

European Media Markets

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The European Video Games Market:

A growing mobile and community driven ecosystem

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The European video games market is seeing a new player emerging in recent years: Mobile gaming is on the rise and is surpassing traditional gaming both in number of players and in revenue share. This White Paper discusses the disruption caused by mobile gaming for the European video games market.

Highlights

Estimates put the total number of mobile game players worldwide at around 3 billion, making it the largest gaming platform globally. In Europe, 47% of mobile gamers are women.

The video gaming industry had a total revenue of estimated USD 180 billion in 2021, up 1,4% from the previous year. Mobile gaming accounted for 52% or USD 93.2 billion.

The most important source of revenue in the mobile gaming industry is still direct purchases, but in recent years advertising is emerging as an ever more important source of revenue.

As a digital native sector, the mobile gaming sector has proven to be well prepared to adapt to disruptions, incorporate innovations and changing business models.

1. History and introduction

The video games market has experienced numerous transformations over its more than fifty-year history. The industry witnessed a significant growth in 1980s through Atari with its revolutionary home console which sold more than a million times.¹ This was followed by a boom in arcades, further growth, and a crash in 1983 leading to a Japanese dominance of the sector.² The rise of internet technology from the early 90's spurred new changes in the gaming environment. Increased internet connectivity, smartphone adoption and the advent of high bandwidth network connectivity have further increased the demand for the video games market across the globe.

At the end of 2021 global revenues generated from video games amounted to roughly USD 180.3 billion, up +1.4% over the previous year. The sheer number of new gamers has risen to 3 billion, +5.3% more than the previous year.³ The gaming industry has grown mainstream in just a few years.⁴ Also in Europe, video games have continued to see a boost in funding, interest, and activities. In 2022, the EU planned to invest roughly EUR 18 million through funding calls dedicated explicitly to the games industry and more than EUR 40 million on other games

¹ Weiss, Brett (2007). Classic home video games, 1972–1984: a complete reference guide. Jefferson, N.C.: McFarland. p. 108. ISBN 978-0-7864-3226-4.

² Kent, Steven (2001). "Chapter 12: The Battle for the Home". Ultimate History of Video Games. Three Rivers Press. p. 190. ISBN 0-7615-3643-4.

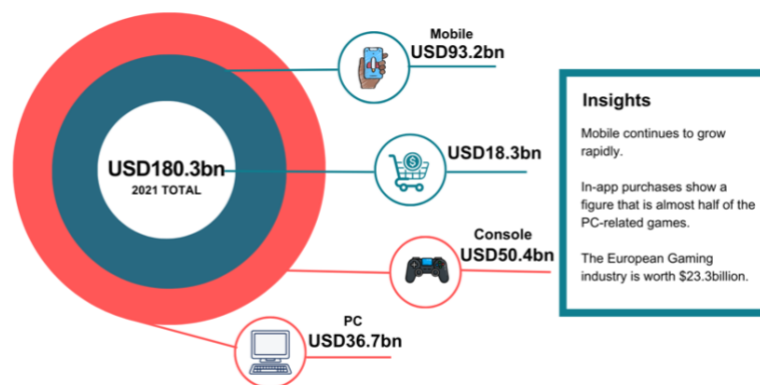
³ Economic Success - ISFE. Europe's Video Game Industry. Retrieved 14 May 2022, from <https://www.isfe.eu/game-industry/economic-success/#:~:text=The%20European%20video%20game%20industry%20is%20worth%20%E2%82%AC23.3bn.>

⁴ Lugris, M. (2020). New ESA Report Shows Gaming Is No Longer A Niche Market. Retrieved 14 May, 2022, from <https://www.thegamer.com/esa-gaming-niche-popular-die-mad-gamers/>

industry-related calls.⁵ The European video game industry alone is worth EUR 23.3 billion.⁶ The European video games market has also seen dramatic transformations in its social adoptions – 47% of European game players in 2020 were women. This figure has gone up by 45% in comparison to 2019.

2. Trends: Mobile gaming and business models

Disruptive changes and changing business models have been key characteristics of the video games market. As the industry is characterized by continuous change, video game developers have demonstrated significant abilities to adapt to and profit from technological advancements, and to rapidly innovate also in terms of business and revenue models.⁷ A major game changer in the gaming industry has been the advent of mobile gaming. This sector is overtaking both console and PC gaming and has witnessed unprecedented growth in recent years. The mobile gaming sector now takes up 52% of the game industry accounting for USD 93.2 billion.⁸ There are several reasons for mobile gaming's growing popularity. One key driver is accessibility - nearly everyone has a smartphone.⁹ Other contributing factors are an increased number of casual and pro gamers, increased viewership due to the increase in esports fandom and audience growth in live streaming of different genres.¹⁰



Figures have been combined from several reports including reports from Sensor Tower and Newzoo.

The mobile gaming market both in Europe and globally is growing rapidly, a growth that will likely continue in the coming years. A report from SensorTower¹¹ shows that European consumers spent more than EUR 18 billion in Apple App Store and Google Play combined in 2021. The European mobile gaming market accounts for 14% of the global mobile app market. A number that

indicates a 22.8% growth from 2020. A total of EUR 10.5 billion was spent on mobile games in Europe, an increase of 16% from the previous year. This includes in-app purchases, subscriptions, and premium apps.

This shows that video games and mobile games can be based on various business models. The most popular are free to play, microtransactions, freemiums, advertisements, subscriptions, and artefacts. The bulk of these have been shared through playable adverts on social media platforms, in-game notifications for updates, and on platforms like Google Play and App Store.¹² Users are also compensated through tokens for mentioning games on social media to their friends/family or followers, also for other similar activities that increase the number of users and impressions for mobile games, giving it an increased value for advertisers. But a key source of revenue which is increasingly becoming interesting for developers are advertisements. Based

⁵ Kaleva, J. P. (2022). EGDF - European Games Developer Federation (2022). Record-breaking EU funding available for the European games industry in 2022. Retrieved 15 March, 2022, from <https://www.egdf.eu/eu-funding-for-european-games-industry-in-2022/#:~:text=in%202022%2C%20the%20European%20Union,launch%20of%20the%20MediaInvest%20fund>

⁶ Economic Success - ISFE. Europe's Video Game Industry. Retrieved 14 May 2022, from <https://www.isfe.eu/game-industry/economic-success/#:~:text=The%20European%20video%20game%20industry%20is%20worth%20%E2%82%AC23.3bn>

⁷ Komorowski, M and Delaere, S. (2016). Online Media Business Models: Lessons from the Video Game Sector. Westminster Papers in Communication and Culture, 11(1), 103–123, DOI: <https://doi.org/10.16997/wpsc.220>

⁸ Economic Success - ISFE. Europe's Video Game Industry. Retrieved 14 May 2022, from <https://www.isfe.eu/game-industry/economic-success/#:~:text=The%20European%20video%20game%20industry%20is%20worth%20%E2%82%AC23.3bn>.

⁹ Gaming Market - Growth, Trends, COVID-19 impact and forecasts (2022-2027). Retrieved 14 May 2022, from <https://www.mordorintelligence.com/industry-reports/global-gaming-market>

¹⁰ Wise, J. (2022). Mobile Gaming Statistics 2022: Industry Size, Revenue & Demographics. EarthWeb. Retrieved 14 May 2022, from <https://earthweb.com/mobile-gaming-statistics/>

¹¹ Chapple, C. (2022). European Consumer Spending in Mobile Apps Grew 23% in 2021 to More Than \$18 Billion. Retrieved 15 May 2022, from <https://sensortower.com/blog/european-app-revenue-and-downloads-2021>

¹² Knezovic, A. (2022). 147 Mobile Gaming Statistics for 2022 That Will Blow Your Mind. Retrieved 14 May 2022, from <https://www.blog.udonis.co/mobile-marketing/mobile-games/mobile-gaming-statistics>

on data from Statista, mobile devices account for almost half of digital advertising in Europe. That accounts for all segments of mobile apps but considering that they estimate the total digital advertising market to be more than EUR 69 billion in 2020, there is a substantial potential for mobile game developers in advertisements.¹³

In-app purchases have also begun to rise significantly. Software vendors are increasingly trading within apps. Users can buy characters, upgrade abilities, and spend real money on in-game currencies. They can also get enhancements and upgrades to game software. The top 100 non-game, subscription-based apps saw their consumer spend increase 41% in 2021 to USD 18.3 billion, up from USD 13 billion in 2020.¹⁴ As in-app purchases continue to dominate the market, the challenge that these fluid models all attempt to solve is mostly centred around *user retention*. Player engagement has become the key metric driving long-term success for mobile games. This new ecosystem requires publishers to find new ways to ensure that fans must be converted into players, and the industry must provide content and organized programming both physically and digitally to continually keep communities engaged. As game developers move slightly from long term business strategies towards fluid and dynamic tactics a growing practice geared at gaining user retention has been community building models deployed by massively multiplayer online role-playing games. A few of these approaches have been detailed below.

3. Business Models of Mobile Games: Case studies

PUBG MOBILE¹⁵: Player Unknown Battlegrounds, popularly called PUBG is a survival shooter game developed by PUBG Corporation, a subsidiary of the famous South Korean Video Game development company – Bluehole. It all started with the concept of creating a game that was completely distinct, driven by games like Delta Force: Black Hawk Down and America's Army games. The game developers took a different approach unlike previous games - PUBG is a survival shooter rather than a role-playing plot shooter. The adopted gaming paradigm incorporates social elements, permitting voice conversations and testing among users during gameplay. This enables players to have a lively discussion, plot as a team during game play, or even make friends. PUBG leverages these features which result in different pockets of small and large in-game communities allowing developers to learn from what is exchanged, allowing for continuous development, creativity, engagement, and retention. Aside from earning money via licensing, PUBG earns money from ad placements ranging from reward advertisements to in-game commercials and in-app purchases such as access to game campaigns and rare ammo. Taking advantage of the platform's vast user base PUBG also hosts tournaments such as the PUBG's Star Challenge, World Electronic Sports Games 2016, Grand PUBG competition, PUBG Mobile Hero Cup, and others and these tournaments are organized by large corporations, which contribute to generating profits.

Angry Birds (ROVIO)¹⁶: Angry Birds stands as one of the first commercial real-time online mobile games. Built on four customer touchpoints: play, watch, consume, and interact with two of its titles, Angry Birds 2 and Angry Birds Dream Blast grossing among the top 100 titles in the US gaming market. This made the brand an intriguing partner for new platforms and technologies, such as third-party firms developing augmented reality and virtual reality experiences.¹⁸ According to its 2019 annual report, it had sold over 300 licenses internationally by the end of the year, with its licensing forms divided into two primary categories: content licensing and consumer product licensing. It works directly with its licensees or indirectly through agents offering a wide range of content licensing, animation licenses, and content libraries. With a focus on the markets in Europe, China, and the US, the gaming company's product offering also includes food and beverages, promotions, and location-based entertainment making

¹³ Mobile advertising and marketing in Europe - statistics & facts. Retrieved 15 May 2022, from <https://www.statista.com/topics/8912/mobile-advertising-and-marketing-in-europe/>

¹⁴ Chan, S. (2022). Global Consumer Spending in Top 100 Subscription Apps Climbed 41% to \$18.3 Billion in 2021. Retrieved 2 June 2022, from <https://sensortower.com/blog/subscription-apps-revenue-2021/>

¹⁵ Main, A. (2019). PUBG Case Study — 9 Secrets of PUBG Business Model. Retrieved 14 May 2022, from https://medium.com/@Ankit_Main/pubg-case-study-9-secrets-of-pubg-business-model-99c39b0c2f27

¹⁶ Eriksen, E.H. and Abdymomunov, A. (2011) Angry birds will be bigger than Mickey Mouse and Mario. Is there a success formula for apps? MIT Entrepreneurship Review. Available at: <https://erikholtheeriksen.wordpress.com/2011/03/02/angry-birds-will-be-bigger-than-mickey-mouse-and-mario-is-there-a-success-formula-for-apps/>

(Accessed: 10 May 2023)

multiple income sources available from releasing animations for linear television, as well as generating new material directly for the Angry Birds YouTube channel, with content ranging from movies and licensed animation productions to short-form video developed in-house.

Other Cases: Pokémon GO, Temple Run, Mortal Kombat, and other games were also examined, and similar trends in financing and user retention were observed in all or most of the titles. Trends in funding and revenue (remuneration) models, included user, third-party, and government/sponsor generated streams ranging from microtransactions for in-app purchases, outright purchasing, licensing distributions, franchising, and government funding, to private company sponsorship and investment (hedge funds, parent companies, gaming giants). Trends in how these mobile games acquire and retain users, on the other hand, included the use of techniques such as inclusion (both gender, demography, geography, and the introduction of avatars), FOMO (fear of missing out among users), building up user communities, enabling users voice and text interactions during gameplay, connecting gaming accounts to social media accounts to see which of your friends are playing, and the recent introduction of Meta-testing (where users are allowed to test the games new updates, give feedbacks and their views before abducting the updates).

4. Conclusion

Even though the video game sector is a core part of the media industry, it has a peculiarly unique status of being *digitally native* and therefore at the forefront of novel developments. The defining feature of such a past is that the video games market is better equipped to incorporate innovations and constantly changing business models. Thus, the introduction of new business models is interestingly posing exciting opportunities that can be leveraged to great economic advantage by the European video games sector.

Recommendation 1 – A market-leading position in trending genres and technologies

If the enormous success of games such as PUBG Mobile and Pokémon GO is indicative of anything, it is the fact that it is of utmost importance to become the first major game released in a specific genre or using newly developed technology (battle royale genre/incorporation of augmented reality in these cases).

Recommendation 2 – Inclusivity of mobile gamers continues to shift

Contrary to popular belief, mobile gamers are spread across all ages and are evenly distributed between genders. Embracing inclusivity in a market that is significantly segregated enables game developers to reach an appreciably larger volume of individuals.

Recommendation 3 – Building a community-based game experience in mobile games

As the incorporation of social elements has become the norm amongst successful mobile games, game developers ought to not only simply include interaction between players, but carefully evaluate what type of communication channel best fits their game.

Recommendation 4 – Focusing on creating a game that can be played “forever”

With user retention at the centre of attention in free-to-play revenue models, publishing a game that has no clear victory condition may prove to be a solution for keeping players engaged for a protracted amount of time.

**This White Paper is part of the Student White Paper Series on European Media Markets.*