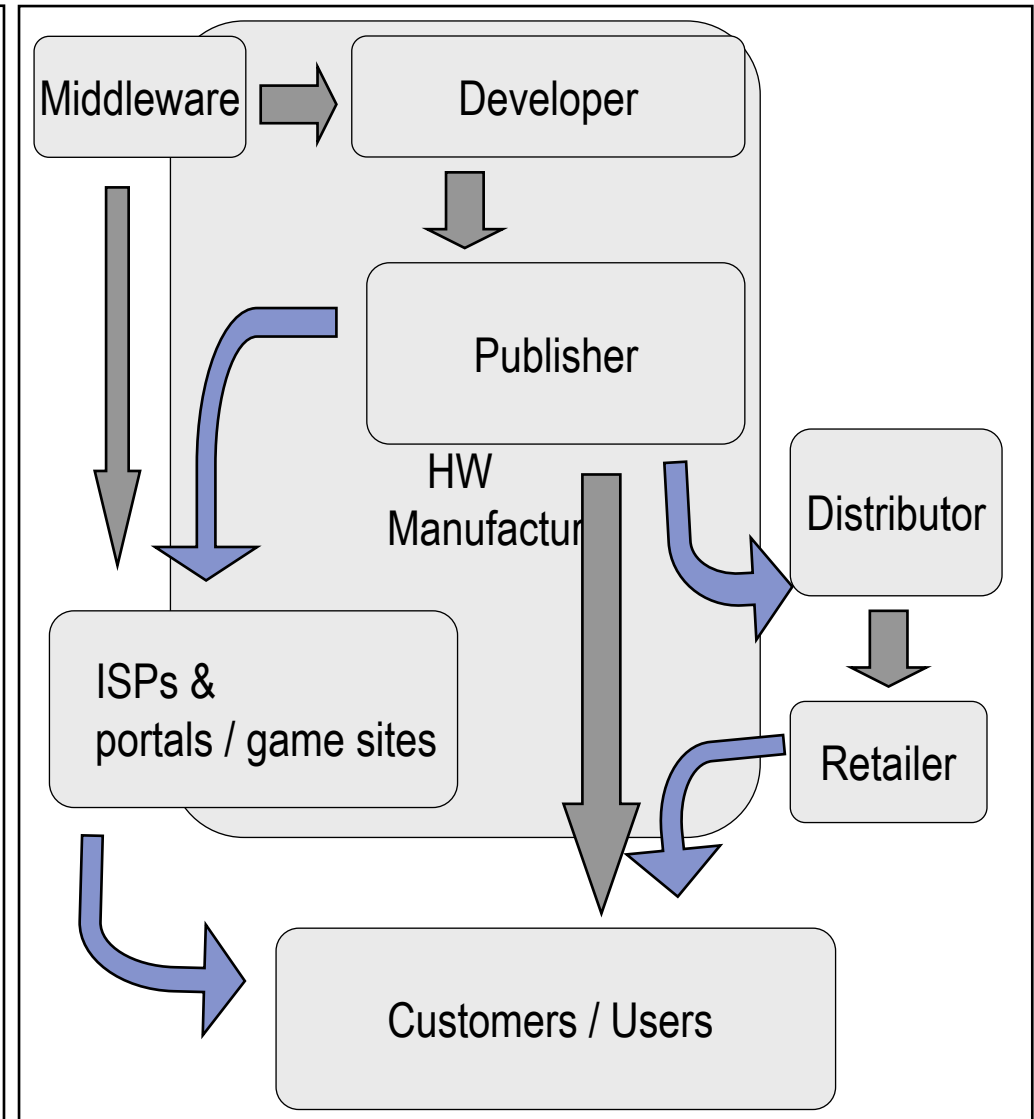
<i>Rang</i>	<i>Nom du site</i>	<i>Classement Alexa par trafic (Alexa Global Traffic Rank)</i>
1	<i>Play-Free-Online-Games.com</i>	<i>76,919</i>
2	<i>Apex Web Gaming</i>	<i>78,224</i>
3	<i>Mizahar.com</i>	<i>105,648</i>
4	<i>Multiplayer Online Games Directory</i>	<i>102,978</i>
5	<i>Internet Gaming</i>	<i>68,00</i>
6	<i>Mafia Scum</i>	<i>183,484</i>
7	<i>Imythess</i>	<i>197,970</i>
8	<i>Iron Realms</i>	<i>316,522</i>
9	<i>Role Play Gateway</i>	<i>218.309</i>
10	<i>Hogwarts Extreme</i>	<i>585,028</i>

1. A disruptive segment in a dynamic industry
2. The on line game ecosystem
- 3. Value chain and business models evolution**
4. e-lab for future e-services
5. Conclusions: e-lab for future e-services

Browser-Based VideoGames



Client-Based VideoGames



Game portals gain relevance..

Online game site (sample on top 25, US)	Estimated number of users
comcast.net	12M
verizon.net	6M
pogo.com	5.6M
zynga.com	5.5M
gamevance.com	5.1M
addictinggames.com	4.2M
playsushi.com	3.8M
miniclip.com	3.1M
iwon.com	2.4M
armorgames.com	1.6M
ea.com	1.5M
gamehouse.com	1.5M
y8.com	1.2M
worldofwarcraft.com	1.1M
runescape.com	1.1M
freeonlinegames.com	1000K
battle.net	1000K
wonderhowto.com	920K

Source: doubleclick ad planner
by google , march, 2010

Main revenues
models: retailing

Secondary revenue
options: advertising

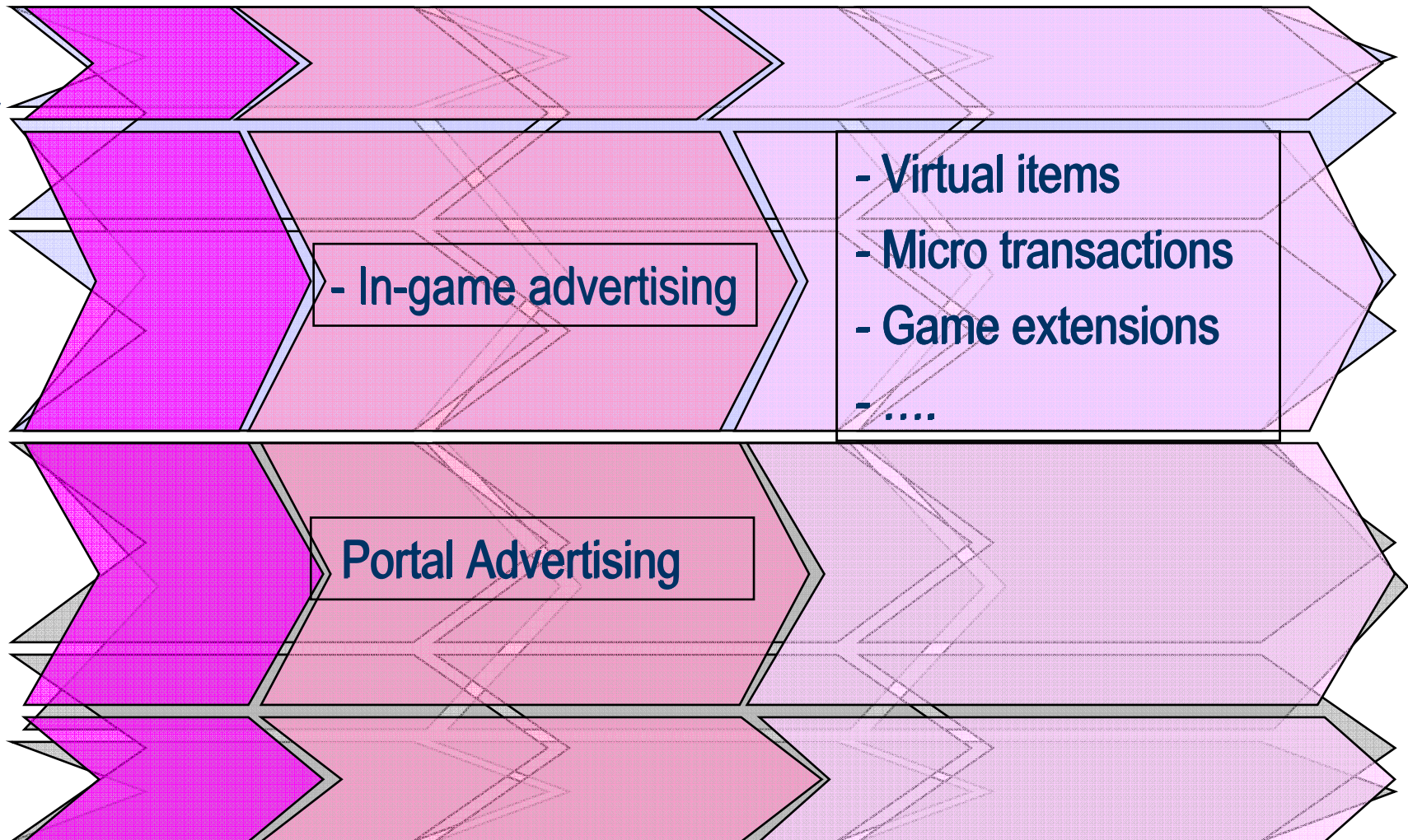
Additional revenue options:
value added apps

HW
Manufacturer

Developers
& Publishers

ISPs
& Portals

Distributors
& Retailers



Actors:	new role of portals/aggregators new opportunities for studios
Value chain:	re-organisation: disintermediation re-intermediation
Business models:	different distribution of revenues new streams of revenues (virtual items, micro transactions...)
Demand:	wider age range, higher nr of users, social networks, communities..
Technologies:	not technology driven, but technology enabled..


1. A disruptive segment in a dynamic industry
2. The on line game ecosystem
3. Value chain and business models evolution
- 4. e-lab for future e-services**
5. Conclusions: e-lab for future e-services

- very advanced tech
 - motion recognition, engines, virtualisation..
 - .. and much more
- It may change rapidly: **WILDCARD**
- Affecting business and market



Let the showdown of video-game motion sensors begin

Updated 15h 11m ago |  14 Comments |  5 Recommend

E-mail | Save | Print | Reprints & Permissions | 



 Enlarge MTV Games/Microsoft Game Studios

Feel the rhythm: The Xbox 360's Kinect system puts your moves on-screen as you play *Dance Central*.


By **Brett Molina** and **Mike Snider**, USA TODAY


With today's arrival of **Microsoft's** hands-free Kinect, each of the latest generation of video-game systems has caught the more intuitive motion-sensing wave the Wii started four years ago. Analyst Michael Pachter of Wedbush Securities estimates 2 million Kinect and PS3 Move control units could be sold this holiday season, enticing new players. USA TODAY compares and contrasts the systems.


MICROSOFT KINECT


Price: Out today, \$150 for Kinect sensor and *Kinect Adventures* game, which has activities such as obstacle courses, river rafting and a full-body Breakout game called Rallyball. Sensor works with all current Xbox 360 systems.


Share

 Yahoo! Buzz


 Add to Mixx


 Facebook


 Twitter

 More

Subscribe

 myYahoo

 iGoogle

 More

- **Spillovers in services !**
 - eHealth
 - edutainment
 - e-gov services
 - “applied games”

- **Convergence is happening..**
 - Sony PlayStation 3 can use DVD or Blu-ray
 - Havok engine was used for the Matrix trilogy
 - Singer Lady Gaga and Zynga created Gagaville
 - Gaming on connected TV

- **THE functioning interactive content in a 3D internet world..**
 - 3D technology finding its way in mobile devices and handheld consoles: 11 million units forecasted in 2014



1. A disruptive segment in a dynamic industry
2. The on line game ecosystem
3. Value chain and business models evolution
4. e-lab for future e-services
- 5. Conclusions**

- **Growing market, in value but also in audience**
- **Changing demand under pressure from a variety of factors such as:**
 - Technological ease
 - The emergence of social computing and communities
 - The wider offer (supply of simple and short games)
- **Capturing an until-now unsatisfied demand across age categories, socio-economic classes, or gender.**
- **Improving the games characteristics, adding a number of new functionalities,**
- **and even opening new sub-segments**
 - once it became possible to allow to millions of players to interact simultaneously.

- **The emergence of on-line video-games and of mobile gaming is likely to shift the whole video game market structure**
- **Bringing innovative business models allowing novel ways to monetize the service**
- **Paving the way toward e-services**

➤ **« Games should be free. Free games are more social because they're more accessible to everyone. We've also found them to be more profitable. We have created a new kind of customer relationship with new economics—free *first, high satisfaction, pay optional*»**

➤ **Source : form for the SEC**

<http://sec.gov/Archives/edgar/data/1439404/000119312511180285/ds1.htm>

Full report available at:
<http://is.jrc.ec.europa.eu/pages/ISG/COMPLETE.html>

Thanks

giuditta.de-prato@ec.europa.eu
JRC-IPTS-idea-TEAM@ec.europa.eu



Source: Karl M. Kapp