



## ASIA SPOTLIGHT REPORT

The Impact of COVID-19 on  
China's Video Game Market  
in Q1 2020

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### The Impact of COVID-19 on China's Video Game Market in Q1 2020

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*Niko Partners took a close look at the impact on gaming during the time of the COVID-19 quarantine during Q1 2020 in China. The terrible outbreak of COVID-19 had a significant impact on the lives of Chinese citizens with more than 84,000 cases and 4,500 deaths in the country. Wuhan was the epicentre of it all, and was under quarantine for 77 days, with only some easing of restrictions after that. Most of China was under quarantine for 2 months.*

The Lunar New Year holiday falls in Q1, a time when gaming usage is typically higher than average during a year, but 2020 took that boost to a whole new level. Niko Partners estimates that revenue for games on all platforms was roughly 30% higher in Q1 2020 than Q1 2019.

Not everything is rosy for the video games market however, and this article explains the positive and negative impact by game sector, the results of our April 2020 online survey of 1,057 Chinese gamers on the topic of the impact of COVID-19 on gaming, and offers a personal perspective of Niko's Vice President, who had been quarantined in Wuhan.

## Mobile Gaming

### Positive

Home-based mobile gaming increased, there was record high for in app purchases (IAP), sharp increase in mobile game downloads, and a far higher value for the number of times per month a gamer would revisit a game. An example of this is that some casual games that may typically have 5 visits per gamer per month had more like 15-20 visits. Gamers became more discerning about their spending.

97.2% of the survey respondents reported spending more hours on mobile games than prior to the pandemic. 88.8% of respondents said that they stuck to playing legacy titles or games that they had played before, opting for familiarity.

81.6% reported spending more money on gaming in that time. Gamers spent more on weekends, because developers were pushing promos and sales on weekends.

Sensor Tower data shows average weekly downloads of iOS games during Lunar New Year were 153% higher than in December 2019, and March 2020 still 67% higher than in December.

### Negative

Ad views were down, ad revenue was down, and fewer ad spaces were filled because advertisers were either out of business, closed, or spending less. There was a gravitational pull to more popular games via word of mouth, as social behaviour encouraged gamers to play what their friends were playing. This may have been detrimental to smaller titles.

We believe most casual game developers will look to hybrid monetisation options to offset some of this impact. While we expect revenue from ad supported games to be down this year, we note that the increase from IAP spending will more than offset any impact here.

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Rank	China - Top iOS games by revenue (Q1 2020)	Genre	Publisher
1	Honor of Kings	MOBA	Tencent
2	Peacekeeper Elite	Battle Royale	Tencent
3	AFK Arena	Idle RPG	Lilith Games
4	Three Kingdoms – Strategy	Strategy	Alibaba
5	Fantasy Westward Journey Mobile	MMORPG	NetEase
6	New Swordsman	MMORPG	Perfect World
7	QQ Speed	Racing	Tencent
8	CrossFire Mobile	Shooter	Tencent
9	Onmyoji	RPG / ACG	NetEase
10	Immortal Conquest	Strategy	NetEase

*Source: Sensor Tower*

*(Note: Sensor Tower captures iOS data only, but there is a strong correlation to the hit titles on Android)*

## PC Gaming & Internet Cafes

### Positive

Increase in home-based gaming.

94.6% of respondents claim to have spent more time on PC games during the quarantine than before. 61.5% of respondents said that they returned to a game that they had dropped previously.

76.3% of PC gamers surveyed said that they spent more on PC games during the lockdown.

In-game Lunar New Year events and promotions were key drivers of engagement and spend across top PC games, with publishers extending these events as the lockdown dragged on. PC game publishers also offered free content in game, opened new servers and ran in game charity events.

Steam hit an all-time peak concurrent user record of 18.8 million (globally) on February 2<sup>nd</sup>, the final day before the intended end of the holiday period across most of the country. The higher usage in China is a likely contributor to the PCU level. On January 26th, the day after the actual Lunar New Year celebration, Steam had 18.4 million PCU, which was the highest of the month.

Innovation happened by Tencent licensed icafes launching a virtual cloud icafe service, at least in Shenzhen, according to the owner of 20 such cafes.

### Negative

Internet cafes were shut (all 133,000 in the country), eliminating the gameplay from there by the 115,000,000 gamers who typically frequent them. 57% of respondents that use icafes said that they do not intend to return once they have reopened.

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Rank	China – Most played PC games during quarantine	Genre	Publisher
1	League of Legends	MOBA	Tencent
2	PUBG (Unlicensed via Steam)	Battle Royale	Bluehole
3	CrossFire	Shooter	Tencent
4	Moonlight Blade OL	MMORPG	Tencent
5	Fantasy Westward Journey OL	MMORPG	NetEase
6	Dungeon & Fighter	RPG / Fighting	Tencent
7	Hearthstone	CCG	NetEase
8	Dream of Three Ancient Kingdoms	MOBA	Electronic Soul
9	QQ Speed	Racing	Tencent
10	JX Online 3	MMORPG	Seasun

Source: Niko Partners 2020

## Esports

### Positive

Shanghai, Beijing, Chengdu, Guangzhou, and other municipal governments partnered with esports operators to help support the growing industry by lessening red tape and enabling online competitions.

61.7% of respondents said that they spent more time watching esports during the COVID-19 outbreak than prior.

### Negative

Tournaments migrated online, or were cancelled or postponed at least until the end of April 2020.

There is concern for the integrity of the event and cheating that could take place. The remote nature of the online format also brings its own additional challenges in terms of bandwidth and latency, especially with players in different locations.

It took Tencent around one month to go from delaying offline esports events to starting online format esports. Tencent rebroadcast classic esports matches or scrims matches during the transition. The League of Legends Pro League restarted with an online format on March 9, the King Pro League (Honor of Kings) restarted on March 18 and the Peacekeeper Elite League restarted on March 19th.

## Game Live Streaming

Niko Partners recently launched our [China Games Streaming Tracker](#), which produces weekly data and analysis ranking the top 100 games on 5 metrics found on streaming platforms. We examine the largest three platforms in China: Douyu, Huya and Bilibili. In March our data showed that streaming video traffic is strong.

### Positive

65.5% of respondents said that they spent more time watching video game livestreams since the COVID-19 outbreak with 39.7% saying that they streamed themselves for the first time. One trend we noticed is how non-gaming celebrities have joined game livestreaming platforms to broadcast themselves to fans. It is one way that that gaming has been able to bridge the gap between other entertainment industries where production has stopped.

### Negative

Only 27.1% of respondents said that they received more tips/gifts than prior to the outbreak.

### Notable trends

- Tencent and NetEase dominate the charts
- Honor of Kings is #1
- MOBA games are the most popular
- Battle Royale and Shooter games are boosted by new launches COD: Warzone and Escape from Tarkov
- Esports is a key driver for game livestreaming
- RPG games continue to perform well
- PC games remain the most popular



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Here are Douyu's top 20 streaming games for March 2020, ranked by Niko's heat index

Game	Platform	Publisher	Genre	Heat Index	Streaming Hours/Month	Unique Streamers/ Month	Tips/Month (RMB)
Honor of Kings	Mobile	Tencent	MOBA	81,339,636	469,326	62,294	21,572,256
PlayerUnknown's Battlegrounds	PC	PUBG Corp (Steam)	Battle royale	75,164,435	533,788	19,443	23,800,022
League of Legends	PC	Tencent	MOBA	66,851,777	909,657	42,607	24,488,726
Peacekeeper Elite	Mobile	Tencent	Battle Royale	48,090,299	282,752	16,572	12,315,408
Dungeon Fighter Online	PC	Tencent	RPG	30,694,708	174,134	6,544	8,556,453
Counter-Strike: Global Offensive	PC	Perfect World	FPS/TPS	18,084,888	191,100	8,753	5,818,460
Cross Fire	PC	Tencent	FPS/TPS	16,495,318	135,133	6,748	7,019,040
DOTA 2	PC	Perfect World	MOBA	15,463,030	125,059	5,050	5,533,996
Call of Duty: Warzone	PC	Activision Blizzard	Battle Royale	15,437,544	156,188	6,860	2,246,140
World of Warcraft	PC	NetEase	RPG	13,192,018	490,364	15,108	4,239,341
Escape from Tarkov	PC	Battlestate	FPS/TPS	9,544,247	134,657	3,192	3,400,457
Hearthstone	PC & Mobile	NetEase	Trading Card	7,571,157	57,942	3,044	3,415,888
Legend of Mir2	PC & Mobile	Shengqu	RPG	7,510,403	6,854	630	1,718,986
Teamfight Tactics	PC	Tencent	Auto Chess	7,419,935	81,902	5,162	2,077,976
Overwatch	PC	NetEase	FPS/TPS	7,112,509	73,730	2,903	2,993,807
Warcraft 3	PC	NetEase	RTS	6,616,346	68,483	1,341	3,474,080
QQ Speed Mobile	Mobile	Tencent	Racing	6,558,731	29,062	2,172	2,358,314
Nizhan (Assault Fire)	PC	Tencent	FPS/TPS	6,414,183	50,158	1,036	2,543,907
Moonlight Blade	PC	Tencent	RPG	5,940,156	44,534	1,861	2,004,087
HOK Auto Chess	Mobile	Tencent	Auto Chess	5,446,126	13,894	1,423	923,745

Source: Niko Partners China Game Streaming Tracker

## Console Gaming and Manufacturing

### Positive

As with mobile gaming, console gaming has seen a surge with 95% of console gamers surveyed stating that they spent more time playing console games since the COVID-19 outbreak.

Grey market titles such as Animal Crossing: New Horizons and Ring Fit Adventure (already in short supply prior to COVID-19, then sold out online and tripled in price on Taobao.com) were very popular, in fact causing a big boost in Nintendo Switch sales.

### Negative

In 2019, nearly 90% of video game consoles imported into the US were manufactured in China. There was little to no manufacturing in February with production capacity ramping up again through March and April. This primarily impacted Nintendo who saw unprecedented demand for their Switch console. We expect supply of Switch to recover by the end of Q2 2020.

Next generation consoles from Sony and Microsoft are also scheduled to launch by the end of this year. Component scarcity, logistics issues and software delays now pose a bigger threat to a limited launch or even a delayed launch. Component scarcity and logistics issues will increase the build price of next generation consoles, whilst logistics issues may lead to shortages at launch, even with air shipments. Software delays could also make the launch line up less attractive to potential buyers. These factors, along with a recession, could lower the incentive for consumers to purchase or upgrade to a next gen console this year.

## Game development and marketing

### Negative

One of the biggest challenges for game developers, service providers and outsourcing firms in China was to maintain productivity during the COVID-19 lockdowns. Domestic development studios were impacted, unless able to shift to work from home.

Outsourcing art studios were also impacted with companies unable to deliver projects or losing new projects during the lockdown. Overseas game companies moved some projects or awarded new contracts to studios outside China. This disruption has caused some global AAA titles to see delays.

### **A personal account of gaming and life in Wuhan during the COVID-19 Outbreak**

Zeng Xiaofeng, Vice President, Niko Partners

*(This is an excerpt. You can find a more complete account of Xiaofeng's experience in Wuhan [here](#).)*

The personal impact of gaming in quarantine is remarkable, and Niko Partners has a first-hand account of that. Our staff and sources in China convey that during quarantine most people engaged heavily in video games, on mobile, console and PC - whatever they have at home. Grandparents played, adult females increased their game time and children were allowed far more time to play than in normal circumstances. Adult males returned to games that they had played in their youth, connected with friends in WeChat groups and started up new games as well as continuing to play the current favorites. The first few weeks of quarantine were not as gaming heavy, as many adults were trying to watch and listen to news and make sense of the situation as it was unfolding. Gaming started in earnest when it became apparent that the crisis would not subside quickly.

Xiaofeng lives and works in Shanghai, but travels frequently to Wuhan because his family lives there. Xiaofeng was home with his family in January ahead of Chinese New Year, intending to stay home with them through the New Year holiday period. He is married with one daughter age 11 and one daughter who was born in September 2019, and his mother in law also lives with them.

Xiaofeng says that he played Starcraft with some of his college classmates, most of whom had not had time to play before the lockdown due to work and family life. Blizzard's Battle.net and Starcraft games became popular again. Honor of Kings was a common game to play together, even if it meant downloading it anew. He also downloaded some new games on my phone and from Steam on my notebook. His daughter downloaded a lot of games on her iPad, while my wife spent around 3-4 hours per day playing the mobile game AniPop from Happy Elements. His wife increased her time playing video games by around 3-4 times compared to before the pandemic, and she also taught her mother how to play.

### Results of Niko's April 2020 online survey of 1,057 Chinese gamers on the impact of COVID-19 on gaming

While we find certain points of data to be particularly interesting, such as 75% of respondents played on a platform that they previously did not play on, we invite you to read each of our questions to discover for yourself some of the points that are most interesting to you and your business.

#### Have you played more than 60 minutes of games in the past week?

	Yes	No	Yes	No
PC	853	204	80.70%	19.30%
Mobile	959	98	90.70%	9.30%
Console	161	896	15.20%	84.80%

#### Age

	Response	Ratio
<18	29	2.70%
18-24	412	39%
25-30	399	37.70%
31-36	171	16.20%
36+	46	4.40%

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## Gender

	Response	Ratio
Male	841	79.60%
Female	216	20.40%

## Do you spend more hours on gaming during the COVID-19 outbreak compared with before COVID-19 outbreak ?

					Male		Female		Male		Female	
	More	Less	More	Less	More	Less	More	Less	More	Less	More	Less
PC	807	46	94.60%	5.40%	673	31	134	15	95.60%	4.40%	89.90%	10.10%
Mobile	932	27	97.20%	2.80%	752	21	180	6	97.30%	2.70%	96.80%	3.20%
Console	153	8	95%	5%	106	7	47	1	93.80%	6.20%	97.90%	2.10%

## Do you spend more money on gaming during the COVID-19 outbreak compared with before the COVID-19 outbreak?

					Male		Female		Male		Female	
	More	Less	More	Less	More	Less	More	Less	More	Less	More	Less
PC	651	202	76.30%	23.70%	556	148	95	54	79%	21%	63.80%	36.20%
Mobile	783	176	81.60%	18.40%	638	135	145	41	82.50%	17.50%	78%	22%
Console	114	47	70.80%	29.20%	87	35	27	12	71.30%	28.70%	69.20%	30.80%

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### What is your gaming experience during the COVID-19 outbreak?

	Yes	No	Yes	No
I have started to play on a new platform (mobile or PC, if only mobile before or PC before)	793	264	75%	25%
I have tried more new games	118	939	11.20%	88.80%
I have grown tired of my favorite games	778	279	73.60%	26.40%
I returned to play the game that I drop for a long time	650	407	61.50%	38.50%
My household members playing more during COVID-19 outbreak	670	387	63.40%	36.60%
My household members spending more during COVID-19 outbreak	506	551	47.90%	52.10%
Most of my friends playing more during COVID-19 outbreak	788	269	74.60%	25.40%
Most of my friends spending more during COVID-19 outbreak	694	363	65.70%	34.30%
Gaming help me to ease the anxiety during COVID-19 outbreak	770	287	72.80%	27.20%
I use a VPN/Game accelerator to play game	551	506	52.10%	47.90%
I chat often with friends during playing game	725	332	68.60%	31.40%
I have watched much more streaming video for games	692	365	65.50%	34.50%
I have watched much more online esports	652	405	61.70%	38.30%
I have streamed myself for the first time	420	637	39.70%	60.30%
I have streamed much more than before	270	787	25.50%	74.50%
If a streamer I have gotten more tips than before	286	771	27.10%	72.90%

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Please choose 1-3 PC games that you played often during the COVID-19 outbreak.  
Ranked with 1-3, 1 is played most often

	Response	top 1	top 2	top 3
League of Legends	216	317	70	44
PUBG	123	105	181	57
Cross Fire	74	64	81	116
Moonlight Blade	49	53	45	38
Call of Duty	42	39	48	42
Fantasy Westward Journey	39	36	47	33
Dungeon-Fighter	32	23	49	31
Hearthstone	30	29	29	35
Dream of Three Ancient Kingdoms	27	30	26	13
QQ Speed	27	18	36	51
JX 3	23	23	22	26
Gujianqitan	21	15	30	32
FIFA Online	20	19	23	21
Guild Wars 2	17	13	23	21
World of Warcraft	16	9	27	28
Overwatch	13	7	20	30
FF14	13	6	22	28
Nizhan	12	9	14	19
QQ Dancer	10	7	12	21



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Conqueror's Blade	7	5	10	10
Freestyle Basketball	7	4	10	14
Steam games	6	5	3	16
World of Tank	5	4	4	16
Dota 2	5	3	5	14
APEX	4	4	4	2
Fortnite	4	1	7	8
Counter Strike	3	1	4	12
Path of exile	3	2	1	13
Justice	2	1	2	5
NBA2KOL	1			2
Other (Fill in text)	5	8	1	2

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**Please choose 1-3 Mobile games that you played often during the COVID-19 outbreak?  
Ranked with 1-3, 1 is played most often**

	Response	top 1	top 2	top 3
Honor of Kings (Arena of Valor)	278	419	75	37
Peace Elite	87	63	130	100
QQ Speed	62	57	74	59
Fantasy Westward Journey	59	60	67	32
Onmyoji	47	34	75	39
Knives Out	42	31	66	37
New Ghost	39	41	36	32
Poker & Majong	39	31	57	29
Day After Tomorrow	38	38	38	34
Westward Journey Online	34	32	38	30
Happy Elements	29	23	27	66
Cross Fire	26	17	39	41
TLBB New	25	23	29	27
KartRider	17	14	19	30
Fishing Joy	16	10	26	26
Hearthstone	15	9	24	28
Legend of Mir2	12	9	15	24
Three Kingdoms Strategy	11	11	7	21
Ask Tao	11	8	12	22

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COC	10	7	11	25
Naruto Mobile	9	5	13	24
Immortal Conquest	9	6	13	18
Battle of Balls	8	5	9	20
Honkai Impact 3	7	6	6	20
Clash Royale	6	1	12	22
Arknights	5	2	6	15
MU	3	1	5	13
AFK Arena	2	1	1	7
Other (Fill in text)	3	4	2	2

### Will you return to play PC games in an icafe?

	Response	Ratio
Yes, I cannot wait to return	238	22.50%
No, I used to go there but now I am used to playing at home, no need to return	317	30%
No, I never went there and I do not want to start now	468	44.30%
Yes, I have not played at an icafe but I want to start now.	34	3.20%

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### What members of your household played games during COVID-19?

	More	Less	Started	Quit	More	Less	Started	Quit
Spouse/partner	668	160	153	76	63.20%	15.10%	14.50%	7.20%
Children	517	276	143	121	48.90%	26.10%	13.50%	11.40%
Parents	338	224	264	231	32%	21.20%	25%	21.90%

### Do you agree with these statements?

	No	Slightly	Somewhat	Mostly	Extremely	No	Slightly	Somewhat	Mostly	Extremely
I will spend more time on gaming after the COVID-19 outbreak	111	207	220	353	166	10.50%	19.60%	20.80%	33.40%	15.70%
I will reduce the gaming hours after COVID-19 outbreak, as I need spend more time to work or study	156	395	78	275	153	14.80%	37.40%	7.40%	26%	14.50%
Gaming would add more social element and become a great channel of social	44	90	217	451	255	4.20%	8.50%	20.50%	42.70%	24.10%
Government would promote game	60	153	285	328	231	5.70%	14.50%	27%	31%	21.90%

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industry after the COVID-19 outbreak										
Gamer would reduce the gaming hours in icafe, as it maybe have high risk of COVID-19 than play at home	42	135	221	408	251	4%	12.80%	20.90%	38.60%	23.70%
Console game would be popular	29	119	291	408	210	2.70%	11.30%	27.50%	38.60%	19.90%
Parents would allow kids to play a little more game than before COVID-19 outbreak	230	280	281	177	89	21.80%	26.50%	26.60%	16.70%	8.40%
The attitude of my household members on gaming is changing and more acceptable	55	367	311	232	92	5.20%	34.70%	29.40%	21.90%	8.70%
The attitude of society on gaming is changing and more acceptable	60	142	474	283	98	5.70%	13.40%	44.80%	26.80%	9.30%