ONLINE GAMES INDUSTRY
STATUS AND FUTURE

Jørgen Tharaldsen - Funcom / Norwegian Producers Assc.

Game Director / Creative Producer (2009 –)
Product Director (2001 – 2009)
FUNCOM = MMO EXPERIENCE

17 YEARS – LISTED ON OSE – OFFICES IN 7 COUNTRIES

MMO pioneer – All technology proprietary

1996  Started development of the world's first 3D Sci-Fi MMO: Anarchy Online
1998  Casual online portal with 500,000 players
1999  Started Online Mobile Games company
2001  Launched Anarchy Online, first with dig dist
2004  First company to implement dynamic in-game advertising, touch ads etc.
2004  First western MMO company with F2P
2004  First gaming company day/date digital
2006  First western MMO with digital items
2008  Launched Age of Conan – Realtime combat
2010  Many MMO games in dev; kids to mature

Anarchy Online – World’s first sci-fi MMO

- 9 years since launch, millions of players, profitable
- How long can an MMO run?
MOST RECENT LAUNCH – AGE OF CONAN

• #1 on the charts in all countries at launch
• #2 of new IPs - only beaten by Spore (EA)
• #3 of all PC games sold in 2008
• Over 15 million unique visitors to www.ageofconan.com during launch
• Largest ever beta signup in the West
• World top 10 bandwidth during launch
• First expansion just launched
• “Launched” in Korea two weeks ago
  • #1 on biggest search engine (Naver)
  • 200,000 players first weekend
  • Big changes for Korean version
THE SECRET WORLD - AND MANY MORE WORLDS TO COME

THE SECRET WORLD

- "Dark days are coming"
- Another epical Funcom MMO
- Contemporary urban setting
- Inspired by comics, novels, movies and TV
- Higher comparable interest than Conan

MANY NEW MMO / FACEBOOK / BROWSER PROJECTS IN DEV

- Pets vs. Monsters - Kids MMO - “What if Pixar met Diablo”
- BTW project - Extreme sport / lifestyle MMO (merge TV and game)
- Licensed MMO, Database MMO, Space MMO, Chess online game, Bloodlines, and several more
EUROPEAN CONSUMERS ARE LEADING THE PACK

(But the numbers game is still quite uncertain as many / most companies in the growing online fields are not accurately accounted for)

For now; consoles are leading on revenue, PC / mobile leading on consumers

Strong on online; in particular ”northern” countries (GER, DK, SE, NO, NL)
## PHENOMENAL INTERNET GROWTH (AND IT MARCHES ON)

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<td>186,922,050</td>
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<td>934.5 %</td>
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<td>Oceania / Australia</td>
<td>34,700,201</td>
<td>7,620,480</td>
<td>21,110,490</td>
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<td>177.0 %</td>
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<td><strong>WORLD TOTAL</strong></td>
<td><strong>6,767,805,208</strong></td>
<td><strong>360,985,492</strong></td>
<td><strong>1,802,330,457</strong></td>
<td><strong>26.6 %</strong></td>
<td><strong>399.3 %</strong></td>
<td><strong>100.0 %</strong></td>
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EUROPEANS = “SUPER USERS”

• LEADING PC PENETRATION

• LEADING INTERNET PENETRATION (53% - ACROSS EUROPE)

• LEADING MOBILE CONSUMERS

• LEADING GAMES CONSUMERS

• LEADING SOCIAL MEDIA CONSUMERS

SAFE TO SAY – EXTREME INTEREST IN NEW TECH AND GAMES AMONG THE YOUNG
NORWEGIAN KIDS - MEDIA CONSUMPTION EXAMPLE

- Norwegian kids (2-17) spend 19 hours and 40 mins on screen, a week
- Games a significant part (almost 8 hours a week/ average)
- 96% of Norwegian kids have access to games machines, PC #1
- When done with high school have spent more time on screen than school
- Media use increases significantly from 12 years onwards
- Trend is moving (definitely) towards online, yet “our” kids have highest penetration of machines so can freely “choose”
- Some online games reach over 100.000 players (out of population of 4.5 mill)
- The trends are the same through-out Europe - Our kids are spending ever more time on online games
- ...and so are the adults!
THE NEW TRENDS IN ONLINE ENTERTAINMENT
RAPID RISE IN NEW PLATFORMS – BUT PC GROWS FASTEST
MORE AND MORE WAYS TO INTERACT
SOCIAL MEDIAS ARE CHANGING OUR LIVES

And hundreds of millions play on them
THINGS (AND HUMANS) TALK TOGETHER
TV, PC, browser, cell, I-things – Simultaneously
STRONG COMMERCIALIZATION
VALUECHAIN IN FULL CHANGE
ONLINE VALUECHAIN (OF THE FUTURE)

- Pre-paid Card Distributor
- Developer & Publisher (Operator)
- Gamer
- Local partner (distribution / retail)

Access & Services
Access Fee
FREE 2 PLAY – THE NEW BUZZWORD

More and more experiences are “free” - many with incredible success

• Habbo Hotel – Over 100 million registered users
• Club Penguin, Runescape, GoSupermodel, Webkinz etc. etc.
• Dominating model in all but “western” countries
• Europe has strong position – Bigpoint (110 million), Gameforge

More focus on the PC as a gaming platform

• Play in the browser, always accessible
• Lower barriers, larger reach (468 million PC gamers)
• “Smaller” budgets, faster turn-around, “tunnel 10% thought”
• Innovative business models flourish - Micro transactions at core
• Average revenue per paying user above 20 EUR / month / 10%

Status

• Thousands of games in development
• Global reach (as opposed to consoles with “low” reach)
• Both “Casual”, “small”, but also “large” MMO’s
• Much wider audience – more females
• Free 2 Play now a proven model
• Many more wants to go at it - EU has incredible chance
HIGH (AND EXPENSIVE) BARRIERS TO GAIN ONLINE SUCCESS

DEMANDS KNOWLEDGE

- Game development
- Publishing
- ONLINE publishing

ADVANCED TECH

- Rendering system
  - Sound System
  - Game Code
  - GUI
- Game Code
  - N3 Game Engine
- Internet Game Operating System (FIGOS)

...AND LOTS OF MONEY
WHERE ARE WE STANDING TODAY - DEVELOPMENT

The foodchain is controlled by the Japanese or the Americans
- Sony, Microsoft, Nintendo, Apple
- Major regular PC distribution portals are American (Steam, Direct 2 Drive)
- Social medias are controlled by Americans
- They get a big chunk out of every developed game for their platforms
- Apple takes 30%, “license fees” on consoles, Facebook money 30% etc.
- All Europeans paying (at least) a 30% culture / games “tax” to foreign parties
- Are their strenght an opportunity, or a problem?

Funcom represents the large world leading productions
- Development budgets higher than most all European-made movies
- If you are going to make such games you need a minimum of 3 million Euro per game (but should spend 10 million, or even MUCH more)
- Hundreds of companies, tens of thousands of employees, in Europe could step up
- But the support framework is “non-existent” (i.e. Mediadesk – 100.000 Euro!!)

Risk steadily increasing in “traditional” development
- Publishers demands more “done” games before making a decision
- All costs fall on developers
- “Traditional” games on PS3, Wii og Xbox is very difficult to make money on
- Heavily piracy on ”regular” PC games, and less space in retail makes segment hard
NEVER BEEN HARDER, NEVER BEEN EASIER

More and more consumers prefer “light-weight” online entertainment

- The growth of the “casual” gaming sector has exploded - in users and revenue
- Browser, social medias, Mobile, Xbox live – On all platforms
- Lower development budgets, faster turnarounds (anti-trend in big MMO’s)
- “Flutterbrain” society – People move attention more and more quickly

Social platforms going through rapid change

- Even largest teams are only “ten” people, cheap!
- Extreme evaluation of leading companies
- But….marketing cost increasing rapidly, 1-5 % paying, around 12 Eur over 10 month
- Facebook - here today, gone tomorrow? “Changed” for gaming?

- Phenomenal growth on Iphone, I-pad and portables makes it “easier”
  - Many more developers can now create unique new universes, across plattforms
  - Flourishing sector, with more and more online components coming
  - But not many are making “industry” out of the revenues

- Consoles are loosing out, big-time
  - Only Microsoft has a (somewhat) believable online strategy, but still not!
  - Japanese companies does not have a online home market to push them
  - Consoles have not been able to penetrate much deeper into “low cost” areas
  - A massacre in recent period (value, products, staff)
FOCUS – NORDIC GAMES INDUSTRY

MORE AND MORE PRODUCERS, BUT FEW EXPERIENCED
- Funcom, DICE, CCP, Remedy, IO, Starbreeze
- Still, third largest “developer area” in Europe
- The leading “big” MMO online developer area

MANY MORE WANTS TO MAKE GAMES
- Incredible increase, many more want to join
- Steadily bigger selection, also towards serious etc.
- Norway 2009 - 74 games applied for government support
- Nordic Game 2009 - 92 games applied
- Schools, national betting, TV – everyone wants “games”

STATUS
- Industry employs 3700 in Nordic
- 260 registered companies (and many more if you search)
- Only a handful makes traditional console games, less and less
- Leading in Europe on online games (development, use, purchase)
- Two nations have said games is focus industry – Iceland, Norway
- Active lobbying to help government understand games
- Industry wants to grow to 7000 within 2015, 20,000 within 2020
NORWEGIAN SUPPORT PROGRAMS

Ministry of Culture / Film Institute / Nordic Game

- 1,2 million EUR / cultural support
- 0,4 million EUR / local launch support
- Up until 2009 one game could get max 200.000 Euro, now higher
- Trial attempt at purchasing all Norwegian games for public libraries
- Nordic Game – 0,8 million EUR yearly, max 80.000 EUR per game

Ministry of Commerce / Innovation Norway / Research Council

From 2010 - Games is now a focus industry of the government of Norway

- Establisher funds (Some have gotten now, type 50.000 EUR, max is 100k)
- Money based on high innovation degree (first game now got, 60.000 EUR)
- Tax refund on R&D (Max 300.000 EUR / company / year, minus other support)
- “Studytrips” (30 man delegation to Korea & Japan, organized by embassies)
- Risk loans (One game now got 200.000 EUR)
- Research council / VERDIKT – Funcom just got 1,3 million EUR + 2 PhD’s
- FRAM – Leaderproams for creative industries (mentor programs)
- Female program (but was stopped by ESA)
- Industrial Research and Development programs (IFU / IFO) – For now badly adapted wording to games, but changing now. Funcom applying. Max payout for other industries 5 million EUR.
WHAT IS NEEDED TO GET A GOOD INDUSTRY

GENERAL
• Strong knowledge persons in Government organs (What is innovation, good? etc.)
• Dedicated funds to games over a number of years (R&D, dev, launch, live etc.)
• Money for establishing (and also for establishing new “branches”)
• Prioritized money in prototype phases (Tax refund, Research councils, low self-fund)
• Country and system alliances (Calls, networks)
• Study and contact trips for countries to other countries (to learn, network)
• Leader and development courses – Mentor programs, business sense
• Application systems and calls with wording adapted to games – Not physical goods
• Arena projects supported by local regions and governments
• Map national and European competence, get....
• …system for “utlysning” of public projects (museums, schools, state TV etc.)
• Support schools, and company / school programs
• And the pipe-dreams; unified payment systems, super-fast bandwidth, flat data rates, forced %

LARGE INTERNATIONAL PROJECT POTENSIAL
Large export “credits” (i.e. towards publisher estimates)
Larger government project risk loans (i.e. against “vertical slices”)
Large tax refunds in early phases, dedicated large money from research council
Post launch support – New continents, cultures
Support for new divisions in already successful companies
THE HARSH REALITY

Europe is not present in the "gate keeper space"

Funding is extremely difficult, little risk willingness

Games are not "accepted" (understood) in "old" society

Politicians are afraid of change, do not understand us (we don’t even understand ourselves!)

Support programs are mostly a joke, if they exist

We are fighting against other governments - Canada, South-Korea, China, USA
ONLINE EXPERIENCES GIVES OPPORTUNITIES

PLAYFISH WAS SOLD TO EA FOR 400 MILLION USD (POTENTIALLY), SEVEN PEOPLE STARTED IT IN NORWAY / FRANCE IN OCTOBER 2007.

AGE OF CONAN WAS #1 ON THE LIST IN EVERY COUNTRY IN THE WORLD WITH AN OFFICIAL LIST (2 MONTHS). 412 PEOPLE WORKED ON IT. IN IT’S LIFE IT WILL GENERATE OVER 130 MILLION EURO.

OUR STATE CHANNELS MOST RECENT SUCCESS IS A MIX BETWEEN A COMPUTER GAME AND A TV PROGRAM, ”SUSPERIA”

25% OF NORWAY HAS PLAYED THE TV GAME ”WHO WANTS TO BE..”

AND THINK WHAT WE CAN DO WITH SCHOOLS, TOURISM, SPORT, CULTURE, MUSEUMS, ART AND WHAT-HAVE-YOU. REALITY LAYOVERS FOR THE BENEFIT OF ALL MANKIND
PROACTIVE VISIONS – “AVATAR”

"SUKNESSEN TIL AVATAR HAR BEKREFTET WETAS POSISJON SOM VERDENS LEDENDE INNEN SITT FELT. DE HAR NÅDD Dette PUNKTET VED INTENSIV FORSKNING OG UTVIKLING...I 2009 TILDELTE VI WETA 26 MILLIONER I ET TECHNZ FOND, MEN DETTE BLE MER ENN MATCHET AV WETA SELV. FOR Å IVARETA SIN KONKURRANSEVENE MÅ WETA FORTSETTE Å VÆRE INNOVATIVE “

DEN ANDRE LÆRDOMMEN VI KAN DRA AV WETA ER BEHOVET FOR Å JOBBE I EN STOR SKALA. DU KAN IKKE VÆRE VERDENSLEDENDE MED ET PAR Mennesker I EN BRakke. JA, STATEN STøTTET AVATAR ØKONOMISK, MEN DE PENGENE BLE MER ENN TJENT INN GJENNOM SKATT, MOMS OG BETYDNINGEN ARBEIDSKRAFTEN HAR PÅ LANDETS ØKONOMI”

"FOR 20 ÅR SIDEN VILLE FOLK LEDD OM DU SA AT HALVPARTEN AV VERDENS MEST INNBRINGENDE FILMER VILLE BLI LAGET I NZ. HVA KUNNE EN NASJON AV SAUER TILFORE HOLLYWOOD.”

"PÅ MINDRE ENN EN GENERASJON HAR VI GÅTT FRA NULL TIL Å BLI HELTENE INNEN DIGITALE MEDIER.”

WAYNE MAPP, PARLAMENTS MEDLEM, NZ, 4,2 MILLIONER INNBYGGERE
EUROPE HAS UNIQUE OPPORTUNITIES

THE PURPOSE MUST NOT BE TO CREATE AN INDUSTRY WHICH IS LEECHING STATE FUNDS, BUT WE MUST HAVE FRAMEWORKS FOR GROWTH

THE VIRTUAL INDUSTRIES WILL WITH GOOD AND DYNAMIC SUPPORT SYSTEMS GIVE MUCH MORE BACK TO SOCIETY THAN WHAT IT GETS

NO OTHER CULTURE FORM HAVE THE SAME POTENTIAL FOR GROWTH

GAMES AND RELATED TECHNOLOGIES COULD BE ONE OF THE LARGE INDUSTRIES IN EUROPE, ”HELPING” MANY OTHER SECTORS

CAN EUROPE BE THE LEADING DEVELOPMENT ENVIRONMENT IN 2020?

BUT WE NEED LEADERS WHO CAN ACT, AND SUPPORT SYSTEMS THAT TAKE US SERIOUSLY
GAME OVER

All that remains is to put the pieces together
THE PLAYING HUMAN WILL NOT GO AWAY