

ECE 462

November 13, 2009

Matt Booty

CEE '88

MFA '91

## **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.
- Playfish sold 20M virtual Christmas trees in 2008.

## **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**