

# Gaming in Asia

Sizing opportunities in the region



## Gaming in Asia – Sizing opportunities in the region

*Asia's gaming<sup>1</sup> market is evolving and becoming extremely volatile and competitive. In recent years, the Southeast Asian gaming industry has attracted the attention of investors, developers and analysts from Australia, China, India and elsewhere<sup>2</sup>. Asian mobile gaming generated USD36 billion in revenue in 2017<sup>3</sup>, where 97 per cent of the revenue<sup>4</sup> was generated from the Philippines, Indonesia, Malaysia, Thailand, Vietnam and Singapore<sup>5</sup>. How bright is the future of Asia's gaming market?*

### Mobile gaming market in Southeast Asia (SEA)

Southeast Asia's mobile games market is growing fast, representing a cost-effective opportunity for investors, mobile developers and publishers<sup>6</sup>. By 2021, the number of mobile online gamers in Southeast Asia will rise to 250 million<sup>7</sup>.

Indonesia, Malaysia, Thailand, Vietnam, Singapore and the Philippines are the six biggest countries for mobile gaming in the Southeast Asia<sup>8</sup>. Mobile games are growing faster than PC online games due to the availability of free-to-play option<sup>9</sup>. The advent of cloud-based mobile gaming is set to drive this growth even further.

Southeast Asia was worth USD2 billion in e-gaming revenues in 2017; with Thailand's gaming revenue being 22 per cent of the total revenue. In 2016, Indonesia ranked as the largest mobile gaming market in the region with total revenue of USD330 million<sup>10</sup>.

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<sup>1</sup> No child's play: Asia's gaming industry is on the rise, citywireasia.com, Ishika Mookerjee, 4 August 2017

<sup>2</sup> How promising is the mobile games market in Southeast Asia?, Allcorrect Games, Retrieved on 15 July 2018

<sup>3</sup> Games industry generated \$108.4bn in revenues in 2017, Gamesindustry.biz, James Batchelor, 31 January 2018

<sup>4</sup> Southeast Asia Mobile Games Market 2017 – 2021 – Revenue is projected to reach \$1.1 Billion, Rising to \$2.4 Billion by 2021, Insider Inc. and finanzen.net GmbH, 15 November 2017

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> Ibid

<sup>9</sup> Ibid

<sup>10</sup> Gaming revenue share in Southeast Asia from 2013 to 2017, by country, Statista, Retrieved on 15 July 2018

The gaming revenue share of Southeast Asian countries from 2013 – 2017 is shown below<sup>11</sup>:

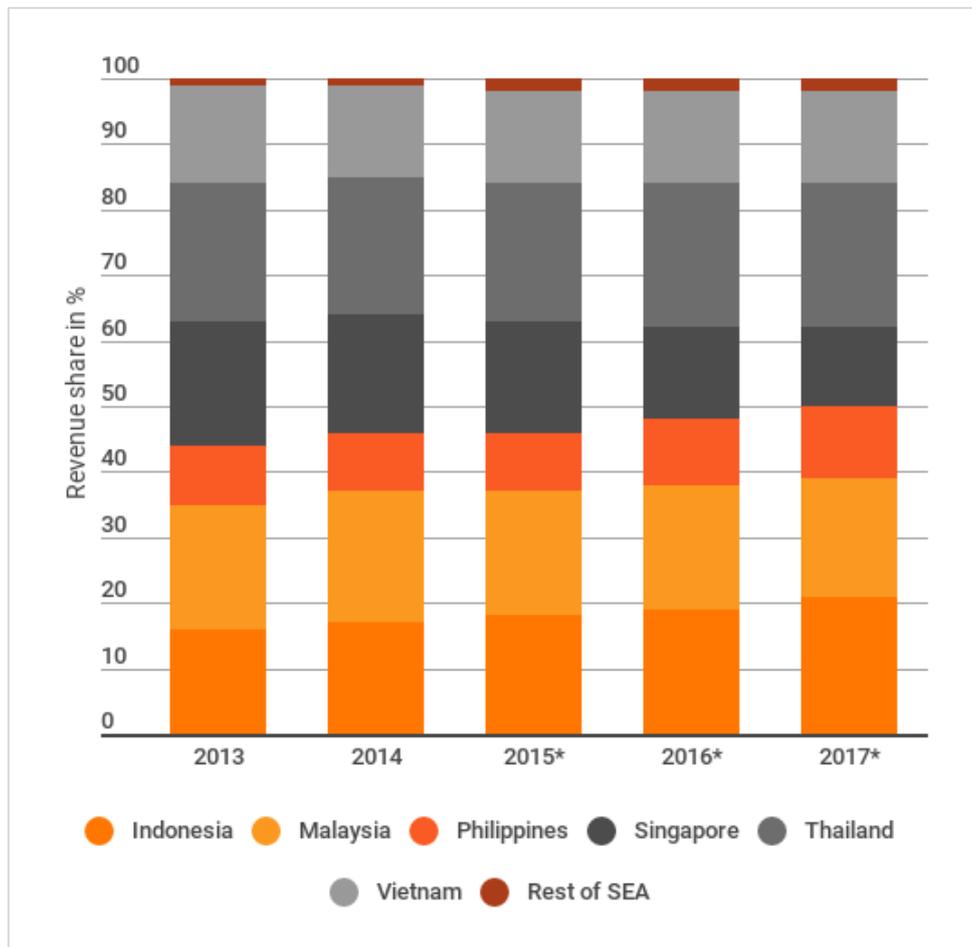


Figure1: Gaming revenue share in Southeast Asia from 2013 to 2017, by Statista

Sources: Newzoo; Venture Beat

### Gaming Market Size and Growth

The overall gaming market is booming in the Asia Pacific region and it will remain the world's largest gaming market by revenue, with over 26 per cent growth in 2018 from 2017 to reach USD70 billion<sup>12</sup>.

<sup>11</sup> Ibid

<sup>12</sup> Newzoo: Games market expected to hit \$180.1 billion in revenues in 2021, Venture Beat, Dean Takahashi, 30 April 2018

The Asia Pacific market is expected to reach revenues of USD87 billion by 2025 with India, China and South Korea offering the greatest growth opportunities due to internet and smartphone penetration coupled with large, increasingly tech-savvy populations<sup>13</sup>.

### **Growth drivers that will shape the gaming future<sup>14</sup>**

*Southeast Asia offers a large and steadily growing market space with arguably fewer barriers to entry for international game developers and resellers as compared to China.*

Southeast Asia is one of the most lucrative markets for investors, publishers, developers and gamers because of the steady revenue growth every year.

The Southeast Asian region is projected to grow gaming revenues to USD4 billion by 2021. This is dwarfed by domestic market revenue in China, which is expected to grow from USD27 billion to USD35 billion. Nevertheless, Southeast Asia offers a large and steadily growing market space with arguably fewer barriers to entry for international game developers and resellers as compared to China.

### **What technological factors are driving changes in the gaming industry?**

Several technological factors are driving changes in the gaming industry. Some pull factors driving changes in the gaming industry include:

#### **📍 Adoption of Augmented Reality (AR) and Virtual Reality (VR) <sup>15</sup>**

Augmented Reality (AR) is able to enhance the gaming experience by combining the virtual and physical worlds, while Virtual Reality (VR) embeds the gamer in an artificially created world.

<sup>13</sup> Gaming Market Size Worth \$171.96 Billion by 2025 | CAGR: 6.5%: Grand View Research, Inc., PR Newswire Association LLC., 29 January 2018

<sup>14</sup> Southeast Asia's gaming industry is on a growth trajectory, and here's why, E27 (Entrepreneurs 27), Jared Polites, 13 February 2018

<sup>15</sup> 9 Trends That Will Define 2018's Mobile Gaming Outlook, DZone.com, Arun A K, 27 March 2018

With cutting-edge technological advancements like Samsung Gear and Google Daydream, by 2025 Virtual Reality's (VR) adoption is expected to deliver about USD45 billion in profits.

### **Cloud Games<sup>16</sup>**

Cloud-based games, referred as Gaming-as-a-Service or GaaS, is a new way of playing games using the power of servers on smartphones with reliable internet speed. Players play the live games via a cloud server accessed through their mobile devices without installing or downloading the game.

LiquidSky, Plagiga, GeForce Now and LoudPlay are the few top cloud game applications.

### **Adoption of mobile eSports**

Electronic Sports or eSports is growing rapidly. ESports are multiplayer electronic games played competitively by professional or semi-professional players in a public place, with live streaming to fans usually accompanied by sports commentary<sup>17</sup>, modelled along the lines of other sports like football, baseball and basketball.

The global eSports market size is expected to grow to USD589 million by 2020 with the Asia-Pacific region and China as the major contributors<sup>18</sup>.

### **Cross platform PC and Mobile games<sup>19</sup>**

Tablet and smartphone games together contribute 42 per cent of total global gaming revenue, which is higher than PC games revenue.

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<sup>16</sup> Ibid

<sup>17</sup> The Complete Guide to eSports: What is it and Why is it so Popular?, ironSource, Raquel Korman, 4 April 2018

<sup>18</sup> Newzoo: Mobile esports ascends in Asia, Venture Beat, Stephanie Chan, 8 February 2018

<sup>19</sup> Ibid

## 🌐 **Think that women are not gamers? Think again<sup>20</sup>**

Approximately 48 per cent of gamers in Philippines, 47 per cent in Thailand, 44 per cent in Indonesia and 42 per cent in Malaysia were women in 2017.

## 🌐 **Jobs in AR, VR and eSports<sup>21</sup>**

With technological advancement in VR and AR, new job opportunities are being created. Since 2015, the AR and VR industries have seen a 93 per cent increase in job postings. Also, job postings related to eSports have increased 18 per cent in 2018 from 2017 and 57 per cent since 2015.

## **Booming gaming markets in Asia**

The Asia-Pacific region is now the fastest growing gaming market in the world. China, Japan and Korea are the major players, but at the same time, Southeast Asian games market remains attractive to developers and publishers<sup>22</sup>.

Key countries of interest include:

## 🌐 **China**

Over half of China's 600 million gamers play online PC games<sup>23</sup>. With a rising number of female gamers, the mobile audience is expected to reach a total of 720 million mobile gamers by 2021<sup>24</sup>.

Currently 36 per cent of the world's gaming market is made up of mobile phone games, with 183 million mobile gamers in China alone<sup>25</sup>.

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<sup>20</sup> Percentage of gamers that were female in Southeast Asia in 2017, by country, Statista, Retrieved on 20 July 2018

<sup>21</sup> Indeed.com: U.S. game jobs are growing in AR, VR, and esports, Venture Beat, Dean Takahashi, 29 March 2018

<sup>22</sup> How Gaming is Evolving in Asia?, Digital Edge, Retrieved on 25 July 2018

<sup>23</sup> Chinese games market expected to reach \$42bn revenue by 2022, Gamer Network, Haydn Taylor, 8 May 2018

<sup>24</sup> Ibid

<sup>25</sup> China's \$32.5B Gaming Market Is Driving Mobile Esports To New Heights, Forbes Media LLC., Elaine Ramirez, 16 May 2018

## **Japan**

Japan is the most mature market for mobile games in the gaming industry<sup>26</sup>. Gaming revenue has increased from to USD14 billion in 2017 from USD9 billion in 2011<sup>27</sup>. Japan has also achieved unique success in exporting its games.

Gaming brands such as Sony, Sega and Nintendo are some of the most prominent gaming brands in Japan – and the world<sup>28</sup>.

## **South Korea<sup>29</sup>**

South Korea's online gaming market grew 15 per cent in 2016. With an increase in development of games to compete globally, the country now has a 15 per cent share of the global gaming sector.

## **Taiwan<sup>30</sup>**

Taiwan's mobile games account for a substantial share of total global revenue and is expected to grow by 60 per cent.

Taiwan is the 15<sup>th</sup> largest mobile and PC games market globally. More than half of the population is expected to play online games by 2021.

Local investment in technology, good internet infrastructure and fan enthusiasm is responsible for this growth.

## **Indonesia<sup>31</sup>**

Indonesia's gaming market is expected to exceed USD100 million by 2019. Despite being the largest market in 2017, the country has the second lowest Average Revenue Per Paying User (ARPPU) which is the average revenue received per unique paying user. This is due to the availability of low-priced options and lower income per capita. However

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<sup>26</sup> Japan's return to growth is good news for everyone, Gamer Network, Rob Fahey, 12 January 2018

<sup>27</sup> Video game revenue in Japan from 2008 to 2017 (in billion U.S. dollars), Statista, Retrieved on 1 August 2018

<sup>28</sup> Ibid

<sup>29</sup> Esports is driving the South Korean PC gaming market to new heights, Venture Beat, Rivi Bloch, 11 January 2018

<sup>30</sup> Niko Partners: Taiwan's game market on path to \$2.8 billion by 2021, Venture Beat, Dean Takahashi, 11 October 2017

<sup>31</sup> Indonesia Snapshot: The largest mobile games market in Southeast Asia, Steel Media Ltd., 2 March 2018

with the fourth largest population in the world, Indonesia will likely continue to be the largest gaming market in Southeast Asia.

## **India**

The Indian digital gaming sector is growing rapidly due to internet and smartphone penetration, a healthy economic outlook and favourable demographics<sup>32</sup>.

Between 2014 and 2016, gaming downloads doubled with 35 per cent of women and 40 per cent of men playing mobile games five days a week<sup>33</sup>. The Indian gaming market will be worth USD1 billion by 2021 with 628 million gamers<sup>34</sup>.

## **Challenges ahead**

Some obstacles in the way of healthy market growth include:

### **Augmented Reality / Virtual Reality**

'Pokémon Go' is the famous AR game which brought the much-loved Pokémon characters from the virtual to the real world. However, the game failed to deliver the revenues and profits that were expected. Even though VR and AR games can deliver a high-quality visual experience, some limitations exist<sup>35</sup>. Developers need to overcome challenges related to AR and VR devices, consumer technology, daily life integration, mobile connectivity and the price of manufacturing, to name a few.<sup>36</sup>

### **Optimize advertising<sup>37</sup>**

Casual gamers spend more time playing games, making it easier for advertisers to push advertisements. Gaming companies and developers

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<sup>32</sup> Indian gaming market to grow to \$1.1bn by 2021, The Hindu, Lalatendu Mishra, 29 April 2018

<sup>33</sup> Ibid

<sup>34</sup> How Digital Gaming In India Is Growing Up Into A Billion – Dollar Market, Forbes Media LLC., Suparna Dutt D'Cunha, 9 March 2018

<sup>35</sup> Ibid

<sup>36</sup> Top Six Augmented and Virtual Reality Technology Challenges, Jabil Inc., John Martin, 23 March 2018

<sup>37</sup> Ibid

should focus on providing more targeted modes of advertising based upon players buying behaviour.

### **Raising funds<sup>38</sup>**

*Profitability may be elusive in the early stages of a game's release. The life of games is also becoming increasingly short, creating a high-risk, high-return industry where profits need to be made during a compressed period of time in the middle of a game's life.*

To win gaming revenue, having access to funding and investment are very important.

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release. The life of games is also becoming increasingly short, creating a high-risk, high-return industry where profits need to be made during a compressed period of time in the middle of a game's life.

To start a project and bring it to fruition, developers need access to generous and patient capital.

### **Future of the gaming industry in Asia**

The gaming industry is growing at a very fast rate, driven by internet and smartphone penetration. New technologies like AR and VR have completely transformed the gaming experience worldwide<sup>39</sup>. Southeast Asia's gaming market has been growing at a steady 22 per cent a year from 2013 to 2017<sup>40</sup>.

The eSports category is of particular interest, and may be the leading category within the gaming industry. Southeast Asia already has a successful business eco-system around European football viewership, one that generates a great deal of revenue. If it can apply the lessons from that experience to eSports, it may be able to create a globally significant market and spawn a few a globally significant companies in the process. <sup>41</sup>

<sup>38</sup> Top 5 Challenges in Mobile Game Development [With Solutions], NewGenApps, 29 December 2017

<sup>39</sup> Technology will Change the Future of Gaming Industry, MindBox 2018, Saurabh, 16 December 2017

<sup>40</sup> Report: Southeast Asia, The Region With The Brightest Future in Games, Newzoo 2018, Retrieved on 9 August 2018

<sup>41</sup> VR, AR, eSports and the Future of Gaming, Xpective, Inc., Tony Bradley, 14 December 2017