Xsolla

2024 WINTER EDITION

THE XSOLLA REPORT

STATE OF PLAY

CONTENTS

CONTENTS

DAVID STELZER

President, Xsolla

FOREWORD

DEAR STAKEHOLDERS, COLLEAGUES, AND VALUED MEMBERS OF THE XSOLLA COMMUNITY

Reflecting on our journey to the Winter 2024 edition of "The Xsolla Report: The State of Play," I'm brimming with pride and excitement. The gaming world, always a hub of dynamic innovation, has outdone itself, and our shared efforts continue to propel this industry forward.

01 A YEAR OF UNPRECEDENTED GROWTH AND INSIGHT

This past year has been a watershed moment in the evolution of gaming. Trends emerge and mature, profoundly influencing game development, marketing, and global consumption. Our report dives into these developments, offering a detailed snapshot of the industry's present and future direction.

02 EMBRACING CHANGE AND INNOVATION

In this edition, we spotlight the explosive growth areas in gaming. Mobile gaming, in particular, has made an indelible mark. Its convenience and accessibility have redefined gaming norms, reshaping how we engage with games. We're also spotlighting the rise of cloud gaming and the integral role of women in this space, emphasizing the significance of diversity and inclusion.

03 FINANCIAL AND OPERATIONAL MILESTONES

On the financial front, Xsolla's growth trajectory is a testament to our innovative spirit and strategic planning. Our revenue surge directly reflects our adaptability to the evolving needs of gamers and our partners. We've broadened our horizons, offering new services and solutions, ensuring we stay ahead in this fast-paced industry.

04 LOOKING AHEAD

As we enter 2024, the gaming landscape is rife with challenges and opportunities. Our report delves into these aspects, providing strategic insights for navigating this dynamic sector. I'm thrilled about what lies ahead and remain committed to our continuous growth and innovation path.

I am deeply thankful for the unwavering support and dedication of our team, partners, and the gaming community. Together, we're not just part of the gaming industry but actively shaping its future. I'm confident that our best days are still ahead.

I invite you to join us as we explore the rich, evolving gaming world in the Winter 2024 edition of "The Xsolla Report: The State of Play."

Warm regards,
David Stelzer

EXECUTIVE SUMMARY

As the games industry enters a new year, the gaming experts at Xsolla have created this edition of The Xsolla Report to look back at recent changes in gaming, explore what we can learn from them, predict how the industry will continue to evolve, and analyze their impact on the gaming community.

The Forecast

The industry reported an average annual growth rate of 3.9%, with a significant 9.4% increase in 2023 alone. This propelled industry revenues to an estimated $106.8 billion. Looking ahead to 2026, the industry is expected to grow steadily, reaching $205.7 billion in revenue.

Not only is the industry forecasted to continue this upward trend, global gamers are also expected to reach 3.79 billion by 2026, accompanied by a growing payer base, which is predicted to expand to 1.66 billion individuals that will actively contribute to the gaming ecosystem. These figures show that the games market is becoming more diverse and opens up new avenues of growth for industry stakeholders.

In the second volume of The Xsolla Report, our experts will explore the last five years in the industry, the growing influence of women in gaming, as well as the trends and changes in mobile gaming, cloud gaming, and the investment landscape. With our experience in the video game industry, we'll analyze current figures and data to inspire you, our partners, and our community to unlock new opportunities.

Are you ready to navigate the chapters ahead, dive into the insights of global gaming experts, and discover the latest trends shaping the games industry? Let The Xsolla Report be your guide.

IN THE NEWS

RECENT INDUSTRY NEWS

GOOGLE'S EPIC LEGAL DEFEAT THREATENS $200 BILLION APP STORE INDUSTRY

Bloomberg

E3, LOS ANGELES' ONCE-MIGHTY VIDEO GAME CONVENTION, OFFICIALLY CANCELED AFTER TWO-DECADE RUN

Los Angeles Times

ONLINE GAMING MARKET SIZE TO GARNER USD 440.89 BILLION BY 2032

Global Newswire

INSIDE PLAYSTATION'S BIG PUSH INTO INDIA'S BURGEONING GAMING MARKET

IGN

NETFLIX'S CLOUD GAMING SERVICE BEGINS TESTS IN US

Tech Crunch

Section

01

INDUSTRY FEATURE

Article
01

STATE OF PLAY:

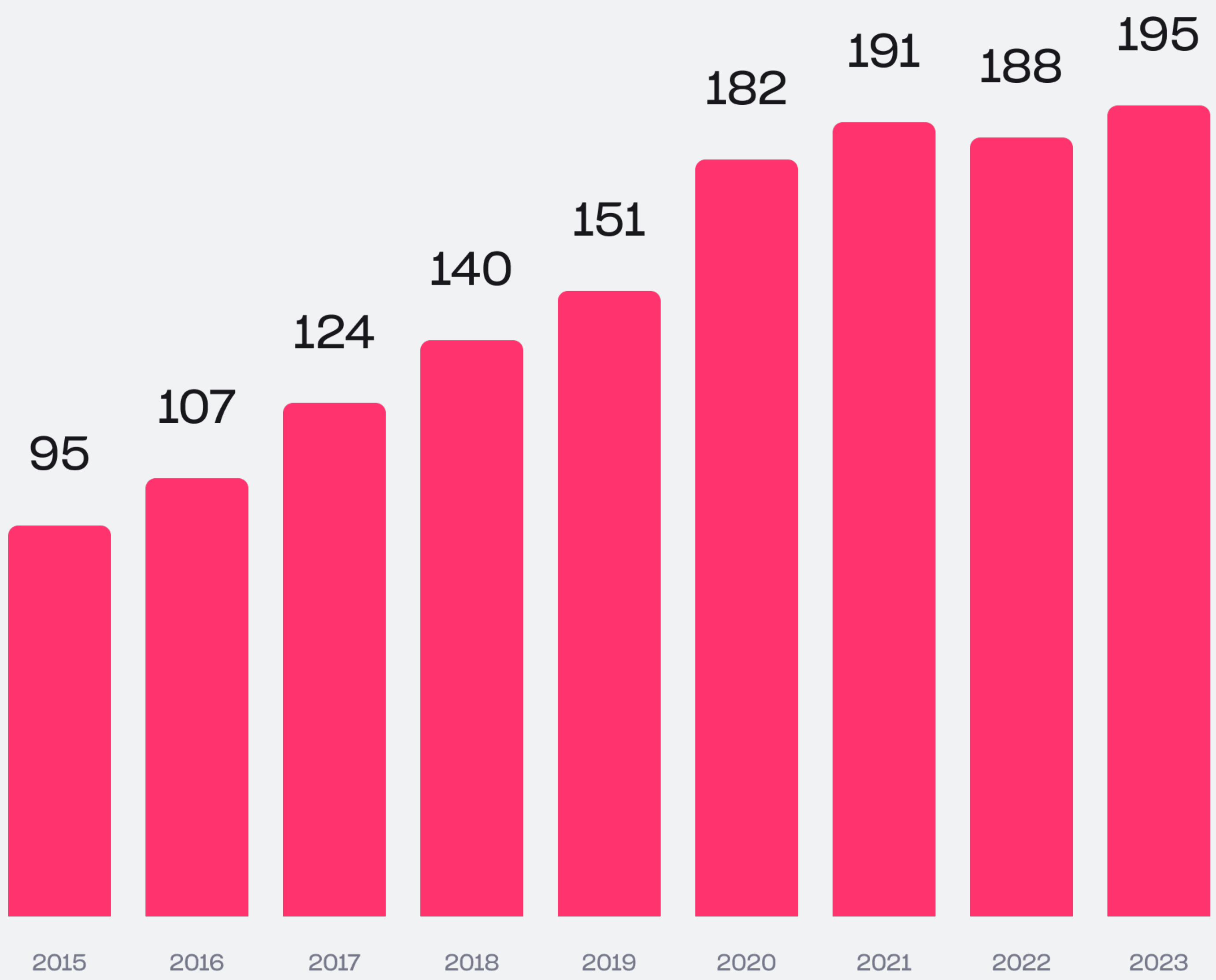
The last five years in gaming

The gaming landscape has evolved rapidly over the past five years, riding the wave of global lockdowns, new tech, and game development advancements. This expansion has been steadily increasing for years, but the surge in social and casual gaming, fueled by millions seeking entertainment and social connections throughout the challenging period of COVID-19 lockdowns, has since propelled the games industry to booming heights. Not only was the gaming sector able to debunk common misconceptions of video games as isolating, it proved to be a vital conduit for social interaction during the pandemic.

In fact, the rise in new and existing gamers spending on consoles and other kits during the pandemic was so significant that the market **expanded by 26% between 2019 and 2021**. These shifts have shaped the future trajectory of gaming, spotlighting the industry's steady growth, underscoring its global economic significance, and broadening its appeal across diverse demographics.

26% growth in the games market from 2019-2021

MOBILE GAME INDUSTRY BY REGIONAL GROWTH
in billion dollars



Source: Ampereanalysis.com

There is also more competition and more ways to play than ever before. From its pandemic-induced surge five years ago to projections of game industry growth today, let's dive into how gaming has developed over the past five years and compare its behavior to similar global sectors, like ecommerce and entertainment.

COVID-19 PANDEMIC SPARKS A SHIFT IN THE GAMES INDUSTRY

ASIA-PACIFIC GAMERS

42%

increase in gaming time

During the onset of the global pandemic in Spring 2020, gaming experienced an exponential rise in user engagement and spending. Between February and April of that year, gaming emerged as one of the most popular activities, witnessing a substantial uptick in both participation and expenditure, which highlights a considerable increase in time spent on video games across all regions.

Latin American gamers, for example, increased their playing time by 52%, with the Asia-Pacific region following closely with a 42% rise in time spent gaming. And multiplayer games, particularly genres like fighting, MOBA, and battle royale games, experienced heightened popularity during this period. A survey among European gaming audiences revealed that video games provided a sense of connection, reducing feelings of isolation and contributing to an overall happiness during lockdown.

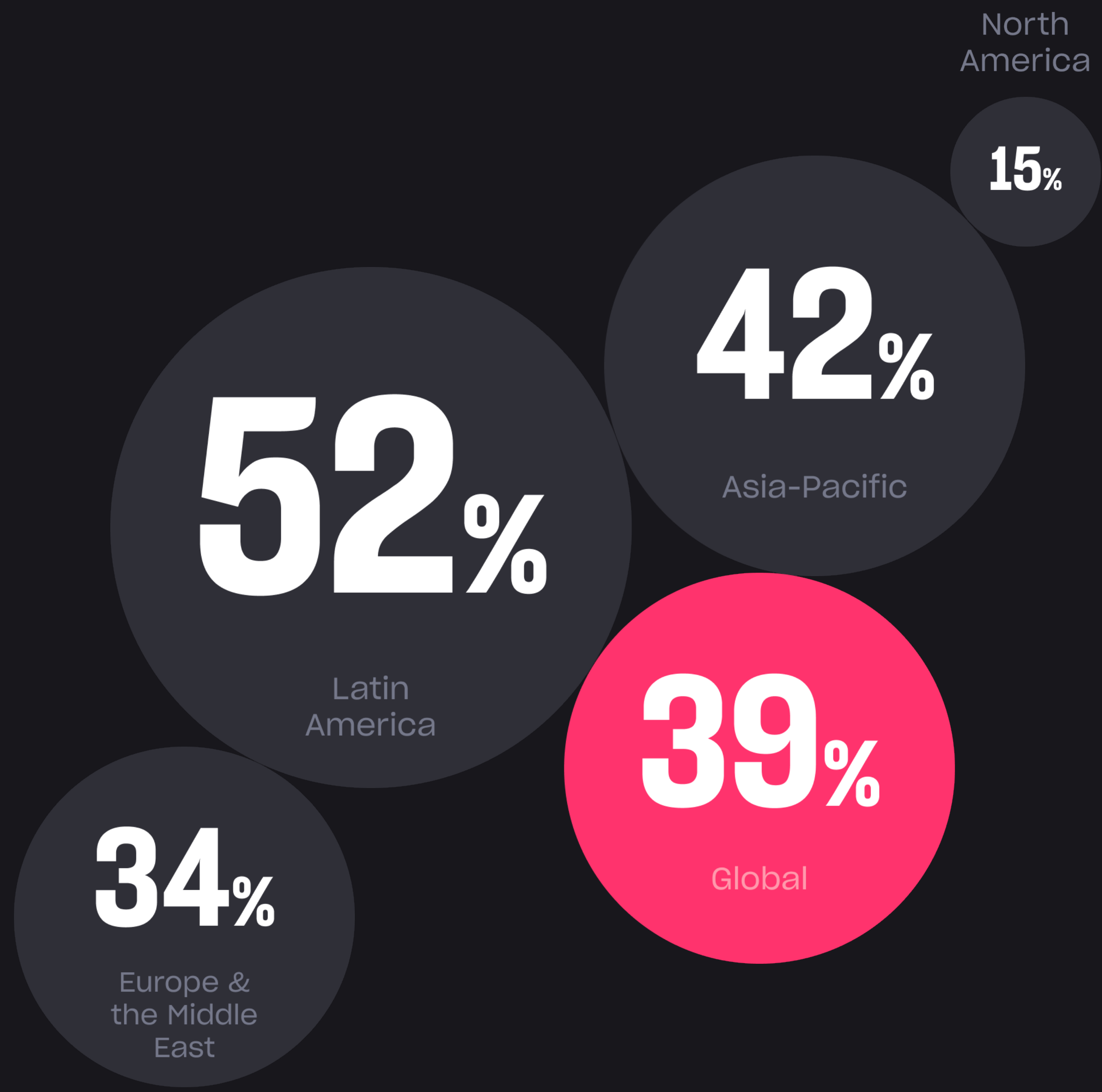
LATIN AMERICAN GAMERS

52%

increase in gaming time

INCREASE IN TIME SPENT GAMING DURING COVID-19 IN 2020

by region



Source: Statista

Additionally, the financial aspect of gaming saw a noteworthy shift during the pandemic period. Digital gaming spending on in-game content and paid downloads surged globally, marking a 12% and 21% increase, respectively. This highlighted a significant shift towards digital revenues, an increasingly prominent trend over recent years. The closure of high street retail spaces and the general avoidance of physical retail amid the pandemic further accelerated the dominance of digital and ecommerce gaming sales over traditional physical sales.

12%

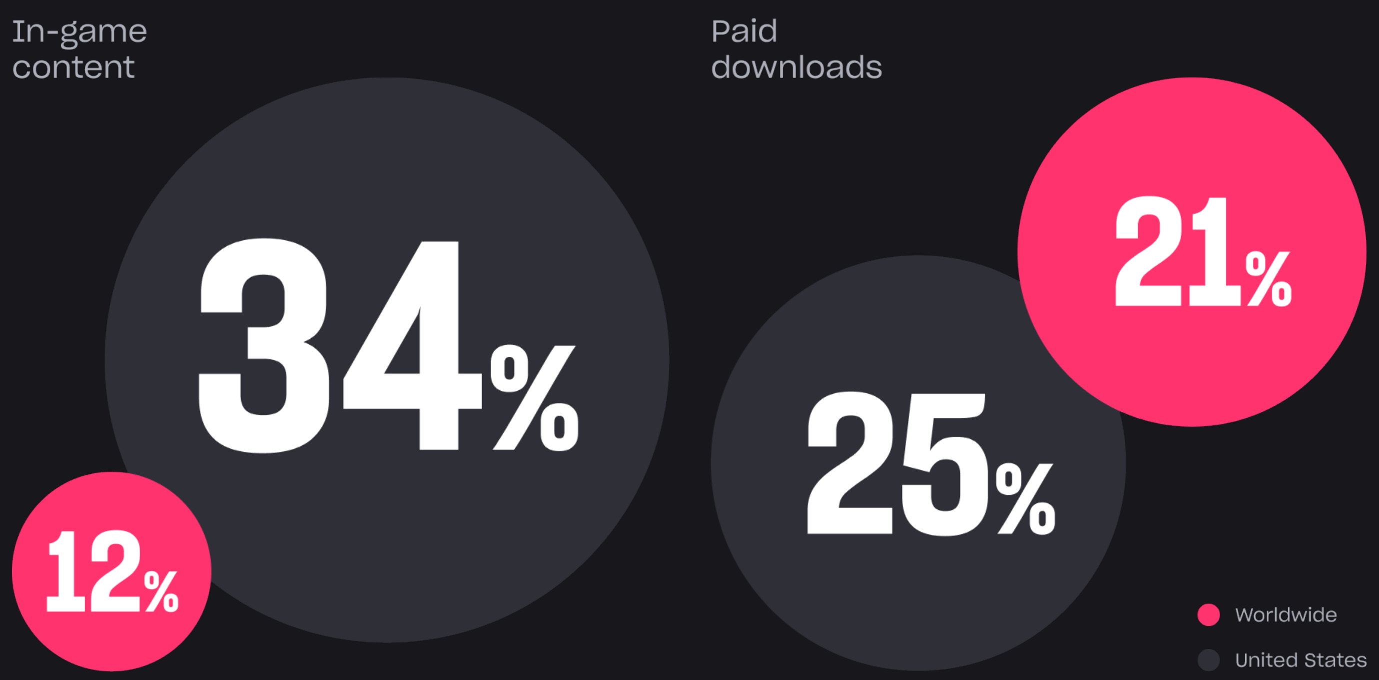
increase on spend for in-game content globally

21%

increase in global paid downloads

CHANGE IN DIGITAL GAMING CONTENT REVENUE IN THE US & WORLDWIDE

Jan. to Oct. 2020



Comprehensive data analysis by Xsolla experts reflects the substantial growth witnessed in the gaming industry during the pandemic. When comparing the period before the pandemic (2018-2019) to the COVID-19 era (2020-2021), there was a significant increase in both sales and total user count, with an impressive **120% growth in sales and a 74% increase in total user count**, which both showcase the industry's rapid expansion.

SALES AND USER COMPARISON PRE-COVID-19 AND DURING COVID-19

Jan. 2018 to Dec. 2019
VS Jan. 2020 to Dec. 2021

120% $1.7B — Total Sales Growth COVID-19 Period vs. Before COVID-19

74% 58B — Total User Count Growth COVID-19 Period vs. Before COVID-19

27% $5/USER — ASPU Growth COVID-19 Period vs. Before COVID-19

Source: Xsolla

As the world continues to move forward in the post-COVID-19 era, the positive momentum within the gaming industry has continued, albeit at a notably reduced rate compared to the peak pandemic period. Xsolla's data indicates a **44% growth in total sales and a 22% rise in total user count** when comparing the latter part of the COVID-19 era (2020-2021) to the post-COVID-19 period (2022-2023). This signifies a sustained growth trend, although at a more moderate pace, which reflects the industry's resilience as it navigates the transition from pandemic-driven peaks to a stabilized, post-pandemic landscape.

SALES AND USER COMPARISON DURING COVID-19 AND POST-COVID-19
Mar. 2020 to Dec. 2021
VS Jan. 2022 to Oct. 2023

44%
$1.3B
Total Sales Growth Post-COVID-19 vs. COVID-19 Period

22%
29B
Total User Count Growth Post-COVID-19 vs. COVID-19 Period

18%
$4/USER
ASPU Growth Post-COVID-19 vs. COVID-19 Period

Source: Xsolla

COMPARATIVE ANALYSIS: HOW DOES THE GAMES INDUSTRY COMPARE TO OTHER INDUSTRIES?

The games industry isn't the only sector that's experienced change in the last few years. Let's look at how the games industry has thrived within the broader landscape of global commerce. These explorations aim to unravel the unique characteristics, strengths, and potential challenges that distinguish the games industry from its counterparts by juxtaposing key indicators, market dynamics, and financial trends.

Gaming & ecommerce: Similarities, differences, and potential cross-industry impacts

The gaming industry and ecommerce have shared paralleled trajectories, experiencing steady growth over the past two decades. Both sectors have exhibited resilience, maintaining upward trends that have only been amplified by the COVID-19 pandemic. Social distancing measures and lockdowns provided an unexpected opportunity for both ecommerce and gaming, resulting in an increased valuation for both industries.

SIMILAR GROWTH PATHS

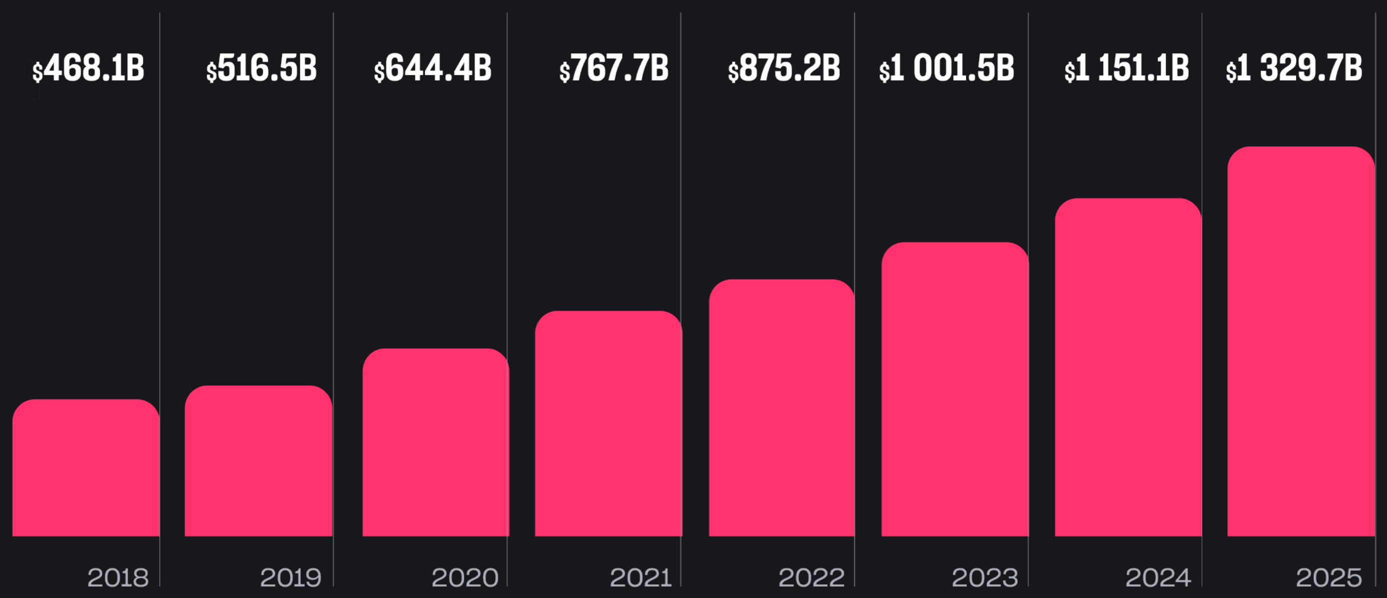
The ecommerce and gaming industries have experienced paralleled growth trends in the last few years, marked by significant milestones and propelled by shifts in consumer behavior - accentuated by the changes caused by the global pandemic.

>$800B

in US retail ecommerce sales in 2022

The ecommerce sector, in particular, has experienced rapid growth, with **retail ecommerce sales in the US surpassing [$800 billion in 2022](#)**. This surge indicates a broader shift fueled by the increasing prevalence of online shoppers among the over 5.3 billion internet users worldwide.

RETAIL ECOMMERCE REVENUE IN US FROM 2018 TO 2025



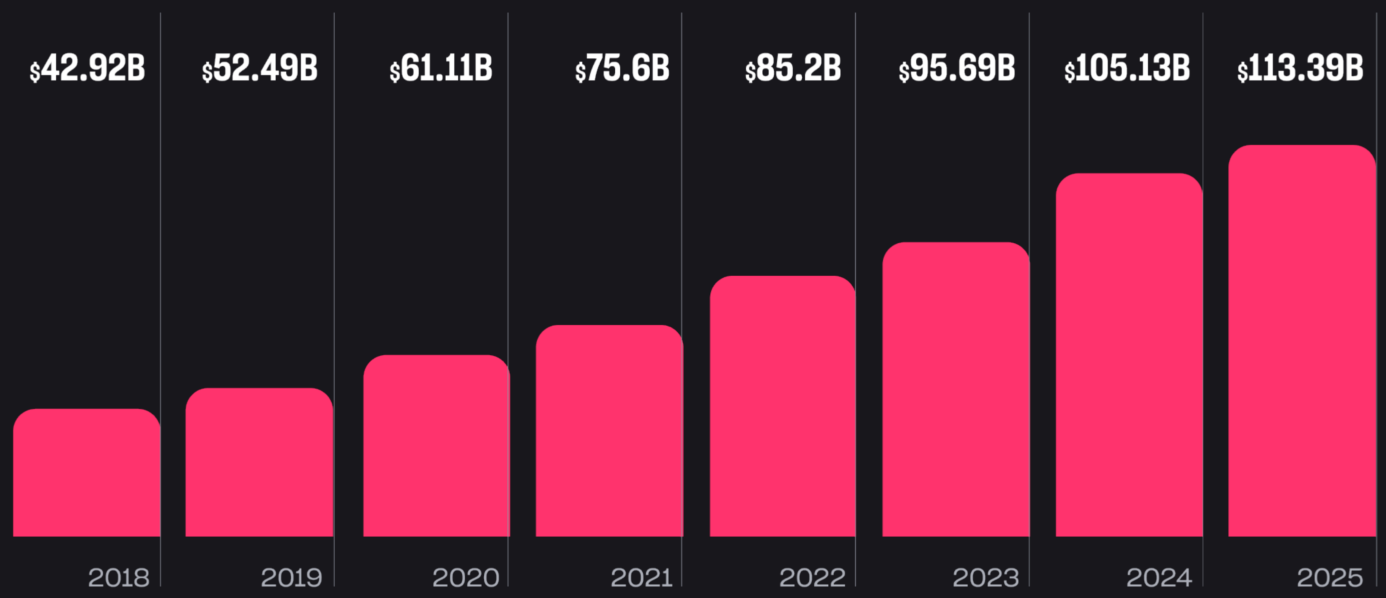
Both industries have not only embraced the digital era but have also significantly contributed to the surge in digital payments. Ecommerce has accelerated the adoption of digital wallets, mobile payment apps, and contactless payment systems, enhancing transactional convenience and security. As we explore their growth trends, it becomes evident that the parallel growth of ecommerce and gaming mirrors a shared narrative of adaptability, innovation, and resonance with evolving consumer preferences.

>$85B

in US gaming industry sales in 2022

Mirroring this expansion, the gaming industry also thrived, with the pandemic acting as a catalyst for its record-breaking **revenue that reached over [$85.2 billion in 2022](#) in the US**.

VIDEO GAME MARKET REVENUE IN US FROM 2018 TO 2025



OTHER INDUSTRY-SPECIFIC INSIGHTS

Despite the substantial growth during the pandemic, the gaming industry reported an **average annual growth rate of 3.9%, with a 9.4% increase in 2023** alone, reaching an estimated $106.8 billion in 2023.

3.9% average annual growth rate of the games industry

9.4% growth rate increase in 2023

MOBILE DOMINANCE

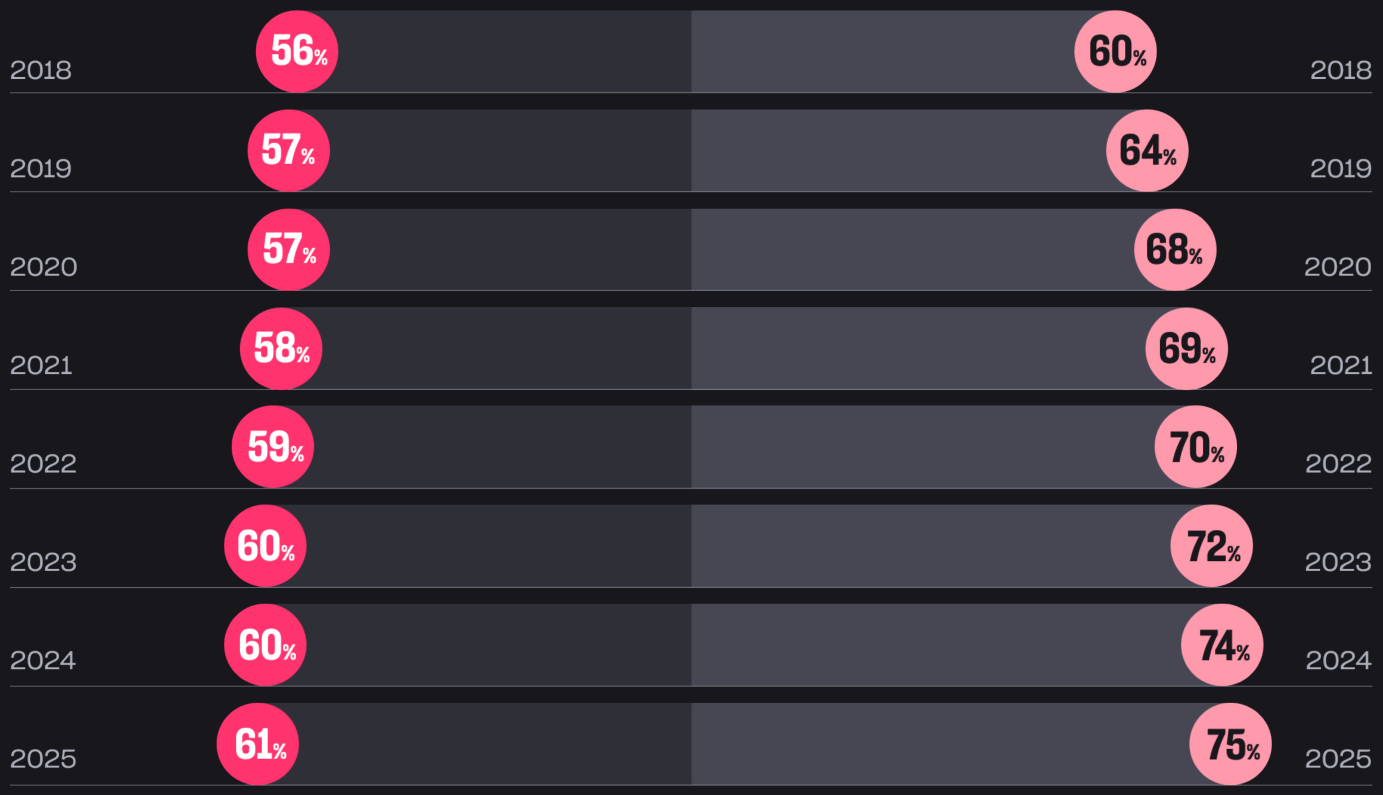
Both ecommerce and gaming have witnessed a significant shift towards mobile experiences.

Mobile ecommerce, or mcommerce, accounted for more than **60% of all global ecommerce retail sales in 2023**, with smartphones accounting for over 70% of retail website visits and generating the majority of online orders compared to desktops and tablets.

Mobile gaming stands as the largest sector in the gaming industry, contributing to approximately **50% of the overall revenue in 2022**.

GLOBAL MOBILE ECOMMERCE REVENUE SHARE FROM 2018 TO 2025

GLOBAL MOBILE GAMING REVENUE SHARE FROM 2018 TO 2025

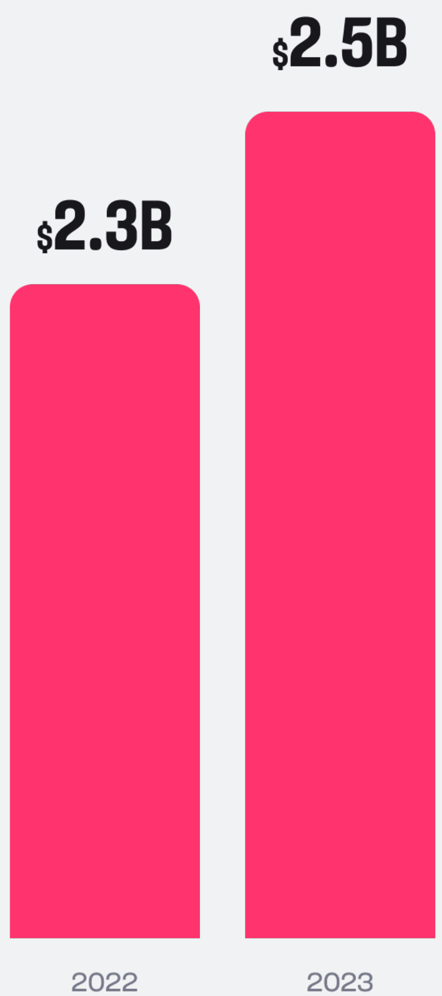


Gaming & Entertainment: Similarities, differences, and potential cross-industry impacts

The gaming industry and the broader entertainment sphere share interconnected dynamics, with overlapping areas influencing consumer engagement and spending.

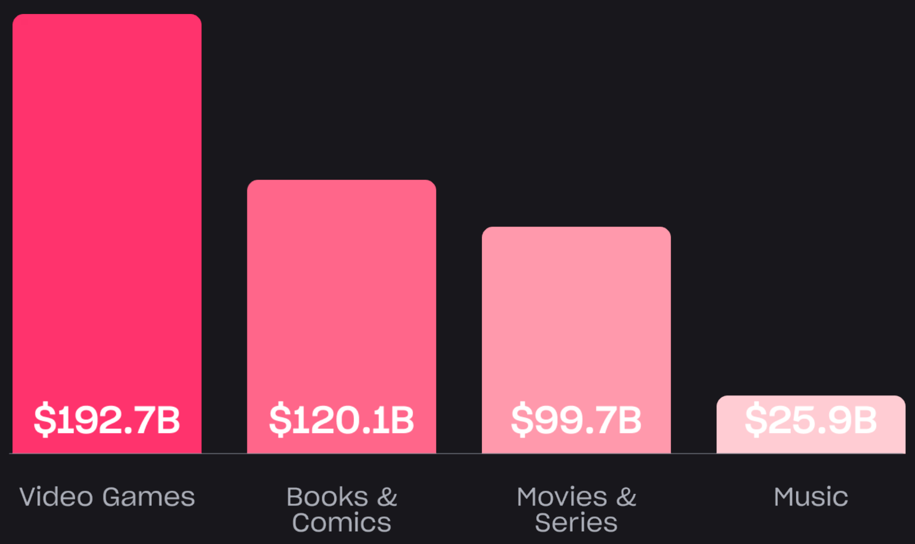
Entertainment market growth and shifts

The global entertainment and media market is shifting upward, projected to grow from $2.3 billion in 2022 to $2.5 billion in 2023, showcasing a compound annual growth rate (CAGR) of 8%.

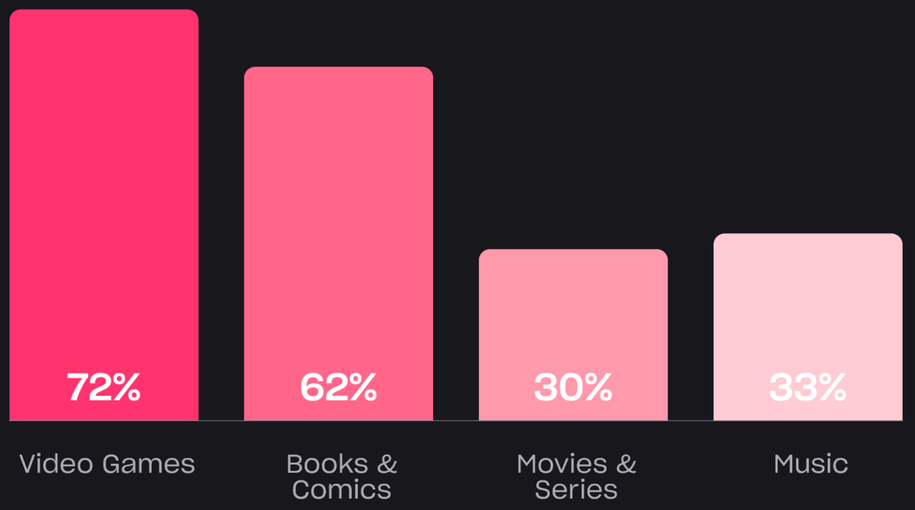


However, gaming has transcended its classification as a form of entertainment, evolving into a powerhouse industry in its own right. While average daily engagement across all entertainment activities (including reading, watching films, and listening to music) sits at 4.3 hours, video games outperform them all, generating engagement and revenue that elevate beyond traditional entertainment according to Statista, the Motion Picture Association, and IFPI. In fact, the $205.7 billion games industry surpasses the $2.5 billion entertainment sector, solidifying its position and influence as its own entity within the global media landscape.

GAMING EXCEEDS ENTERTAINMENT REVENUE GLOBALLY IN 2021



GAMING EXCEEDS ENTERTAINMENT ENGAGEMENT GLOBALLY IN 2022



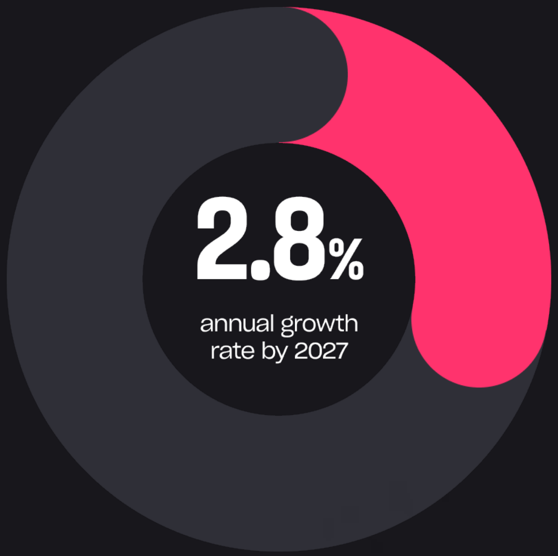
Industry trends and market dynamics

The entertainment and media industries have experienced significant shifts in revenue dynamics. In 2022, there was a global revenue increase to $2.32 trillion, marking a 5.4% rise, which is slower compared to the 10.6% growth observed in 2021 during the post-COVID recovery.

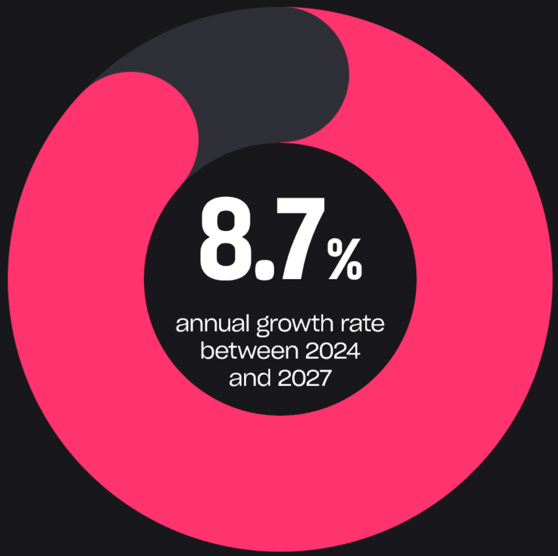
Projections for the entertainment industry indicate an annual decline in growth rates over the next five years, with a modest **2.8% year-over-year increase expected by 2027**, lower than the anticipated overall economic growth rate of 3.1%.

Meanwhile, the games industry is expected to grow at an annual rate of **8.7% between 2024 and 2027**, resulting in a projected market volume of $363 billion by 2027.

ENTERTAINMENT INDUSTRY:



GAMES INDUSTRY:



THE GAME INDUSTRY'S INFLUENCE ON ENTERTAINMENT

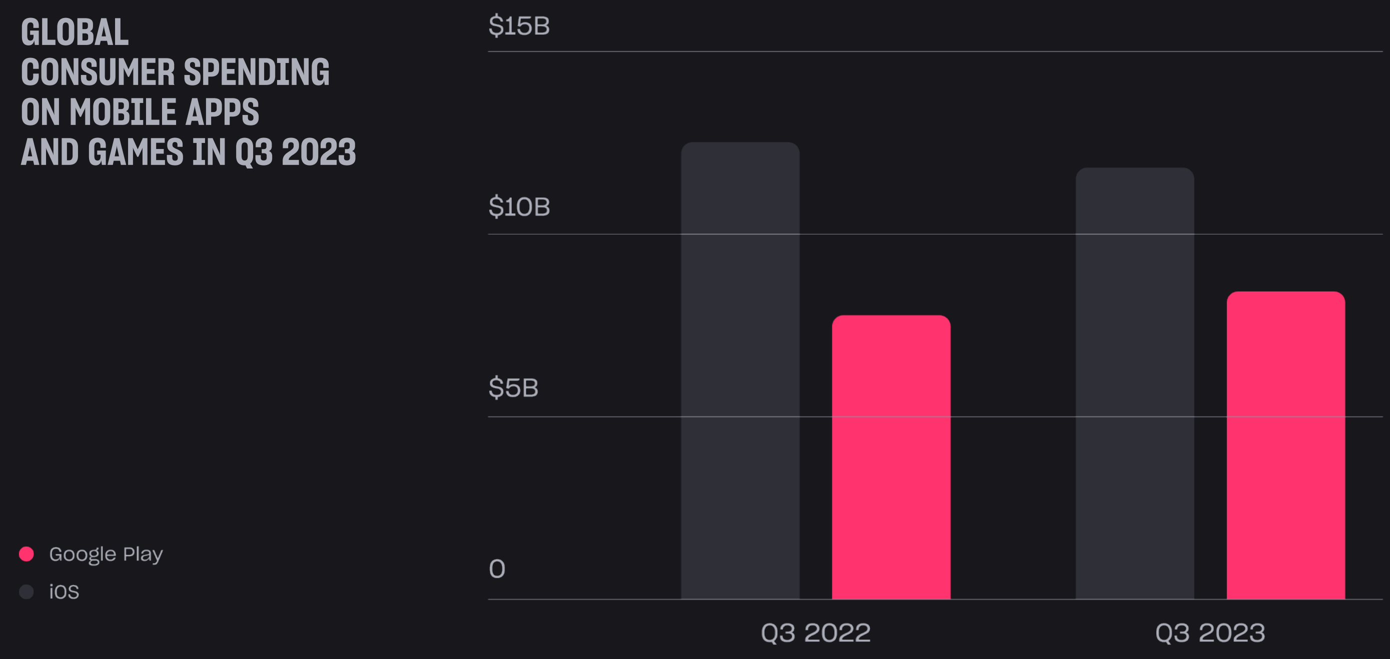
The industry's influence increasingly shapes the broader entertainment landscape, transcending traditional boundaries. Notably, video games have inspired successful films and series, underlining their impact on mainstream entertainment. Box office records were set in North America in 2022 by movies based on gaming franchises, like Paramount's *Sonic the Hedgehog 2* and Sony's *Uncharted*. In 2023, *The Super Mario Bros. Movie* became the first game-based film to surpass US$1 billion in global box office sales.

Streaming platforms also recognize the potential, with Netflix planning or producing multiple movies based on game franchises and HBO Max's acclaimed series *The Last of Us* further emphasizing gaming's influential role in the entertainment ecosystem.

MOBILE APPS AND SPENDING

Consumer spending on mobile apps and games remains a significant aspect of the evolving entertainment market. In the third quarter of 2022, gross app revenue in the Google Play Store and the Apple App Store showed slight decreases compared to previous quarters. This underscores the ongoing shifts and fluctuations within the mobile app and gaming sectors, indicative of evolving consumer behaviors and preferences.

GLOBAL CONSUMER SPENDING ON MOBILE APPS AND GAMES IN Q3 2023



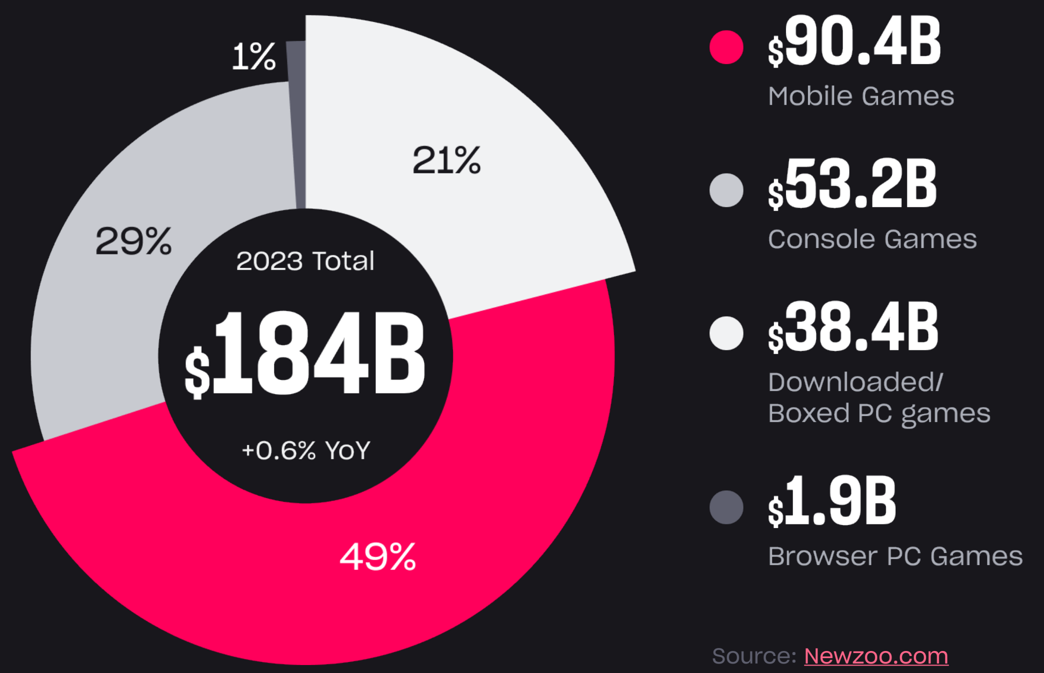
Source: Data.ai

The gaming industry's impact on the broader entertainment landscape highlights its significant role in shaping consumer preferences, revenue dynamics, and the evolution of content consumption across various platforms. As video games continue to bridge gaps between traditional entertainment formats, the industry's influence is set to grow, solidifying its position in the broader entertainment sphere.

PROJECTIONS AND FUTURE GROWTH OF THE GAMES INDUSTRY

Looking ahead from 2023 to 2026, the gaming industry is poised for continued growth and evolution. **Revenues are projected to soar to $205.7 billion**, indicating a steady ascent for the global games market. Notably, this period will see the full swing of the current console generation, bolstered by the release of new consoles like the successor to the Nintendo Switch. Additionally, mobile developers are anticipated to adapt more effectively to the evolving privacy landscape, further contributing to the industry's growth.

GLOBAL GAMES MARKET IN 2023 by segment



Source: Newzoo.com

games industry revenues projected to reach **$205.7B**

By 2026, global **player count is estimated to surge to 3.79 billion**, while payer numbers (individuals contributing financially to the gaming ecosystem) will **grow to 1.66 billion**. This substantial increase in both player and payer numbers will significantly bolster revenues across the board, reflecting the industry's widespread appeal and financial engagement.

2026 INDUSTRY PROJECTIONS

Global player count estimated to reach **3.79B**

Global payer count estimated to reach **1.66B**

Factors driving the market's expansion:

01 NEXT-GENERATION CONSOLES AND THEIR IMPACT

The upcoming wave of next-generation consoles, including advancements like the successor to Nintendo Switch, will be instrumental in driving market expansion. The market's evolution and revenue growth will likely be tied to the success and adoption of these new console iterations.

02 GROWTH OF MOBILE GAMING

Mobile gaming will continue to be a significant driver of industry growth, with mobile developers adapting more effectively to the changing privacy landscape.
This is expected to fuel the continued growth of the mobile gaming sector, reflecting the sustained popularity of gaming on portable devices.

03 INTEGRATION OF AI AND ML TECHNOLOGIES

Integrating artificial intelligence (AI) and machine learning (ML) technologies into games will play a pivotal role in driving innovation, enhancing gameplay experiences, and attracting a broader audience.

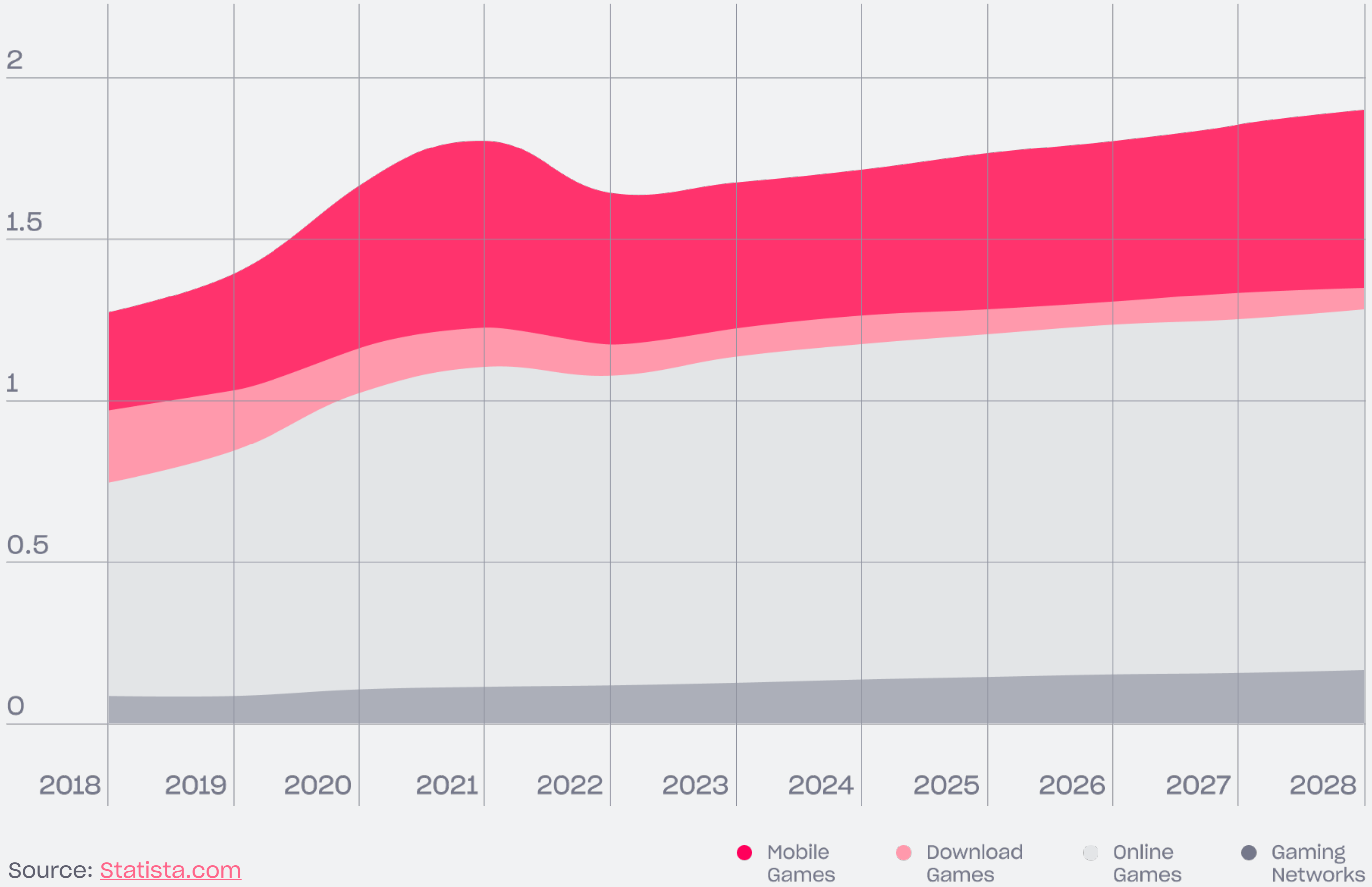
>100M

users will be part of the mobile gaming sector in a few years

The growth of the gaming market will also witness shifts favoring digital sales over physical sales, with digital monetization driven by digital-only consoles, early-access options, and an expanding cloud gaming user base. These projections indicate a significant increase in digital video game revenue across all segments, with mobile games standing out at the end of the forecast period, estimated to reach 100 million users, which is more than double the estimated changes of other segments (around 4 million users). This surge in digital users aligns with the projected increase in digital video game revenue, emphasizing the digital landscape's pivotal role in shaping the gaming industry's future.

GLOBAL DIGITAL VIDEO GAME USERS WORLDWIDE FROM 2018 TO 2028

by segment



Source: Statista.com

WHAT DOES THIS MEAN FOR THE INDUSTRY?

Key trends, including the convergence of gaming and entertainment, exemplify the industry's dynamism. Video games command the highest active engagement hours among various entertainment options, indicating a deeper integration of gaming into consumers' daily routines. Notably, successful movies based on gaming franchises and streaming platforms investing in game-based series showcase a symbiotic relationship between gaming and traditional entertainment.

Despite its popularity and growth, however, the games industry still faces challenges, such as fluctuating market projections due to pandemic-induced boosts and subsequent declines, and navigating revenue fluctuations and predicting consumer behavior will become pivotal for sustained growth. Additionally, evolving digital commerce trends, particularly in mobile app and gaming spending, present challenges and opportunities for industry stakeholders to adapt their business models and strategies.

The comparison of gaming with ecommerce and entertainment underscores a fundamental shift in consumer engagement patterns, and the industry stands at the crossroads of expanded influence and market integration. To capitalize on these trends and maintain growth:

01 DIVERSIFY CONTENT STRATEGIES

Gaming companies could explore innovative content formats, leveraging successful franchises to expand beyond traditional gaming and tap into broader entertainment avenues like movies and series.

02 ADAPT AND BE FLEXIBLE

Adapting to evolving digital commerce trends and consumer preferences, particularly in mobile gaming, becomes crucial. The industry must remain agile to meet changing consumer demands.

03 TECH INTEGRATION AND INNOVATION

Continued integration of cutting-edge technologies, such as AI, VR, and AR, will further enhance gaming experiences, ensuring the industry remains at the forefront of technological innovation.

04 STRATEGIC PARTNERSHIPS AND COLLABORATIONS

Collaborations between gaming companies, entertainment studios, and streaming platforms offer opportunities to create immersive experiences and widen the industry's appeal.

As 2024 comes into full swing, embracing the shifts in consumer behavior, adapting new strategies, leveraging technological advancements, and fostering creative collaborations will be pivotal in shaping the industry's future direction and sustaining its growth.

Section
02

INDUSTRY MOVERS & SHAKERS

THE INFLUENCE OF WOMEN IN GAMING

01

There has been a significant rise in women gamers, constituting approximately 48% of players worldwide in 2022. Despite this growing interest, women's representation in the corporate sphere of the gaming industry remains limited, with only 30% holding gaming industry professional roles and a mere 16% occupying executive positions within the top fourteen global gaming companies.

30%

of women hold professional roles in the gaming industry

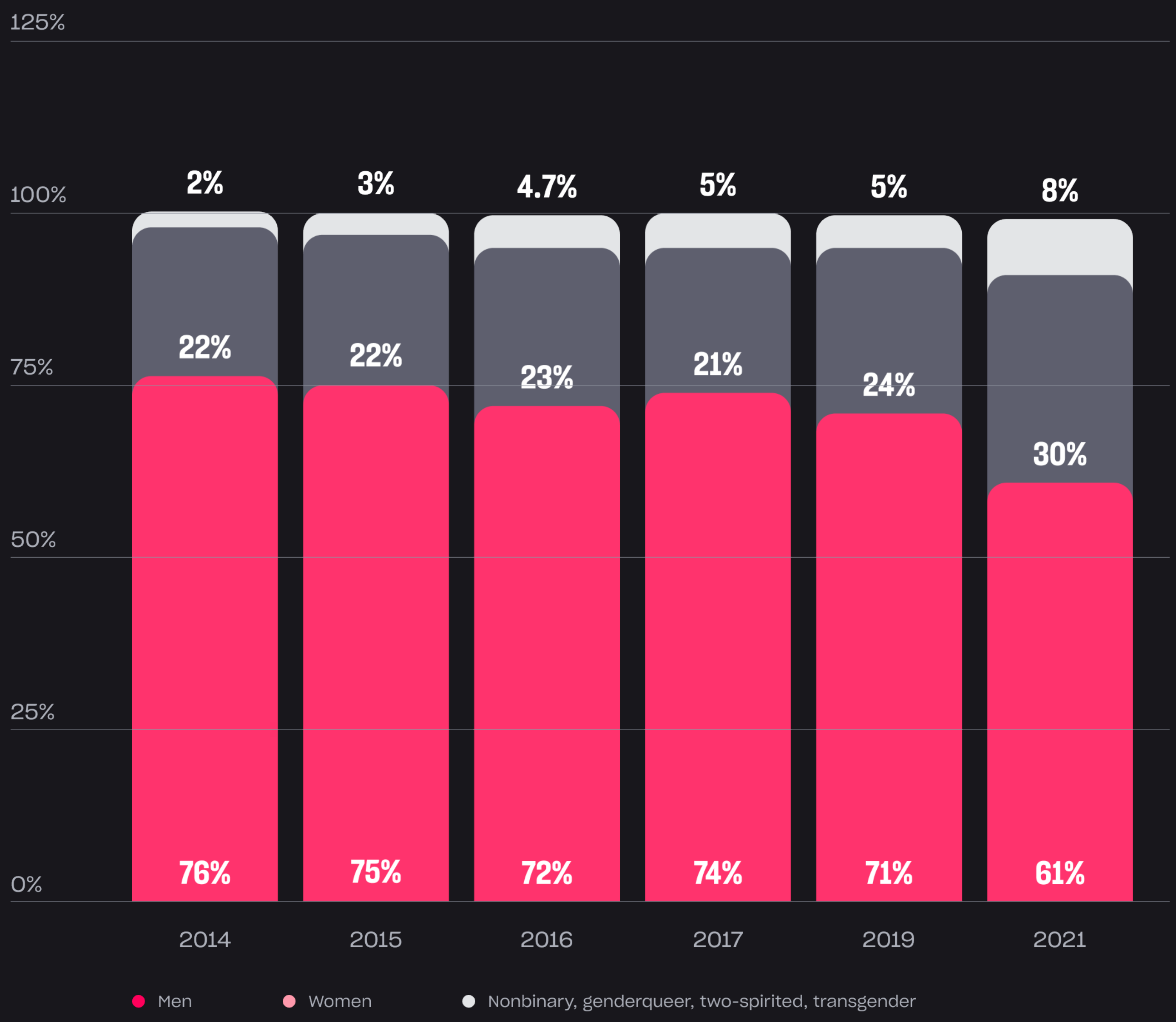
16%

of women occupy executive roles in the gaming industry

02

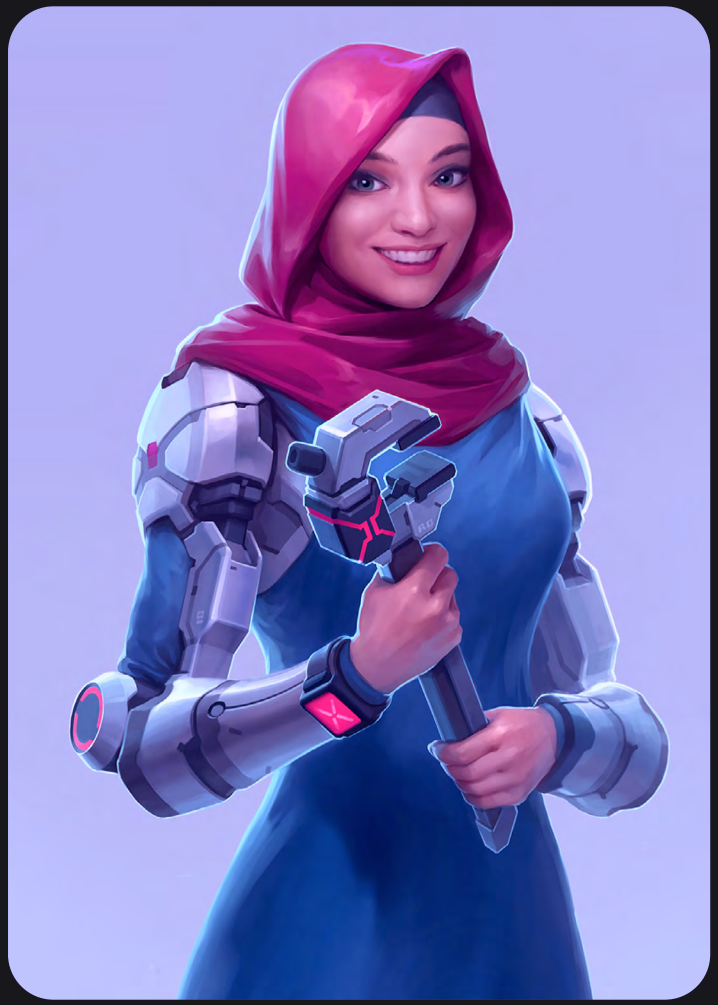
The share of women game developers has seen a significant **increase from 21% in 2017 to 30% in 2021**. According to a game developer survey conducted in 2021, the landscape of the gaming industry reflects a shifting gender dynamic, with **61% of game developers identified as men, 30% as women**, and approximately **8% choosing not to identify** as either.

DISTRIBUTION OF GAME DEVELOPERS WORLDWIDE FROM 2014 TO 2021
by gender



03

Beyond gaming statistics, there is a notable surge in the representation of iconic and determined women in both AAA titles and Indie games, contributing to a more inclusive gaming environment. From characters like Lara Croft (*Tomb Raider*) and Lenneth (*Valkyrie Profile*) to Jaina Proudmoore (*World of Warcraft*) and Tifa Lockhart (*Final Fantasy*), these strong characters serve as positive role models, shaping a more diverse and empowering narrative within the gaming landscape.



04

There is a positive trend towards greater gender diversity in the field, and the influence of women in the gaming industry is exemplified by notable figures like Jade Raymond, recognized for her contributions to the *Assassin's Creed* series and as the founder of Ubisoft Toronto; and Christina Norman, the Studio Director at Riot Games with involvement in *League of Legends*.

Article 01

POWER PLAYERS:

A spotlight on women leading the games industry

JORDAN FRAGEN

an author for GamesBeat
at VentureBeat

The conversation around diversity, equity, and inclusion has become increasingly central to the evolution and transformation of the games industry. In this Q&A session, the Xsolla team sat down with Jordan Fragen, an author for GamesBeat at VentureBeat, to delve into her insights on women's vital role in shaping the games industry's future.

As we explored her unique experiences in the industry, Jordan shared her insights on the influence of women in games, as well as how current diversity trends might impact the future changes and growth of the industry:

01 TELL US A BIT ABOUT YOUR JOURNEY INTO THE GAMING INDUSTRY. WHAT INSPIRED YOU TO PURSUE THIS CAREER?

In college, I received great advice to identify my strengths and find a job that allowed me to be unique and apply those strengths. After deciding the medical field wasn't for me, I fell in love with data science at school. I was really interested in esports and gaming, and I was a decent writer. These three skills inspired me to start writing about what people were watching on Twitch. Since then, I've been in the industry as a journalist and in a research capacity and have worked in several eSports-focused outlets, like the Esports Observer and Esports Insider. I've also worked at research firms like NewZoo.

02 FROM YOUR EXPERIENCE, HOW HAS THE REPRESENTATION OF WOMEN IN THE GAMING INDUSTRY EVOLVED OVER THE YEARS?

There's a way to look at it from industry and personal perspectives. From my experience, there are a lot of people who are very welcoming to women. I think that there's been a lot more focus from a business perspective on outreach to women who are gamers as gaming becomes part of mainstream culture. And I think that's a wonderful thing.

We're seeing lots of adaptations of games into film and TV projects; likewise, we're seeing lots of brands jump into the game space. There are a lot of brands that have also been reaching out to audiences beyond what people think of as the stereotypical gamer. And there are a lot of brands who realize that there's a big audience of women who play games and that it's a great demographic to try to reach through games or advertising campaigns.

03

WHAT ARE SOME OF THE MOST SIGNIFICANT BARRIERS WOMEN STILL FACE IN THE GAMING INDUSTRY TODAY?

I think there are many preconceived notions about the games industry that people have on whether it's welcoming to women or not. It's encouraging to see more qualified women in executive positions.

In my experience, having industry-experienced mentors makes it easier to address unique challenges women face in gaming - whether that's professional advice or just talking about what it's like to be a woman in games. And as the years go by, we're going to see women who have advanced their careers in the industry, and that's going to contribute to a cultural change in a way that constructs an environment that helps women succeed and reduces barriers for them to achieve that success.

04

HOW DO YOU SEE THE ROLE OF WOMEN IN GAMING CHANGING IN THE NEXT FIVE YEARS?

In addition to more women holding executive positions in various roles across the industry – be it in development, business, marketing, and other spaces – we're witnessing a generational change. Girls playing games had products made for them growing up, but it wasn't as normalized as today. There will always be games catering to different demographics, yet we're seeing a shift where more of these games become fixtures in the industry.

Even the biggest mobile game last year, *Monopoly Go!*, doesn't fit the typical stereotype of a young male gamer, so we're seeing more projects that appeal to non-standard demographics growing within the industry - which allows games to reach more people and that is great for the games industry as a whole. Finally, with the mobile games industry being the biggest revenue sector right now, as well as the global rise in people's access to the internet, I think we'll be seeing more players from different cultural backgrounds joining the industry as well.

05

WHAT TRENDS ARE YOU CURRENTLY OBSERVING REGARDING WOMAN LEADERSHIP AND DIVERSITY IN THE GAMING INDUSTRY - AND HOW DO YOU THINK THEY WILL SHAPE THE FUTURE?

One trend I've noticed is the growing involvement of venture capital funds in building relationships with game creators in particular, and creators now play a significant role in determining the success or failure of their games. Part of the reason why games are succeeding is that content creators have boosted indie projects. As game creators establish connections with their audiences and seek ways to integrate products on their platforms, they can retain more revenue in-house. So, the opportunity for game creators to pick the game they will promote to their audience of millions is very prevalent right now - and a great opportunity to capitalize on.

It's also encouraging to witness game creators taking on the role of publishers and being directly accountable to their audience. The increasing opportunities for promoting games to diverse audiences, including those traditionally considered niche, are a positive development. This shift from traditional publishing relationships is an exciting experiment, allowing games from non-traditional backgrounds to thrive. And establishing direct relationships with venture capital funds further enhances the potential for funding and supporting these innovative projects.

06

HOW DO YOU BALANCE STAYING TRUE TO CREATIVE VISIONS WHILE CONSIDERING THE DIVERSE AUDIENCE OF GAMERS?

It's all about aligning the scale of a gaming project with the size of the community it aims to reach. Setting a big AAA budget for a niche audience isn't a recipe for success to begin with. So, if it's a smaller project, you have more opportunity to earn a return.

If you're making games for a specific audience, it's important to be strategic and not overextend the project beyond the opportunity that already exists. And the more we see successful games that reach smaller audiences, the more game creators will try to make games for that audience.

I truly believe that those who have a genuine love for games will thrive in this industry. To make the workforce as inclusive and diverse as possible, it's crucial that those entering the field are driven by their passion for the medium and can connect with others over that shared love. Working in games, I've always appreciated the common ground we all have, even if we don't play the same titles. There's a universal understanding of what it's like to be a gamer that creates a unique bond.

Building healthy relationships in the workforce is about finding commonalities, whether through shared experiences or hobbies, and this holds true across industries. The games industry is fortunate in that nearly everyone is a gamer, and fostering a safer and more inclusive environment comes down to nurturing those relationships and those experiences.

07

WHAT CAN BE DONE TO ENCOURAGE MORE DIVERSITY AND INCLUSION WITHIN THE GAMING INDUSTRY?

08

WHAT ADVICE WOULD YOU GIVE YOUNG WOMEN ASPIRING TO ENTER THE GAMING INDUSTRY?

I was lucky enough to take a class with Christopher Weaver, one of the founders of Bethesda, my senior year of college. He shared valuable advice with our class, which was to find our unfair advantage. Games are ultimately a business, and he emphasized the importance of identifying what makes us unique and how that can contribute value to the industry. This guidance has stuck with me, and highlighting the importance of leveraging distinctive strengths in the gaming business is also the advice I often pass on.

Article 02

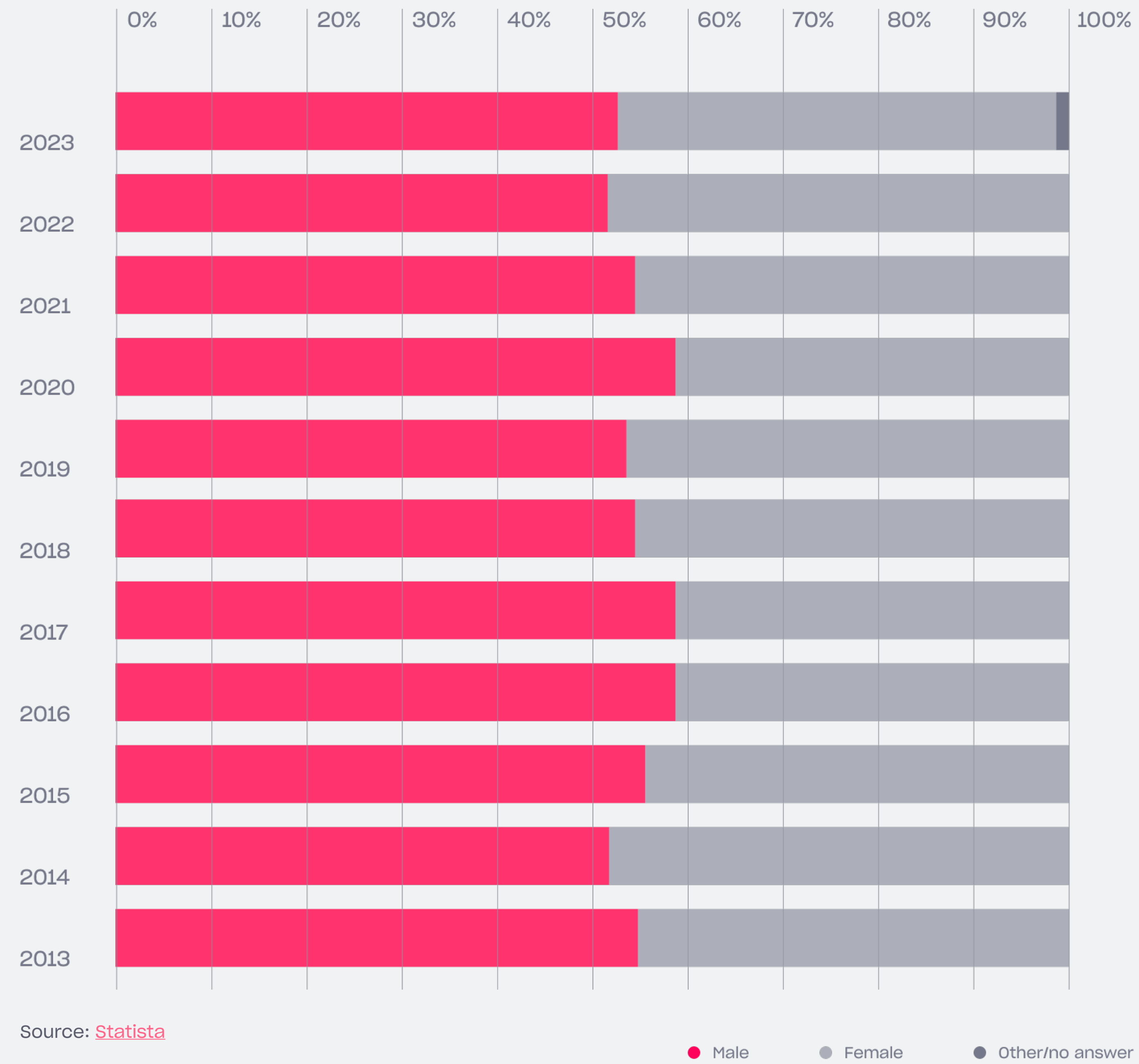
THE REPRESENTATION OF WOMEN IN THE VIDEO GAME INDUSTRY

The current landscape

The gaming industry has witnessed a significant surge in female gamers, who constituted about 50% of the gaming audience in the US in 2023. This surge in female gamers is not only a testament to the industry's broad appeal but also highlights the increasing spending power held by women.

50% About 50% of gamers in the US are women

GAMER DISTRIBUTION IN THE US
by gender



Source: Statista

Despite this, the representation of women in the gaming industry faces challenges, including gender biases, a lack of diversity, and the objectification of women, hindering their progress in the field. Let's explore the representation of women in gaming and discover how the industry can benefit from a focus on diversity and inclusion.

GAMING AND INCLUSION

While some studios have embraced inclusive hiring practices and implemented training courses, many companies have yet to take substantial actions to support diversity and inclusion among their workforce. The challenges faced by women are also prevalent, with gender biases, a lack of diversity, and the objectification of women hindering their progress.

A study on workplace culture, specifically focusing on diversity, equity, and inclusion, revealed that over 50% of companies do not take any actions to support these principles. Additionally, only 26% of studios frequently use inclusive hiring practices, and only 18% implement employee training courses. These numbers highlight the need for more comprehensive efforts to foster an inclusive environment within the industry.

COMPANY INITIATIVES TO INCREASE STAFF DIVERSITY, EQUITY, AND INCLUSION

Inclusive hiring practices to attract a diverse pool of candidates	26%
Diversity training programs for employees	18%
Employee groups for underrepresented communities	14%
Diversity training programs for managers	12%
Regular diversity and inclusion surveys to assess the company's progress	12%
Setting specific diversity and inclusion goals and metrics	10%

INDUSTRY INITIATIVES ADDRESSING CHANGE

Industry initiatives and nonprofit organizations, such as Women in Games, WIGI and GirlsWhoCode, are actively working to provide tools, support, and recognition for women within the industry. Industry awards further inspire and recognize women's achievements in gaming. Industry-wide awards, such as those by MCV/Develop, Women in Games, and WeAreTechWomen, contribute to recognizing and inspiring women in the gaming and tech sectors. While these initiatives showcase progress, challenges persist, including a gender pay gap and continued underrepresentation, emphasizing the need for sustained efforts in driving positive change within the industry.

Other	7%

- No discrimination
- Participating in programs like “Girls Make Games”
- Racial quota in company recruitment programs
- Hiring more women

52%

Of companies don't take any actions to support diversity, equity, and inclusion among workers

WHAT DOES THIS MEAN FOR THE GAMES INDUSTRY?

Beyond the principles of inclusivity and fairness, the inclusion of women in gaming brings about several significant advantages that contribute to the industry's growth, innovation, and overall health.

Broader Market Appeal. With women constituting almost half of the gaming market and over half of the global population, their inclusion in the gaming industry is not just a matter of representation but a strategic move to tap into a significant consumer base. Game developers who understand and cater to the preferences of female gamers gain a competitive edge, as diverse gaming experiences attract a broader audience, ultimately expanding the market and increasing revenue potential.

Informed Game Development. Having women actively involved in the development process provides valuable insights into the preferences and behaviors of female gamers. This understanding is crucial for creating games that resonate with women, considering their distinct reasons for engaging in gaming. In countries like France, where studies reveal that women predominantly play games for competition or self-challenge, incorporating these insights ensures that games are tailored to meet the specific needs and desires of the target audience.

Revenue potential. The unique reasons drawing women to gaming provide valuable insights for game developers. Including women in the development process is crucial for industry inclusivity and unlocking the revenue potential of this growing customer base.

Guest Column

AISYAH AMBOK

Women in Games WIGJ Ambassador / Leadership team

Even though there is female presence in the SEA video game industry, I would like to see the conditions improve, and the region's games industry become safer for women and other marginalized gender identities. There are still less women in leadership positions in game development in Asia. Leadership and decision-making positions in local games companies still tend to be predominantly male.

Other regions such as Europe might be a bit better off in terms of the presence of women in leadership positions in the gaming industry. I read a study done by 20-First in 2020 that revealed Western companies rank highly when analyzed for gender balance in leadership positions in the digital area, whereas Asian countries rank low due to patriarchal society and work environments.

A lot of people, and young women specifically, probably aren't aware that they can work in the game industry. When they study at school, they are put under a lot of pressure from their parents to pursue well-paying, traditional jobs like becoming doctors, bankers or engineers. I think it's important to create awareness, and maybe reach out to kids in schools and help parents understand that game development is a really lucrative industry that people can build a stable career in.

Section

03

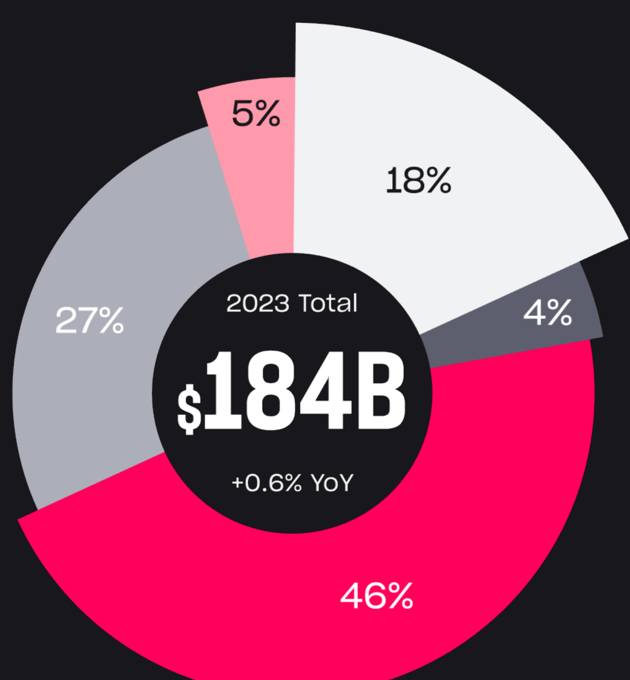
MOBILE GAMING

TRENDS IN MOBILE GAMING

MOBILE GAMING BY REGION

The Asia Pacific region remains a key player in the global mobile gaming market, with a forecasted 4**6% share of global revenue**, amounting to $84.1 billion, despite a slight 0.8% year-over-year decline. The ripple effect of previous freezes and slow licensing practices in China's games market likely impacted anticipated revenue growth.

2023 GLOBAL REVENUE FIGURES
by region



$8.7B
Latin America
3.8% YoY

$50.6B
North America
1.7% YoY

$33.6B
Europe
0.8% YoY

$7.1B
Middle-East & Africa
4.7% YoY

$84.1B
Asia-Pacific
-0.8 YoY

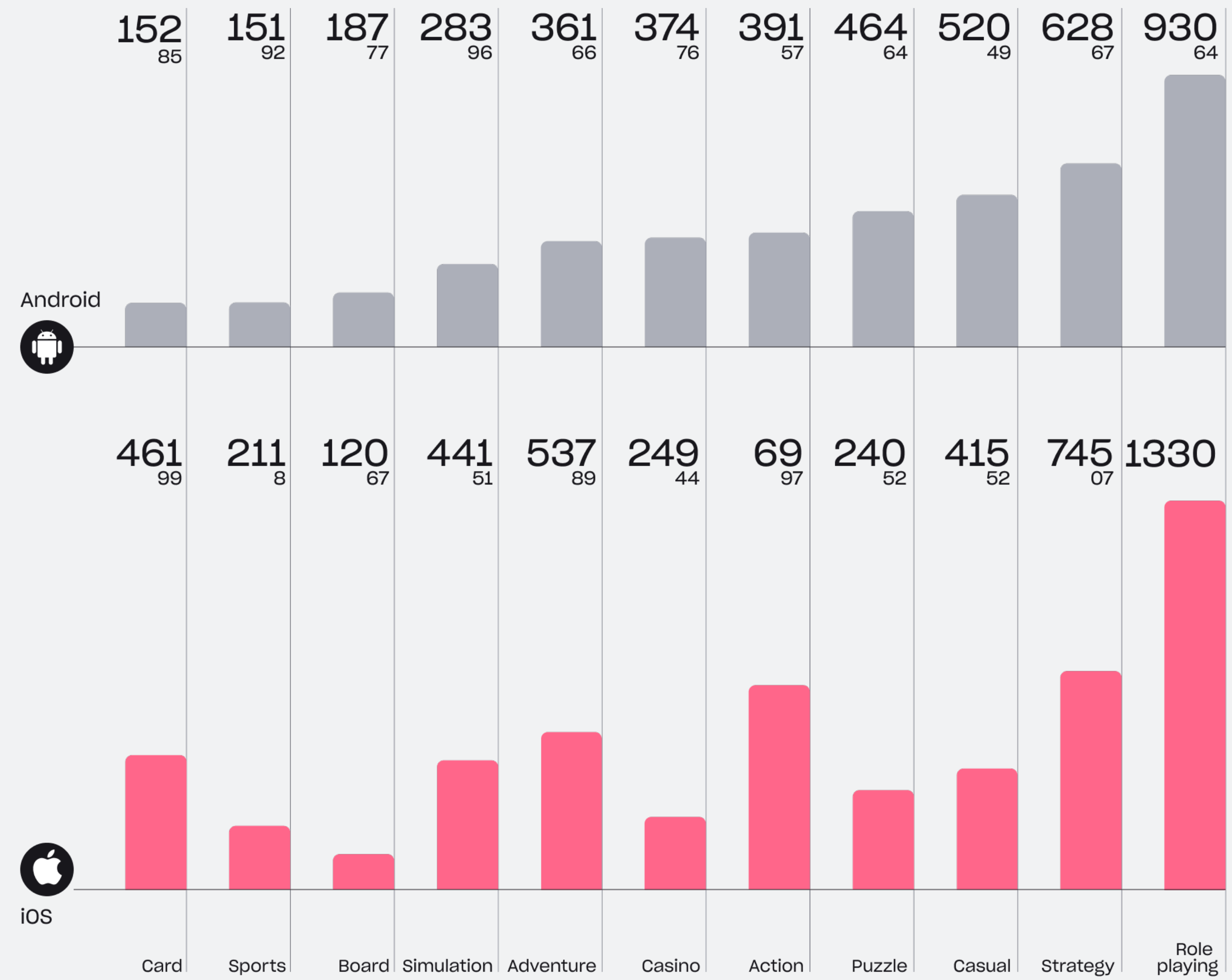
Source: NewZoo

ON A GLOBAL REVENUE SCALE

For iOS users, RPG claimed the top spot with $1.33 billion, trailed by Strategy ($745 million) and Action ($699 million), generating a total revenue of $5.91 billion worldwide in Q3 of 2023.

- For Android, RPG ($931 million), Strategy ($629 million), and Casual games ($520 million) emerged as top grossers, with Android users in Q3 of 2023 contributing a total revenue of $4.64 billion worldwide. The platform disparity stands at 56% for iOS and 44%% for Android, reinforcing iOS as the more lucrative platform.

TOP MOBILE GAMING CATEGORIES BY REVENUE, IOS VS. ANDROID IN Q3 2023
in billion dollars



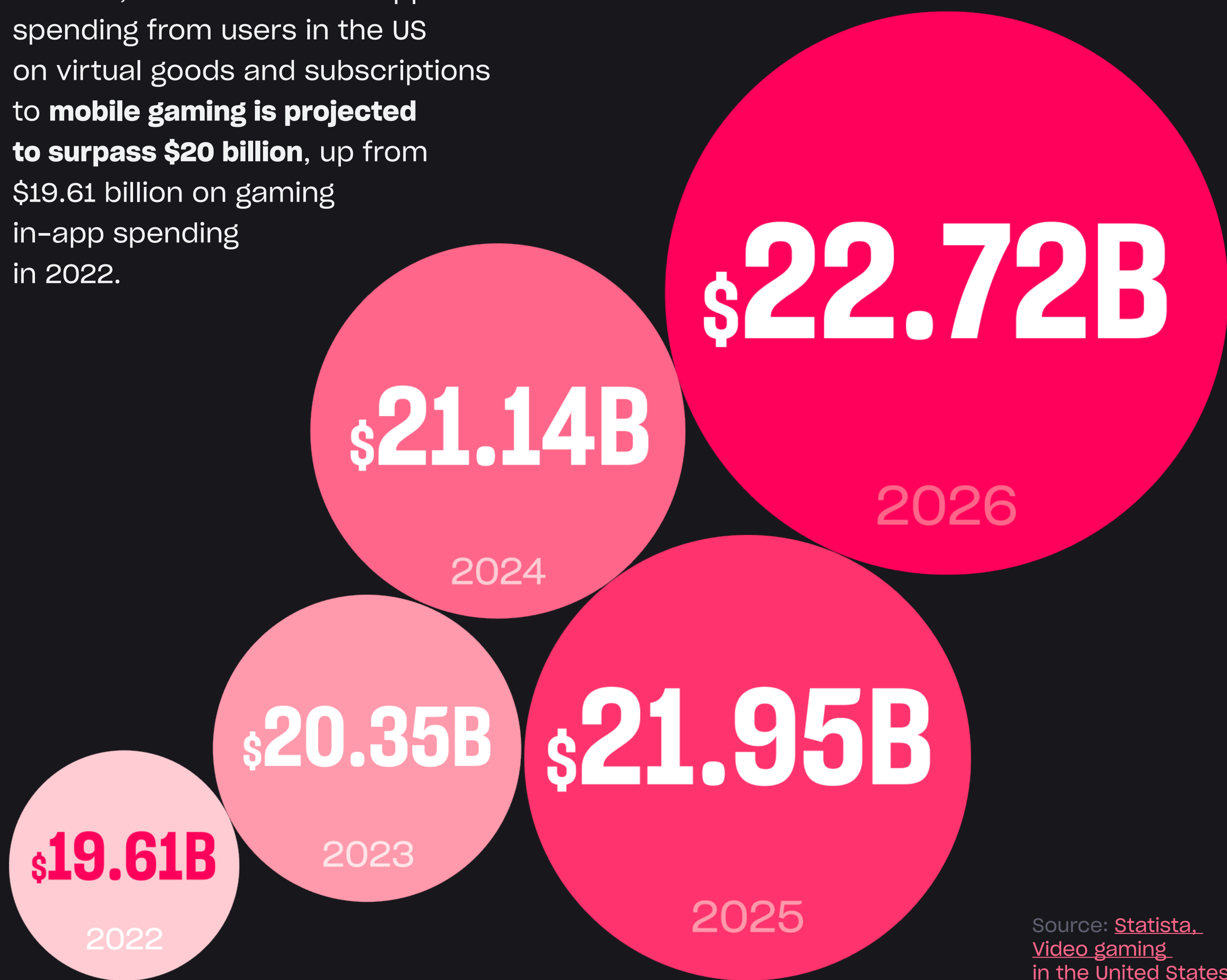
Source: Slide 4 Mobile games: state of the market, Q3, 2023, Apptica and Gamelight

MOBILE GAMING SPENDING TRENDS

In 2023, the combined in-app spending from users in the US on virtual goods and subscriptions to **mobile gaming is projected to surpass $20 billion**, up from $19.61 billion on gaming in-app spending in 2022.

IN-APP SPENDING ON MOBILE GAMES IN THE US

2022 to 2026



Source: Statista, Video gaming in the United States

DIGITAL MARKETS ACT

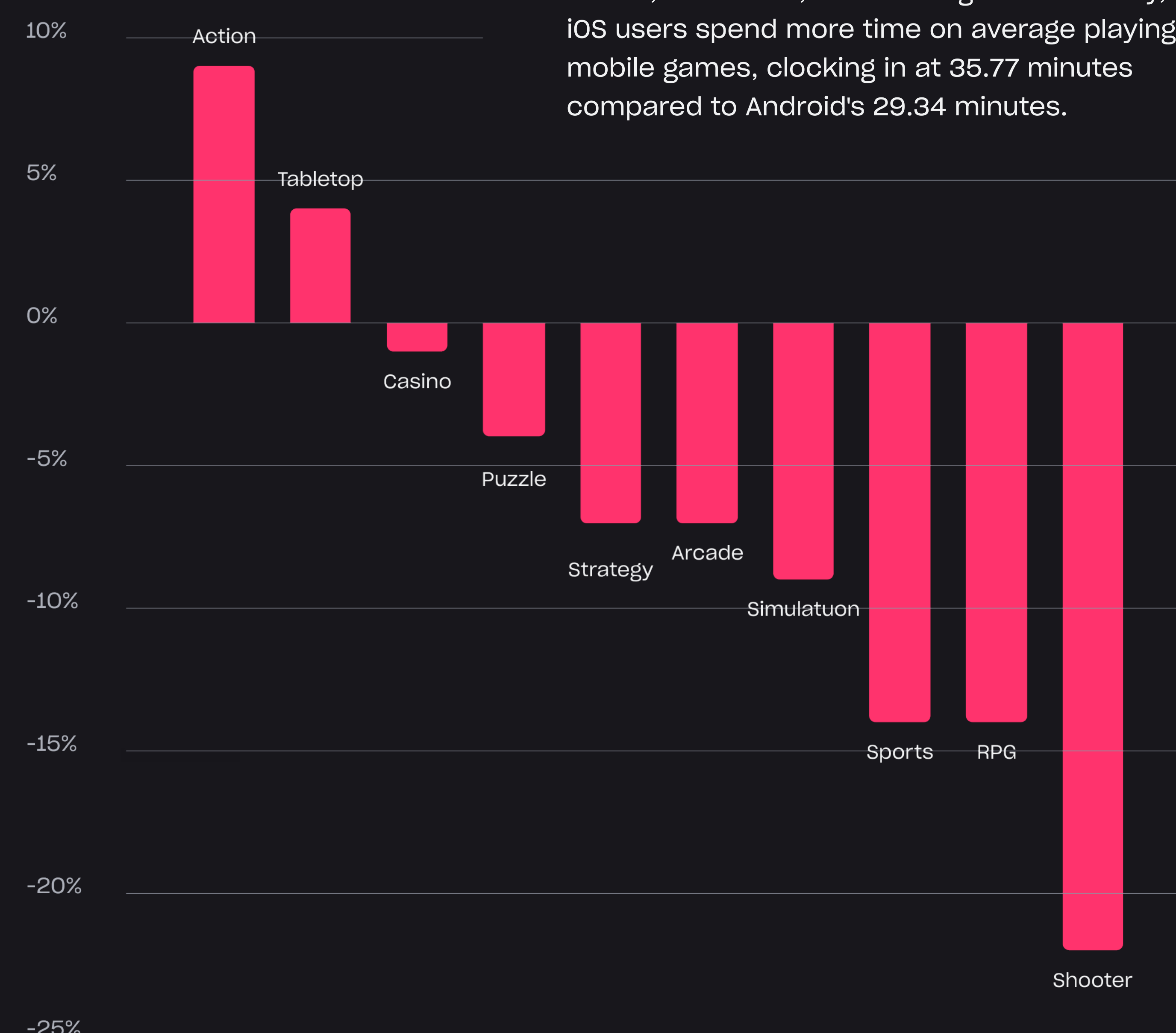
In March 2024, the Digital Market Act (DMA) will result in new European regulations that allow mobile game consumers to use alternative billing systems in the app stores. For game developers it implies freedom of choice and another market shift nurturing direct-to-consumer relationships.

- On the other hand, platforms might create a restrictive framework where game developers will have to apply for entitlements to be able to use alternative billing, while still paying up to 27% for every purchase.

MOBILE GAME GENRE REVENUE GROWTH

2021 to 2022

Source: Statista



DOWNLOADS AND USER PREFERENCES

Casual (269.4M), Action (212.72M), and Simulation (202M) categories dominate user preferences for iOS downloads. The cumulative **gaming installations on iOS reached 1.54 billion, constituting 20.4% of all game downloads**.

- Divergent patterns in user engagement arose as Android users leaned toward Card, Word, and Board games, while iOS users favored Action, Adventure, and Board games. Notably, iOS users spend more time on average playing mobile games, clocking in at 35.77 minutes compared to Android's 29.34 minutes.

Article

01

THE RESURGENCE OF GAMING SPENDING IN 2024

After a slowing of the app economy, which witnessed consumer spending drop for the first time in 2022, the mobile gaming industry is poised for a resurgence in consumer spending. Global in-app spending rebounded with a 5.3% year-over-year growth - reaching a record $67.5 billion for the first half of 2023.

$67.5B

spent on apps in the first half of 2023

$111.4B

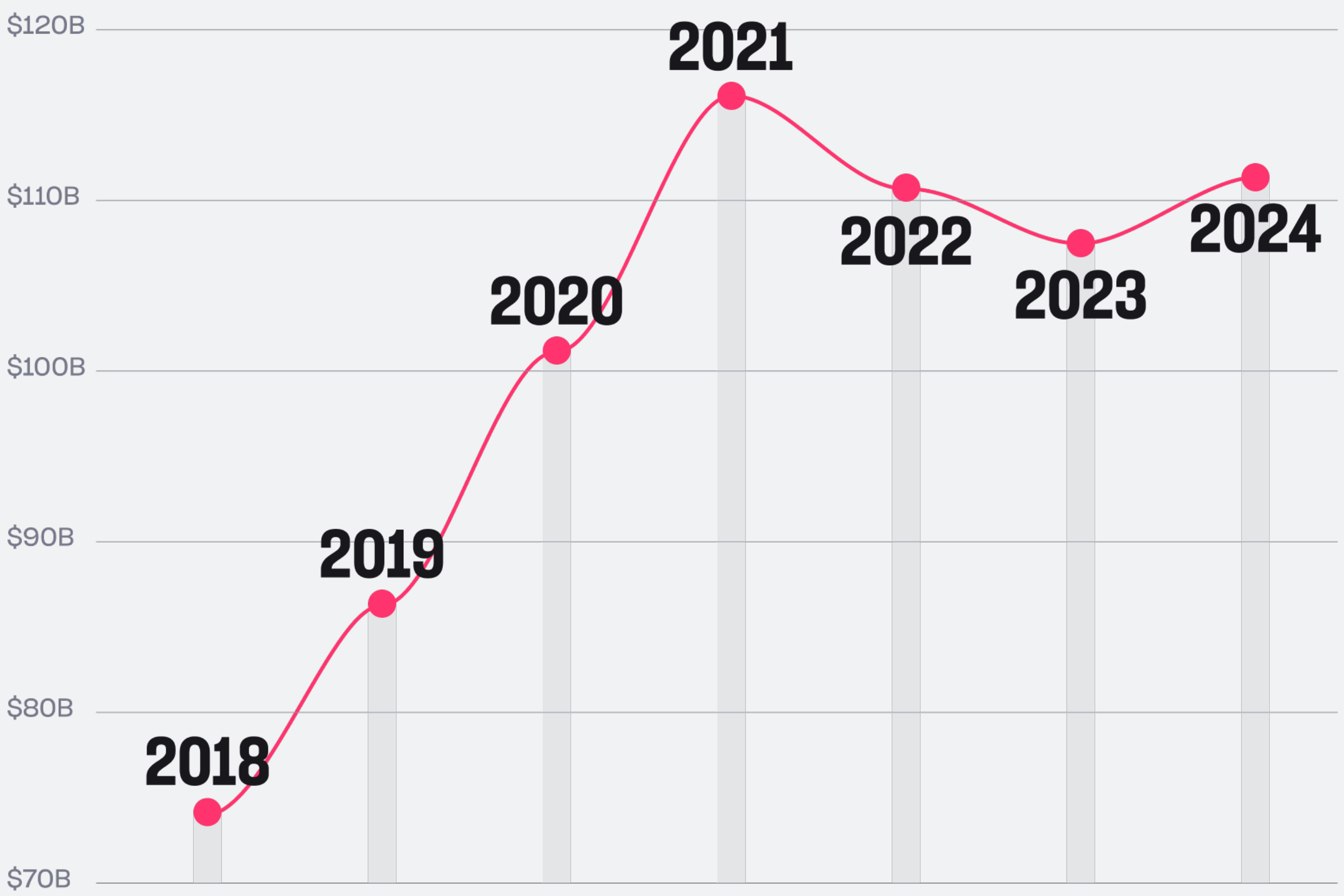
mobile gaming spend expected to reach $111.4B by the end of 2024

MOBILE GAMING CONSUMER SPEND

2018 to 2024

Source: Data.ai

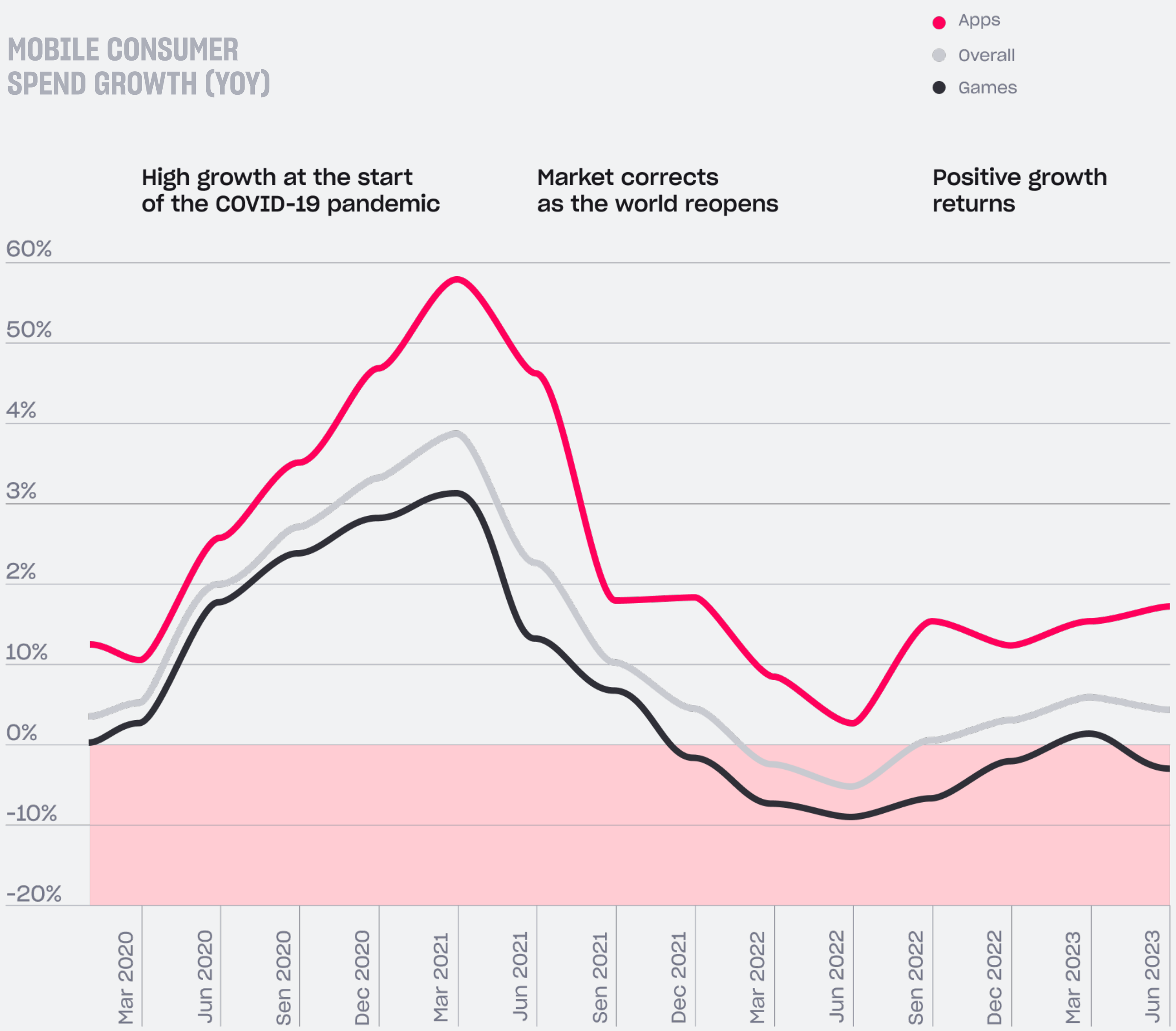
The dip has been attributed to factors such as high inflation, economic headwinds, and a market correction following the pandemic-related highs. However, consumer spending is set to bounce back in 2024, with a projected 4% year-over-year increase to reach $111.4 billion by the end of the year - which falls just short of peak levels during the pandemic at $115.8 billion.



DRIVERS OF GROWTH

The positive growth in consumer spending began in late 2022, following the trend of holiday-driven spending. That growth continued into the first half of 2023 as consumers downloaded a record **76.8 billion apps globally** across the iOS App Store and Google Play.

MOBILE CONSUMER SPEND GROWTH (YOY)



Source: Techcrunch.com

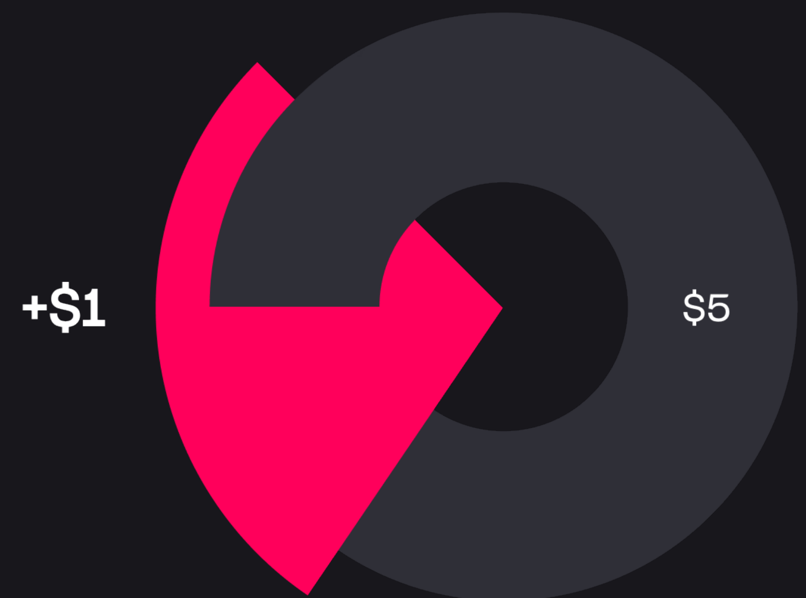
>40%

The US will drive >40% of mobile gaming spend in 2024

The US is positioned to be the primary driver of spending growth in 2024, contributing 40% to the year-over-year spend. Following closely are Japan, South Korea, Taiwan, Germany, and the UK. Mobile game spending in China took a hit in 2023, declining nearly 11% year-over-year. But outside China, the picture was brighter, with a 4% rise, reversing the 11% decline of 2022.

Additionally, several markets, including South Korea, France, Brazil, and Turkey, saw double-digit spending growth, fueling the global comeback. Japan, in particular, is anticipated to account for **16% of the total growth in year-over-year spend**. These regional pockets of growth signal a global resurgence in mobile game spending as these key markets lead the way.

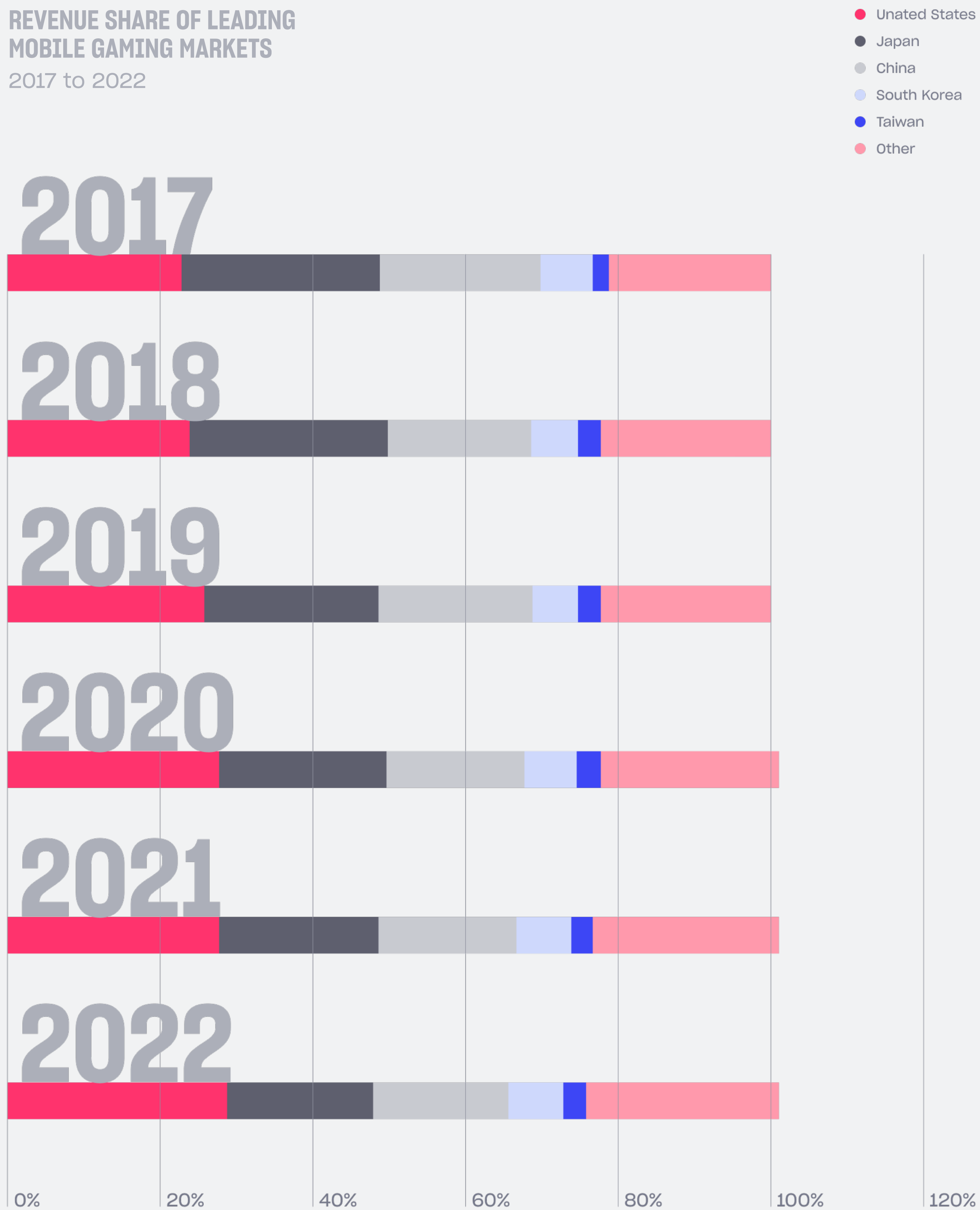
$1 out of $5 of aggregate growth in spending will be driven by RPG and Match games



RPG, Match, Party, and Casino games are expected to be the most popular game genres to fuel mobile game spending, and unlike previous trends, spending across these genres is projected to be more evenly distributed. RPG and Match games, in particular, are poised to drive $1 of every $5 of aggregate growth in spending. These genre dynamics suggest a broadening appeal for mobile games across various player preferences and the positive trajectory in mobile gaming spend is a promising sign for the gaming industry's overall growth.

REVENUE SHARE OF LEADING MOBILE GAMING MARKETS

2017 to 2022



Source: Statista

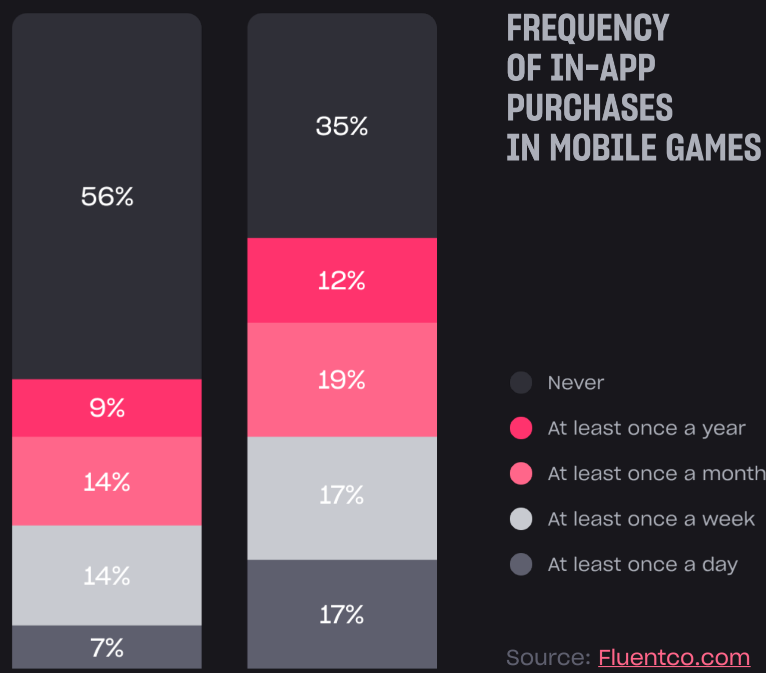
INDUSTRY IMPACTS ON MOBILE GAMING SPENDING

While there's an optimistic outlook, mobile gaming has encountered industry-wide challenges that have led to a lowered growth forecast - initially predicted to be a 2.6% increase but now estimated to be a 0.6% increase year-over-year. Several industry-wide trends and current events will be important to watch as they might continue to impact the mobile gaming sector.

THE IMPORTANCE OF IN-APP PURCHASES (IAPs)

While there may be some skepticism around the value of rewarded traffic, **65% of rewarded users make in-app purchases**, compared to only 44% of those who don't. This highlights the correlation between rewarded engagement and user interaction and affects how often and how much users will spend on mobile games.

FREQUENCY OF IN-APP PURCHASES IN MOBILE GAMES



Source: Fluentco.com

EPIC VS GOOGLE ANTITRUST TRIAL

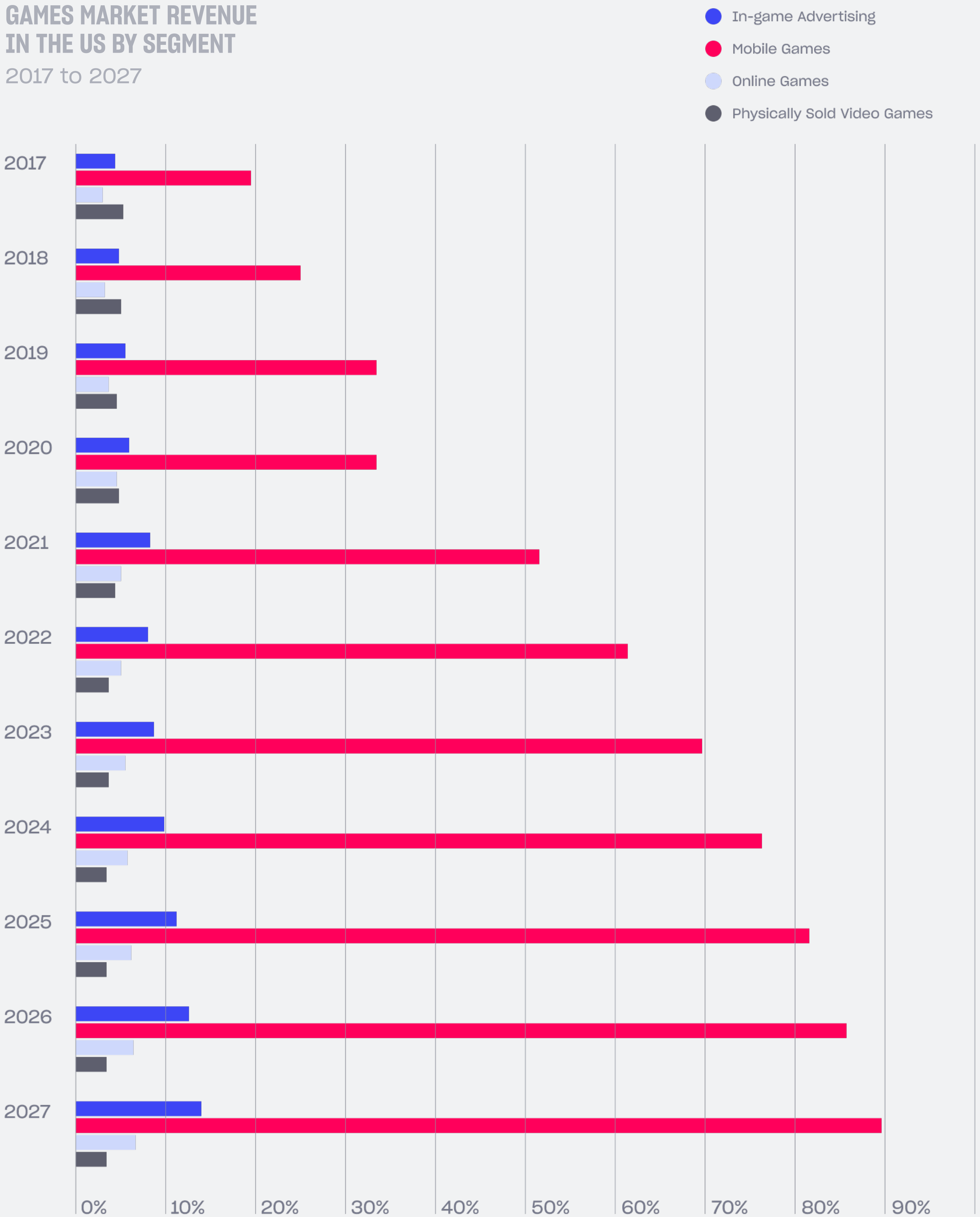
The Epic Games and Google trial represents a significant impact on mobile games and how they will be monetized and distributed. Epic Games' victory could also unlock a potential spending spree in mobile gaming. Lower app store fees could mean cheaper in-game purchases and subscriptions. At the same time, increased competition and developer freedom could bring players more attractive deals and a wider range of high-quality games.

WHAT DOES THIS MEAN FOR THE GAMES INDUSTRY?

The resurgence of mobile game spending in 2024 paints a positive picture of the industry's future. Despite its fluctuations, mobile gaming remains the most significant segment of the gaming industry by consumer spending, accounting for nearly 50% of the overall market. The sector is also entering a phase of normalized growth, moving away from the surge witnessed during the pandemic's peak.

GAMES MARKET REVENUE IN THE US BY SEGMENT

2017 to 2027



Source: Statista

62%

of developers are using LiveOps in their most profitable titles

The success of mobile games is influencing other segments as well. Console and PC developers increasingly incorporate mobile-inspired features like in-app purchases and free-to-play models. LiveOps has also become a key component in mobile game success and is now used by 62% of developers in their most profitable titles, indicating the benefits of LiveOps for a game's post-launch phase in ensuring sustained engagement and monetization opportunities.
And for developers looking to optimize their mobile game strategies, platforms like Xsolla Web Shop provide comprehensive solutions for monetization, enhancing player engagement, and driving overall success in mobile gaming.

The outlook for games and apps alike looks promising in 2024, with consumer spending on apps continuing to drive the bulk of the growth and an increasing number of mobile games achieving annual revenues of over $1 billion.

Section

04

PRODUCT

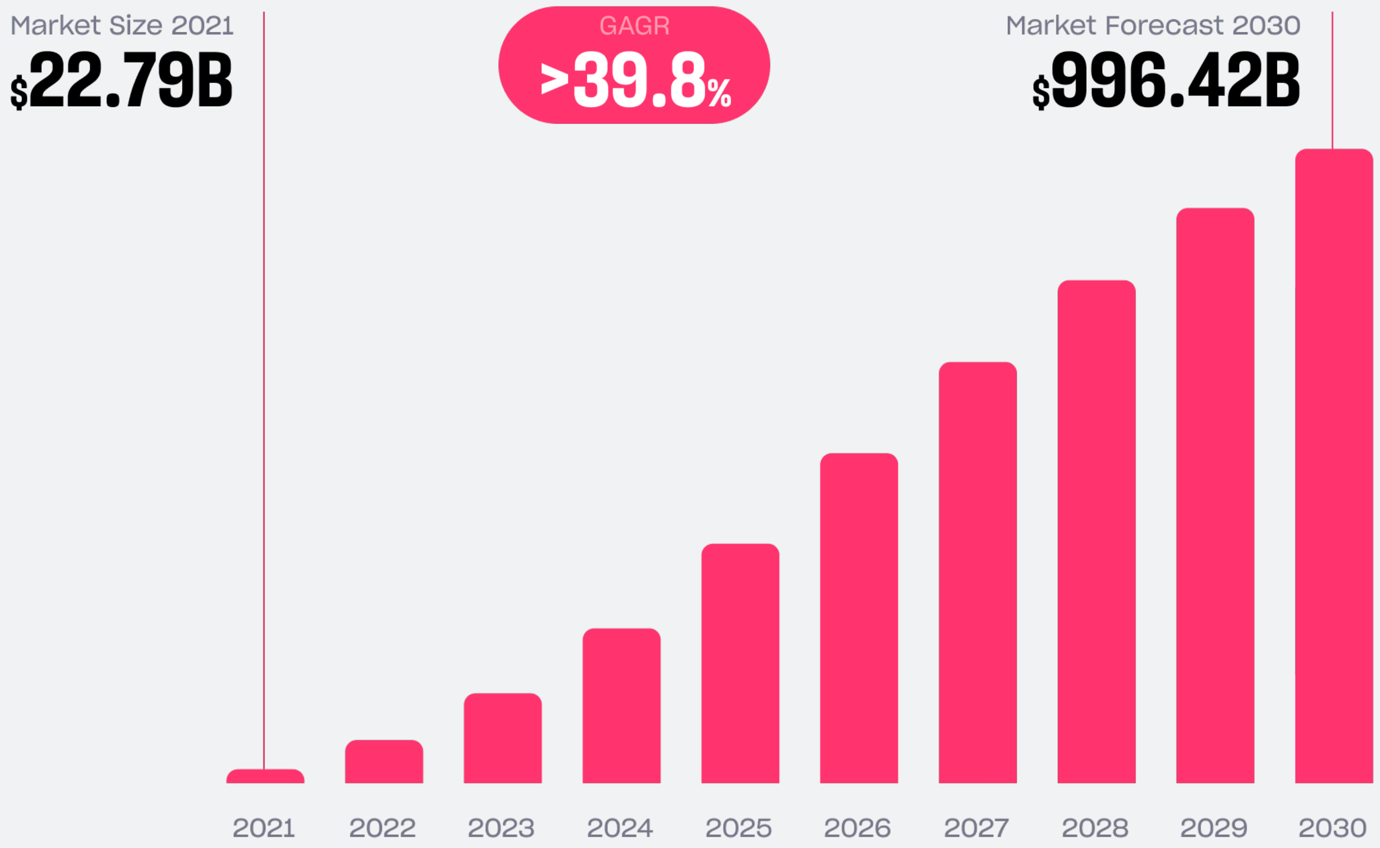
CURRENT NEWS AND TRENDS IN GAME DEVELOPMENT

METAVERSE

In 2024, metaverse gaming is expected to remain niche amid the persisting metaverse winter. Despite this, significant dynamics are at play as game publishers and 3D game engine providers emerge as prime M&A targets for major publishers and tech giants.

With a compound annual growth rate (CAGR) of 39.8%, the metaverse market is anticipated to reach $996 billion by 2030, as companies across the globe, including those in non-tech sectors, increasingly invest in the technology for better engagement with customers, brand awareness expansion and identification of new revenue streams.

METAVERSE MARKET FORECAST 2021-2030



Source: GlobalData

Anticipated developments in 2024 include the release of several metaverse hardware devices. Apple is set to enter the market with the Apple Vision Pro augmented reality (AR) headset, scheduled for a U.S. release in February 2024 with a global rollout to follow. Despite the anticipated release of these devices, metaverse gaming will likely not enter the mainstream in 2024 because important technologies driving the development of the metaverse, like AR and VR, are still being developed and tested.

CLOUD GAMING

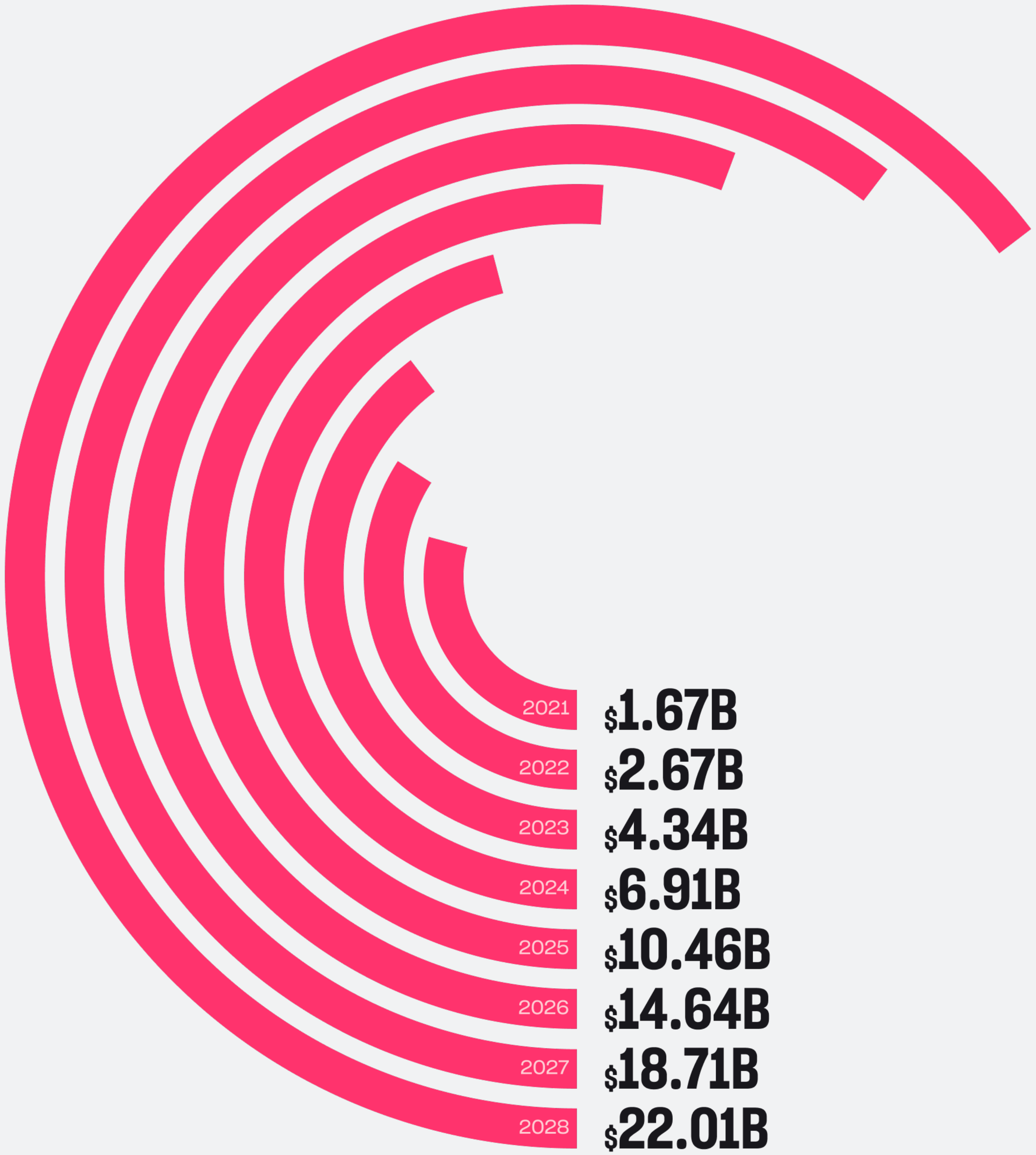
01

While Cloud Gaming is not yet mainstream, and streaming games directly via the cloud is a novel form of game delivery awaiting full industry adoption, the industry shows positive tendencies toward its adoption.

02

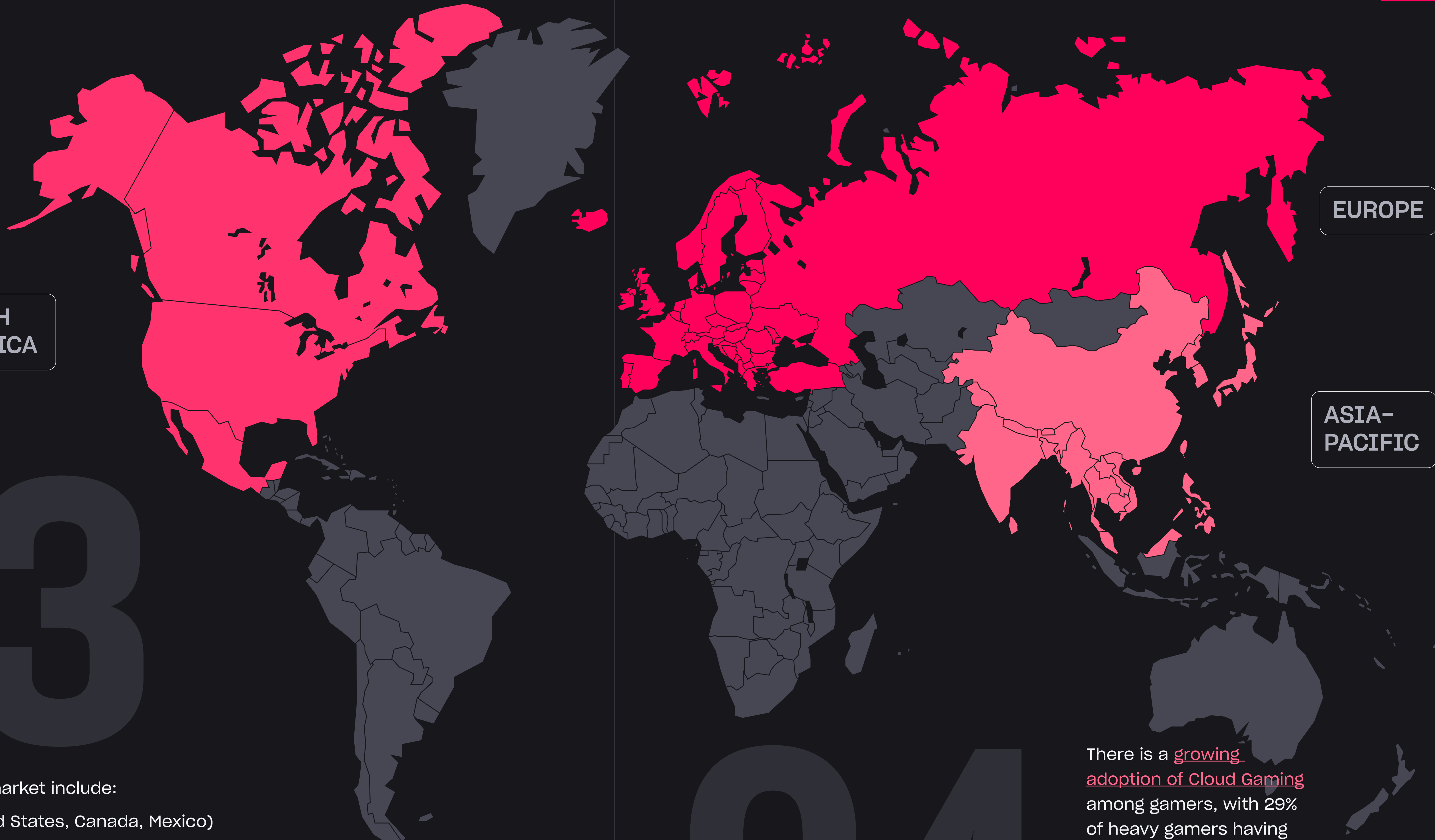
The Cloud Gaming market is poised for significant growth, with a projected worldwide revenue of $6.91 billion by 2024.

GLOBAL CLOUD GAMING REVENUE
2021 to 2028



TOP 3 REGIONS FOR CLOUD GAMING GROWTH

03



Leading regions in this market include:

- North America (United States, Canada, Mexico)
- Europe (Germany, UK, France, Italy, Russia, Turkey)
- Asia-Pacific (China, Japan, Korea, India, Australia, Indonesia, Thailand, Philippines, Malaysia, Vietnam)
- South America (Brazil, Argentina, Colombia)
- Middle East and Africa (Saudi Arabia, UAE, Egypt, Nigeria, South Africa)

04

There is a growing adoption of Cloud Gaming among gamers, with 29% of heavy gamers having engaged with cloud gaming services. And an average of 45% of cloud gamers use their smartphone as their primary device.

Article
01 THE POWER OF THE CLOUD:

Gamer preferences, monetization models, and opportunities in cloud gaming

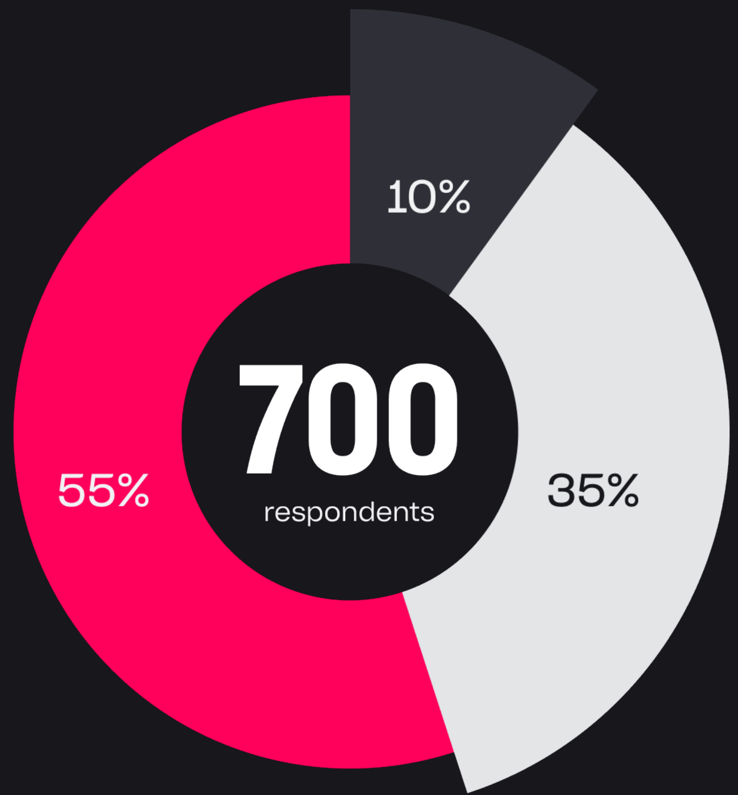
Xsolla experts and the research team from 80LV dove into the realm of cloud gaming in a joint effort to explore the ways gamers are utilizing it, the way it is being monetized, and the strategies developers can adopt as this new gaming market continues to evolve.

With a focus on 700 gamers from diverse backgrounds, this study uncovered key insights into the relationship between gamers and cloud-based gaming platforms, the habits and behaviors of a global gaming community, and the way cloud gaming might take shape in the industry.

With an average playtime of 15 hours per week, the significance of gaming in participants' lives became evident. Global participation further underscored the survey's reach, with responses from countries like the US (24%), Canada (5%), Italy (5%), India (5%), and beyond. The study also addressed participants' readiness regarding technology and infrastructure. More than half of the respondents possessed a 5G-enabled device (55%) and actively engaged with 5G networks.

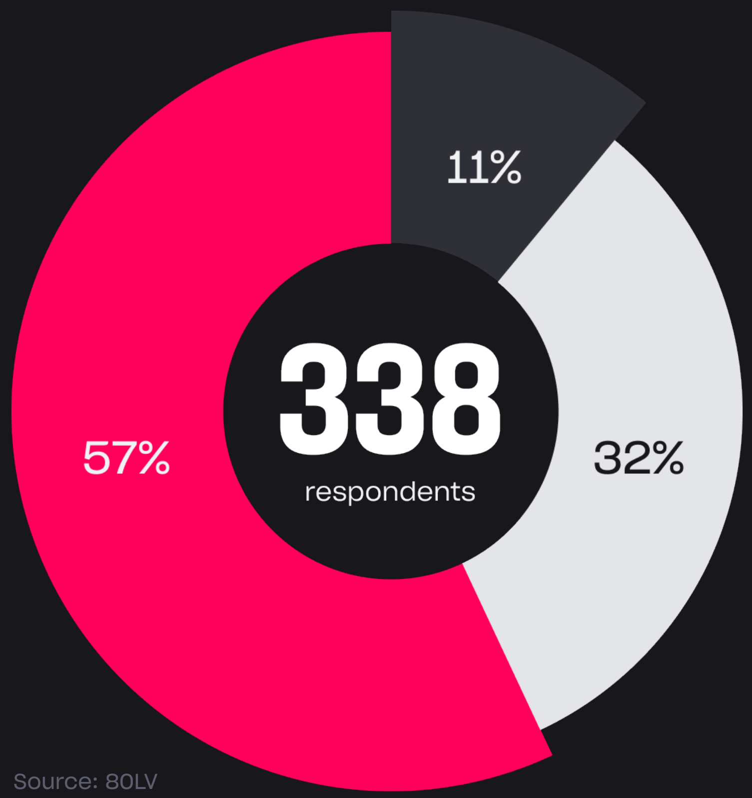
This high-level overview sets the stage for a deeper dive into cloud gaming solutions, with a particular focus on how technology, economic factors, and player preferences converge to shape the future of this dynamic industry.

GAMER RELATIONSHIPS WITH 5G



ACCESS TO 5G

- YES, I have a 5G-enabled device
- There's no access to 5G network in my country
- NO, my device is not 5G enabled



USING 5G

- YES, I use 5G whenever possible
- Sometimes, depending on the circumstances
- NO, I don't use 5G even though I have access to it

Source: 80LV

GAMER PREFERENCES AND BEHAVIORS

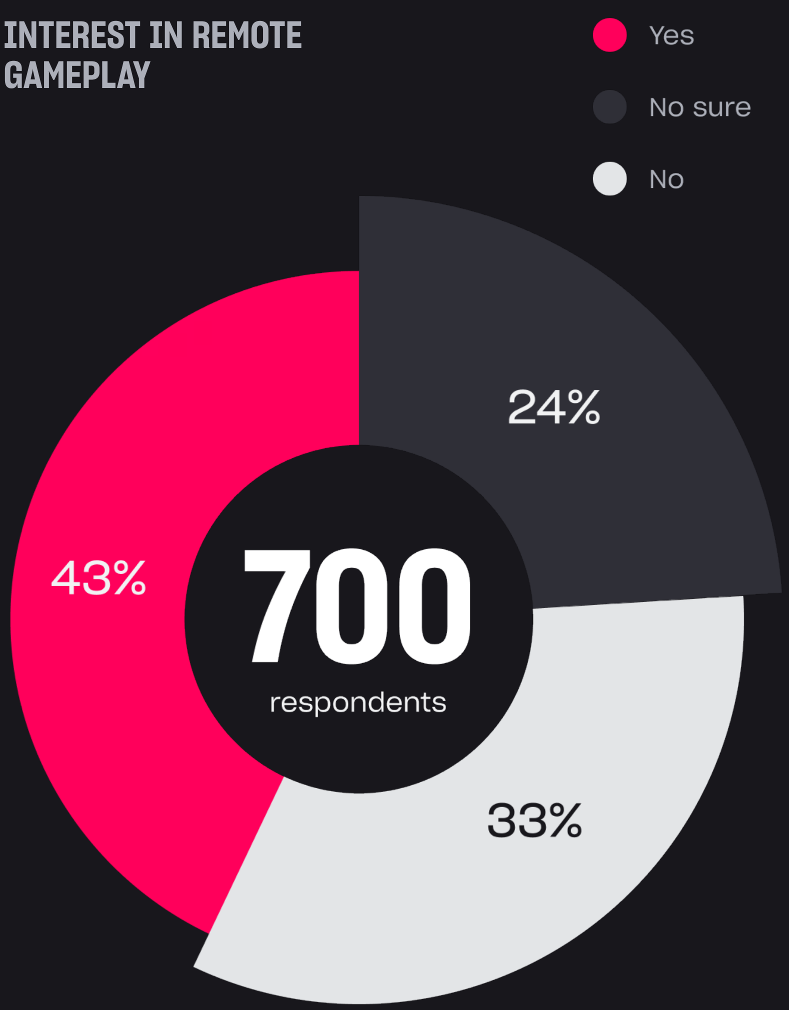
Exploring gamers' engagement with cloud gaming and its features is pivotal for developers, marketers, and industry experts since it can influence games' content and deployment strategies - especially for game studios or publishers that plan to launch or distribute their games in the cloud.

Neela Dass, Program Director of Xsolla Cloud Gaming underscores the promising landscape for cloud gaming solutions.

> "With a significant 91% ownership of PCs, as well as an 86% ownership of Androids and iPhones, a majority of gamers have the necessary hardware and the smartphone compatibility to support cloud gaming. However, the adoption of cloud gaming hinges on factors such as internet connectivity, including 5G, the availability of cloud-based gaming services, and individual preferences for gaming experiences."

Examining gamer preferences for remote play features revealed a few key trends. First, 43% of people expressed interest in using remote play as a learning tool from skilled peers, while 33% preferred independent gaming experiences. About 25% remained uncertain about their interest in remote play.

INTEREST IN REMOTE GAMEPLAY



Source: 80LV

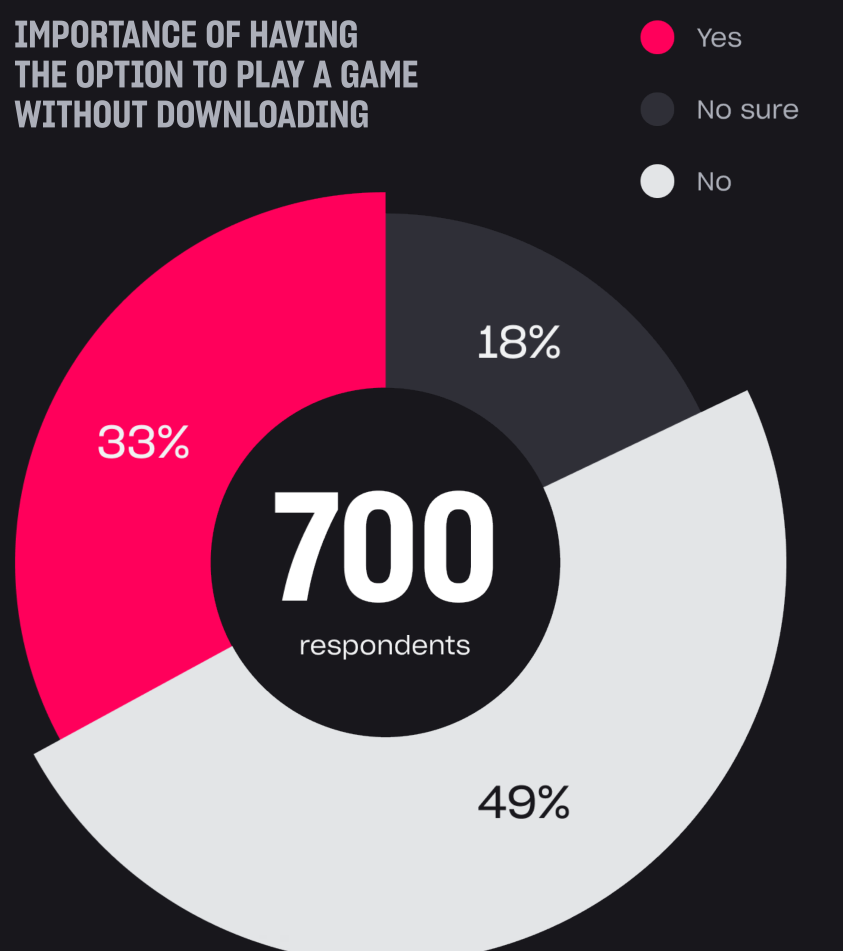
Additionally, the pay-as-you-go feature, enabling gamers to start playing without a lengthy download and installation process, offers a quick and efficient experience that 76% of respondents found important, with the appeal lying in time savings and reduced wait times associated with downloads.

76%

of respondents preferred the reduced wait times of pay-as-you-go

More than 56% of respondents appreciated the opportunity to try a game before committing to a full download, purchase, or subscription, emphasizing how important gamers find previewing their games and informed decision-making. Other benefits, like saving device storage space (54%) and exploring overlooked games (40%), added to the overall appeal of cloud gaming.

IMPORTANCE OF HAVING THE OPTION TO PLAY A GAME WITHOUT DOWNLOADING



Source: 80LV

CLOUD GAMING MONETIZATION MODELS

As cloud gaming continues to gain traction in the games industry, the big question when it comes to viability and longevity is monetization.

Based on the research conducted, a notable 39% of gamers leaned towards Free-to-Play (F2P) titles, emphasizing the appeal of accessible gaming experiences. On the other hand, 53% preferred paid or premium games, indicating a substantial market for premium gaming content. A smaller 9% of gamers opted for subscription-based models.

Additionally, genre preferences and engagement patterns are important for developers strategizing cloud gaming launches. According to 80 Level research team:

> “Developers should pay attention to action, adventure, and role-playing games when deciding on the genre for cloud gaming launches."
>
> 80 Level research team

Developers can strategically position their cloud gaming products by understanding and leveraging these genre preferences for favorable market reception.

Two predominant models have emerged, each catering to distinct player behaviors and commerce trends.

Subscription

The subscription monetization model, paralleling the success of platforms like Netflix and Spotify, mirrors users' consumption patterns outside of gaming and proves advantageous for companies, particularly in the context of potentially high customer acquisition costs.

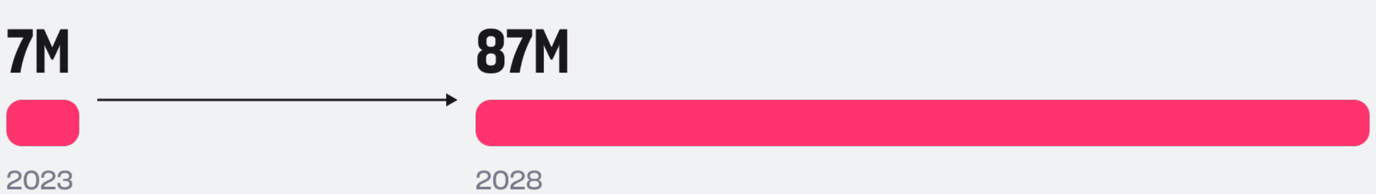
Companies can establish a predictable income stream by offering a fixed monthly fee, effectively covering the expenses of delivering top-notch gaming experiences. The subscription model emerges as a stable and sustainable approach, providing companies with a reliable means of recovering costs compared to the variability of a pay-as-you-go model.

MONETIZATION MODELS “PAY AS YOU GO” VS “SUBSCRIPTION”

Cheaper to launch and maintain	More consistent income: a stable and sustainable way for recovering costs
Less demanding on audience size	Much more expensive to implement for a cloud gaming provider
More accessible way for players to engage with a particular title	Aligns with how users consume content outside of gaming

However, the dynamic nature of the subscription model requires a strategic approach, especially for emerging players in the cloud gaming industry. With the number of cloud gaming subscribers projected to grow from 7 million in 2023 to 87 million in the next 5 years, implementing the subscription model poses a more significant expense for cloud gaming providers. This means developers should carefully assess the size of the service's audience and recognize that while enterprise companies may possess the resources and buying power to implement cloud gaming successfully, new startups may face challenges in replicating this.

CLOUD GAMING SUBSCRIBERS PROJECTED TO GROW FROM 7 MILLION TO 87 MILLION IN THE NEXT 5 YEARS

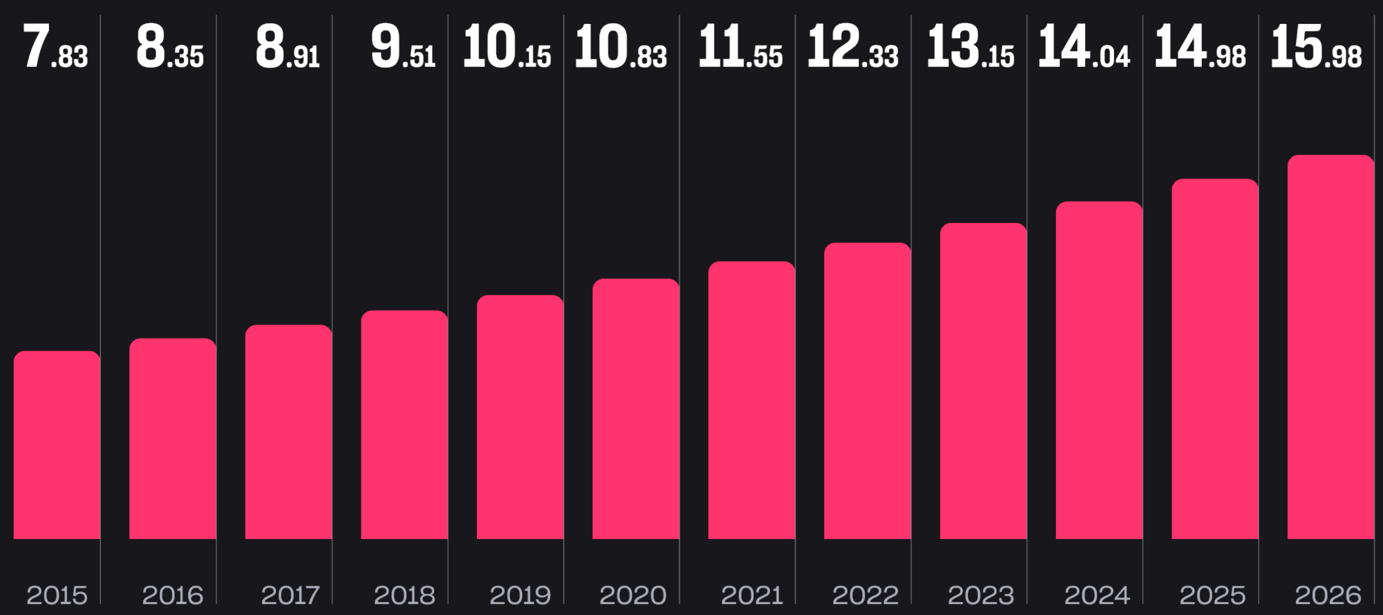


Pay-as-you-go

There's also a notable surge in the popularity of the pay-as-you-go (PAYG) monetization model, which is anticipated to reach $16 billion by 2030. This model, which allows users to pay solely for the time they spend playing, is appealing to players who may lack the financial means to make upfront game purchases or invest in expensive gaming equipment.

Beyond financial considerations, the pay-as-you-go model serves as an economical entry point for players to test a game before committing to the full version, presenting a more accessible way for engagement with specific titles. This accessibility, in turn, holds the potential to drive higher game adoption rates and subsequent purchases. PAYG subscriptions are projected to **grow from $10 billion to $14 billion by 2028**, highlighting the increasing traction of this flexible payment model.

PAY AS YOU GO MONETIZATION MARKET PROJECTIONS
2019 to 2030
(in billion U.S. dollars)



From a developer's perspective, exploring additional monetization models, like incorporating game ads, can offer more stable revenue streams. This diversified approach enables developers to boost income while offering players various options for engaging with and supporting their favorite games.

WHAT DOES THIS MEAN FOR THE GAMES INDUSTRY?

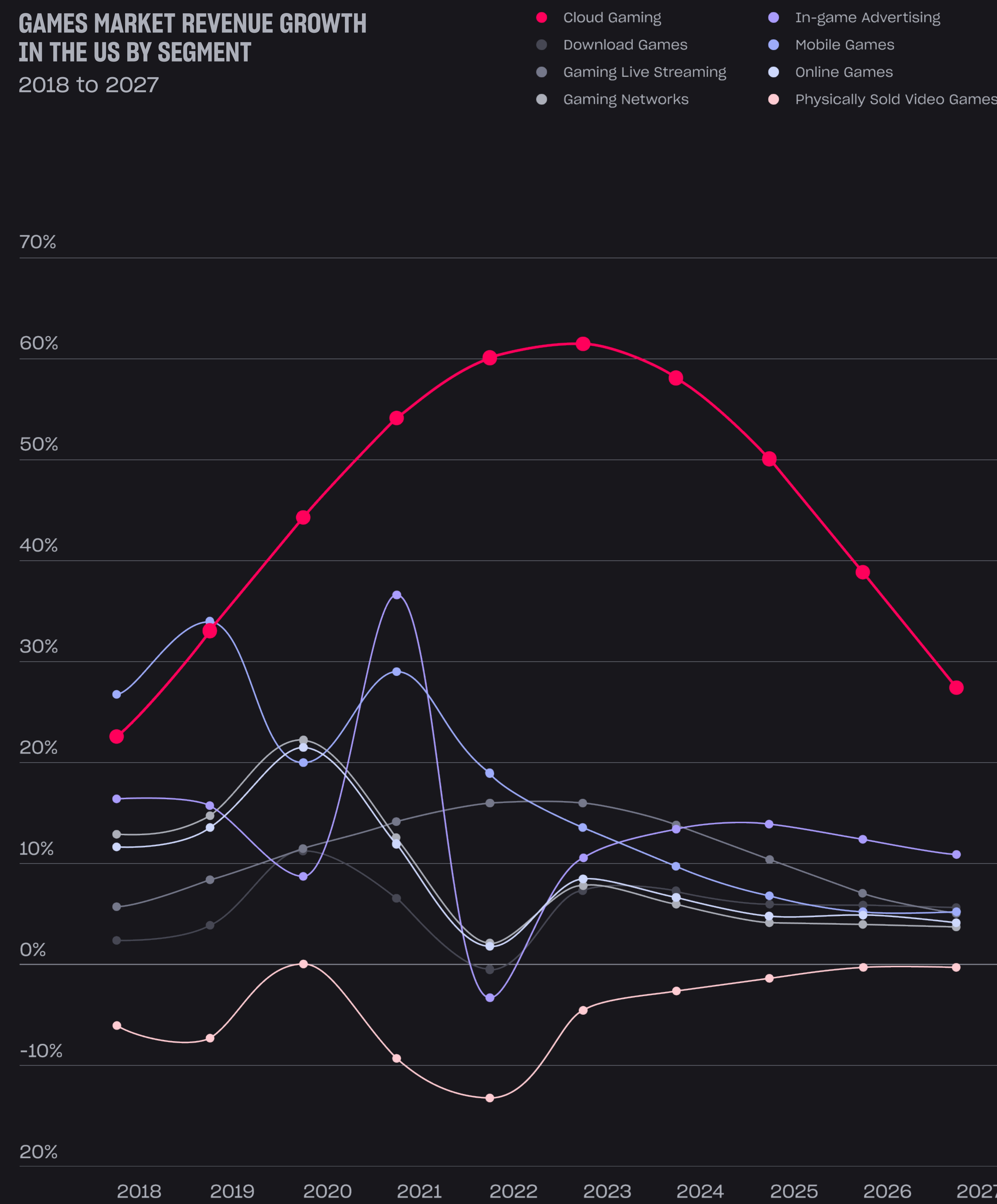
60%

year-over-year growth in revenue

The rise of cloud gaming is reshaping the games industry and changing how games can be accessed and monetized. The cloud gaming sector's substantial revenue surge, particularly noticeable until 2023, showcases over 60% year-over-year growth from 2022. While this growth is expected to align more closely with rates in other gaming sectors in the future, it underscores the potential of cloud gaming in the industry landscape.

GAMES MARKET REVENUE GROWTH IN THE US BY SEGMENT

2018 to 2027



Source: Statista

For developers, cloud gaming presents an opportunity to reach a broader audience by overcoming hardware limitations, catering to gamers with poor hardware or budget constraints, and expanding gaming through the cloud. The Xsolla Cloud Gaming solution enables developers to explore different monetization models and adapt to gamer preferences with a solution that not only supports the technical aspects of cloud gaming, but also empowers developers to manage monetization strategies efficiently. Meanwhile, cloud gaming service providers are also poised to invest more in Platforms as a Service (PaaS), diversifying from consumer gaming offerings to powering graphically intensive programs, including generative AI tools.

> "Developers should consider introducing new features when launching a game in the cloud. This approach is crucial to offer gamers fresh opportunities and capabilities and give developers and publishers a chance to stand out among competitors."
>
> Nick Bondarenko,
> VP of Product at Xsolla

Cloud gaming platforms are emerging to break down hardware barriers and provide developers the capability to offer their players the flexibility to enjoy high-quality gaming experiences across various devices. This broader accessibility accommodates individuals without high-end gaming hardware and caters to convenient, on-the-go gaming demand. This ensures a more inclusive gaming environment and presents businesses with opportunities for success in this evolving sector.

Guest Column

WALTER SOUTO

Head of Product – Cloud Gaming at AWG

Despite the challenges, Cloud Gaming is focused on reaching three primary target audiences.

The first is families, particularly those with children who constantly seek new games. By offering a subscription model, we provide an affordable alternative to purchasing individual games since that can be expensive. This is especially important for many families in poorer regions, where purchasing games individually may be financially unfeasible.

The second target audience is composed of mid-core players who used to be passionate gamers but now have limited time due to family or life commitments. They may only be able to play games for short periods of time, like 30 minutes.

Lastly, we focus on a growing target audience consisting of gamers who lack the necessary gaming equipment. They may rely on platforms like YouTube to watch others play games because they don't have access to high-end computers or consoles.

Section

05

INVESTMENT

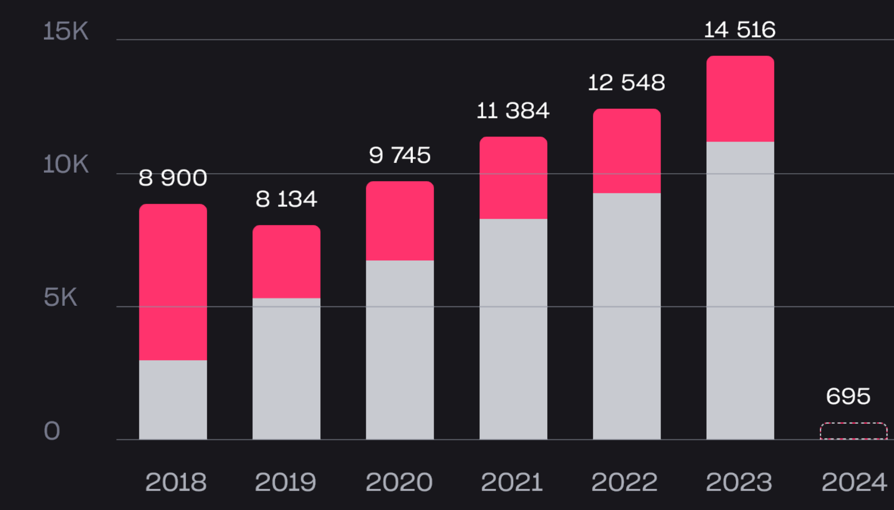
WHAT ARE CURRENT INVESTMENT PATTERNS IN THE GAMES INDUSTRY?

Steam went from **releasing 8,000+ games in 2019 to 14,535 in 2023**, making it the top platform for video game releases in 2023. The closest any other platform came in the US in the same year was Switch, which released 2,360 games.

A total of **4,888 new titles were released across all three consoles** in 2023, which is almost 3 times less than the amount released on Steam. PlayStation 4 and 5 lead the charge by releasing 1,335 new games, closely followed by Xbox One/Series X|S with 945 titles.

Steam released 3x more games than consoles in 2023

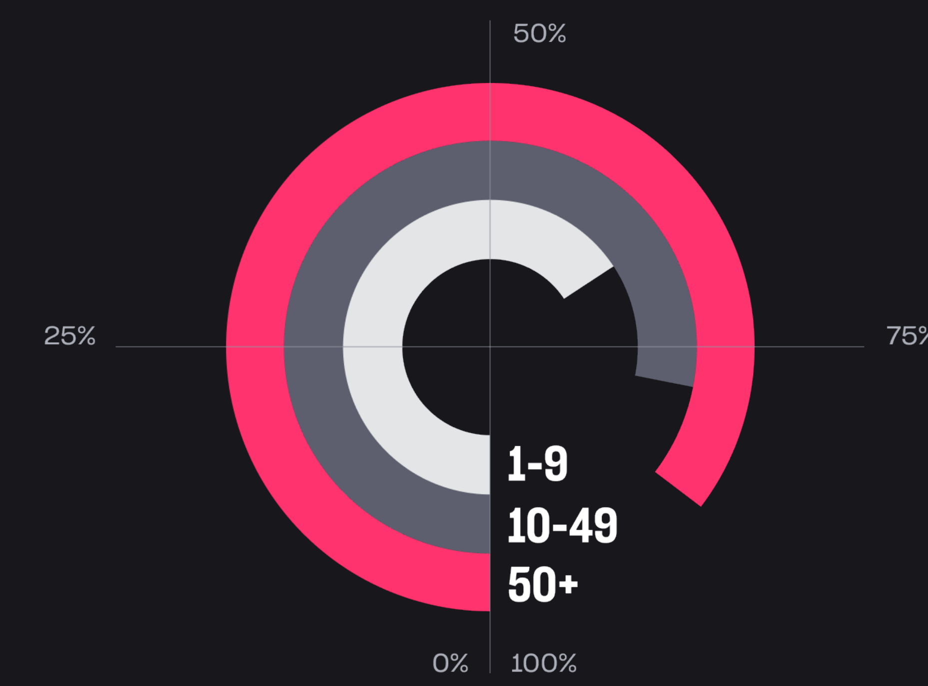
STEAM GAME RELEASES BY YEAR
2018 to 2023



Games
Limited Games

Over **88% of studios with more than 50 employees** actively develop cross-platform games. This involves streamlining player configurations and fine-tuning performance for various hardware, which may not seem attainable for smaller studios.

SIZE OF STUDIOS FOCUSING ON CROSS-PLATFORM GAMES
people



In the first half of 2022, $106 billion was spent across 280 deals, but there was a significant drop to just **$8 billion (a decline of 93% year-over-year) and 213 deals (a drop of 44% year-over-year) in the first half of 2023**. Despite this decline, the second quarter of 2023 witnessed a continued acceleration in investments in artificial intelligence (AI), with 8 AI-focused companies attracting investments or acquisitions.

93%

decline in deal value year-over year in the first half of 2023

AAA games released in 2023 commanded substantial development budgets, often exceeding $200 million, with titles like Call of Duty surpassing $300 million in development costs alone.

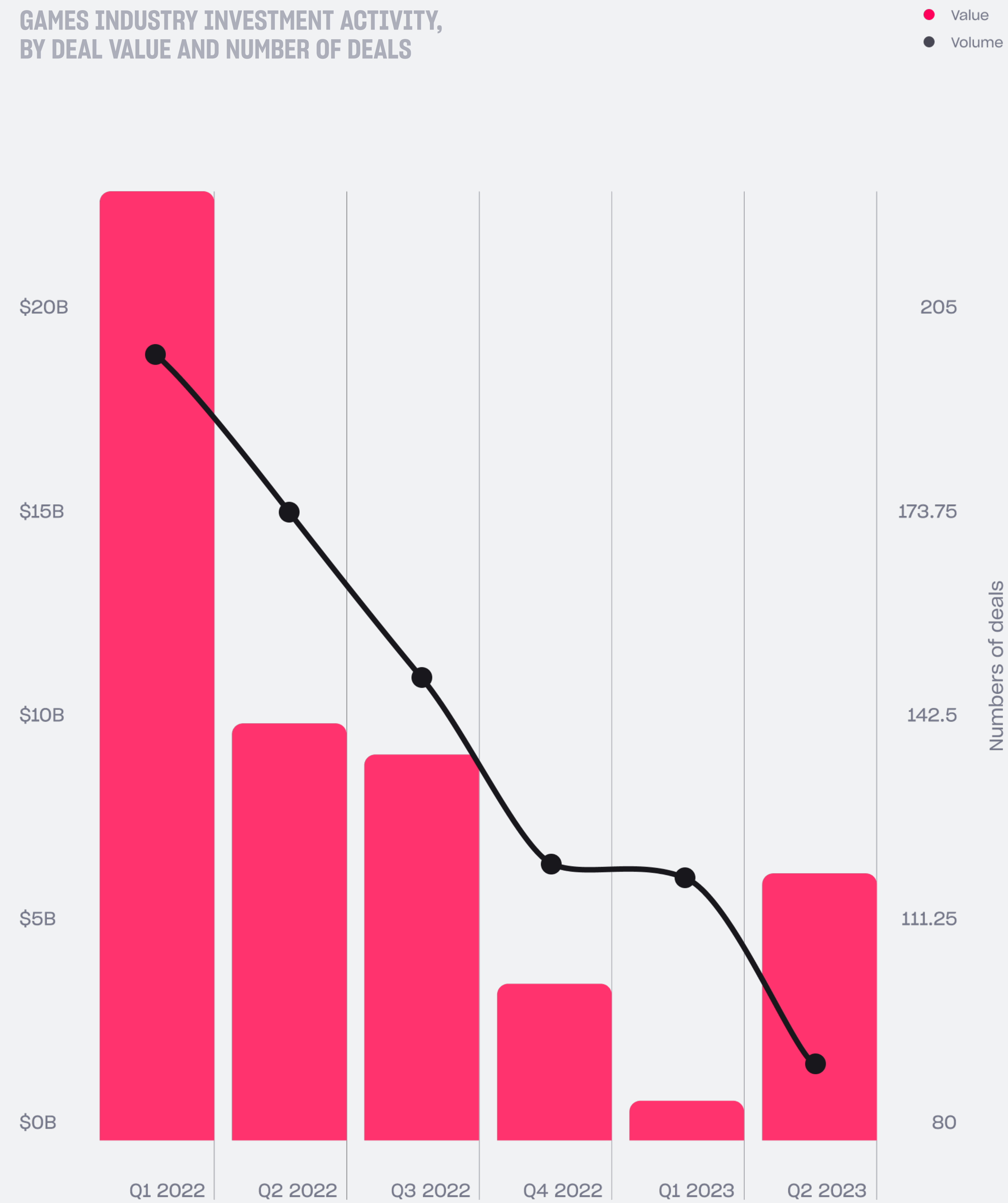
When factoring in marketing expenses, the overall investment in a franchise can skyrocket to over $1 billion. Major studios often report development costs of $660 million and **marketing expenses close to $550 million**, a significant escalation from 5 years ago, when the budgets for most AAA games ranged between $50 and $150 million.

203

deals in the first half of 2023, down from 280 in 2022

>$500M game marketing expenses are costing more than 5 years ago

GAMES INDUSTRY INVESTMENT ACTIVITY, BY DEAL VALUE AND NUMBER OF DEALS



Source: Ampereanalysis.com

Article
01

STRATEGIC SHIFTS:

Recent mergers & acquisitions in the games sector

2023 saw a shift in the gaming industry's focus away from traditional game releases and towards a rising trend of mergers and acquisitions (M&A). Over $150 billion worth of deals were struck, signaling a financial shift already impacting gamers, developers, and the strategies behind partnerships. Let's analyze the potential impact of these M&As to explore how they correlate with industry trends like the rise of subscription services and the challenges and opportunities they offer game studios.

NOTABLE DEALS

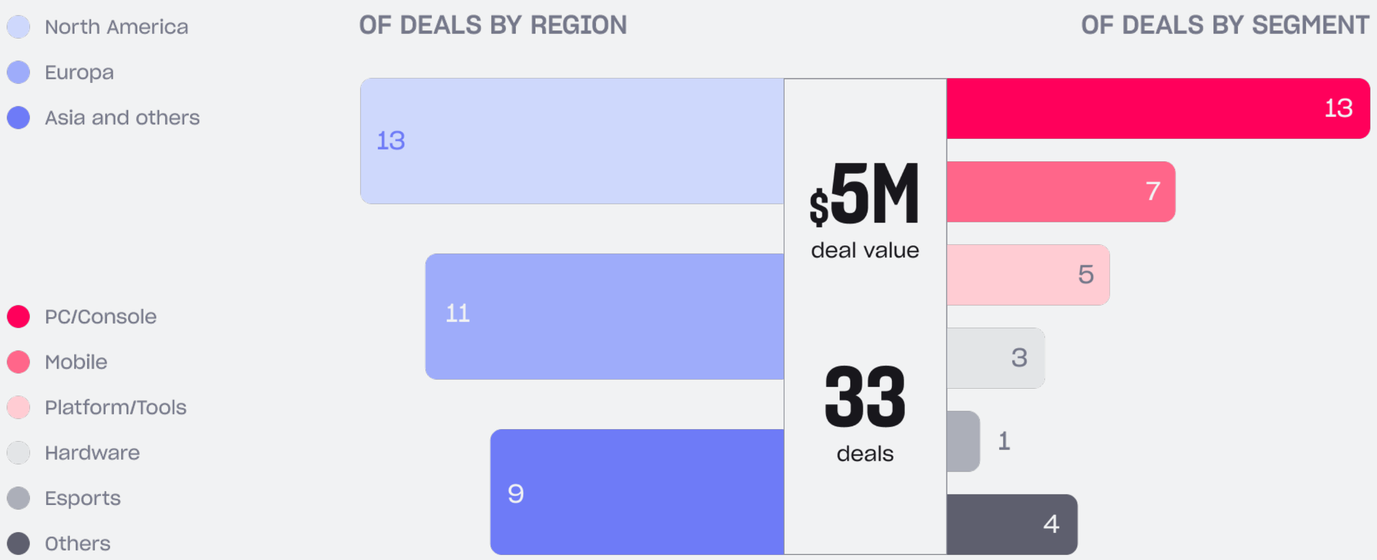
Capping off a wave of industry-wide anticipation, Microsoft closed its $69 billion acquisition of Activision Blizzard in early Q4 2023, which has influenced a rise in mergers and acquisitions across multiple gaming sectors. Savvy Games Group, a rising player backed by Saudi Arabia's Public Investment Fund, is one example, investing over **$7.2 billion across 4 deals since January 2022**, culminating in their $4.9 billion acquisition of mobile game developer Scopely in April 2023. Not only did it mark Savvy's first mobile-focused acquisition, it was also the 6th largest gaming deal to date.

deals announced

33 M&As

While the number of M&As in the gaming industry dipped **to 33 deals between July and September of 2023**, the total deal value rose to around $5 billion - surpassing three of the previous five quarters. This trend was echoed in the private financing space, where approximately $1 billion flowed into 185 deals, surpassing Q2 figures, which suggests a shift in focus towards larger, more strategic transactions despite a slowdown in overall deal volume.

GAMING M&A TRANSACTIONS
Q3 2023



The third quarter of 2023 also witnessed a near billion-dollar surge in private investments, exceeding spring figures and primarily targeting PC, console, and blockchain companies. Examples of a few deals during this period include Playtika's $450 million acquisition of mobile gaming firms Youda Games and Innplay Labs, and Goldman Sachs' $1.7 billion move to take educational gaming platform Kahoot private.

THE FORECAST FOR 2024

While consolidation will undoubtedly push industry giants like Tencent, Sony, and Take-Two to even greater heights, it raises concerns about job security in an already turbulent landscape.

2023 witnessed a wave of layoffs, even at seemingly untouchable companies like Epic Games, Riot, and Bungie. The trend will likely continue in 2024, potentially impacting studios across all levels of the industry. However, public companies like Nintendo, EA, and Nexon sit on $45 billion in cash and cash equivalents, potentially fueling further M&A activity, which could create unique opportunities for smaller studios. And balancing growth with player experience and adapting to the changing market dynamics will be crucial for established giants and rising stars.

Article
02

FUNDRAISING IN A RECESSION:

Creative fundraising approaches in game development

The first half of 2023 brought challenging times for the games sector, as less-than-favorable macroeconomic conditions, sluggish games market growth, and the crypto winter dampened investment activities. The downward trend persisted throughout the first half of 2023, witnessing a 24% quarter-over-quarter drop in the overall volume of investments. However, despite the decline in deal volume, investment value saw a surge of 577%, soaring from **$1 billion in Q1 2023 to $7 billion in Q2 2023**.

While challenging economic forecasts can be unavoidable, there are methods and strategies that developers can use to fundraise during a recession that can keep their game's development on track.

577%

rise in investment value in the first half of 2023

HOW TO TACKLE CURRENT CHALLENGES

01 MEANINGFUL ENGAGEMENT WITH GAMERS

With the effectiveness of traditional performance marketing waning, game developers are pivoting towards a more holistic approach to audience engagement. Crafting compelling narratives that connect with players on an emotional level and engaging directly with players through user-generated content campaigns and direct-to-consumer strategies can foster a lasting, loyal gaming community.

02 GLOBAL VS. LOCAL

Limited control over OS platforms increases acquisition costs, particularly for global studios attempting to reach diverse audiences. Tailoring gameplay experiences and localizing marketing campaigns to specific regions and cultures while optimizing app store presence becomes crucial to maximize visibility and downloads.

03 NAVIGATING PRIVACY REGULATIONS

The implementation of IDFA and privacy regulations has posed challenges for traditional store discovery tactics, reducing data visibility for targeting potential players and making personalized ads less effective. Adapting to evolving privacy measures has prompted restructured fundraising approaches that resonate with broader audiences and build organic reach through engaging content and community building.

INNOVATIVE FUNDRAISING STRATEGIES

These industry-wide shifts demand a complete rethinking of fundraising approaches for game developers, where studios should focus on creating compelling narratives, fostering positive word-of-mouth, and building loyal communities that become their champions.

01 ALTERNATIVE ACQUISITION CHANNELS

Exploring alternative channels like organic marketing, influencer partnerships, and cross-promotion opportunities can lower reliance on costly platform-based acquisition.

02 DIVERSIFICATION OF FUNDING SOURCES

Acknowledging the volatility, developers should explore a mix of funding sources beyond traditional investments. Crowdfunding, strategic partnerships, and collaborative ventures are gaining traction as more stable options in diversified funding streams.

03 COMMUNITY ENGAGEMENT AND EARLY ACCESS MODELS

Engaging the gaming community directly through early access models and exclusive perks has proven an effective fundraising strategy. Developers are leveraging their community's support, offering exclusive access or in-game benefits in exchange for financial backing.

Game developers can survive and thrive despite economic fluctuations or downturns by confronting these challenges head-on and adapting their strategies. And the current landscape presents an opportunity for innovation, creativity, and a renewed focus on building meaningful connections with players.

WHAT DOES THIS MEAN FOR THE GAMES INDUSTRY?

01 OPPORTUNITIES FOR SMALL STUDIOS

The market's shift towards supporting indie games, driven by a surge in international developers and robust customer support, promises exciting new games with substantial commercial potential. Additionally, studios' integration of generative AI tools is set to revolutionize production processes, cutting costs and reducing development time. This shift presents a favorable landscape for indie developers to thrive and innovate.

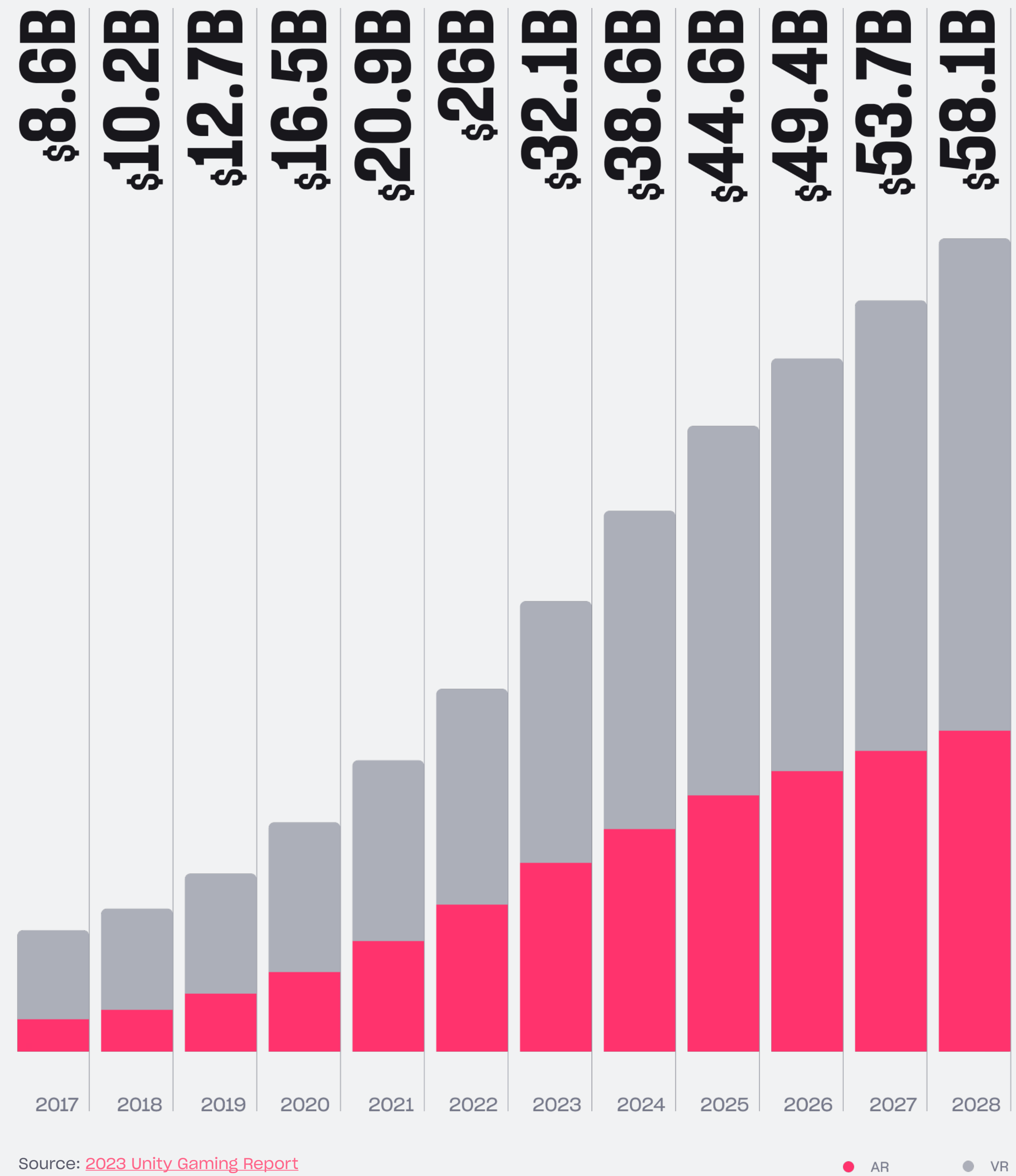
02 SLOWING M&A AND POTENTIAL PRICE DROPS

Recent acquisitions may be revisited due to increased cost of capital and potential cash shortages among acquirers, leading to possible sales at reduced prices. The appetite for M&A is expected to continue to decline, and coupled with an over-saturation of games (90+ rated games shipped in 2023) and high-quality content, it might reduce opportunities for smaller studios and new entrants

03 INCREASE IN VR INVESTMENTS

VR technologies in game development are expected to gather substantial investments in 2023. With a projected market revenue of $31.1 billion in 2023 and user penetration expected to reach 32.6% by 2027, VR holds immense potential for shaping the future of gaming.

REVENUE GROWTH OF AR AND VR MARKETS



Source: 2023 Unity Gaming Report

CONCLUSION

The future of gaming is poised for continuous evolution, fueled by a combination of financial shifts, new technologies, and evolving consumer preferences. This promises new avenues of growth for developers, investors, publishers, and gaming enthusiasts alike.

Transformative trends like the metaverse, AR/VR, and cloud gaming are fundamentally reshaping game development and consumption. Meanwhile, mobile gaming has become a major revenue driver, with direct-to-consumer web stores empowering developers to connect directly with their audiences. We've also seen major cultural shifts in the industry, with women now playing key roles in executive, design, and development. This infusion of diversity reflects a commitment to inclusivity and positions the industry to tap into a broader range of perspectives and creative talents.

In an industry full of new developments and shifting dynamics, gaming thrives on strategy and adaptability. At Xsolla, we're committed to supporting our partners and helping them turn these changes into unique opportunities that power their success.

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, Twitch, Roblox, Epic Games, Take-Two, KRAFTON, Nexters, NetEase, Playstudios, Playrix, miHoYo, and more.

For additional information and to learn more, please visit: xsolla.com

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