ECE 462

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State of the Video Game Console Industry

- Video game industry doing well but not recession proof.
- Console hardware sales have flattened even with price cuts.
- Longest console cycle in 15 years.
- Very hit driven.
- Call of Duty Modern Warfare 2 released this week, 4.7M units sold on day one. Biggest entertainment launch event.
- Dominated by big players: Activision, Ubisoft, Electronic Arts, Microsoft, Sony, Nintendo.
State of the Video Game Console Industry

- Large budgets: COD MW2 $100M for production.

- Long development cycles. 2 to 4 years for new titles. 2 years for sequels.

- About 50M Wiis, 30M Xbox 360, 30M PS3, 50M+ DS.

- 20M+ people on Xbox Live.

- Focus on peripherals and connectivity.
Rise of the Browser Game and Online Game

- The social network has become a new game platform.
- Average age of a console game buyer is 38.
- More younger game using browser games (Club Penguin, Toon Town, etc.)
- Appealing aspects of browser/online games.
Social Games Audience

● 50% of Facebook users are over 25 years old.

● 44% male and 56% female users on Facebook.

● Women age 34-50 in the U.S. are the best audience for monetization.

● Average Facebook user has 150 friends.

● MySpace stats: 70M monthly users in U.S., 30M are active app users.
Economics of Social Games

Revenue Sources

1. Display ads

2. Affiliates and offers

3. Microtransactions
   - 4% of users will actually spend real money.
   - 1% of users generate the bulk of the revenue.
   - China: Virtual goods worth $4B - $5B a year. Many games have over 1M concurrent users.
Economics of Social Games

Arcade Games: Earnings per week

Console Games: Units sold

Social Games: ARPU

Average Revenue per Active User

Top games have ARPU of $1 to $2.

Good Facebook game has ARPU of $.25
Economics of Social Games

Still a very hit driven business. Maybe even more than console games.

- On Facebook there are:
  
  100 games with 100K players
  
  30 games with 1M players
  
  3 games with 10M players

- Conversion rate to paying users for social games about 0.5% to 1.5%.
Economics of Social Games

Social games mirror our real lives.

- Playdom sold $100K worth of virtual pink Volkswagens in *Sorority Life* in two days.

Keys to a Successful Social Game

1. Connect and play with real friends not avatars.

2. Allow for self-expression. Social games must be a playground for your personality.

3. Persistence and stored value.
Implications for Game Developers

- Quick game play, session-based game play.
- Must be in touch with the game player.
- Graphics are a commodity.
- Less focus on wizardry and more on scale and connection.
- More important than ever to know systems and how to work on a team.
- Opportunities for startups, new hole in the ecosystem.
Q & A