

2013

STATE OF ONLINE GAMING REPORT



spilgames



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INTRO

by Oscar Diele, CMO at Spil Games

Gone are the days when you had to buy a console to enjoy gaming. Now you can play games anywhere; on your PC, your laptop, your tablet, or your smartphone. The popularity of casual games such as Angry Birds and Candy Crush, coupled with the rapid penetration of the internet and the explosion of internet-enabled devices, has helped to ensure that gaming is now very much part of our everyday lives. On top of this, the rise of gaming websites like ours, where you can play games for free, and the fact that the quality of online games is improving rapidly, is encouraging people to spend more time playing them.

Gaming has now become a mainstream activity: no longer is it associated only with lone teenagers hunched over consoles while locked in their bedrooms. In fact, all possible demographics are well represented in the gaming universe.

Furthermore, modern gamers play everywhere and at all times. They might start on their smartphones while commuting to work or school, continue on their desktop or laptop during the day, and go on playing on their tablets at home in the evening.

The rising popularity of online gaming also points to huge opportunities for advertisers, especially with the massive shift of advertising budgets to online and in particular to online video.

The main reasons people visit gaming websites include entertaining themselves, gaining a quick sense of achievement, relaxing, and escaping from daily hassles for a short period of time. This means people tend to be in a more positive and relaxed frame of mind than those visiting other types of entertainment sites, and this makes them more responsive to advertising.

Today, online gaming offers mass-market appeal and an opportunity to find elusive premium advertising real estate, which many advertisers are struggling with as a result of the fragmentation of traditional channels. In short, the growing appetite for online games and the explosion in tablet usage across the globe point to a perfect storm for the online gaming world and for brands looking for effective ways to connect with their target audiences - no matter where they are or what device they are using.

This will fuel growth in the sector for many years to come, and will ultimately transform online gaming platforms into the most powerful entertainment medium.



JUST HOW BIG IS THE GAMING AUDIENCE?

The total number of people around the globe who play games is expected to surpass 1.2 billion¹ by the end of 2013. With the world population currently standing at 7.1 billion², that means a staggering 17% are gamers. Furthermore, the global games market is currently worth \$70.4 billion and is expected to grow at 6% a year.

If we focus exclusively on the world's online population (1.6 billion³), these figures become even more compelling, with more than 44% of that population playing online games. In real terms, that's over 700 million people gaming online around the world³.

The online gaming phenomenon

As a subset of the overall gaming universe, the online gaming phenomenon has exploded in recent times. Combine this with the increased quality of the online gaming experience, as well as the fact that there are no costs involved, and it's clear to see why growth in this sector has been so impressive. Indeed, gaming is one of the top online activities across tablet, mobile, and PC platforms. In terms of ranking online activities by popularity, gaming comes in just below watching videos and ahead of watching TV and films or listening to the radio⁴.

Not only has the cost of getting online dropped, but the games themselves are free and accessible to everyone. Online games are typically easy to play but are often difficult to master - features which help them appeal to the mass audience. According to a recent study by Goo Technologies⁵, a web technology company based in Stockholm, people are turning to browser-based games for a number of reasons, mostly around ease of use. Of the 2,046 US adults interviewed, 49% said they played online games as they weren't as expensive as console games, and 43% said it was because they didn't have to download or install games software.

More gamers in emerging markets

As stated above with respect to global growth rates, gaming is not just restricted to the mature US and European markets. Emerging markets such as Argentina (62%), Brazil (53%), and Poland (54%) all show high percentages of their internet populations gaming. However, the surprise package in all of this is Turkey, with 70% of its online population playing online games³.

As online gaming content becomes more readily available, internet penetration increases, and gaming-compatible mobile devices become even more prevalent, the percentage of online gamers is only going to grow.

Of the global internet population, 44% plays online games.



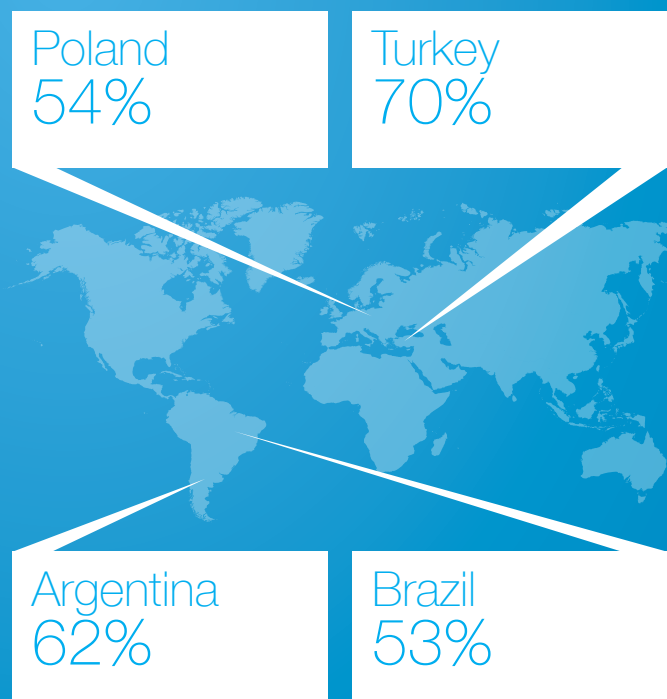
Top Online Activities



Percentage Of Online Population Playing Games

(Based on comScore Data)

Country	%
UK	46
US	50
Germany	37
France	43
NL	42
Argentina	62
Poland	54
Turkey	70
Brazil	53





LOOK WHO'S GAMING

Ask the question “who is gaming?,” and the answer is an unequivocal: “everyone.”

Today, online gaming has broad demographic appeal. Recent comScore data for nine countries, both established and emerging, reveals good representation for both men and women in all age categories.

Mum's the word

Although online gaming penetration consistently ranks highly with men aged 15-24, women aged 35 and over regularly outnumber their male counterparts.

There has been a lot of talk about the rising power of women and mothers within the online gaming sector, and the stats bear this out. In Turkey, Brazil, Netherlands, US, UK, and France, there are more women over 35 gaming than men. In fact, an astonishing 73% of Turkish women aged 35-44 play online games³.

No country for old men

Even though men aged 45+ consistently rank as the lowest demographic, in most regions they are still showing 40-50% penetration. Even Dutch men, who appear to be the least interested in gaming, have more than 30% admitting to playing games online.

Girl power

There is certainly a wide spread of demographic appeal, and we can drill down further to look at the individual types of games that these categories of users are playing.

Research has shown us that tween girls like to explore their future life through role-play. Acting out grown-up situations they recognize from the world around them (for example, pretending to have a job or be a parent) helps them feel independent. Girls also like to be creative, and they like to share their creativity with others. They want to be connected to those around them and to show their friends what they've made. The pattern of girls' playing habits on the Spil Games platforms backs that up, as the top types of games across all regions are: 1 Cooking games, 2 Dress-up games, 3 Pet caring games

The nature of these games also shows us that young girls like to share what they have done with others, which helps them to build their confidence in a safe environment.

Many of these games, particularly [Sara's Cooking Class](#), also have a cross-generational appeal, with mums regularly playing them with their daughters for bonding time and for a bit of light entertainment.

Beyond this, [adult women](#) tend to play games primarily to break away from their daily routine and at the same time get some mental stimulation. These players tend to prefer: 1 Puzzle, Quiz, Word games, 2 Matching games, 3 Mahjong-style games

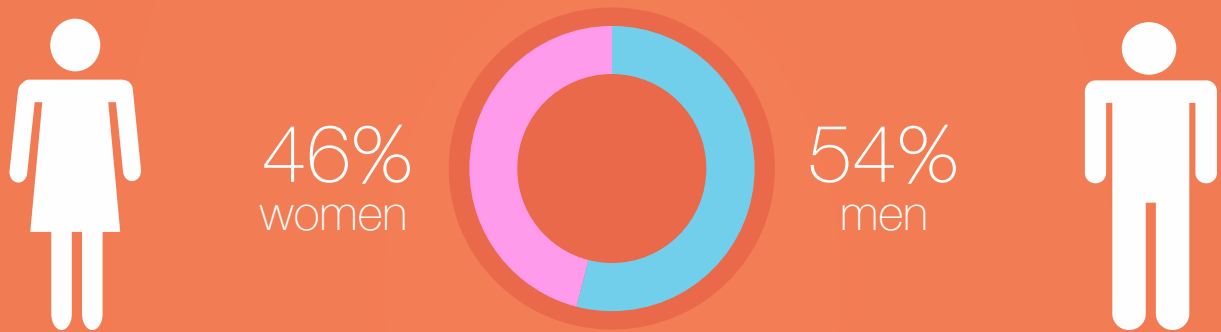
Boys will be boys

Boys tend to be much more focused on competition and showing off their high scores than on creativity, with popular choices including: 1 Racing games, 2 Sports games, 3 Action games

This same mentality ports over to the types of games adult men play, too.

Of course, there is always a certain amount of crossover. For instance, Thrill Rush - an action game - is a popular game amongst Dutch girls.

700 Million People Worldwide Play Online Games



Top Game Categories per Group

Girls

- Cooking Games
- Dress Up Games
- Pet Caring Games






Women

- Puzzle, Quiz, Word Games
- Matching Games
- Mahjong-style Games






Boys & Men

- Racing Games
- Sports Games
- Action Games






Top Games: Girls

UK 	US 	FR 	NL 	DE 
Horse Eventing	Pet Party	Family Barn	Thrill Rush	Family Barn

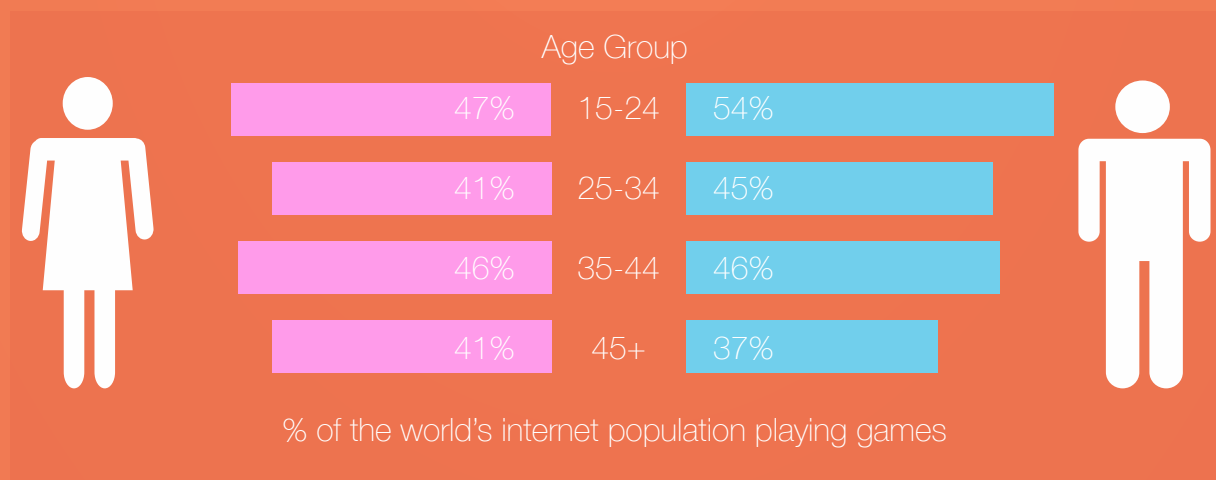
Top Games: Women

UK 	US 	FR 	NL 	DE 
Bubble Shooter	Bubblez	1001 Arabian Nights	Bubble Shooter	Secret Double Klondike

Top Games: Boys & Men

UK 	US 	FR 	NL 	DE 
Snail Bob	Snail Bob	Snail Bob	Snail Bob	Fireboy & Watergirl

All Genders And Ages Are Gaming



With iPads and other mobile devices (particularly Android-based systems) becoming cheaper and more widespread, and their users seeking out more opportunities to play games, in-browser and app-based gaming is exploding. In response, game developers are improving the in-game experience on these devices, and as such, people are tending to play less on consoles. Looking further ahead, it's inevitable that more devices will be developed to support this growing area, and browser or app-based games will draw in the mass market as they offer the easiest entry point into gaming.

THE FUTURE IS MOBILE

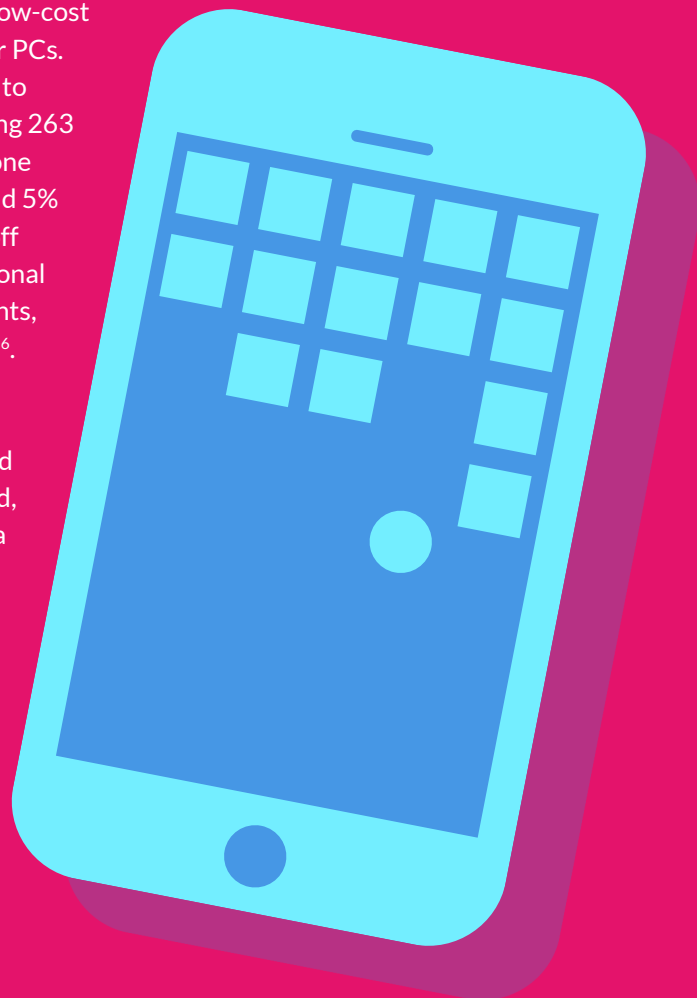
Keep taking the tablets

Coupled with this, we also know that many consumers worldwide are purchasing low-cost touch devices to use in addition to their PCs. In 2014 tablet shipments are expected to increase 42.9%, with shipments reaching 263 million units. On top of this, mobile phone shipments are projected to grow around 5% to more than 1.9 billion units. Set this off against a projected 11.2% fall in traditional PC (desk-based and notebook) shipments, and it's clear mobile is the way forward⁶. Mobile is a growing market in almost every sector, and online gaming is no different. With the growth of online and mobile advertising continuing unabated, this area of gaming is likely to become a hugely important channel for brands.

Growing steadily

The US mobile gaming audience alone has continued a steady double-digit growth since 2011 and will reach 162.4 million people by 2015⁷. To put that in perspective, that's 50.5% of the US population that will actively play games on mobile devices.

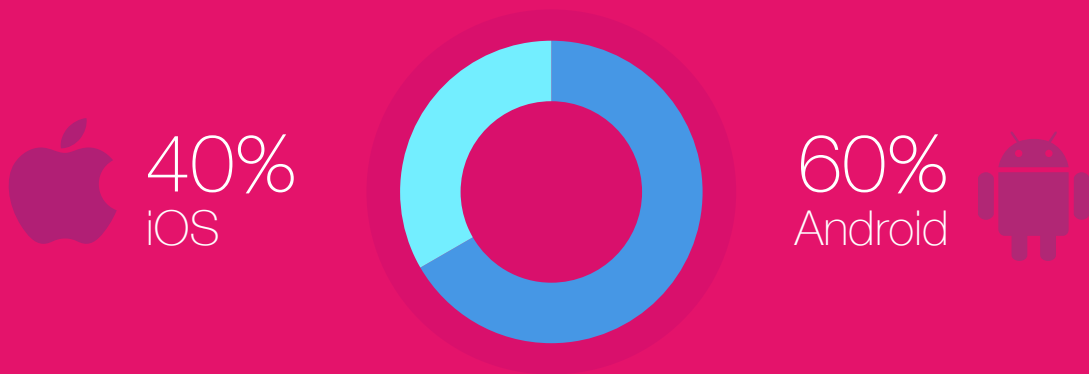
Furthermore, mobile gamers are also affluent, with 59% earning⁸ in excess of \$75,000 a year, making them an attractive audience for brands to reach.



Not so paranoid android

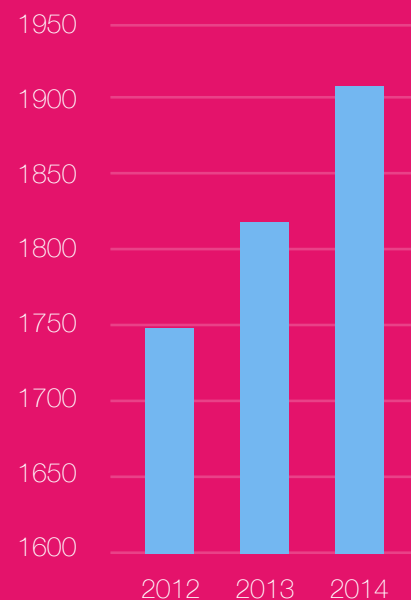
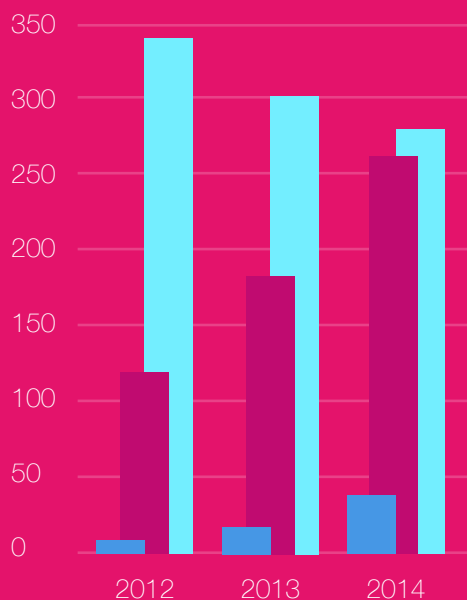
It's interesting to note the split of mobile operating systems: Android touch devices now account for 60% of mobile game plays, compared to 40% iOS. This is more than likely being driven by the uptake of cheaper Android-based mobile devices in emerging markets.

Gameplay per Mobile Devices



Worldwide Device Shipments by Segment

(In Thousands of Units)



■ PC (Desk-Based and Notebook) ■ Tablet ■ Ultramobile

■ Mobile Phone



IT'S TIME TO PLAY

Modern gamers play everywhere and at all times of the day. They are spending an increasing amount of time playing online games across various devices.

Where do you play yours?

Playing habits vary depending on device. People tend to play on smartphones in much shorter bursts, such as before bed, in between activities, or before meetings, whereas they focus on longer, more in-depth playing on their tablets and PCs.

This is also backed up by recent research by PopCap² as to where people play their mobile games. The most popular 'places' include "public transport" (63%) and "waiting for an appointment" (55%). A Goo Technologies survey⁵ also produced similar results, but highlighted some more alternative suggestions including "on the toilet" (34%) and, most bizarrely, "during sex" (2%).

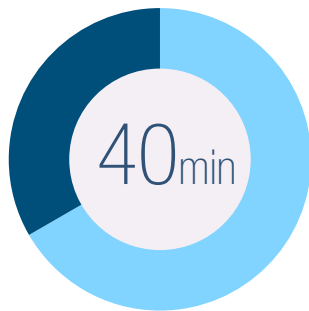
Gaming offers staying power

Across the Spil Games platforms we are seeing average session times of around 30–40 minutes, with some regions even as high as 50 minutes. Compare this with the average news site, where around 80% of visitors are on-site for less than five minutes. In fact, gaming is also outperforming key social media sites such as YouTube, which claims an average visit time of around 15-16 minutes³.

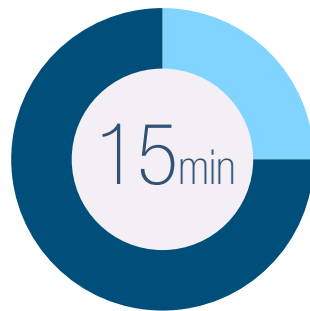
Furthermore, most gamers consume an average of three to four different games per session, which offers advertisers a lot of different opportunities to connect with targeted audiences.

People are doing a lot of different things online, but one of the things they are doing most across all devices is playing games. For advertisers, gaming offers them the ability to connect with engaged audiences on a scale that is beyond the reach of most other online activities.

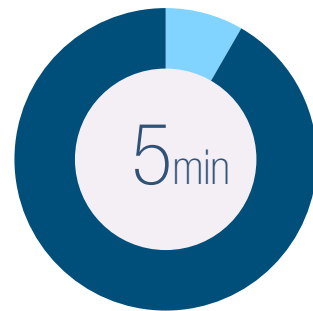
People Spend More Time Gaming Than They Do On Other Online Entertainment



Average Session Time
Gaming



Average Session Time
YouTube



Average Session Time
News Sites

Where do you play mobile games the most?

57%
Home in bed



69%
Home on the couch

41%
In front of the TV



34%
While on the toilet

55%
Waiting for an appointment



63%
Passenger on bus, train or car

SEEING IS BELIEVING

Online video is the internet's killer app; over half of all consumer traffic across the web today is related to videos, and that proportion is expected to be between 80%-90% in 2017¹⁰. Is it any wonder that digital video is the biggest trend in the ad industry?

Pew Research Center's State of the News Media 2013 report said that advertisers spent \$2.9 billion on digital video advertising in the US in 2012 – a 47% increase over the previous year. Forrester¹¹, meanwhile, expects spending on this category to hit nearly \$3.6 billion in 2013, increasing to \$4.6 billion in 2014.

Brands are increasing their digital video spend because their audiences are spending more and more time online. People in the US are now spending 5hrs 16mins online a day compared to 4hrs 31mins watching TV. This is the first time online has actually overtaken TV. In fact, while TV has remained reasonably static – increasing by just 7 mins since 2010¹² – time online has exploded, increasing by over 2 hours per day over the same time period, and looks set to continue its growth.

Where is this increased spend coming from?

Gaming is the new TV

Research from the Interactive Advertising Bureau shows the increase is coming out of former TV budgets. The advertising body spoke to 5,000 executives and found that 75% of US senior executives plan to shift their budgeting from television to digital video ads. A recent UK-based report supports this claim, with 23% of UK respondents saying video is more effective than TV – a 29% increase from 2012¹³.

Digital video advertising may not be eclipsing TV in spending terms yet, but it's clear it is big business... and those new ads need a home. With the format

being best suited to long-form content, gaming sites are increasingly looking like the ideal destination.

Again, the IAB backs this up, finding that 83% of online gamers are open to advertising in return for free gaming content, which means that, much like with TV, advertising is a natural part of the online gaming environment.

Who's leading the field?

Here at Spil Games we've seen a significant shift in spend from display to video, with video ad revenues increasing 500% over the past 12 months. On top of this, our video CPM in the US has increased by 42% over the same time period. Of that, 70% of video ad spend is coming from consumer packaged goods, with smart brands such as Kellogg's and General Mills leading the field. Big names from the entertainment industries, such as Nintendo, Disney, and Universal, are also blazing a trail in digital video advertising.

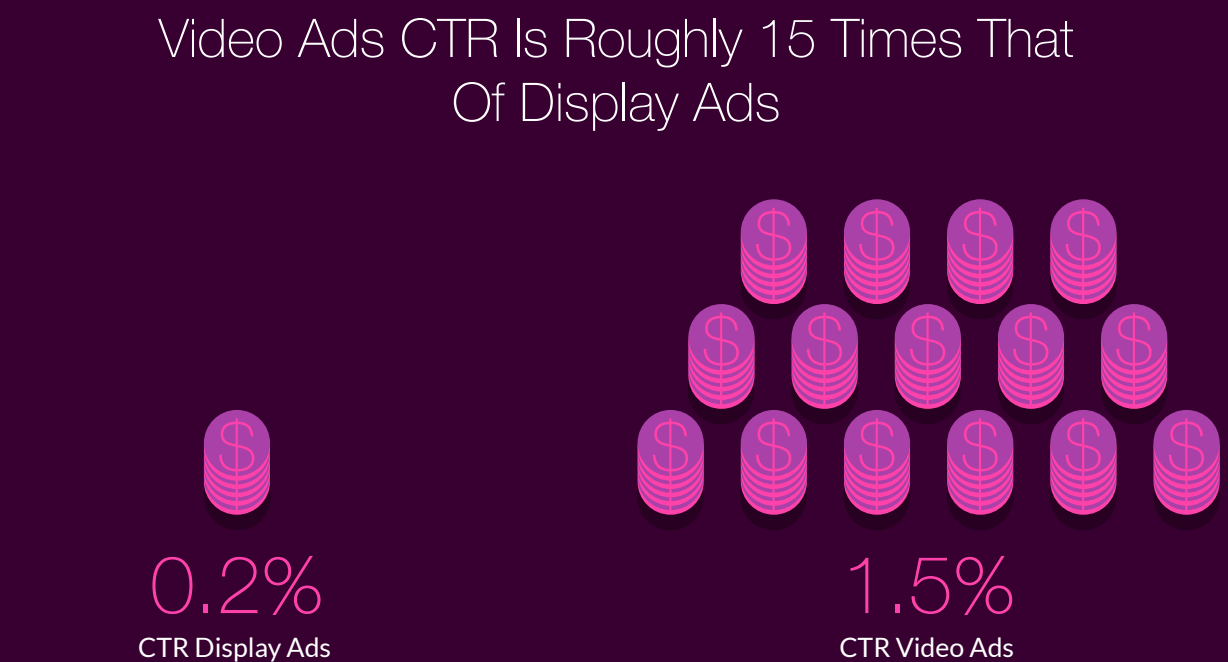
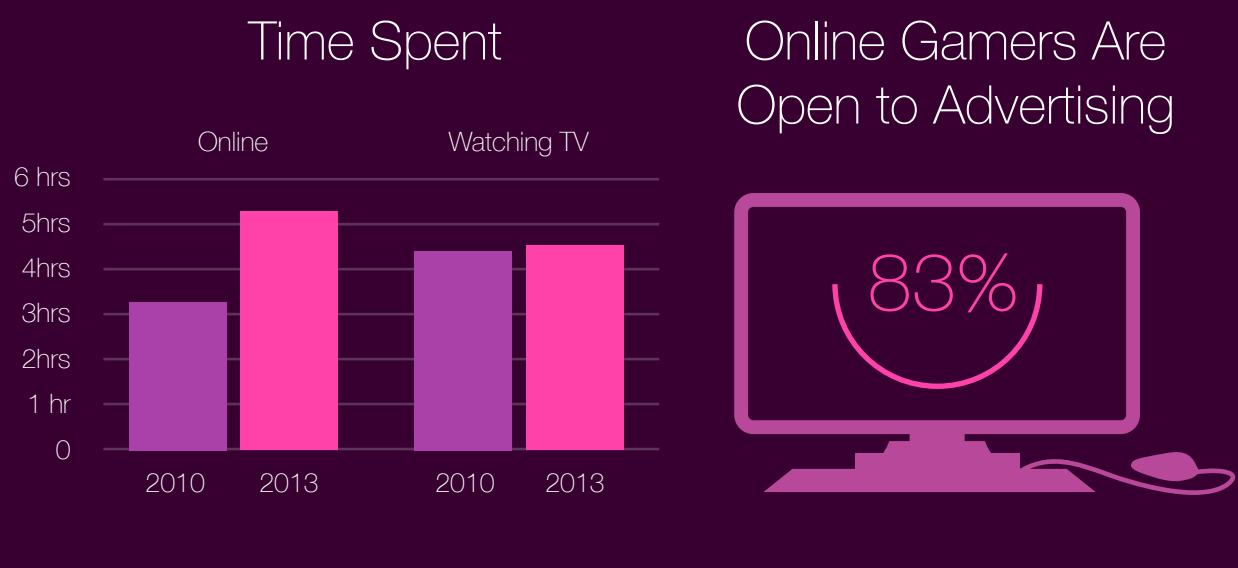
A survey from video ad network Videology supports the idea that the smartest digital video advertising brands are consumer packaged goods, with the category showing a 35% share of impressions across its platform. This is nearly three times more than the next category, automotive, with 13% in the quarter.

Producing better results

Advertisers are seeing good results from these ads, too. Across the Spil Games' platforms, video ads are generating a minimum CTR of 1.5% globally, which is roughly 15 times higher than the CTR of standard online advertising campaigns (0.10%) and Facebook ads (0.03% to 0.11%)⁸.

Meanwhile, if brands want to up the impact factor for gamers, creating 'skinned' videos (where the video has an added layer of interactivity) results in an even greater integrated brand experience. These skinned prerolls have, among others, worked phenomenally well on Spil Games' platforms for brands such as McDonald's, Kellogg's, Mattel, and Disney, where in markets such as the UK, US, and France all these brands have seen overall campaign CTRs in excess of 2.5%.

Video advertising is certainly the future, and gaming offers brands one of the most powerful opportunities to get maximum impact and engagement with their video assets. The reality is that gaming is only going to become more important as a channel as audiences continue to grow.



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DID YOU KNOW ?



The top German gaming cities: Trier and Kassel



The top UK cities for gamers: Luton and Sheffield



New Jersey is the US state with the most active (Spil) gamers!



The top French gaming cities: Vaulx-en-Velin, Sartrouville, and Bordeaux



The top Dutch gaming cities: Hilversum (home to Spil Games) and Zwolle



Busiest gaming day of the year(globally) in 2012 was December 15, with over 37.8 million gameplays



LOOKING TO THE FUTURE

What's Next for Gaming

by Peter Driessen, Chairman and Co-Founder at Spil Games

If you're reading this final section of our report, then hopefully you are already convinced that online gaming is a mainstream activity in which all demographics are represented, and that video advertising is the perfect partner to online games.

for shows to build cliff-hanger moments that keep people glued to their screens, and these same moments allow brands to leap in when their target audience is in a receptive state.

So what is the future?

Entertainment has always been the biggest vehicle through which brands have strived to reach their target audiences.

Within that, TV has, until recently, ruled supreme.

TV has always provided huge audiences that are emotionally engaged with its content. In turn, that content has grown to develop a symbiotic relationship with the brands that ultimately support it. Commercial breaks are the perfect opportunity

Viewers have become used to to this process.

However, the TV screen is no longer the sole family focal point. Brands are struggling with where to run their video ad content in order to best target this broad and engaged audience.

This is where gaming comes into its own.

In many ways gaming exists in a parallel universe to TV; the content is diverse and is targeted to different types of audiences. Beyond that, the data analysis that can be run behind the scenes on people playing online games means audience profiling can be refined to a degree that TV could only dream of.

Players are equally as emotionally engaged with these games as they are with TV shows, often re-

peatedly playing the same ones. This is crucial for advertisers, as repeat visitors to a video provider's site have a video ad completion rate of 84.9%, compared to one-time visitors with just 78%¹⁴. Gaming also offers a "lean in" experience rather than a "sit back" experience, which means that not only are gamers in a happy relaxed mode, but they are also actively influencing the outcome of what they are doing – something TV does not do. Plus, of course, they have natural "cliff-hanger" moments within gameplay for the ads to run; either between games or between levels.

Ultimately, the rules are not new; gaming just offers brands and agencies the opportunity to port what they already know and are already comfortable with over to the online environment.

Your existing and potential customers are doing a lot of things online, but one of the things they are almost certainly doing most is playing games.

Let's get together and discuss where gaming can take brands online. Let's work together and experiment with combining gaming and online video advertising. Most importantly, let's not let an opportunity this good slip through our hands.

Appendix – Sources and Links

1. [Newzoo: 2013 Global Games Market Report](#)
2. [World Population Clock](#)
3. [comScore](#)
4. eMarketer; [How Mobile Is Shaping Global Digital Behavior](#)
5. Goo Technologies/Reuters; [Goo Survey: Majority of Americans Play Browser-Based Games](#)
6. [Gartner](#)
7. eMarketer; [Half of US Mobile Users to Play Games in 2013](#)
8. "Through the Looking Glass: The Luxury and Affluent Markets in 2013," Nov. 26, 2012 referenced by Media Brix; [The MediaBrix Social and Mobile Gaming Report Page 3](#)
9. PopCap; [Where People Play Mobile Games Page 3](#)
10. Cisco; [Visual Networking Index Page 2](#)
11. SpotXchange; [RTB Powers The Rapid Growth Of Online Video](#)
12. eMarketer; [Digital Set to Surpass TV in Time Spent with US Media](#)
13. BrightRoll; [UK Video Advertising Report](#)
14. Akamai; [Understanding the Effectiveness of Video Ads](#)

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