Xsolla

# 2024

SPRING EDITION

# THE XSOLLA REPORT

STATE OF PLAY

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# FOREWORD

## DEAR MEMBERS OF THE MOST INCREDIBLE COMMUNITY IN THE WORLD

In this pivotal Spring 2024 edition of "The Xsolla Report: The State of Play," we delve into the evolving dynamics and innovations shaping our industry, emphasizing the burgeoning realm of mobile gaming. Following an electrifying experience at GDC 2024, we emerged with renewed vigor and insight, keen to share our top takeaways from the event, encapsulating the future's promise and the ongoing evolution of gaming.

**BERKLEY EGENES**

Chief Marketing Officer and Chief Growth Officer at Xsolla

## Mobile Gaming At the Heart of Innovation

This edition spotlights mobile gaming, the fastest-growing segment, and underscores its significant influence on the gaming landscape. Mobile games continue to break barriers, connecting diverse audiences across the globe. Our exploration reveals the implications of the Digital Markets Act (DMA), which was brought about by cross-platform accessibility and the synergies between gaming and the telecom industry. Contributions from thought leaders like Mariusz Gąsiewski and Mukul Arora provide in-depth perspectives on these trends, heralding a vibrant future for mobile gaming.





## GDC 2024 A Source of Inspiration

Our reflections on GDC 2024 have shaped the core of this report, highlighting innovations that are redefining gaming:

### 01 THE RISE OF IMMERSIVE EXPERIENCES

The industry's emphasis on creating deeply engaging and immersive game worlds showcases its push towards more realistic and compelling content.

Innovative Monetization Strategies: discussions at GDC underscored the evolution of monetization, from in-game purchases to dynamic advertising models, adapting to changing consumer preferences.

### 02 USER-GENERATED CONTENT (UGC) TAKES CENTER STAGE

The growing influence of UGC in gaming was evident, with platforms like Roblox, Megamod, and Fortnite leading the way in community-driven content.

### 03 WEB3 AND AI'S DEVELOPING LANDSCAPE

Although still nascent, the integration of blockchain and AI technologies in gaming continues to garner interest, signaling future directions for game development.

### 04 THE UNSTOPPABLE MOMENTUM OF MOBILE GAMING

Insights into mobile gaming's exponential growth, driven by technological advancements and user engagement strategies, spotlight its central role in the industry's future in how developers and players will interact online and on the handset.

# Beyond Gaming: A Look at Equity, Education, and Investment

The report further navigates through the significance of equity and diversity within gaming, the transformative role of educational initiatives, and the evolving investment landscape in 2024. Amid economic adjustments, the patterns of investment and strategic decisions highlighted offer a window into the industry's resilience and adaptive strategies for sustainable growth.

# Envisioning the Future

As we chart the course for the future, the Spring 2024 edition of "The Xsolla Report" reaffirms our commitment to innovation, inclusivity, equality, and exploring new frontiers in gaming.

The collective efforts of our community, partners, and the global gaming ecosystem inspire us to transcend boundaries and foster an environment where creativity and progress flourish. Great ideas and games come from anywhere, and we are working tirelessly to help create equal access for everyone worldwide.

I extend my deepest gratitude to everyone contributing to the vibrant tapestry of the gaming industry. Your unwavering support and dedication drive us toward a future filled with promise and endless possibilities.

Enjoy the Game,
Berkley Egenes

Join us in embracing the transformative journey outlined in "The State of Play."





# EXECUTIVE SUMMARY

The video game industry is continuing to experience innovation, change, and growth, fueled by new technologies and trends. In the Spring edition of The Xsolla Report, our gaming experts have created a data-driven overview of key trends and opportunities over the last quarter.

# The Forecast

Nearly 1.9B (40%) of all gamers worldwide play on mobile devices.

Mobile gaming stands at the forefront of change in the industry with a massive user base; nearly 1.9 billion (40%) of all gamers worldwide play on mobile devices. And with its $89 billion revenue in 2023 expected to hit $118 billion by 2027, the segment is on a trajectory for continued dominance.

Additionally, academics are delving deeper into the cultural and social impact of gaming, providing valuable insights that inform future development and shape a more inclusive gaming landscape, and investment and venture capital sectors are contributing resources into the creation of innovative gaming experiences across platforms.

Buoyed by a 9.4% year-on-year increase in 2023, the games industry achieved $106.8 billion in revenue. These figures paint a picture of a dynamic and increasingly diverse market, ripe with opportunities for developers, publishers, investors, and gamers alike.

Are you ready to delve into the chapters ahead, explore the latest data and trends, and uncover the insights of global gaming experts? Let The Xsolla Report be your guide.

**$106.8B**

in revenue in the game industry in 2023, buoyed by a 9.4% year-on-year increase





# IN THE NEWS

## RECENT INDUSTRY NEWS

**HOW THE EU'S DMA IS CHANGING BIG TECH**

The Verge

**VIDEO GAME STARTUPS COULD BE A BRIGHT SPOT FOR VC IN 2024**

TechCrunch

**HOW WEB3 IS CHANGING VIDEO GAMES FOREVER**

Forbes

**AMAZON LUNA BRINGS GOG GAMES TO PLATFORM IN NEW PARTNERSHIP**

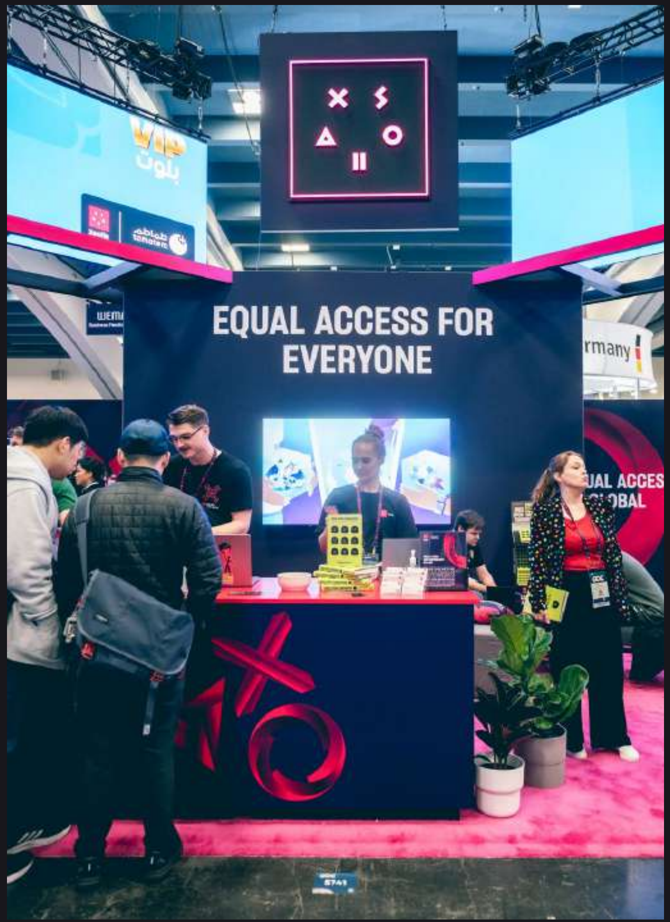
Tech Times

**PROMISING GROWTH OF MOBILE GAMING EXPECTED IN 2024**

Global Village Space

# GDC 2024 OUR TOP TAKEAWAYS

The Game Developers Conference (GDC) has long been a center of innovation and insight in the gaming industry, and 2024's event was no exception.
The Xsolla team attended the conference with a keen eye on emerging trends and technologies shaping the future of gaming.
As the dust settles on another GDC, let's delve into our key takeaways from this year's conference.








1

## THE IMPORTANCE OF IMMERSIVE EXPERIENCES IN GAMING

The concept of immersive gaming experiences was a constant theme throughout GDC. Developers are constantly pushing boundaries to create more realistic and engaging worlds for players.

One of the key factors impacting the ability of developers to create immersive experiences is the Digital Markets Act (DMA). The DMA, a regulation recently passed by the European Union, aims to promote fair competition in the digital market. While the DMA has positive implications overall, some provisions could potentially make it more difficult for developers to offer in-game storefronts and marketplaces, features that can enhance immersion by providing players with a wider range of content and experiences within the game world.

Fostering innovation will be crucial in ensuring that developers have the tools they need to create truly immersive gaming experiences. This is where web shops for developers can play a vital role, offering developers a way to sell digital goods and services directly to players and create a more integrated and immersive experience for their players.


2

# STRATEGIC MONETIZATION IS KEY

Monetization strategies in gaming continue to evolve in response to changing player preferences, industry trends, and regulatory developments. GDC featured a diverse range of discussions on monetization models, including subscription services, free-to-play mechanics, in-game advertising, and virtual economies.

Developers are exploring innovative approaches to monetization that prioritize player satisfaction and long-term engagement while maintaining sustainable revenue streams. Additionally, monetization platforms can become important tools that provide developers with the flexibility needed to experiment with different monetization strategies and optimize their growth.





3

# USER-GENERATED CONTENT (UGC) IS HAVING AN IMPACT

User-generated content (UGC) drew a bigger focus at GDC this year. Sessions like the one hosted by NetEase, discussing their success with the UGC-driven title Eggy Party, highlighted the undeniable impact UGC is having on the industry.

This trend is particularly evident on platforms like Roblox and Fortnite, where UGC plays a central role in building communities. As the gaming landscape continues to evolve, UGC is sure to play an increasingly important role, fostering deeper engagement and community within games.

4

# WEB3 & AI ARE STILL DEVELOPING, BUT VERY RELEVANT

Despite its continued growth and development, AI and Web3 maintained a strong presence at GDC 2024. Major blockchain platform showcases indicate a continued interest in integrating blockchain technology into gaming. Additionally, companies focused on AI-powered NPCs and established names like King, Roblox, and Unity presented sessions on AI.

However, both Web3 and AI seem to be in early stages of development. Web3 companies appear more serious this year, potentially distancing themselves from past opportunists who contributed to negative perceptions of the technology. Leading experts at GDC's Web3 panel even suggested mainstream success might be a year or two away.

Section

01

# MOBILE GAMING

# TRENDS IN MOBILE GAMING

## CONTINUED GROWTH OF THE MOBILE GAMING SECTOR

The mobile games sector has developed rapidly over the past 8 years, fueled by the meteoric rise of smartphone penetration. The number of smartphone users quadrupled from 2014 to 2023, reaching an impressive 4.2 billion worldwide. Notably, 39% – i.e., 1.6 billion users – are mobile gamers, and this number will continue to grow, reaching 1.85 billion by 2027 (including 221.5 million users in Europe).

Number of mobile game users worldwide from 2017 to 2027
in billion

Source: Statista



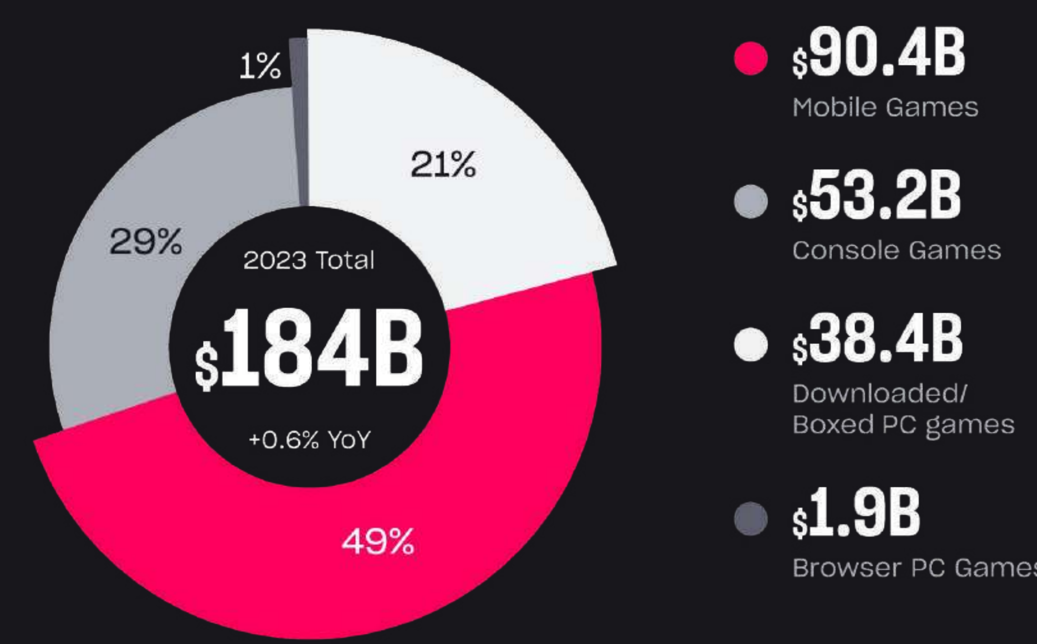



39%
(1.6 billion users) are mobile gamers

## MOBILE GAMING IS THE CORNERSTONE OF A GROWING CROSS-PLATFORM LANDSCAPE

Titles like *Genshin Impact* and *Among Us* exemplify the shift, successfully bridging the distance between cellular and conventional gaming structures. Games that offer players a cohesive experience on smartphones, tablets, and PCs are progressively considering how to satisfy their audience in the years ahead.

Global Mobile Games Market
2023




Source: Newzoo

## MOBILE GAMES' MARKET SHARE

In 2023, across all genres, mobile games' market share was 49% worldwide, while console and PC games represented 29% and 21%, respectively.

# 84%

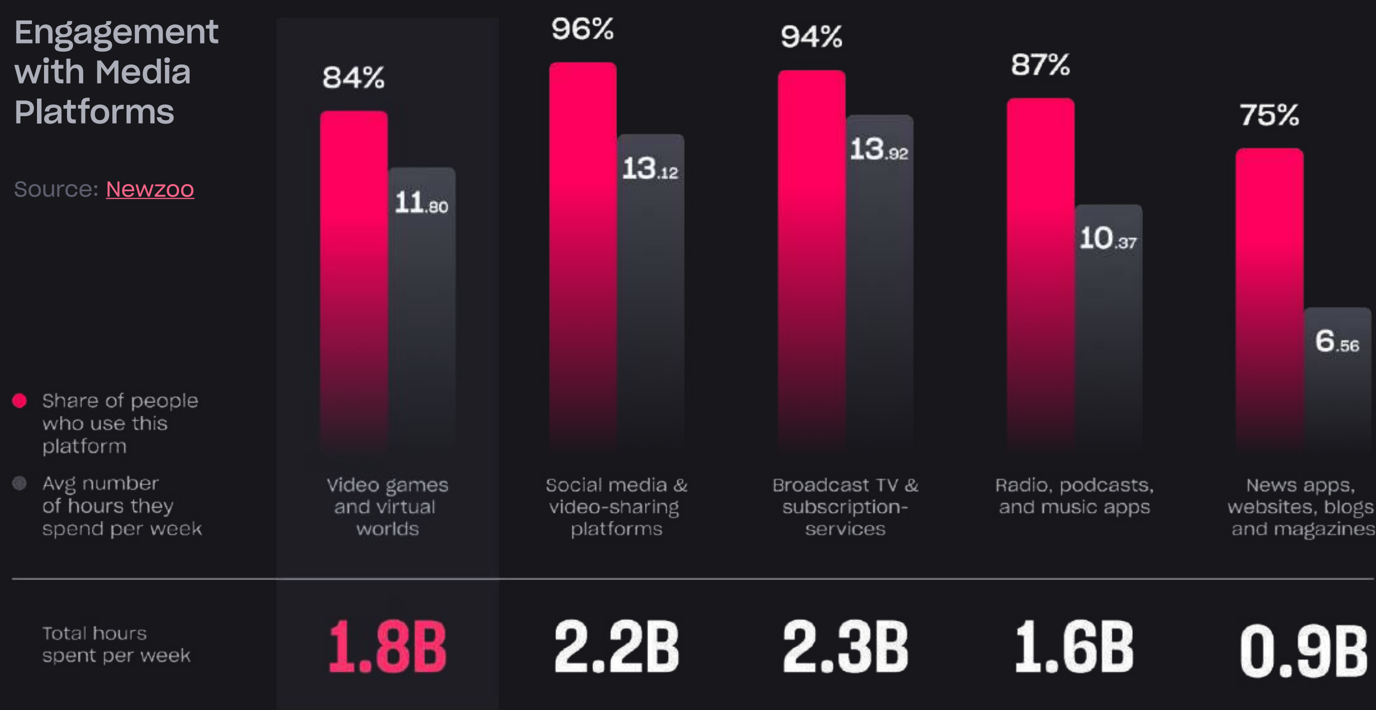
of consumers engage with video games and virtual worlds

## SOCIAL MEDIA CONTRIBUTES TO THE GROWTH OF CROSS-PLATFORM GAMING

Features like live streaming, sharing gameplay clips, and influencer partnerships with gaming brands and platforms all contribute to the trend. In the US alone, 84% of consumers engage with video games and virtual worlds and **96% engage with social media and video-sharing platforms.**

Engagement with Media Platforms

Source: Newzoo




# 96%

engage with social media and video-sharing platforms

Mobile's surge is echoed in industry events worldwide, as evidenced by Mobile World Congress (MWC) **2024 in Barcelona, Spain**. This year's conference welcomed over 100,000 attendees, more than 2,700 exhibitors, sponsors, and more than 1,000 speakers, thought leaders, and subject matter experts.





**MARIUSZ GĄSIEWSKI**

CEE Mobile Gaming and Apps Lead at Google

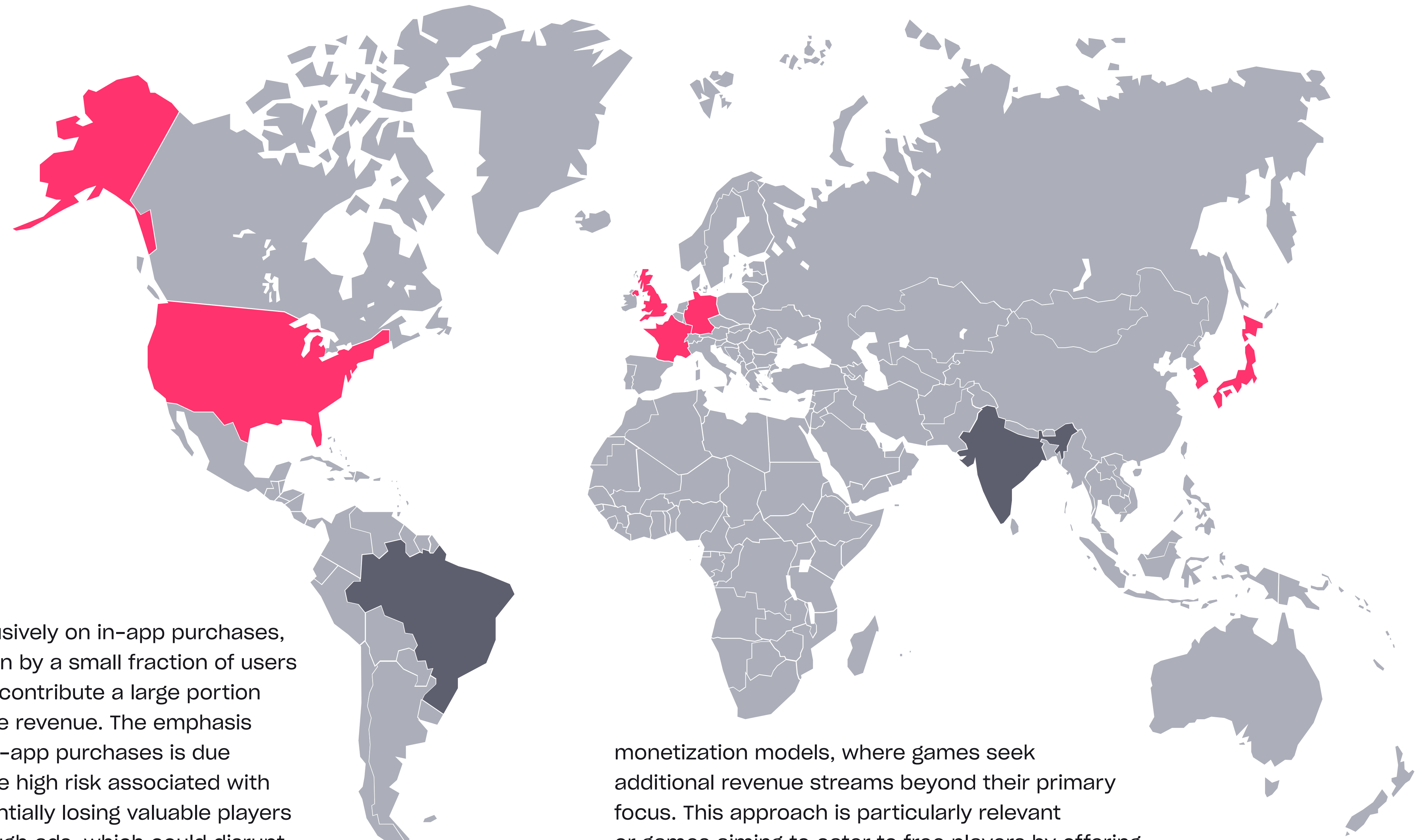
# Guest Column

### Mobile gaming remains the fastest-growing segment in terms of user numbers in Europe, primarily driven by emerging and non-Tier 1 markets. While the growth rate is still positive, it's relatively lower than in the past, yet it leads in revenue growth.

A significant portion of the market revenue is dominated by the top 100 games, indicating a highly concentrated industry. This concentration mirrors the overall gaming industry, where a high-risk, high-reward dynamic prevails. Mobile gaming benefits from more extensive data availability, aiding in the analysis and understanding of market trends.

Another trend is the casualization of mobile games, aiming to broaden the audience beyond traditional gamers. This shift is more pronounced in mobile gaming compared to PC and console gaming, where the focus has historically been on a core audience. Mobile gaming's casual approach is especially relevant in markets outside Tier 1, like India or Brazil, where mobile gaming is at an earlier stage of development.

## The next trend is the increasing sophistication in user acquisition strategies within mobile gaming. The sector has developed best practices and tools for converting users into active players, reflecting a professionalization of user acquisition efforts. This trend, while more pronounced in mobile gaming, is also spreading to other gaming platforms.




Two primary monetization approaches are in-app purchases, including subscriptions and advertising, where users 'pay' with their time by engaging with ads. In-app monetization is well-documented and analyzed, thanks to a plethora of tools that provide detailed insights at the game level. However, the advertising model is perceived to be at a somewhat earlier developmental stage.

Core games, such as those in the strategy, role-playing, and casino genres, rely almost exclusively on in-app purchases, driven by a small fraction of users who contribute a large portion of the revenue. The emphasis on in-app purchases is due to the high risk associated with potentially losing valuable players through ads, which could disrupt the gaming experience.

Conversely, games that target a more casual audience, including hyper-casual, arcade, and board games, primarily monetize through advertising. Despite this, there's a growing trend towards hybrid monetization models, where games seek additional revenue streams beyond their primary focus. This approach is particularly relevant or games aiming to cater to free players by offering them the option to 'pay' through ad engagement.

In Tier 1 markets such as the US, UK, France, Germany, Japan, and South Korea, there's a stronger focus on in-app purchases. In contrast, markets like India and Brazil lean more towards ad-based monetization due to a lower willingness to pay within games.

# 01

Article

# THE DIGITAL MARKETS ACT AND ITS IMPACT ON GAMING

The Digital Markets Act (DMA), which was implemented in May 2023, aims to level the playing field in the digital economy. The EU regulation nurtures fairer competition by placing obligations on large gatekeeper platforms.

The gaming industry is witnessing this shift first-hand. Regulatory bodies worldwide, including South Korea and India, are pushing for more relaxed rules around "out-of-app commerce" for games. Lawsuits against Apple and Google fuel the trend, as does the pressures of DMA enforcement.

The information provided here is for informational purposes only and should not be relied upon as a substitute for professional legal advice. For specific legal questions or concerns, it is recommended to consult with a qualified attorney.





## DMA: A GAME CHANGER

The DMA represents a landmark moment. Designed to break the dominance of major platforms and create a more equitable digital space, it offers significant opportunities for mobile gaming businesses. By enabling developer freedom and fostering direct-to-consumer (D2C) monetization trends, the DMA empowers developers to chart their own course.

However, a key question of compliance versus control remains: will platforms adapt and relinquish more control, or will they devise new restrictions to maintain their grip on developers? For now, with the removal of platform roadblocks, developers have more opportunities to forge a platform-independent path for in-store and out-of-store game distribution.

## EU APP STORES PRESSURED BY THE RISE OF ALTERNATIVE BILLING

The legal landscape is shifting for app stores. Epic Games' lawsuit against Apple, coupled with the looming enforcement of the DMA in Europe has pressured tech giants like Apple and Google to loosen their grip on in-app purchases. This means good news for game developers: alternative billing is on the rise.

In simpler terms, alternative billing lets developers offer payment options beyond the built-in systems of Apple and Google. While Google has shown more flexibility than Apple, both platforms still take a cut of in-app purchases (around 27% for Google).

However, the tide is turning. Per Google: “For users in EEA countries, an alternative billing system may be offered to you without the choice of Google Play’s billing system.” This allows developers to integrate third-party payment platforms, potentially offering players more convenient and potentially cheaper payment options.

This shift has significant implications for the gaming industry. C-level executives should be aware of these developments, as they could impact revenue models, user acquisition strategies, and ultimately, the profitability of your games.

**Google still charges 27% for 'alternative billing'**


Service Fee is still applied if developers use alternative billing

Calendar days follow the end of the month to transfer a payment to Google

Monthly interest rate for any missed payments

In a move signaling potential future moves, Apple contested the DMA in November 2023. The challenge doesn't negate upcoming changes; Apple’s January 25th press release confirmed upcoming App Store policy updates.ë





For game developers, this means sticking with the current 30% revenue-sharing model or opt into the newly announced business terms.

| App Store commission (reduced) | Payment a processing fee | Payment a processing fee |
|---|---|---|
| iOS apps on the App Store will pay a reduced commission of up to 17% on transactions. | iOS apps on the App Store can use the App Store's payment processing for an additional 3% commission. Alternative billing fees go directly to alternative billing providers. | iOS apps distributed from the App Store or an alternative app marketplace will pay €0.50 for each install, reinstall, or app update annually in addition to a reduced App Store commission. |

**€0.50**

per install over 1 million annually

Apple’s new Core Technology Fee (€0.50 per install over 1 million annually) adds a layer of complexity to the post-App Store rollout strategy, even with the reduced commission rate.

This means that forgoing the App Store might not be an easy decision. Consider the possibility of user acquisition campaigns generating a surge of low-quality installs that don't convert into paying players. In that scenario, a developer would still be on the hook for the Core Technology Fee despite minimal monetization.

# APPLE'S INFRASTRUCTURE CHANGES AND DEVELOPER IMPACT

A key concern is the potential impact of future changes to Apple's infrastructure, similar to the IDFA limitations. This could disrupt established business models for developers, even if the €0.50 user acquisition fee remains in place. This scenario is especially worrisome for publishers of free-to-play games that leverage in-app communities for engagement.

# MONETIZATION AND DISTRIBUTION NUANCES

Apple's payment structure differs from Google Play's. Developers must choose between Apple's billing system or an alternative. Opting out of **an alternative solution incurs a commission fee (10% or 17% depending on revenue)** on top of the standard Content Delivery Network (CDN) fee and any charges levied by the chosen third-party payment provider. This can add significant overhead compared to Google's unified billing system.

Sideloading, a common practice on Android, is heavily restricted on iOS. Developers can't directly distribute games through web downloads. Instead, they must create their own app stores, following a separate approval process from Apple. Once approved, users can only download games through the developer's official website using Safari or other browsers. This bypasses the App Store entirely.

Lastly, a key difference lies in link-out options. While developers can use them to connect with players within the app, Apple requires them to pay the standard commission on any in-app purchases completed after following the link. This can limit the effectiveness of external marketing efforts.

In essence, Apple's policies create a more flexible – albeit complex – monetization and distribution landscape for game developers than on Android.





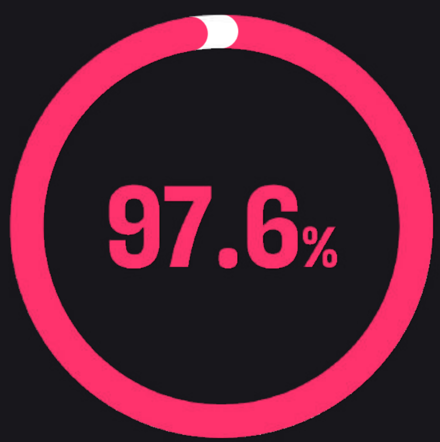
# THIRD-PARTY BILLING: A NATIONAL EXAMPLE

Apple's complex response to DMA shouldn't come as a shock. Apple's new playbook appears to be country-specific solutions that create a global headache. **This reinforces the value of developers fostering direct-to-player relationships.** Let's consider one apropos example.

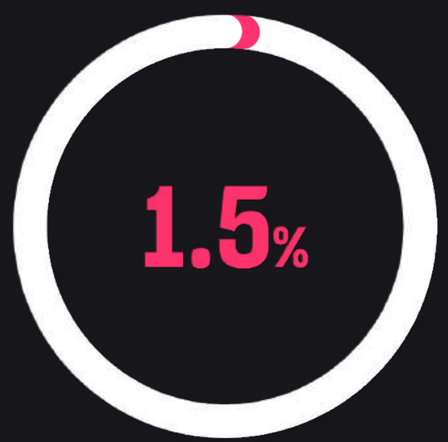
**Korea's video game industry's payment landscape has undergone a dramatic shift.** New options like digital wallets are now viable alternatives to traditional methods like local credit cards and prepaid cards. It's a far cry from just a few years ago when online payments required Internet Explorer and a specific plugin setup – a nightmare for user experience.

## South Korean Gaming by numbers

Internet penetration




Globally in game revenue




| Ecommerce market | Online consumers | In game revenue | Gamers |
|---|---|---|---|
| $117B | 37M+ | $7.4B | 35M |

Following 2024 amendments to the Telecommunications Business Act some developers chose to integrate pre-approved third-party payment solutions within their games on South Korean app stores, resulting in:

01

## MORE PAYMENT FLEXIBILITY

Developers are no longer limited to the default in-app purchase (IAP) system. This can be particularly beneficial for attracting Korean players accustomed to alternative payment methods.

02

## COMMISSION RATES

Third-party options still carry a **26% commission fee** on generated revenue, aligning with Apple's recent App Store policy revisions.

03

## MARKET-SPECIFIC

This flexibility is exclusive to the South Korean App Store. Developers in other countries with global distribution plans and intentions to implement third-party payments worldwide may need to maintain separate app builds for each specific market.

04

## TECHNICAL CONSIDERATIONS

Integrating these solutions requires some technical effort. Developers must enable StoreKit External Purchase Entitlement in Xcode, integrate designated StoreKit APIs, and submit a separate app binary specifically for the South Korean App Store.





# WHAT DOES THIS MEAN FOR THE INDUSTRY?

The Digital Markets Act (DMA) represents a significant step towards a more equitable mobile app landscape. While we can expect gatekeepers (like major app store platforms) to leverage legal expertise to defend their current positions in the coming months, the playing field has shifted.

Unlike past disputes involving smaller developers, the DMA is backed by a robust European Commission team of more than 70 individuals. This enforcement power, reminiscent of the US browser wars, signals a newfound commitment to fostering fair competition within the mobile games market.

Bottom line: The Digital Markets Act presents a unique opportunity for developers to re-evaluate their distribution model, take advantage of direct-to-consumer opportunities, and chart a path to lower commissions, more revenue, and a smoother ecommerce experience for players.

# 02

Article

# CROSS-PLATFORM GAMES ARE REDEFINING PLAYER ACCESSIBILITY

## CROSS-PLATFORM PLAY IS DEMONSTRABLY ALTERING OUR ONLINE GAMING LANDSCAPE

By offering alternatives to single platform silos, the trend nurtures a more unified player community, enabling friends to connect and compete regardless of their chosen device seamlessly.

This transcends a mere fad; cross-play represents a fundamental shift towards a more accessible and inclusive gaming ecosystem, ensuring a more robust player pool for even niche titles.





# CROSS-PLATFORM PLAY: PAST TO PRESENT

Looking at entertainment's past 15 years, we see that streaming video content set a precedent for cross-platform gaming. Visual entertainment – previously only accessible via a unitasker device (single console television) – exploded to cross boundaries, from desktop computers to laptops and eventually smartphones.

The groundwork for cross-play gaming was laid by passionate online communities and innovative indie developers. These groups fostered digital spaces where players could connect and forge rivalries regardless of platform or hardware restrictions. Eventually, major studios nodded at the trend and began tackling the technical hurdles and potential of cross-play functionality.

**Microsoft's Xbox** has carved a strong position as the third pillar in the console trinity alongside **Nintendo Switch** and **Sony PlayStation**. Perhaps motivated by the cross-play surge – and boldly moving beyond traditional PC ports – Microsoft confirmed four Xbox Game Studios titles *(Grounded, Hi-Fi Rush, Pentiment, and Sea of Thieves)* will see multi-platform releases, likely drawing a broader audience than ever before.

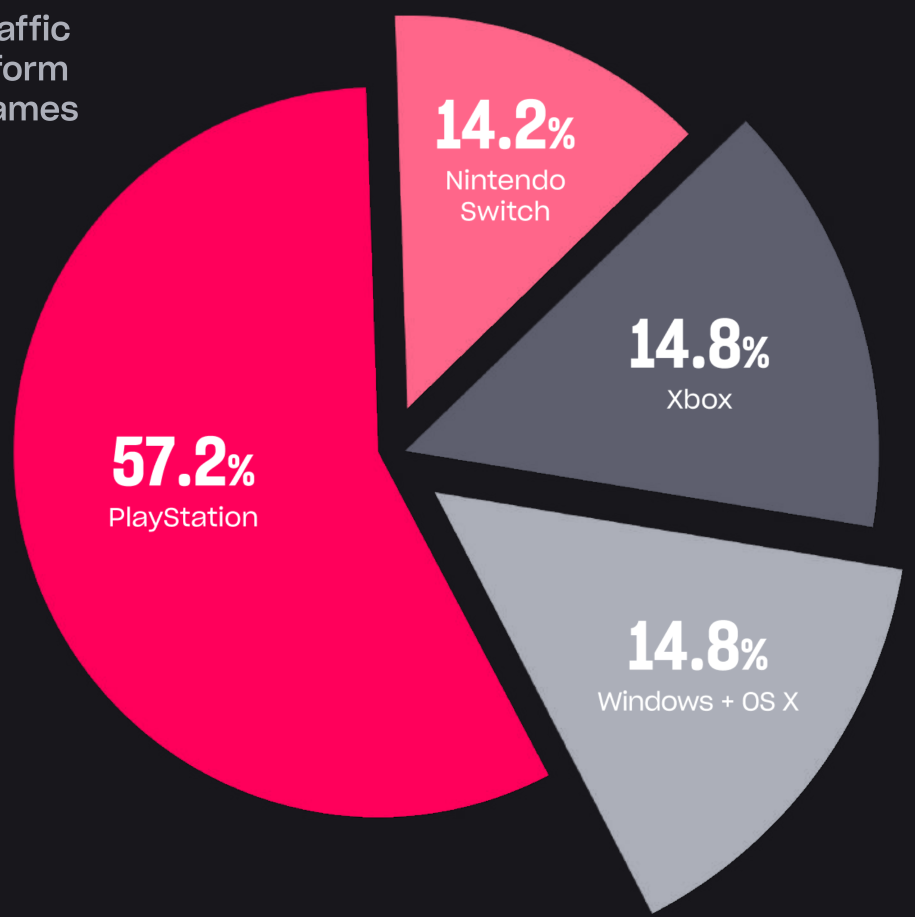
The introduction of major titles featuring seamless cross-platform integration marked a pivotal moment for game fans. Popular titles like Apex Legends, Destiny 2, Genshin Impact, and Among Us not only demonstrate cross-play's technical viability but underscore the increasing player demand for it.

Since 2018, the market for quality cross-platform multiplayer games has echoed streaming entertainment's accessibility expansion. 56% of all Americans played multiplayer games in the past year while 87% of those gamers have enjoyed a cross-platform experience.

**56%** of Americans played multiplayer games in the past year

**87%** of Americans enjoyed a cross-platform experience

Total Voice Traffic in Cross-Platform Multiplayer Games
2021




Source: Unity

The crossover trend's immense popularity solidifies multiple points of access as a key feature for future game development consideration and irrevocably alters the gaming business landscape - from development to promotion and monetization.





# CROSS-PLAY MEETS CROSS-PLATFORM PROMOTION

In April 2023, a three-judge panel in the Ninth Circuit Court of Appeals made final rulings on the Epic Games v. Apple court case brought in August 2020. The initial court ruling carried one count against Apple, including an injunction that blocked the company from using its "anti-steering" policies disallowing developers to link their games/apps to third-party storefronts.

Apple appealed the ruling and in 2023 the Ninth Circuit agreed that the lower court ruling should be upheld. Post-appeal, the door opened wide for all game developers and added incentive for more cross-platform mobile game developers to finally promote their titles beyond the App Store – **and it's working.**

**90%** of Gen Z gamers

**94%** of Gen Alpha gamers

ARE CONSIDERED "GAME ENTHUSIASTS"

**17%** of Gen Z free time devoted to gaming

**21%** of Gen Alpha free time devoted to gaming

**73%** of Gen Alpha gamers

**69%** of Gen Z gamers

PLAY GAMES ON THEIR PHONES

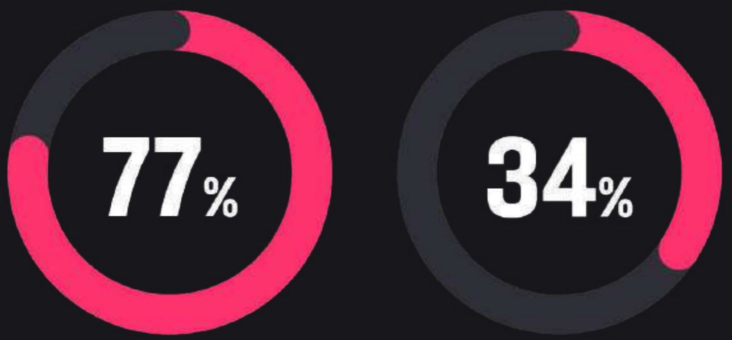
# MADE FOR EACH OTHER: CROSS-PLAY MEETS CROSS-PAY

## A more tangible impact of the cross-platform promotion wave is developers' adoption of broader mobile monetization strategies.

Following Epic v. Apple, many game companies reconsidered how to address revenue, seeking new ways to give mobile players shopping and payment options with the same level of comfort and ease they've come to expect from their favorite play experiences.

Mobile developers immediately begin contacting players via email or social media to direct them to enjoy extending their platform-independent play experience to game content shopping. Cross-play's cohort cross-pay introduced more players to alternative storefronts and payment methods. Xsolla's own Web Shop solution was designed for developers in response to this industry-wide change with the addition of cross-play, cross-pay.

Today, mobile is the pillar of cross-platform, cross-generational gaming, with 77% of GenZ players and 34% of Baby Boomers enjoying new mobile titles without regard for device or payment constraints.




of GenZ players enjoy new mobile titles regardless of device

of Baby Boomer players enjoy new mobile titles regardless of device





Evidence of the cross-play + cross-pay trend


In 2023, mobile gaming's market share was 49% of the total generated across all genres – $90 billion of $184 billion.

**More behemoth console titles, including *Fortnite*, *Minecraft*, and *Grand Theft Auto*, are crossing to mobile.**

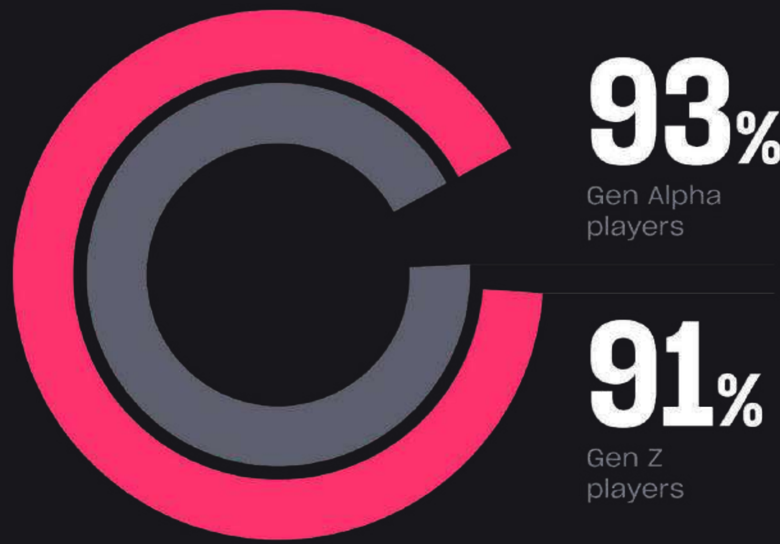
Newzoo's data reveals that Gen Alpha and Gen Z gamers have a much higher payer conversion rate than the overall player base, with 52% of both generations making in-app purchases. This compares favorably to the industry average of 42% for all gamers.

**52%**

of Gen Alpha and Gen Z gamers have higher pay conversion rates in comparison to the overall player base

## Further evidence of the cross-play + cross-pay trend

When it comes to what motivates these in-app purchases, the desire for exclusive content is priority for both Gen Alpha (93%) and Gen Z (91%) players. This is followed closely by a preference for character and item personalization options.




Gen Alpha and Gen Z also demonstrate a strong commitment to in-game economies. From October 2023 through March 2024, 93% of Gen Alpha and 91% of Gen Z gamers have opted to spend money on in-game purchases. Interestingly, Gen Alpha prioritizes acquiring gear, playable characters, and in-game currencies, while Gen Z leans slightly more towards in-game currencies, followed by gear and characters.

### Video game spend on each platform
by generation

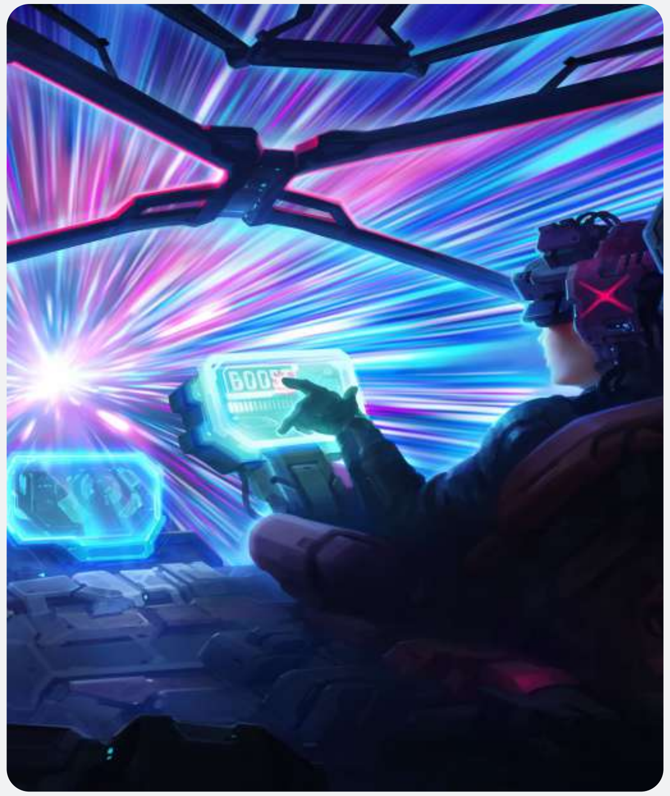





# WHAT DOES THIS MEAN FOR THE INDUSTRY?

The long-term viability of cross-platform gaming hinges on **seamless mobile integration**. Developers are acutely aware of mobile's growing clout within the gaming landscape. By prioritizing mobile support and creating unified gaming experiences across consoles, PCs, and mobile devices, they will shatter the limitations of traditional cross-platform play.

Looking ahead, cross-platform mobile gameplay undoubtedly holds the key to shaping an even more welcoming gaming industry where access for everyone means more players can enjoy more titles and the joy of gaming transcends yesterday's limitations.



# 03
Article

# EXPLORING THE INTERSECTION OF GAMING AND TELECOMS

## Industry growth: Telecom companies and video game businesses

In 2020, telecom companies became heroes of a pandemic-fueled scramble to work remotely.

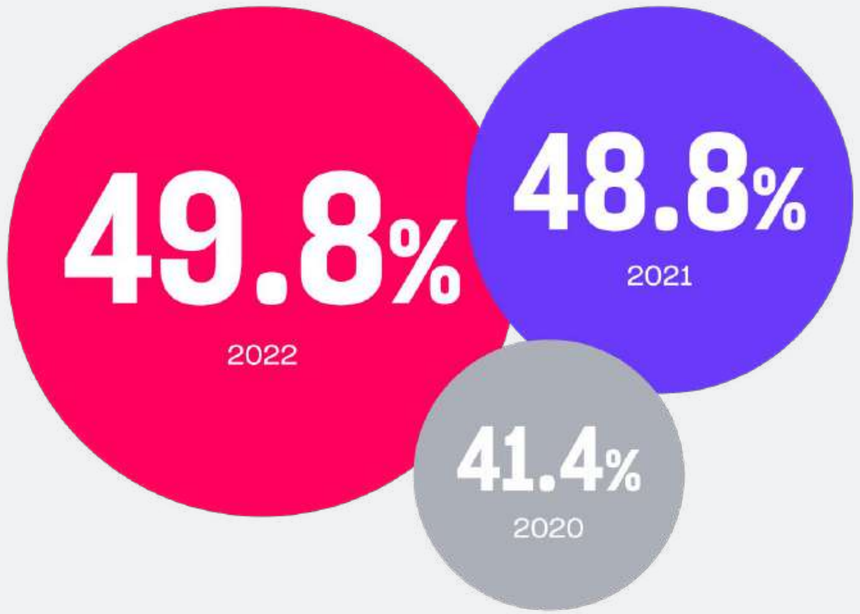
The telcos provided much-needed infrastructure for the massive – and unanticipated – business and cultural shift. Carriers kept many businesses running, communities functioning, and the game industry thriving during chaotic times.

Since then, cellular subscriptions worldwide have multiplied, and smartphone adoption has exploded. From 2020 to 2022, global wireless infrastructure revenue increased by 20% (from $41.4 to $49.8 billion), and mobile operators' global revenue hit $1.07 trillion in 2022, with a forecast of $1.2 trillion by 2030.



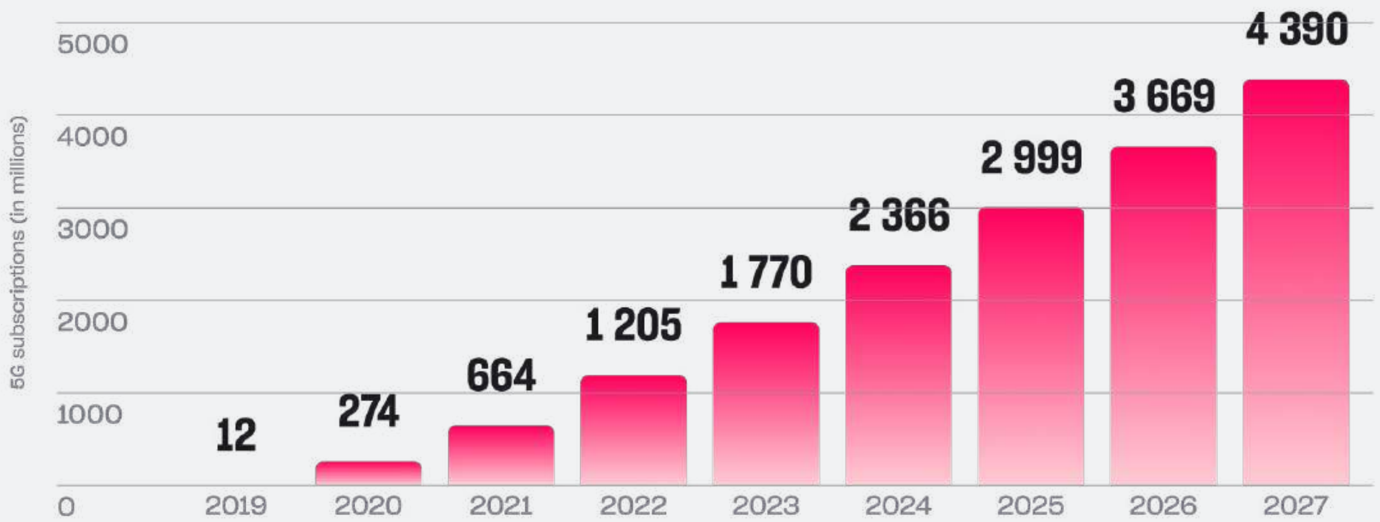


Global Wireless Network Infrastructure Revenue
2020-2022




Number of 5G subscriptions worldwide
2019 – 2027

The surge of hyper-fast, lag-free connections was a boon for video game companies as streaming entertainment and online gaming took off. Telecom is not slowing down.




Source: Statista 2023

The video game industry is experiencing phenomenal growth, leaving more stagnant markets in the dust. This surge has transformed gaming into one of the world's largest entertainment sectors, attracting major players from technology and social media and eclipsing the more traditional industries' revenue.

Many business titans – from entertainment to telecom – are diving in to capitalize on the gaming's immense revenue potential.

# 22%

decrease in telecom operator loyalty and revenue growth since the pandemic

## Telcos + gaming: A strategic alliance

Yes, the gaming industry is on fire, but it's a double-edged sword for telecoms. Despite surging video game demand, a telecom clients' survey revealed a 22% post-pandemic decrease in customer loyalty and revenue growth.

While some operators are stuck in neutral, watching profits shrink as nimbler ones swoop in on their audience, others are waking up and looking for new markets to fuel global growth – spotting a golden opportunity in mobile gaming.

Tech-savvy, loyal gamers represent a massive spending pool. Their data usage patterns allow telcos to regain a foothold in the entertainment space - a territory once dominated by companies like Apple, Spotify, Netflix, and Google.

Telecoms paired with gaming businesses is a logical collaboration. Telcos possess the infrastructure, an extensive user base, and services that complement the gaming industry. By embracing gaming, telcos can expand their revenue streams, enhance their brand image, and attract a valuable demographic comprised of young, tech-savvy gamers.

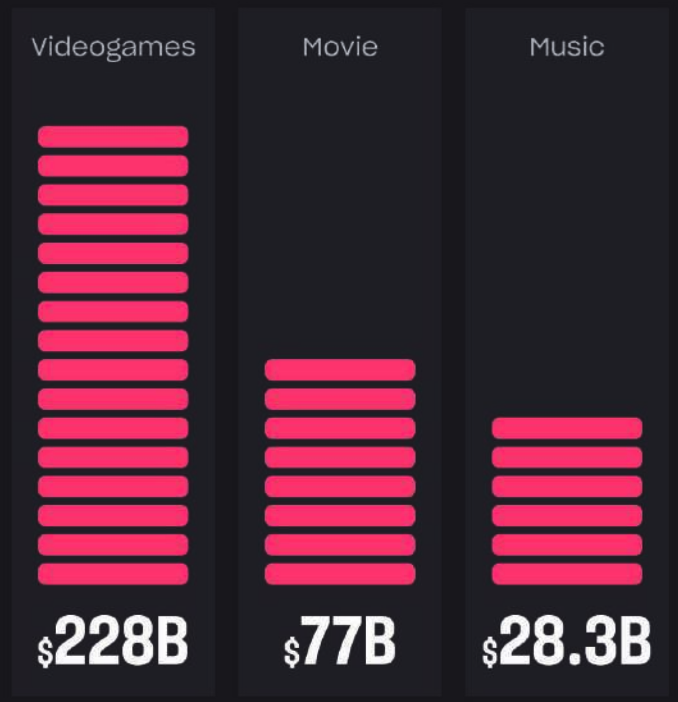




The partnership potential goes well beyond just adding popular mobile games to a carrier's portfolio of offerings. Telcos can leverage their strengths to become key players in the gaming ecosystem. The global video games market shows strong yearly performance, generating more money than both major entertainment industries combined.

In 2023, the music market generated **$28.3 billion**, surpassed by the film industry's value of **$77 billion**. In stark contrast, the gaming market boasted a staggering revenue of **$228 billion** and will grow at **7.21% annually to $323 billion by 2027.**

Revenue by industry in 2023




**The mobile games market and transactions via mobile wallets are also enjoying phenomenal growth, driven by the ubiquity of smartphones. Since 2014, smartphone users skyrocketed to 4.2 billion globally, with a significant 39% (or 1.6 billion users) identifying as mobile gamers.**

This trend shows no signs of stopping, with analysts predicting a rise to 1.85 billion mobile gamers by 2027, with Europe contributing 221.5 million users.

# 4.2B

smartphone users globally

# 1.6B

(or 39%) of smartphone users identify as mobile gamers

Telecom operators face growing pressure to deliver more engaging mobile content to their subscribers. The mobile games industry can step in to provide telecom operators with the in-demand experiences their customers crave.

## GLOBAL STATISTICS

**>17%**
CAGR (2022-30)

**$220B+**
Value (2021)

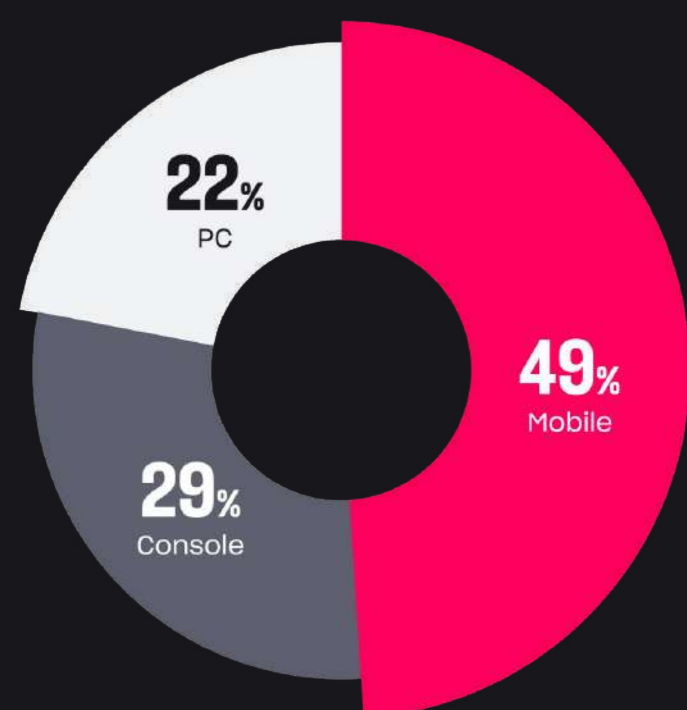
**$220B+**
Value (2030)

## MOBILE WALLET MARKET

| Semi-closed wallet segment | Bank segment | Optical/QR code segment |
|---|---|---|
| **$150B+** | **>15%** | **>15%** |
| Value (2021) | CAGR (2022-30) | CAGR (2022-30) |

Europe
**16%**
CAGR (2022-30)

Share of gaming devices worldwide




Additional data further underscores the mobile gaming's dominance, which captured a commanding **49% share** of the global games market in 2023 – in stark contrast to the market share held by console and **PC games**, **which lagged at 29% and 22%, respectively**.

Source: Newzoo

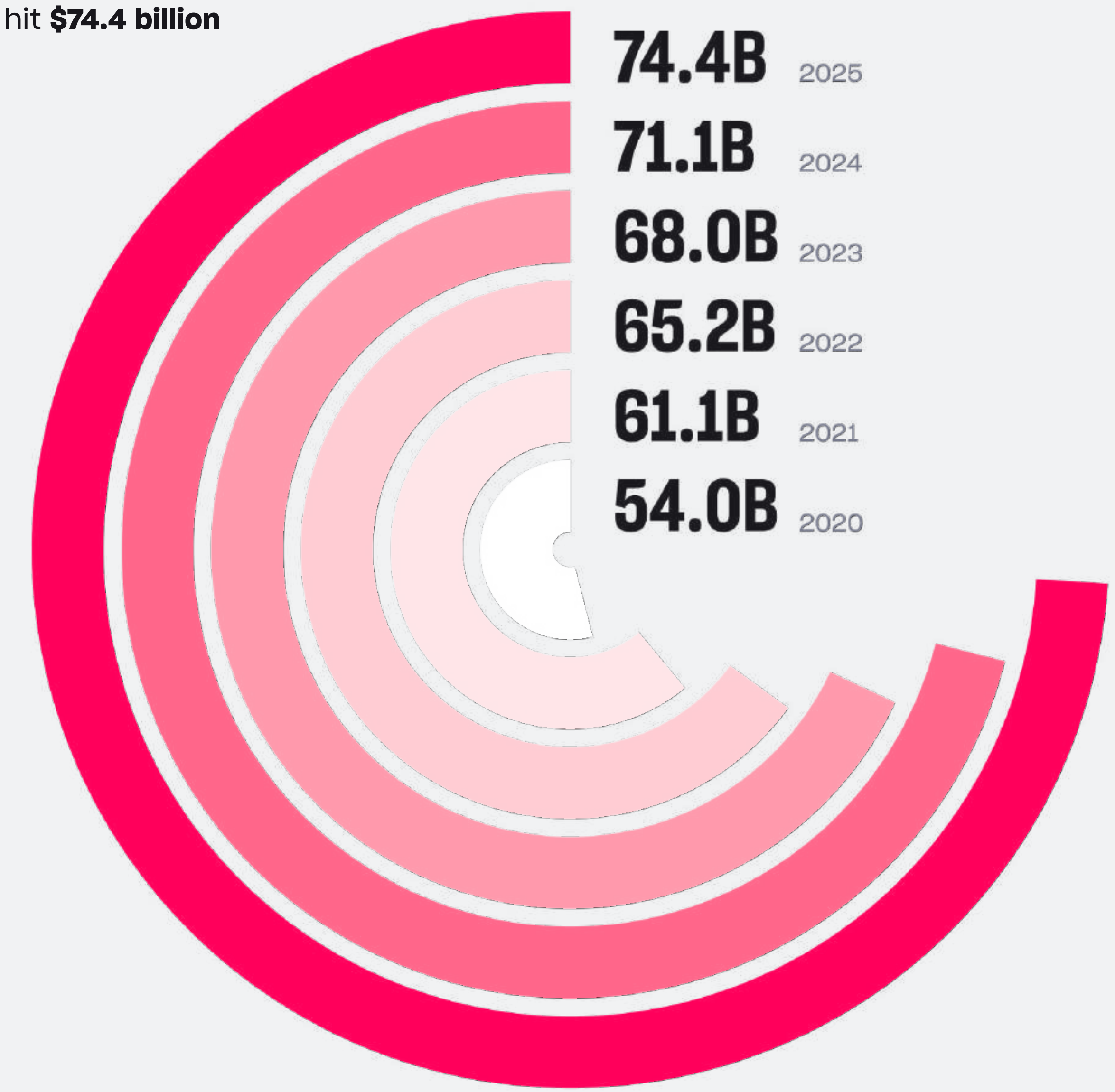




Integrating exclusive video game services and products within a telco's marketplace allows operators to enable direct carrier billing (DCB) and mobile wallets to make paying for gaming perks more convenient.

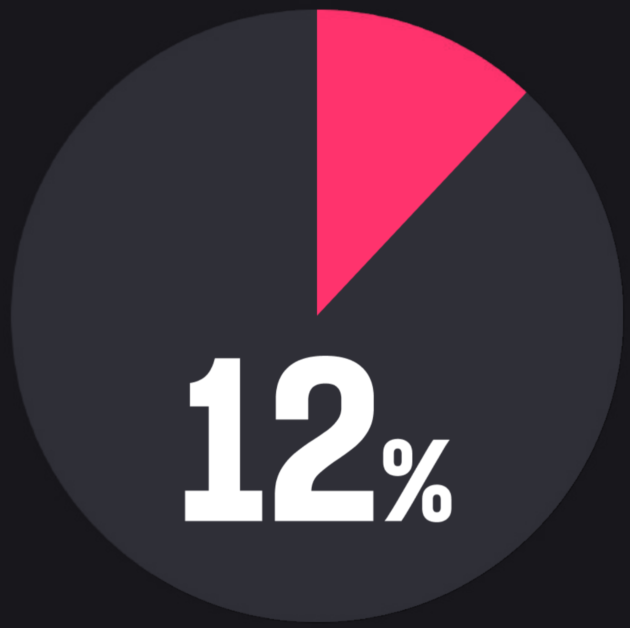
Finally, mobile gamers use a lot of data, which telcos can use to carve out their game industry niche. Statista reports that in 2020, a whopping **74% of total gaming revenue** came from players dropping **$54 billion** on extra content. Analysts predict this trend will continue, with the in-game purchase market projected to hit **$74.4 billion** by 2025.

Video Game Spend, 2020-2025
in billions



# WHAT DOES THIS MEAN FOR THE INDUSTRY?

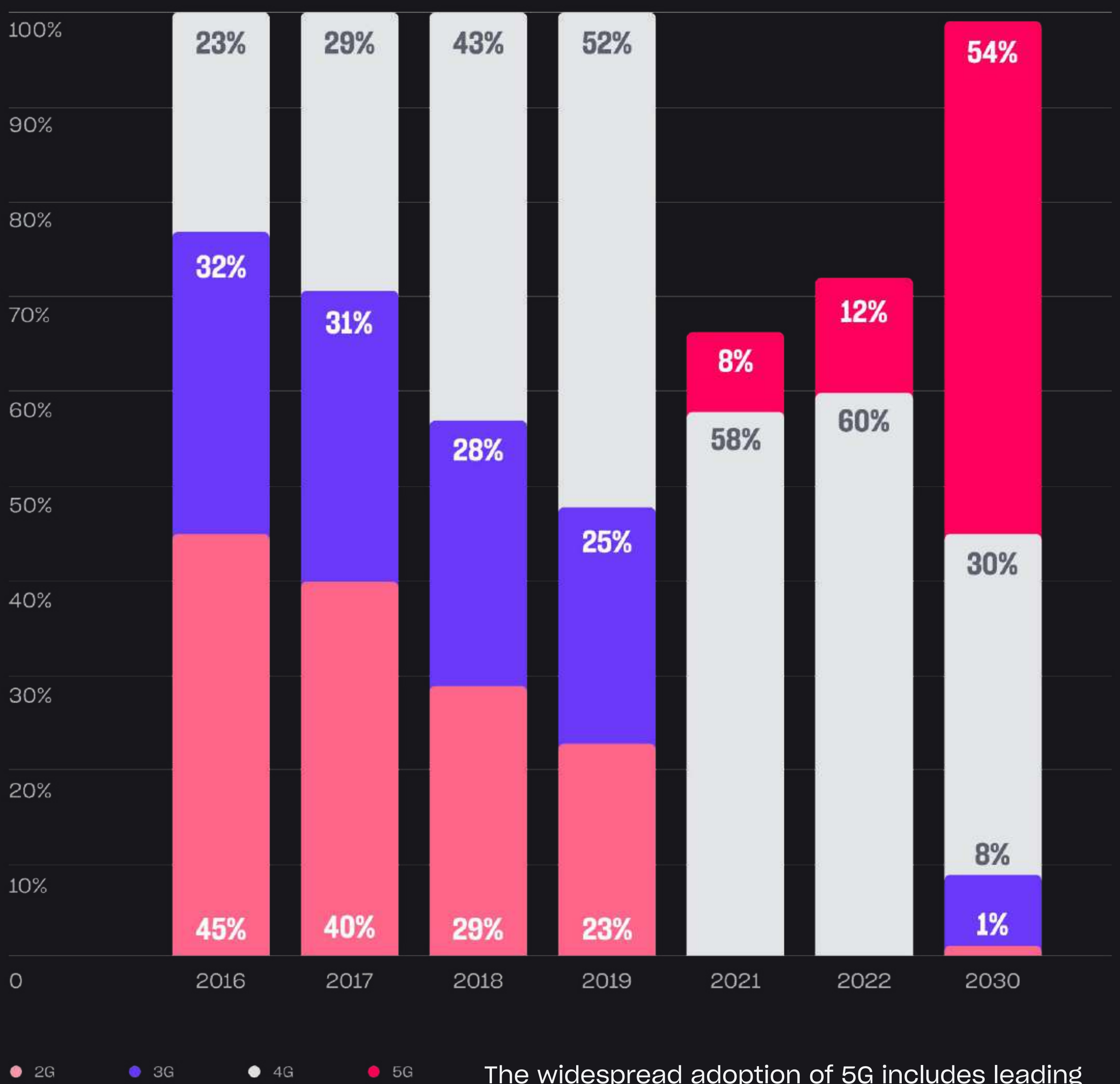
While 4G remains the dominant force (accounting for 60% of mobile connections in 2022), 5G's rapid rollout is notable. By 2021, 5G had already secured a 12% market share, and projections suggest 5G will surpass 4G as the leading technology by 2030, reaching over half of global connections.





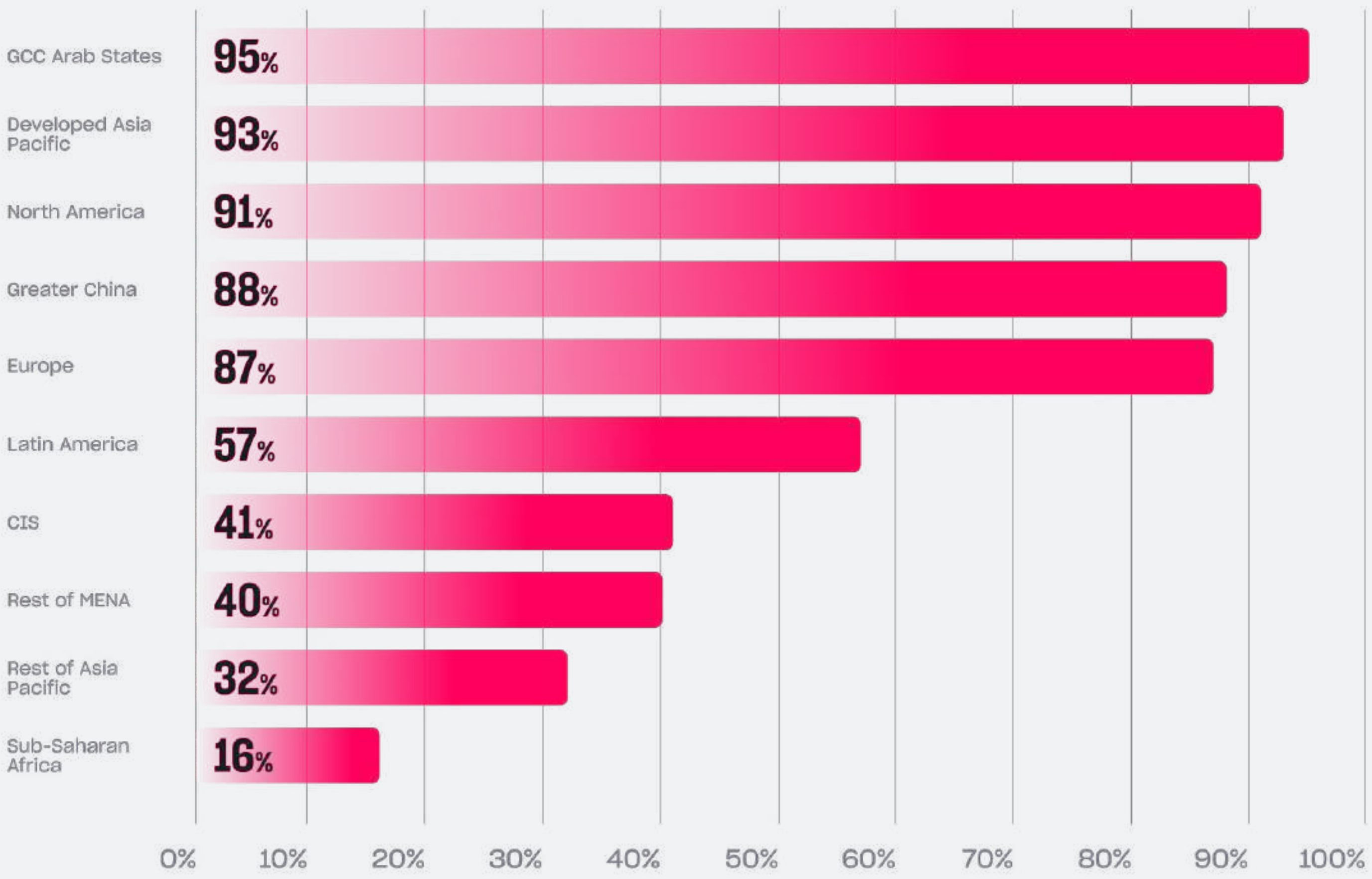



Market Share of Telco Technologies Worldwide, 2016-2030
by generation




The widespread adoption of 5G includes leading regions – such as the GCC Arab States, Asia Pacific (developed), North America, Greater China, and Europe – and significantly drives the mobile games market's continued growth.

Forecasted 5G Share of Total
Mobile connections in 2030
by region




Telcos strategically partnering with game developers to provide subscribers exclusive content and in-game benefits has several advantages for the game industry:

01

Mobile game companies seeking expanded reach can leverage telcos' infrastructure and subscriber base.





02

The industry pairing aligns perfectly with the booming 5G trend, as high-speed networks are crucial for game developers – enabling cloud gaming, VR, and the metaverse. Telcos can become key players in the evolving gaming landscape.

03

The convergence of 5G and mobile gaming within a telco's network creates a valuable data stream. Player shopping behavior within these games, including in-game purchases, provides crucial customer insights.

04

Developers can leverage the data from gameplay patterns to unlock player insights, drive ongoing player engagement, foster loyalty, and reduce churn.

Two prominent case studies further highlight the successful collaboration between video game businesses and telecom companies:

**Tencent and China Unicom** created a joint venture focused on content distribution networks (CDN) and edge computing capabilities, offering telecom gaming data packages and exclusive in-game perks.

**Supercell partnered with Deutsche Telekom**, among others, to offer special gaming packages.

By pairing strengths, the telecom + gaming industry collaboration takes a gamer-centric approach that benefits both industries. Carriers have a wide window of opportunity to leverage their existing capabilities, tap into an exploding video game market, and successfully diversify their business for more revenue and higher profit margins.

Conversely, mobile game developers can expand their global customer reach by distributing games to third-party marketplaces, platforms, and ecosystems such as super-apps, bank apps, ISP carriers, web portals, and telecommunication platforms.


MUKUL ARORA

Co-Founder
Appsoleut Games

# Guest Column

Real-money games are a big hit in India. Casual games are also gaining a lot of popularity, with everyone from office workers to grandparents playing a variety of mobile games. However, when it comes to paying for games, players in India aren't as keen to spend on gameplay, making free-to-play the most common type of game people play.

With the reluctance to make any game, or even in-game, purchases, game developers have historically had to get creative with ads and promotions in order to persuade players to buy. This trend has made monetization strategies vital in order for developers and their games to thrive. However, we are starting to see a shift with consumers increasingly spending more on apps like Netflix and Spotify, which could signify a more receptive sentiment toward game purchases in the near future. For example, games like Battlegrounds Mobile India and Free Fire, are highly popular among Indian gamers, which is an interesting indicator of increased mobile game spending.

Additionally, India's gaming market skipped the console-era gaming that was popular in other regions which has shaped our market in unique ways, especially as consumers here get more into gaming and game spending. This makes it feel like we're on the cusp of seeing games evolve from casual play to something more immersive and substantial - especially with gadgets like the Meta Quest 3 and Apple Vision Pro hitting the market.

Finally, developers are really waking up to how crucial streamers are in building up a community around their games. It's all about collaboration now and building bridges between creators and the people who make the games we love. It looks like the future will be about getting deeper into the games we play and connecting more with the people who bring them to life.





Section

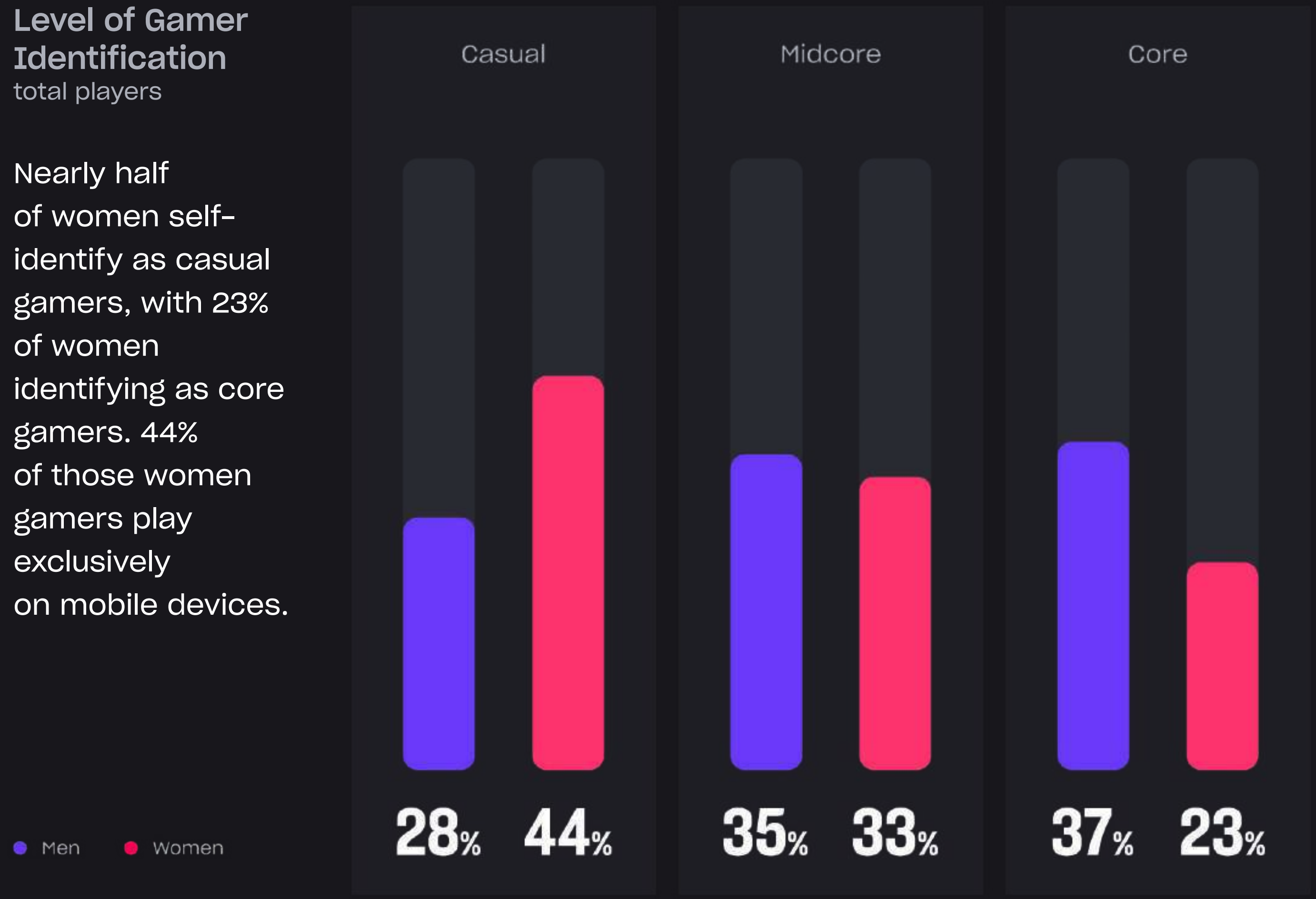
02

# INDUSTRY MOVERS & SHAKERS

# EQUITY AND DIVERSITY IN GAMING

**Level of Gamer Identification**
total players

Nearly half of women self-identify as casual gamers, with 23% of women identifying as core gamers. 44% of those women gamers play exclusively on mobile devices.



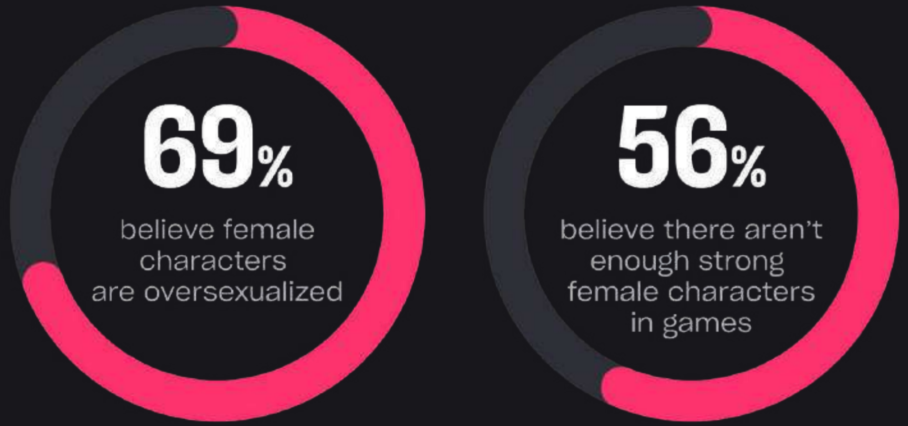





## Female game characters are more likely to be oversexualized

Female characters were 10 times more likely than male characters to be shown in revealing clothing. In addition, female characters are nearly 5 times more likely than male characters to be shown with some level of nudity. This disparity also shows up in other aspects of media surrounding gaming.

**Opinions on Video Game Characters**
among women gamers - 2022




Source: bryter-globa.com

China is one of the highest spending markets in terms of in-app purchases (IAPs), with over 90% of female gamers in China spending at least $5 per month, compared to just 54% in the US and 42% in the UK. While US gamers spend, on average, $58 per month, gamers in China spend the equivalent of around $120.

# 01 Article

# A CONVERSATION WITH KARLA REYES

The Xsolla team sat down with Karla Reyes, Founder & Studio Director of Anima Interactive. With her background in big-name companies like Square Enix and Niantic, and her work with initiatives like Code Coven, Karla brings a unique perspective on how women are shaping gaming's future.

From her experiences in both indie and corporate settings to her efforts in fostering underrepresented talent, Karla shares insights on how diversity is reshaping the industry. Join us as we discuss her vision for a more inclusive gaming world and how some trends are already driving the industry in this direction .

**KARLA REYES**

Founder & Studio Director at Anima Interactive

Karla is Founder & Studio Director of Anima Interactive, a new socially conscious games and immersive media studio that blends art and technology to drive positive cultural and social change. Prior to founding Anima, Karla developed games at Square Enix and Niantic and also helped build Code Coven, an award-winning global games accelerator for underrepresented talent. Karla has received accolades for her contribution to the games industry, including MCV/Develop's 'New Impact' award and Pocket Gamer Connects' 'Rising Star' award. She was also recognized on the Forbes 30 Under 30 list for Games.





## 01 WAS THERE A PARTICULAR GAME OR GAMING EXPERIENCE THAT HAS INFLUENCED YOU?

The *Zelda* games and *Breath of the Wild* in particular are a testament to the ways that games can completely consume you and combine all of my favorite art forms–narrative, game design, technological innovation, visual art, and music. The Life is Strange series has also been influential. I appreciate serious games that explore real-world topics in innovative ways, and these are the types of experiences we are experimenting with building at Anima Interactive.

## 02 WHAT BARRIERS, IF ANY, HAVE YOU FACED AS A FOUNDER, AND WHAT CHANGES WOULD YOU LIKES TO SEE IN THE INDUSTRY TO MAKE IT MORE WELCOMING?

There was a polygon article that went viral recently about marginalized founders getting hit the hardest in this tough economic climate for fundraising and as is often seen, it's people from underrepresented backgrounds that end up facing the most adversity.

While there are many challenges, there are still tons of great organizations such as Xsolla doing great work to amplify the voices of underrepresented people in our industry and build a case for why underrepresented founders and developers deserve the resources needed to explore and innovate. It's time to welcome a new wave of game development that supports more diverse perspectives and can really shape the future of the industry.

## 03 WHAT INITIATIVES OR PROGRAMS ARE EFFECTIVE IN SUPPORTING EQUALITY IN THE GAMING INDUSTRY AND HOW HAS ANIMA INTERACTIVE PARTICIPATED AND/OR CONTRIBUTED TO THAT CAUSE? HOW IS THIS REFLECTED IN YOUR GAME DEVELOPMENT?

I feel very fortunate because of the lens through which I entered the space. Before I even worked in the games industry, I had volunteered for an organization called BAME in Games (Black, Asian, and Minority Ethnic), which is a UK-based company, that was focused on increasing representation in the industry.

In tandem with working at Square Enix, I helped build an organization called Code Coven, which is a classroom and accelerator for underrepresented talent within the games and creative technology industries. I've also done work locally in Los Angeles, supporting a similar program for mentorship and education called Game Wizards, which supports historically underrepresented communities in South Los Angeles. We're hoping to hire interns from LACC's game design program and the Game Wizards program this summer.

Mentorship and training are really baked into the DNA of Anima Interactive, with developers in our studio that are based in Latin America, providing opportunities to people who don't have access to traditional industry infrastructure and pairing my junior talent with mentors. I really want to uplift and empower, applying approaches from past advocacy work to the studio.





## 04 WHAT SPARKED YOUR PASSION FOR GAMING AND LED YOU TO FOUND ANIMA INTERACTIVE?

I've been a lifelong gamer, and I've always had a deep appreciation for games as the most immersive art form. Exploring games as a tool to inspire new perspectives and drive social and cultural change is the whole ethos and mission of Anima Interactive. I've always viewed games as having this massive untapped potential to adopt storytelling and development techniques from film and tv and spearhead narrative and culture change movements. There are pockets of the industry that have been doing this for a while, with Games for Change as an example of a community amplifying different types of experiences. But it's still a small segment of the industry, and I think there's immense opportunity for growth there.

## 05 WHAT ARE THE BIGGEST CHALLENGES FACING WOMEN AND WOMEN OF COLOR IN BOTH GAME DEVELOPMENT AND THE GAMING COMMUNITY, AND HOW CAN THAT BE ADDRESSED BY THE INDUSTRY AT LARGE?

When you talk about the broader communities, Anima Interactive is a member of an organization called the Fair Play Alliance, whose mission is to promote safer spaces in online communities. It's similar to a brain trust of different studios - thinking critically about how we can promote safer spaces in gaming communities and online communities.

As far as the development side of things, IGDA and IGDA Foundation do this really well by banding together and exchanging knowledge and resource sharing to connect the dots across different spaces and to learn from each other.

## 06 HOW DO YOU STAY TRUE TO YOUR CREATIVE VISION WHILE ALSO BUILDING GAMES FOR A DIVERSE AUDIENCE?

It's the eternal dilemma of being a video game developer because, of course, you need to have an audience to be sustainable and make sure you're able to cover the cost of development at the minimum. But you would hope the goal as an artist or a game developer, is to reach your audience by striking a balance between being more product-driven versus audience-driven, and it looks different in different contexts.

You also want to be able to share with your audiences and let them know that you are listening to them. And I think that's one of the really cool aspects of video games in general as well, because it's not a finite art form in a sense.

Like with *Animal Crossing* during the pandemic – people were complaining about the lack of hair and skin tone customization options for avatars and Nintendo listened, and pushed an update. That was a true testament to developers listening to their player community and being able to iterate accordingly, and that's certainly something that is important to me.

At the same time, when it comes to creative vision, I think there is a lot to be said about that process by making sure we're getting enough diverse perspectives contributing to the creative vision within the team that hopefully will reach the wider community.





## 07 WHERE DO YOU TO SEE ANIMA INTERATIVE IN THE NEXT FIVE TO TEN YEARS?

We're a small but mighty team trying to do a lot and I think what really excites me is that we are deeply rooted in research and have partnerships outside of the games industry. We're partnering with an anthropology lab at UCLA right now for research on one of our projects and have partnered with nonprofits to understand the different social justice issues that we might be tackling within the games by talking to people who are closest to these issues.

There's also a lot of innovation in technology that we're excited about exploring as well. We're not averse to experimenting, so I've been chatting with the people involved in *Borderlands Science*, namely professors at McGill University and an organization called Massive Multiplayer Online Science. Although we are an entertainment-first studio, we do address real-world issues and therefore believe it's important to be well-informed on those issues. I think it's a cool, valuable thing that video games are an accessible medium that can be used to inform people and raise awareness about so many different topics and stories.

## 08 WHAT GAMES ARE YOU PLAYING RIGHT NOW?

I play a lot of indie games actually. *Dave the Diver*, *Dredge*, and *Cocoon*, to name a few.

I actually was a BAFTA juror for The Games Awards, so I very recently played games up for the debut award. It's great to see indie developers being amplified, and getting to see whats being developed, what's on the cutting edge.

There's a multitude of directions that you can go in with games now, including the ongoing discourse around what defines a game. But I love checking out what indie devs are making. Especially with topics that maybe some folks are a little bit more risk-averse to explore.

Section

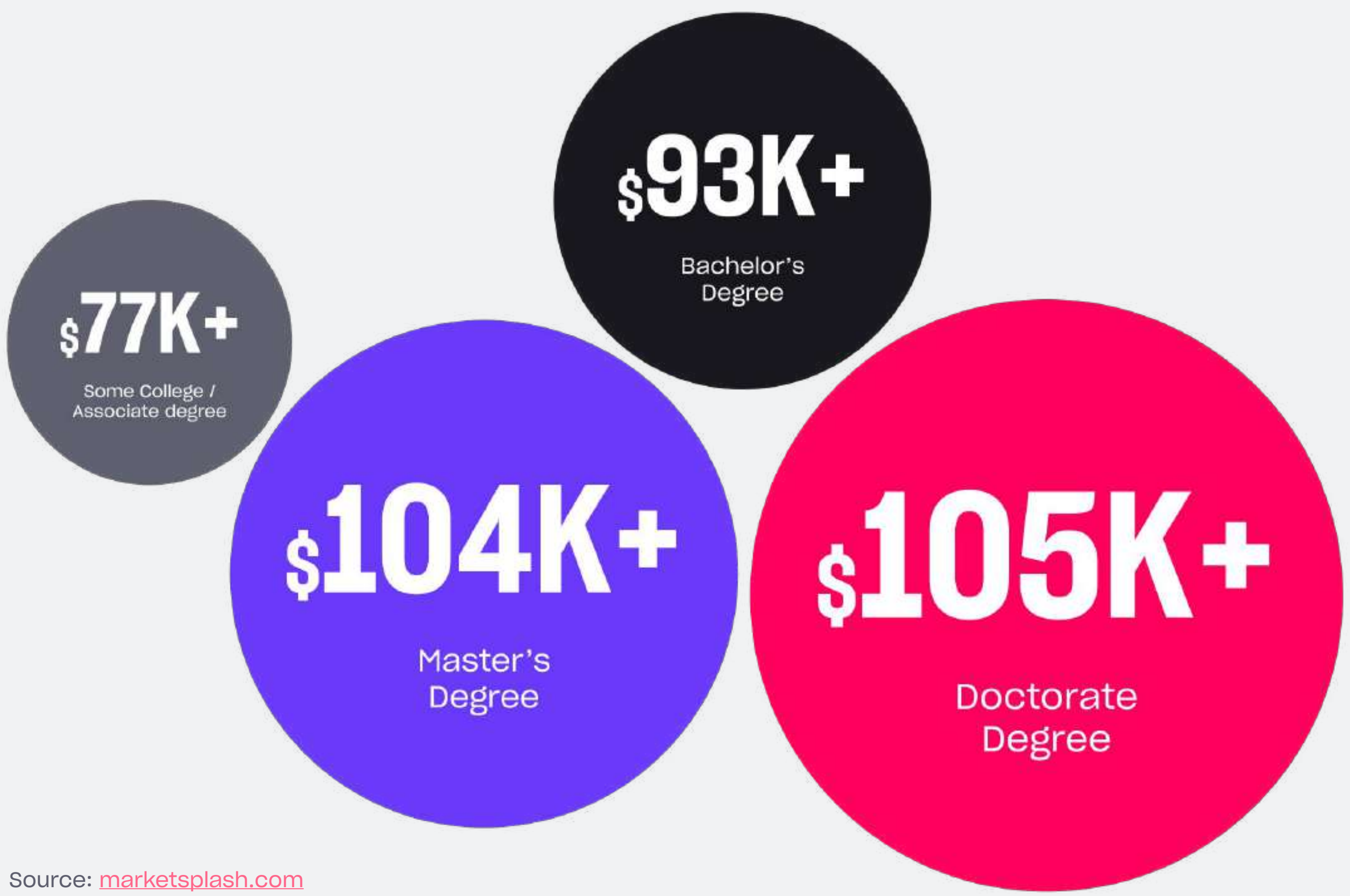
03

# EDUCATION

# ACADEMICS AND GAMING

In the US, 74.2% of game designers have a bachelor's degree, while 10.7% of game designers have master's degrees. Nevada stands out as the state where game designers earn the highest average salary, amounting to over $105,000.

Avg Earnings for Game Designers
by degree




Source: marketsplash.com





**22%**

increase in projected employment outlook for developers

According to the Bureau of Labor Statistics (BLS), there is a projected **rise in the need for individuals skilled in software development** between 2020 and 2030. The worldwide video game industry is predicted to witness a substantial growth of 73.8% from 2020 to 2027, with a 22% increase in projected employment outlook for software developers.

For individuals intrigued by a career in video game design, the present offers an abundance of opportunities. The global landscape hosts over 2,000 schools dedicated to video game design, providing aspiring designers with an extensive array of educational avenues to explore.

**2000+**

schools around the world dedicated to video game design

The best free educational courses and certifications in the field of game design and development according to Coursera:

| Development/ Programming | Game Design |
|---|---|
| Game Design and Development | Interactive Entertainment |
| C# Unity Game Developer 3D course | Art & Animation |
| C++ for Game Development | Digital Media |
| Mathematics for game development | Data Analytics & Visualization |
| Unreal Engine 5 & Unity | Music & Sound Design |

Game/Simulation Development is the most popular undergraduate education program in terms of student size, with the University of California's program being the largest with 28k+ students.

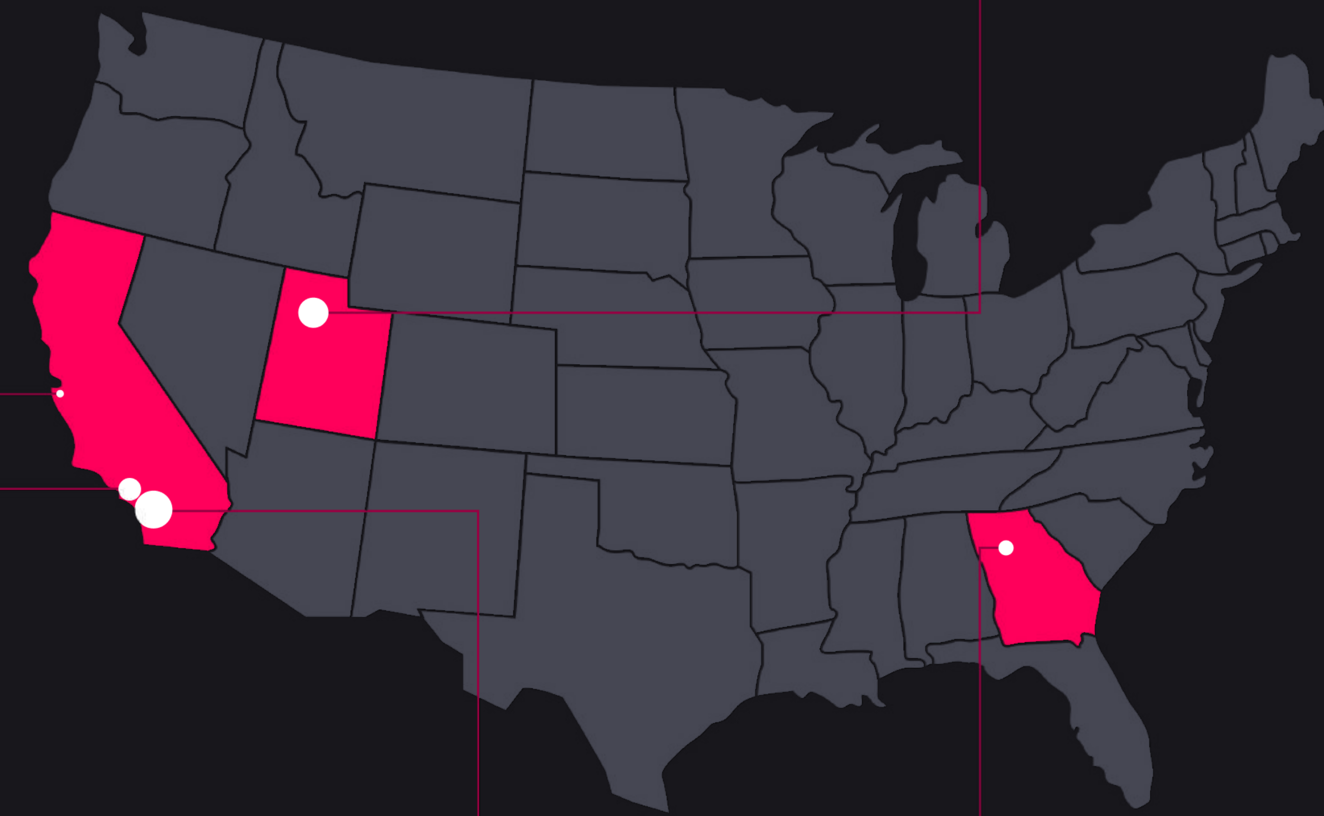




Programs with the largest number of students in game development
based on undergraduate enrollment

**UNIVERSITY OF CALIFORNIA, SANTA CRUZ**
Santa Cruz, CA
**17 502**
students (total)

**UNIVERSITY OF UTAH**
Salt Lake City, Utah
**26 355**
students (total)



**UNIVERSITY OF SOUTHERN CALIFORNIA**
Los Angeles, California
**20 699**
students (total)

**UNIVERSITY OF CALIFORNIA, IRVINE**
Irvine, CA
**28 661**
students (total)

**GEORGIA INSTITUTE OF TECHNOLOGY**
Atlanta, GA
**18 415**
students (total)

01
Article

# EDUCATIONAL PROGRAMS THAT ELEVATE THE GAMING COMMUNITY

The games industry continues to evolve at a rapid pace, driven by technological advancements, creative innovation, and a growing global community of developers and enthusiasts.
As the demand for new games and skilled professionals in game development rises, so does the importance of educational programs that equip aspiring game designers with the knowledge and skills needed to succeed.

**23%** increase in submissions to game development programs in 2023 compared to 2022





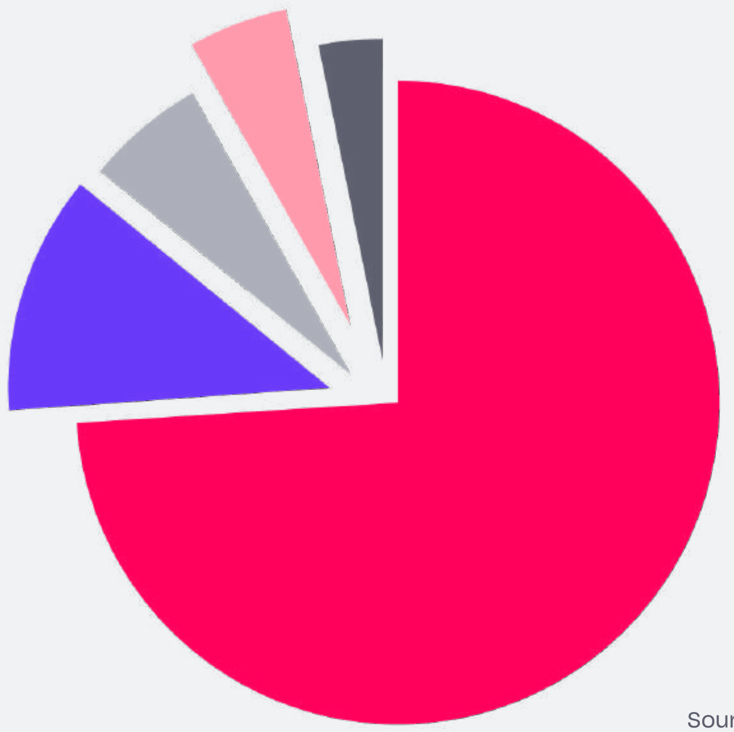
**25%** rise in software developer jobs between 2022 and 2032

## FORMAL EDUCATION ON THE RISE

Universities around the world are recognizing the field of game design and the 23% increase in submissions to game development programs in 2023 compared to 2022 underscores this trend. This isn't just a regional phenomenon - a remarkable 107 countries now offer undergraduate game development education, highlighting the global appeal of this field. The importance of formal education is further solidified by statistics showing that 74% of game designers hold a bachelor's degree, with an additional 6% boasting a master's degree.

Education of a Video Game Designer

- 74% Bachelor's
- 12% Associate
- 6% Master's
- 5% High School Diploma
- 3% Other Degrees



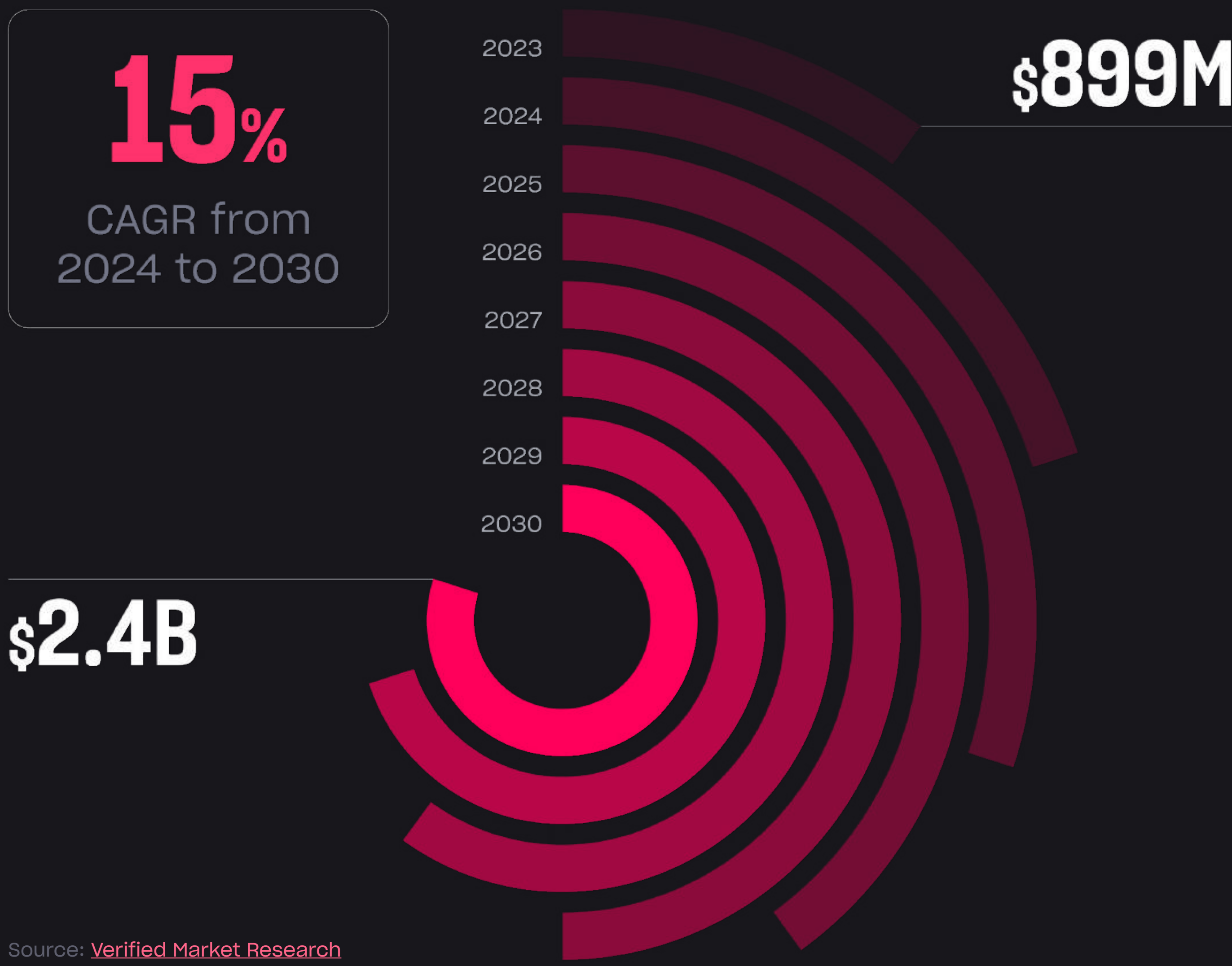
Source: zippia.com

Additionally, the Bureau of Labor Statistics predicts a 25% rise in software developer jobs between 2022 and 2032. This aligns perfectly with the video game industry's projected continued expansion. With such strong growth, skilled professionals are in high demand, making a solid education a valuable asset.

# SKILLING UP FOR SUCCESS

For a more focused approach, coding boot camps offer a valuable alternative. The market for these programs is projected to skyrocket at a 15% Compound Annual Growth Rate (CAGR) in the coming years and reach a value of $1.1 billion by 2030, reflecting their efficacy in equipping individuals with practical skills. Certificates earned from bootcamps are highly targeted and often hands-on, making them ideal for those who want to quickly gain the necessary knowledge to enter the industry. Individuals with certificates can pursue entry-level roles as graphic designers, game engineers, story developers, and programmers, laying the groundwork for successful careers within the gaming ecosystem.

Global Coding Bootcamp Market




Source: Verified Market Research





# LEARNING BEYOND THE CLASSROOM

**10K+**

game jams hosted by itch.io in 2023

Formal education isn't the only path to success in game development. There's a thriving world of alternative learning opportunities. The number of schools offering dedicated game design programs – **over 2,000 worldwide** – demonstrates the growing availability of these resources. However, for those seeking a more hands-on and immersive learning experience, alternative initiatives such as **Xsolla Curine Academy (XCA)** are emerging to provide hands-on training for aspiring game developers and studios.

Based in Kuala Lumpur, Malaysia, Xsolla Curine Academy stands as a catalyst for transformation, dedicated to equipping game developers with essential competencies for a thriving career through its expansive, industry-aligned program. From 1 to 12 months, the Academy offers diverse courses encompassing key areas, including communication practices within the gaming industry, indie game design and development, computer graphic art, game strategy, and IP incubation. Whether participants aspire to launch their own game or studio, build an effective team, or confidently step into a career in gaming, they will receive support to reach their goals. Launched on April 18, 2024, XCA seeks to elevate Malaysia's gaming industry and provide pathways for success for its students.

Game jams, short-burst development events where participants create games within a limited timeframe, have also exploded in popularity. The platform itch.io alone hosted over **10,800 game jams** in 2023. Events like the Global Game Jam, which united 40,000 participants from 108 countries in 2023, and Ludum Dare, another online game creation challenge, provide fantastic opportunities for aspiring developers to hone their skills and network with the community.

**40K+**

participants at Global Game Jam in 2023

# WHAT DOES THIS MEAN FOR THE INDUSTRY?

The impact of video game design educational programs on the game development industry is multifaceted and far-reaching, shaping the landscape of game development in several key ways.





## 01 SKILL DEVELOPMENT AND SPECIALIZATION

These programs provide structured training and education, helping students develop essential skills in game design, programming, art, and sound design. Graduates of these programs often have specialized skills that can contribute to the creation of higher-quality games.

## 02 INDUSTRY-ACADEMIA COLLABORATION

Game design programs frequently collaborate with game development companies for internships, workshops, and projects. This partnership benefits the industry by providing a pipeline of trained professionals who are well-versed in the latest tools, technologies, and best practices.

## 03 IMPACT ON INDIE GAME DEVELOPMENT

Graduates from video game design programs often have the skills and knowledge to start their own independent game studios, contributing to the vibrant indie game scene. With the rise of digital distribution platforms and accessible development tools, indie game development has become increasingly accessible to aspiring developers.

## 04 NETWORKING AND COMMUNITY BUILDING

These programs serve as hubs for networking and community building within the game development industry. By bringing together students, faculty, alumni, and industry professionals, they create opportunities for collaboration, mentorship, and knowledge sharing.

As the industry continues to surge, these educational programs will play a critical role in fostering a skilled, diverse, and future-proof workforce for the video game development world.

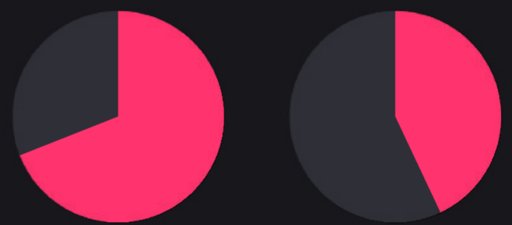
Section

04

# INVESTMENT

# WHAT ARE CURRENT INVESTMENT PATTERNS IN THE GAMES INDUSTRY?

Compared to 2022's peak of 130 deals in Q1, 2023 struggled to maintain M&A momentum, reaching a high of only 60 in the same quarter. Deal numbers consistently fell throughout the year, closing at just over 40 in Q4.
This translates to a 43% year-over-year decline in deal count and a 69% decline in transaction value year-over-year.



**69%**
Transaction Value Year over Year

**43%**
Deal Count Year over Year

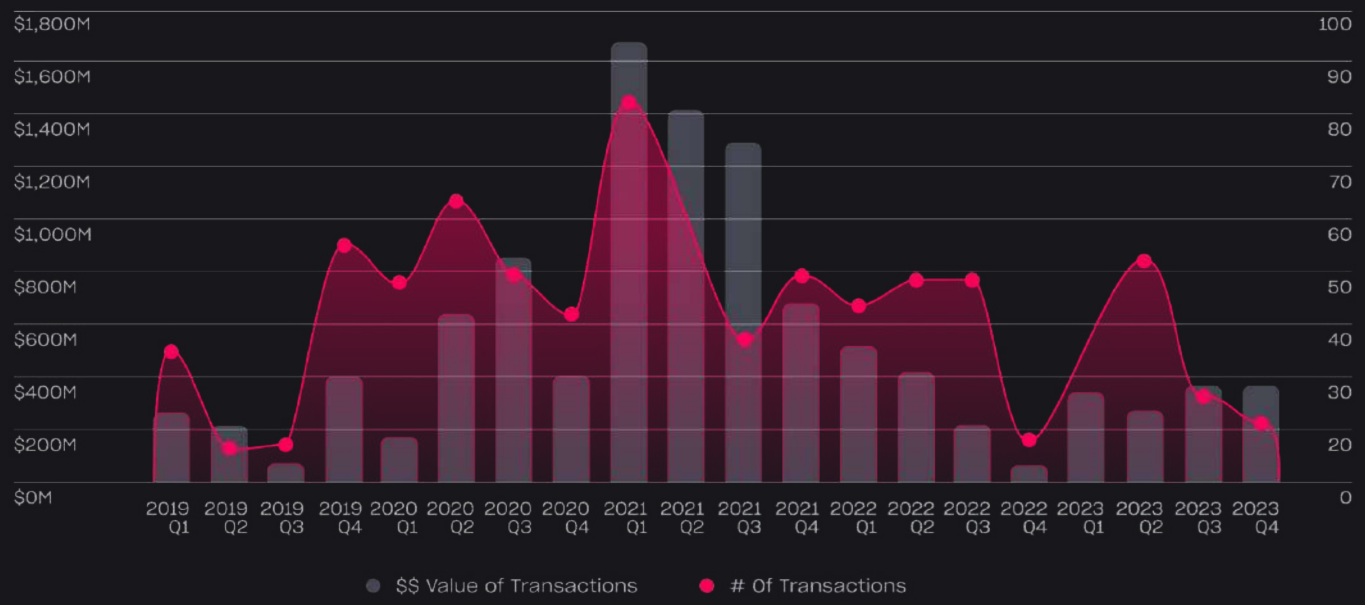
* Excluding Activision Deal Value





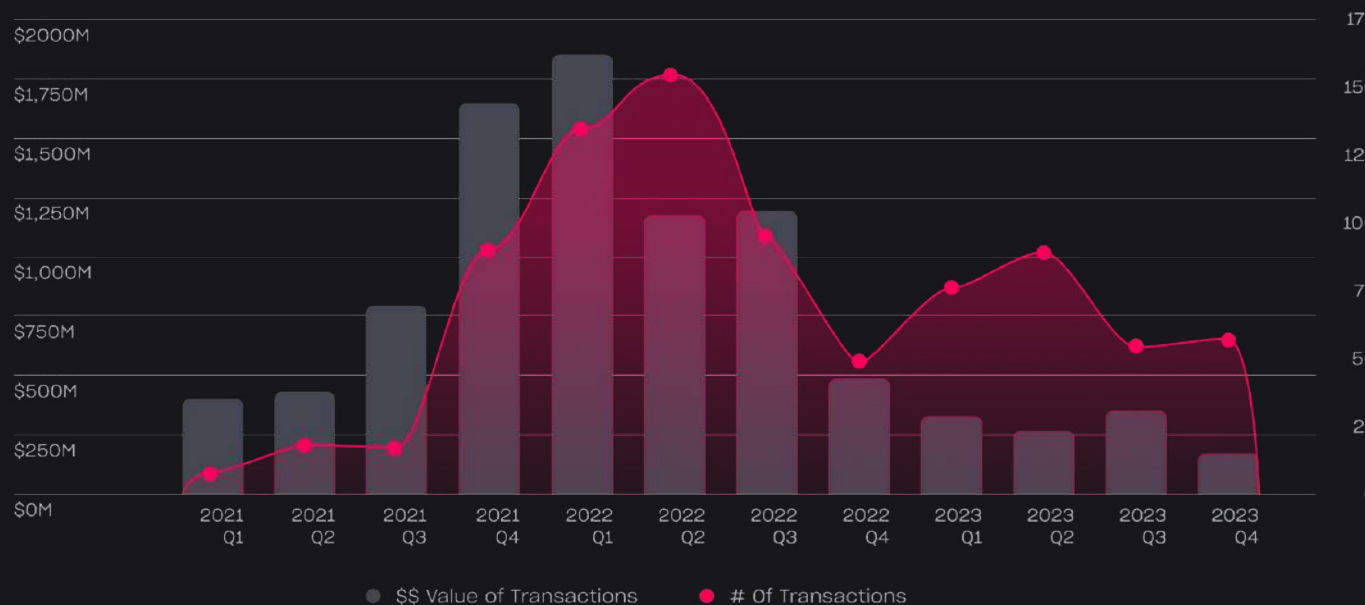
## eSports Investments
2021 – 2023

Esports investment saw a dip in 2023, with **funding dropping 10%** year-over-year to $1.1 billion. Deal activity also decreased, with the number of transactions falling to 133, a 15% reduction compared to 2022. (Source: Quantum Proprietary Research 2024)




## Web3 Investments
2021-2023

Investment in Web3 companies significantly decreased in 2023. **Funding dropped 75% year-over-year to $1.2 billion**. Deal activity also saw a notable decline, falling 36% to 276 transactions. This sharp decrease reflects a shift in investor sentiment towards Web3, with a more cautious approach taking hold. (Source: Quantum Proprietary Research 2024)



# 01 THE STATE OF FUNDING AND M&A IN 2024

Article

The video game industry's funding landscape displayed a significant shift toward the end of 2023, with a slowdown following the highs of the pandemic boom. As stakeholders adapt to changing market dynamics, a closer examination of notable transactions and M&A trends provides insights into the industry's current state of funding.

## Investment and market evolution in the last year

Overall, data showed a shift in M&A activity in 2023, with a decrease of 43% compared to the previous year and a 69% fall in deal value - reaching a total spend that became the lowest since 2019. This suggests a focus on strategic consolidation within the industry, where established companies acquire studios or technologies that complement their existing strengths and expand their reach.

**43%** decrease in M&A activity year-over-year





**$11.8B**

**M&A total** lowest since 2019

Largest transaction was Savvy Games' $4.9B acquisition of Scopely. Small and midsized transactions didn't report value impacting total.

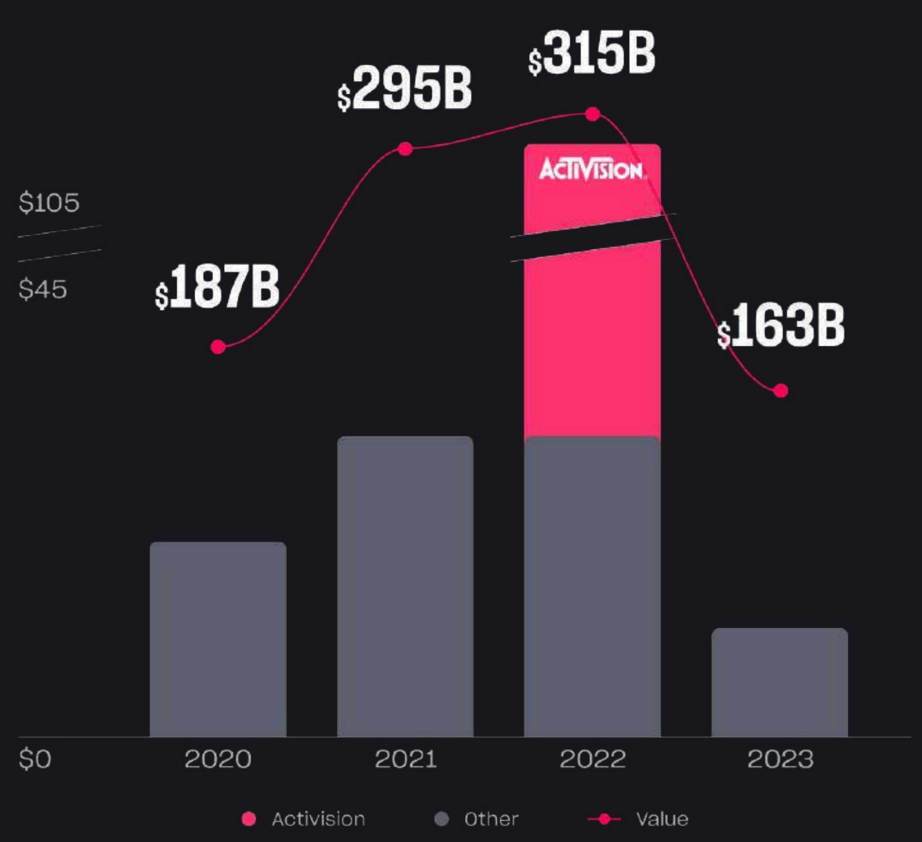
**2023-2024**

**Recovery Year**

Public Index Revenue and EBITDA multiples increased by 23% and 10% respectively YoY as investors adjusted outlook largely on macro front.

2023 M&A converging to pre-covid levels

Source: Drake Star




Even excluding the industry-altering Microsoft-Activision Blizzard acquisition, Q1 of 2022 saw the most spending on M&A in the five years prior - almost $25 billion - and analysts point to a trend of M&A activity becoming more measured. The overall drop in deal value signifies a shift toward acquisitions carefully targeted to fill specific strategic gaps or unlock new market opportunities rather than large-scale acquisitions driven by overall industry growth.

Additionally, while the massive Activision Blizzard acquisition by Microsoft in 2023 initially sparked some optimism, a 2024 Game Developers Conference (GDC) survey revealed a decline in positive developer sentiment toward major acquisitions. Only 5% of respondents believe these deals are beneficial, compared to 17% in 2023.

Industry veterans like Tencent have been expanding through acquisitions (Visual Arts). For developers and creators, Xsolla has also continued adding monetization tools and solutions, like Xsolla Pay Station and Xsolla Web Shop. Savvy Games, a rising star, closed the year's biggest deal and bolstered their eSports presence with Vindex.

The investment side showcased a lot of unpredictability, with the last half of 2023 noted as a period of recalibration. In fact, gaming M&A activity reached $76.7 billion across 147 transactions and total investments, while 2022 saw acquisitions hit $41.4 billion throughout 295 deals. While the decline might suggest a period of stagnation, these trends could instead indicate a maturing market where investors are becoming more selective in their choices, prioritizing more high-potential ventures.

**$76.7B**

across 147 transactions and total investments

### Most Active Acquirers in 2023

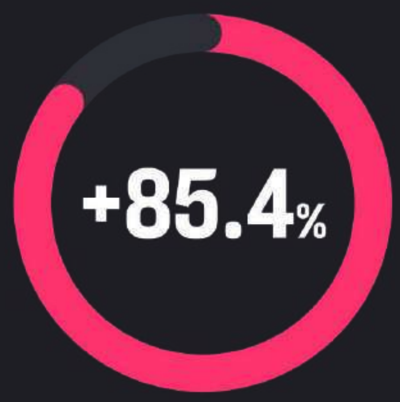

Source: Quantum Proprietary Research 2024





### Total M&A Transaction YoY
2022–2023

2022
**$41.4B**
295 deals




2023
**$76.7B**
147 deals

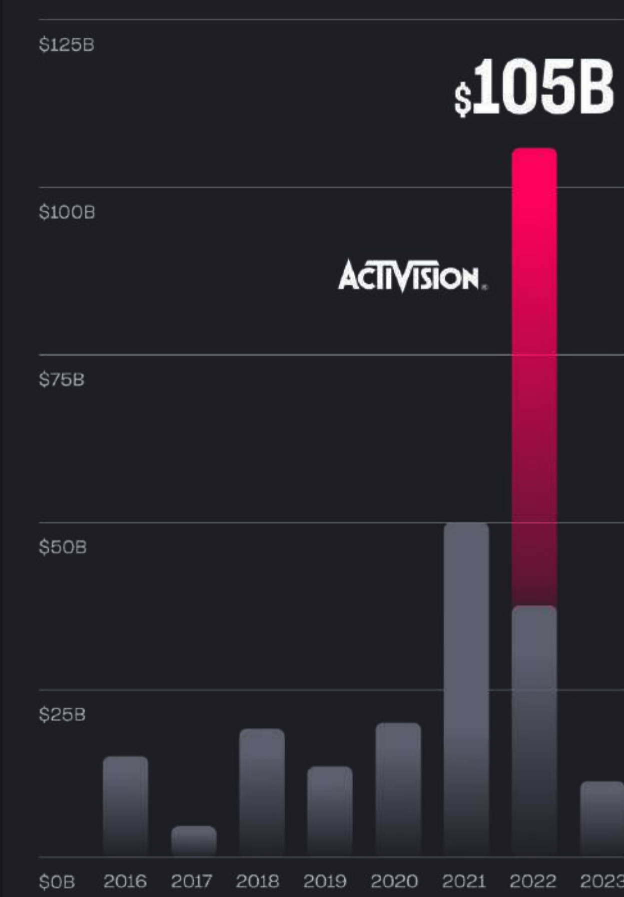
Source: ddmagency.com

## 2024: Signs of improvement and change

Though 2023 closed with a return to pre-pandemic investment levels, the year also finished with a **total M&A value of $11.8 billion**, with positive indicators when looking toward 2024. Venture capital deals remain strong, with 426 successfully closed in 2023. This year has already seen significant funding rounds for studios like Build a Rocket Boy and Second Dinner, alongside smaller deals for promising new players.

**426** VC deals successfully closed in 2023

### Gaming M&A Activity in 2023




Source: Quantum Proprietary Research 2024

# The macroeconomic climate is also stabilizing, fostering renewed confidence among industry leaders, which is expected to fuel a surge in M&A activity throughout 2024, with deal-making influenced by factors such as:

**01 GEOPOLITICS**

The global political landscape will undoubtedly play a role in shaping M&A decisions.

**02 NEW TECHNOLOGIES**

Advancements in technologies like cloud gaming and virtual reality could drive further consolidation.

**03 REGULATORY LANDSCAPE**

How governments respond to these new technologies will also influence M&A activity.

## M&A Deals Announced in Q1 2024

| Date | Target | Acquirer | Deals Size ($M) |
|---|---|---|---|
| FEBRUARY 2024 | SABER INTERACTIVE | PRIVATE INVESTOR GROUP | $500 |
| FEBRUARY 2024 | JAGEX | CVC HAVELI | $1 148 |
| DECEMBER 2023 | THE MULTIPLAYER GROUP | Keywords STUDIOS | $96 |
| NOVEMBER 2023 | SYSTEM ERA | DEVOLVER DIGITAL | $40 |
| SEPTEMBER 2023 | [illegible] | SUPERCELL | - |
| SEPTEMBER 2023 | INNPLAY LABS. | Playtika | $300 |
| SEPTEMBER 2023 | Midoki | SUMO DIGITAL | - |

Source: cdn.hl.com





Despite concerns, M&A activity is already picking up steam, with 2024 already witnessing several notable deals like Rovio's acquisition by Sega Sammy, Savvy Games' acquisition of Scopely, CVC and Haveli's acquisition of Jagex, and a private investor group's acquisition of Saber Interactive.

This anticipated surge in M&A activity is further bolstered by the entry of new players into the gaming investment space. Investors like Savvy Games, Netflix, and Disney recognize the compelling market opportunities and attractive valuations within the video game industry. This influx of fresh capital alongside established financial investors signifies a growing confidence in the sector's future.

Source: cdn.hl.com

## Video Game Investments Announced in 2024

| Date | Target | Acquirer | Segment | Deal Size ($M) |
|---|---|---|---|---|
| FEBRUARY 2024 | EPIC GAMES | The Walt Disney Company | PC/Console | $1 500 |
| JANUARY 2024 | BUILD A ROCKET BOY | REDBIRD CAPITAL PARTNERS | PC/Console | $110 |
| JANUARY 2023 | Second Dinner | GRIFFIN | Mobile | $100 |
| NOVEMBER 2023 | BLANK. | NEOWIZ GAMES | PC/Console | $17 |
| OCTOBER 2023 | UPLAND PLAY. EARN. CONNECT. | animoca BRANDS | Web3 Gaming | $25 |
| SEPTEMBER 2023 | FUZZYBOT | KRAFTON | PC/Console | $13 |
| SEPTEMBER 2023 | ProofofPlay | | Web3 Gaming | $33 |
| SEPTEMBER 2023 | STORY PROTOCOL | andreessen horowitz | Web3 Gaming | $54 |
| SEPTEMBER 2023 | Second Dinner | GRIFFIN | Mobile | $90 |

# Looking forward

The rise of mobile gaming is evident with more commitment from investors in gaming startups. Per Crunchbase data, global investments reached $265 million in Q1 2024 – a 65% gain from 2023's conclusion.

The video game industry's funding and M&A activity are in a state of flux. While the breakneck pace of 2022 has slowed, a new normal seems to be emerging. Investors are likely to prioritize quality and fit, with a growing focus on mobile gaming. M&A activity may pick up again, but deals are likely to be more calculated. Overall, the industry remains resilient and adaptable, with ongoing investment fueling innovation and development for the next generation of games.

**15%**

of Q1 2024 investments focused on the gaming platform





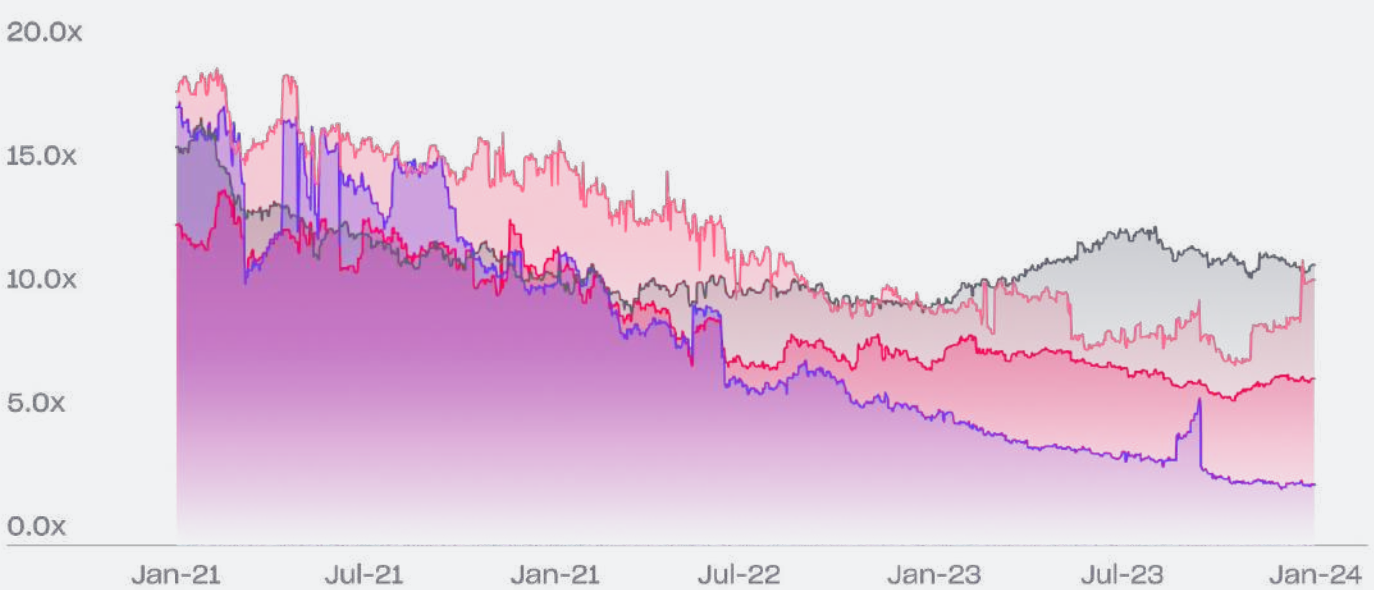
# WHAT DOES THIS MEAN FOR THE INDUSTRY?

The combined effects of a maturing market, a return of investor confidence, and the entry of new players paint a picture of a more strategic and focused video game industry moving forward in 2024.

# 01 Microcap opportunities

There's a potential opportunity in microcap studios, which may have been oversold. Moderate valuations could create attractive acquisition targets for larger companies seeking to expand their reach or acquire specific technologies.

EV/NTM EBITDA Multiples
Jan 2021 – Jan 2024




Source: S&P Capital IQ

# 02 Saudia Arabia as a new player



Saudi Arabia's continued interest in the gaming industry could be a significant factor in the latter half of 2024. Their potential acquisition of a major publisher or developer could inject substantial funds into the market, further fueling M&A activity and potentially driving up valuations.





# 03 Increased deal flow

Experts have predicted a rise in the number of M&A deals in 2024, potentially reaching 20% higher than in 2023. Several factors could fuel this growth:

## UNALLOCATED CAPITAL

The record-breaking investments of 2021 and 2022 have left many investment firms with significant unallocated capital ready to be deployed in the right opportunities.

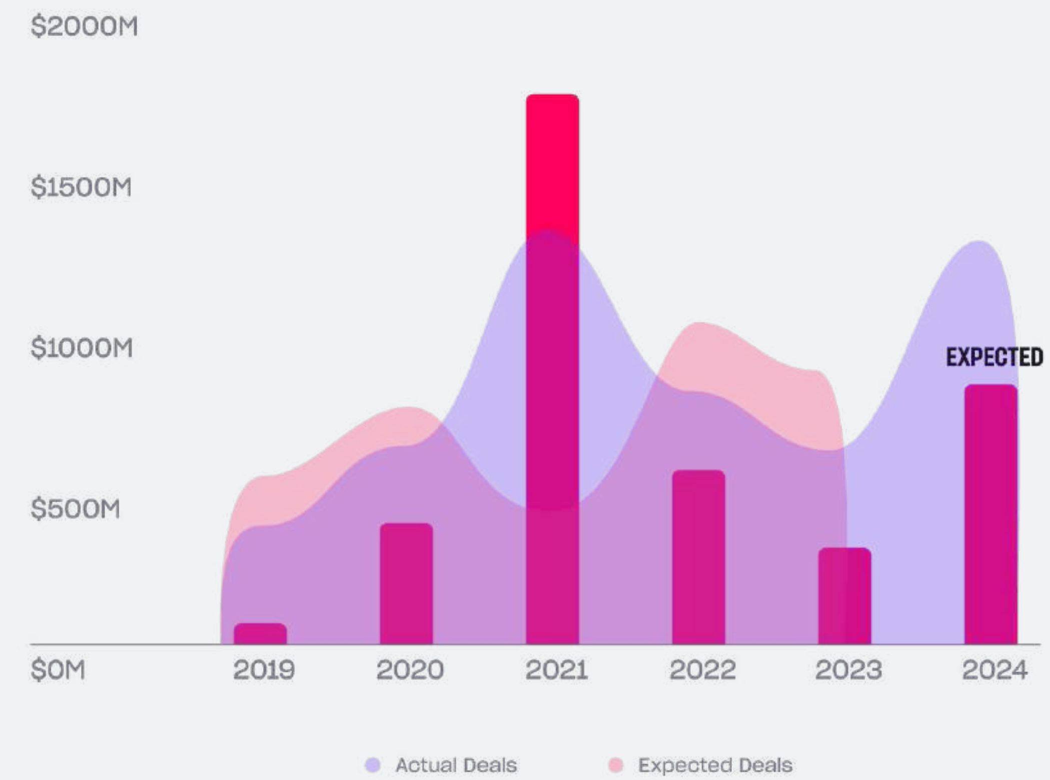
## STRATEGIC ACQUISITIONS

The focus on strategic consolidation will likely continue, with established companies seeking targeted acquisitions that complement their existing portfolios and unlock new market opportunities.

## NEW PLAYERS

The entry of strategic investors like Savvy Games, Netflix, and Disney brings fresh capital and expertise to the table. This could lead to a more dynamic M&A landscape, with a broader range of players vying for studios with strong intellectual property or technological prowess.

Expected Investments in Gaming Companies Globally in 2024




Source: Fortune Research Institute 2024

# 02 Article

# THE VENTURE CAPITAL LANDSCAPE

## How game funding is adapting to the changing industry

With the rapid evolution of market dynamics and the discerning eye of investors, a new era of game funding strategies has emerged. As Venture Capital (VC) firms pivot their investment strategies, both investors and developers are now navigating a landscape where innovation, sustainability, and strategic foresight are vital. Not only will securing and deploying VC funding demand an understanding of the video game funding market as it changes in 2024, but venture capital opportunities might also start becoming a primary source of funding for game studios.

## Understanding market dynamics

In the wake of the 2021 gaming boom, the valuation process has transitioned from feverish speculation to a more grounded assessment of sustainable business models.

The 2021 boom was primarily fueled by **expectations surrounding the metaverse** and the anticipated adoption of virtual reality (VR), **web3, and the integration of blockchain-based financial rewards and user-generated content (UGC)**. During this period, startups didn't need to justify their valuations based on quantified measures like potential market size or player appeal because investors believed in the accelerating growth of the gaming industry as a whole.

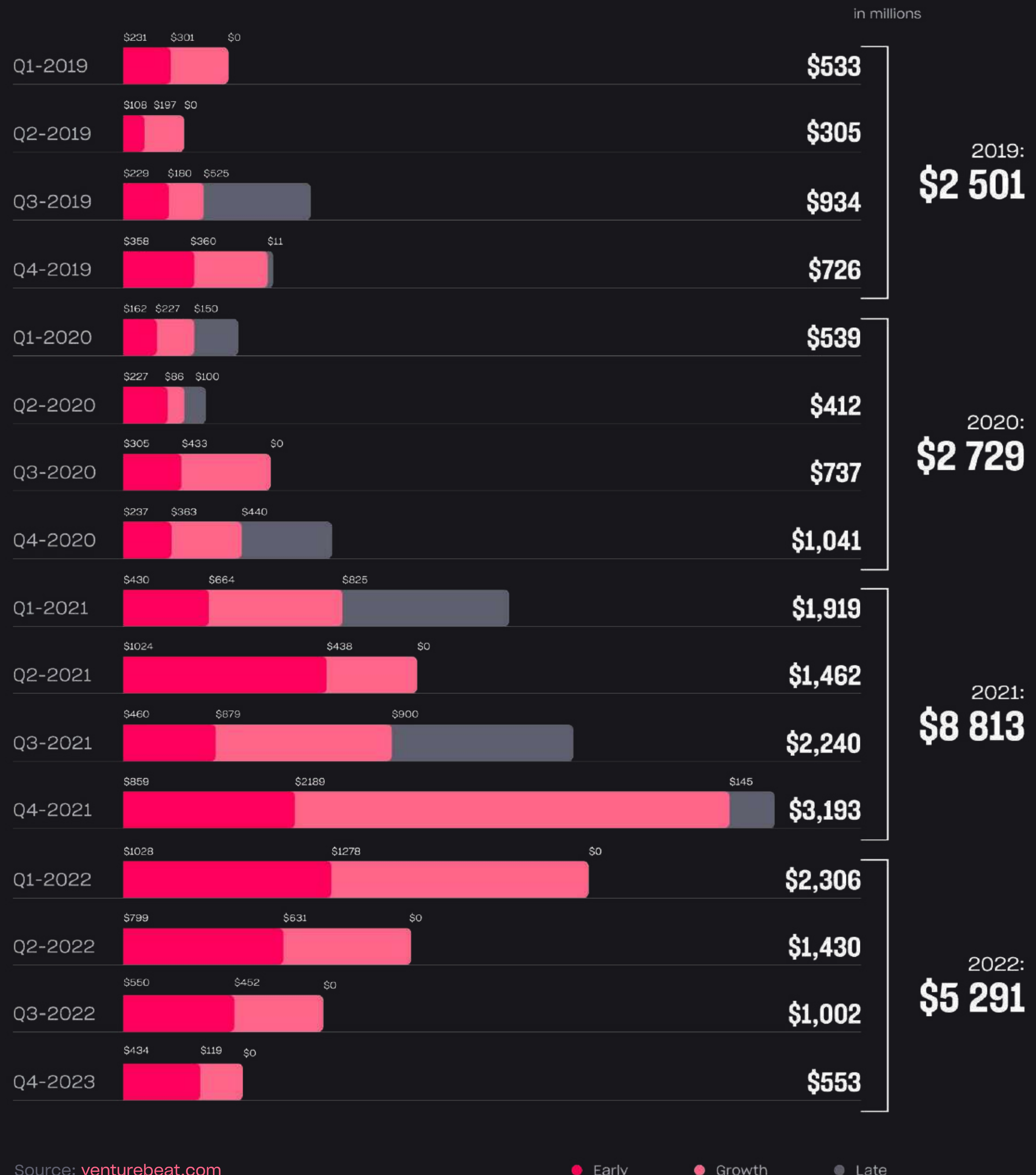
Investors now prioritize funding developers who demonstrate a clear understanding of market dynamics, emphasizing long-term viability over short-lived hype.





### Games Industry VC Funding

2021 growth indicated as an anomaly




Source: venturebeat.com

# Increasing chances of securing VC funding

Deep market research and a thorough understanding of market dynamics are crucial for aligning the game's vision with investor priorities. This means each product will need to meet the market's demands, have an enhanced strategic appeal to investors, and be positioned for sustainable growth and profitability. Creators and developers can also increase their chances of securing VC funding with these focuses:

## 01 CAPITALIZE ON INNOVATION

Promoting innovative ideas and unique game mechanics. Showcasing the ability to push boundaries and embrace emerging trends to set the project apart and capture investor interest.

## 02 PRIORITIZE DEVELOPMENT ASPECTS

Paying attention to often overlooked aspects such as quality assurance and effective localization. These elements are critical in differentiating games and ensuring their global appeal.

## 03 UNDERSTAND THE AUDIENCE

Tapping into gamers' behaviors and preferences is essential. Tailoring a game to align with the audience's needs can broaden its appeal and success.

## 04 DIFFERENTIATE THE GAME

Focusing on tailoring to underserved audiences and embracing diverse representation to make the game stand out in a crowded market.



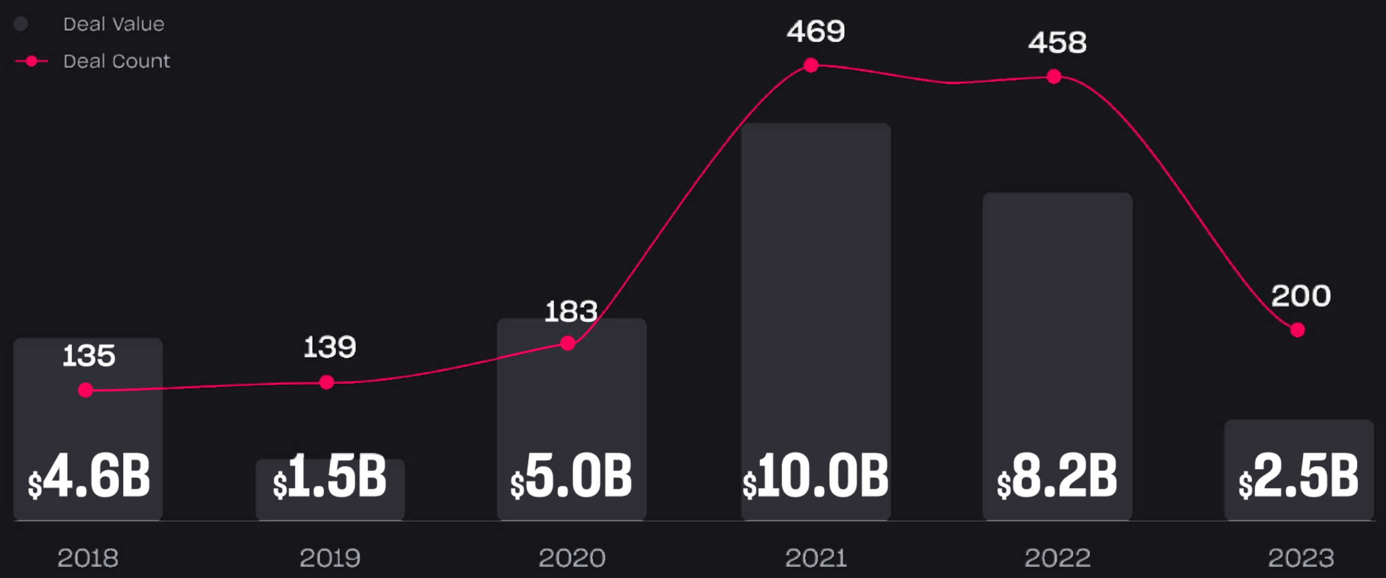


# Bridging the funding gap between content and development

The gaming industry is experiencing a shift in investor focus, signaling a narrowing gap between content and development startups. Non-endemic investors are reassessing their exposure, with a preference for startups with familiar Software-as-a-Service (SaaS) business models.

Source: venturebeat.com

Corporate VC Activity over the last 5 years




Corporate investments have outperformed the overall gaming VC market yet faced challenges such as increased regulation and geopolitical hurdles. Despite this, a moderate uptick in merger and acquisition (M&A) activity and Corporate Venture Capital (CVC) investments is expected in 2024, driven by incumbent gaming companies and tech giants with substantial reserves.

For startups and investors, the landscape presents challenges. Funding has declined, and public listings seem unlikely in the near term. However, startups can navigate this by embracing SaaS-based models and aligning with non-endemic investors' preferences. Strategic partnerships and proactive approaches to regulatory and geopolitical challenges can further bolster startups' resilience in securing funding amidst industry shifts.

# WHAT DOES THIS MEAN FOR THE INDUSTRY?

VCs historically invested in studios or businesses for an equity share and varying levels of input into the day-to-day operations. However, as the gaming industry has slowed, and the risks have increased of getting a suitable exit, new VC models are emerging, such as Xsolla's partner Joystick Ventures, where the investment and expertise go predominantly into marketing for the project in return for revenue or profit share. This shift in VC funding models holds a few implications for the games industry.





01

It opens up more avenues for game studios to be funded, particularly for those seeking alternative financing options beyond traditional equity-based investments. By prioritizing marketing investments over equity stakes, these new VC models provide developers with access to crucial resources for game promotion and user acquisition, mitigating the financial burden associated with marketing efforts.

02

It's likely to foster a rise in self-published titles within the gaming landscape. With VCs offering a partial publisher or publisher-light offering, developers gain greater autonomy and creative control over their projects while still benefiting from the expertise and resources provided by the VC partner. This empowerment of developers to self-publish their titles not only promotes innovation and diversity within the industry but also encourages a more dynamic and decentralized gaming ecosystem.

The emergence of new VC funding models signifies a shift towards a more collaborative and flexible approach to game financing. By aligning incentives and resources with the evolving needs of developers, these innovative models not only facilitate greater access to funding but also pave the way for a more inclusive and sustainable future for the games industry.

# CONCLUSION

Ongoing changes are on the horizon in the video game industry. Driven by global data and privacy updates, new technologies and trends, evolving gamer behavior, and a new wave of investment and venture capital shifts, these changes are creating new windows of opportunity for developers, investors, publishers, and gaming enthusiasts.

Ever-changing shifts like the Digital Markets Act are impacting industry commerce, while mobile gaming maintains its dominance with a rise in interest in cross-platform play, eliminating limitations, opening doors for innovation, and unifying gaming experience across consoles, PCs, and mobile devices.

Educational programs are also emerging as crucial components in nurturing a skilled, diverse, and future-proof workforce for the video game development world. These programs play a pivotal role in equipping aspiring developers with the necessary skills and knowledge to navigate the dynamic landscape of game development, ensuring a steady influx of talent into the industry.

Finally, while video game funding and M&A activity have cooled, a new normal emerges. Investors likely prioritize quality and mobile focus and M&A activity may rebound with a more strategic approach. Despite this shift, the industry remains resilient and adaptable, fueled by ongoing investment for the next generation of games.

In this rapidly changing industry, success depends on strategic planning and innovative adaptability. At Xsolla, we're dedicated to supporting our partners and helping them understand, reflect, and capitalize on these changes as they grow globally.





# ABOUT XSOLLA

Xsolla is a global video game commerce company with a robust and powerful set of tools and services designed specifically for the industry. Since its founding in 2005, Xsolla has helped thousands of game developers and publishers of all sizes fund, market, launch and monetize their games globally and across multiple platforms. As an innovative leader in game commerce, Xsolla's mission is to solve the inherent complexities of global distribution, marketing, and monetization to help our partners reach more geographies, generate more revenue, and create relationships with gamers worldwide. Headquartered and incorporated in Los Angeles, California, with offices in London, Berlin, Seoul, Beijing, Kuala Lumpur, Raleigh, Tokyo, and cities around the world, Xsolla supports major gaming titles like Valve, Roblox, Epic Games, Take-Two, KRAFTON, Nexters, NetEase, Playstudios, Playrix, miHoYo, and more.

For additional information and to learn more, please visit: [xsolla.com](xsolla.com)

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