

## **Mainstream Gaming Goes Online. How Emerging Markets will Benefit.**

**People in so-called emerging markets, such as Brazil, Mexico, and Russia love to play games but do they pay? Up until now, mainstream game companies have found it difficult to monetize emerging markets with their traditional retail business model. The high-entry pricing of hardware and software, as well as illegal copying of games, has limited growth, even in Western countries such as Spain and Italy. Due to the simultaneous uptake of several new online and mobile game platforms, genres, and business models, the gaming landscape has changed dramatically. The shift towards “free-to-play” games offering an enhanced experience for small sized in-game payments could be exactly what is needed to open up the emerging markets and to deliver the revenues so long anticipated from these parts of the world.**

### **How the West was won.**

Recent research on consumer gaming behaviour and preferences revealed the impact of online and mobile business models in mainstream gaming. Already, almost half of the money spent on mainstream games in the US and EU is spent online. International market research firm Newzoo reported that at least 48% of the \$24.7bn spent on games in the US was spent online: digital downloads (\$2.5bn), social games (\$1.5bn), casual game websites including skill gaming (\$3.7bn), Massively Multiplayer Online (MMO) games (\$2.7bn), and mobile devices (\$1.6bn). Key EU markets UK (£3.7bn), Germany (€4.9bn), France (€4.0bn) show a similar divide. The drop of, on average, 20% in total spend on console games has almost completely been compensated for by growth across all online and mobile game platforms, ranging from 27% for MMOs to 66% for games played on social networks in the US. Growth percentages in Europe are even higher.

### **How the Rest will benefit.**

The new online game business models offer gamers in emerging markets an opportunity to play high-quality games without any entry barrier and a variety of ways to start paying in a way that fits their budget. Of course, it is all about conversion.

Peter Warman, MD of Newzoo comments: *“It is the combination of recent developments in the games market that has changed many games companies’ views on emerging markets. First of all, online business models have been extensively tested and tweaked in other parts of the world. Secondly, illegal copying is no longer an issue, although thorough fraud protection is of course crucial. The third point being that online game companies are making profits in Western and Asian markets, giving them the financial resources to localize and market the games .”*

Bob Voermans, Sr. Business Development Manager EMEA of GlobalCollect adds: *“I act as a payment and monetization consultant for international game companies on a daily basis and suddenly all of them have Brazil, Russia, or another emerging market as one of their top three priorities listed”.*

### **Global business, local money.**

Publishing games online is per definition an international business, contrary to the retail-driven traditional games business. As many game companies have experienced first-hand when servicing European consumers, localization is key to monetize players in various regions of the world. Adapting gameplay, visual design, and language comes to mind first. But it is adapting the business model and choices of payment methods to local preferences that are actually the key drivers of a successful monetization strategy.

John Peterson, Sr. Business Development Manager NorthAmerica of GlobalCollect, comments: *"I recently worked for a client who attracted a significant number of players to his game from several emerging markets, so he wanted to invest in a localized version. We assisted in extending and optimizing the payment solutions to cater to local preferences, resulting in a 20% increase in revenues from those regions. That easily covered the cost of content localization."*

### **Where to start and what to expect?**

It is relatively easy to conclude that emerging markets provide unique opportunities at this moment in time, considering the current state of the market. It becomes harder when having to decide on what countries to focus on first, how to localize your content and business model, as well as backing up your plans with a concrete strategy.

Stuart Mann, Business Development Manager EMEA at GlobalCollect: *"Because we offer the largest number of local payment solutions of any international payment service provider, we know very well what payment options are preferred in which market worldwide. Bank cards are popular in Brazil, but Mexico prefers bank transfers. eWallets work in Russia but not (yet) in Brazil. But we also advise our clients on a strategic level. We know that research is vital to ensure gaming companies implement the right strategy to grow their online business. As a logical consequence GlobalCollect has chosen to back the new series of National Gamers Surveys in the US as well as Asia and Emerging Markets performed by Newzoo this March."*