

CONSUMERLAB



NEW WAYS TO PLAY GAMES

Exploring changing video gaming behaviors

An Ericsson Consumer Insight Summary Report
March 2014

CONTENTS

KEY FINDINGS	3	NOT ALL FUN AND GAMES	8
TRANSFORMING BEHAVIORS	4	STABILITY ABOVE SPEED	9
NEW WAYS TO PLAY	6	CLOUD GAMING OPPORTUNITIES	10
GAMIFICATION	7	EXPANDING THE GAMING EXPERIENCE	11

METHODOLOGY

This ConsumerLab report explores the video gaming experience, and does not include board games, gambling or any other type of non-video gaming activities.

Quantitative

Sample consists of ~8,000 respondents from Brazil, the US and South Korea, aged 15-69. [Ericsson ConsumerLab, Analytical Platform 2013]

Qualitative

Online interviews with 60 gamers (20 per country) in the US, South Korea and Brazil. All surveyed consumers were above 15 years of age. Respondents were divided into four gaming groups, based on which device they use and how often:

- > Fixed devices often
- > Both fixed and mobile devices
- > Mobile devices often
- > Mobile devices occasionally



Market overview

The three different markets have all reached different levels of gaming maturity. South Korea has reached high gaming maturity. However, the US and especially Brazil have not yet reached the same level of maturity.

Brazil: Mobile gaming is very common. Gaming is a much more segmented experience in this market as consumers separate time for gaming from time to be with family/friends. Gaming is considered a hobby that has its defined place, i.e. only to be played during the week, not during the weekend which should be spent offline, with family.

US: Casual gaming is starting to become part of everyday life for the mainstream audience. As quality of games on smartphones and internet connectivity while out of the home improve, so too will the number of people gaming. Gaming is considered a hobby that sometimes becomes an addiction.

South Korea: Professional gaming has created a sense of 'cool' around gaming, opening up the audience and making it more acceptable to game. Expectations for future games are high, for example, sensory control, virtual reality and wearable technology.

Expert interviews were also conducted to gain industry insights:

- > Amandine Durey, Head of Viagame
- > Erica Kato Marcus, Head of Experience Planning, Sony Mobile Communications
- > Annika Waern, Professor, Uppsala University
- > Isabelle Ewert, Site and Marketing Manager, Viagame
- > Jacob Navok, Director of Business Development, Square Enix
- > Joel Dinegrim, Senior QA, Rovio
- > Marcus Lysen, Technical Manager, Viagame
- > Patrick Liu, Creative Director, Rovio
- > Pim Holfve, CEO, Expansive Worlds
- > Ryan Lockwood, Director of Knowledge Management, AT&T
- > Andrew Bowell, Head of Product Management, Havok
- > Plus three additional gaming industry and academia experts

THE VOICE OF THE CONSUMER

Ericsson ConsumerLab has close to 20 years' experience of studying people's behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries and 15 megacities – statistically representing the views of 1.1 billion people.

Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures. To be close to the market and consumers, Ericsson ConsumerLab has analysts in all regions where Ericsson is present, which gives a thorough global understanding of the ICT market and business models.

All reports can be found at:
www.ericsson.com/consumerlab

A GAME CHANGER

As more people and devices become connected, all industries – and in particular the media – are being transformed in one way or another. Consumers' media consumption patterns and the services and devices available are constantly evolving. This is being fueled by shifting consumer demands and requirements as well as innovative services and technologies opening up new possibilities. How we experience and interact with entertainment content is being reshaped.

For instance, our TV and video viewing habits are shifting. With the exception of live events, which people choose to watch together at a designated time, being forced to plan our day around TV schedules is a thing of the past, along with buying or renting movies in physical formats. Today digital content and cloud services enable consumers to stream and download what they want, when they want and wherever they want.

In this respect, the gaming industry is no different – new user expectations and changing gaming habits are emerging symbiotically with developments in technology. However, a major difference is that the gaming industry, in comparison to other media industries, has for a long time battled with a social stigma around its products, which has affected its development.

Looking ahead, games will continue to evolve and spread across industries, increasing their impact on society overall. There are opportunities, also for companies outside the gaming industry, to utilize games and provide consumers with new and improved experiences – today and in the future.

THE GAMING INDUSTRY IS BEING TRANSFORMED



KEY FINDINGS

- > **The profile of a gamer is changing**
 - Out of the respondents for this study, 85 percent in South Korea, 75 percent in the US and 53 percent in Brazil play fixed or mobile games at least every month. [Ericsson ConsumerLab Analytical Platform, 2013]
- > **The world of gaming is transforming and will spread into new aspects of people's lives**
 - It is not only technology driving the change, but also a growing interest for games as their social acceptance increases
 - As games become more commonplace, consumers are becoming used to gaming elements. This will drive the uptake of gamification into other areas, such as learning and personal development
- > **Apart from getting rewards, the key drivers for playing games are game immersion, i.e. to experience and concentrate on a specific game, and socialization, i.e. to play with or against others**
 - In order to enhance these areas, consumers are motivated to acquire new devices and genres of games
- > **Similar to other media industries, gaming will shift towards internet-centric media experiences**
 - This will give birth to new gaming services and business models, enabled by digital distribution, streaming and by collecting and analyzing personal information
- > **Stability and reliance are more important than bandwidth when it comes to the network for gaming**
 - The number one pain point for gamers is disruption of the seamless experience. To offer the best experience, game developers ensure data packages are as small as possible. The loss of data or a connection remains a challenge



TRANSFORMING BEHAVIORS

Anyone can be a gamer. Our research showed that, of our respondents, 85 percent in South Korea, 75 percent in the US and 53 percent in Brazil play fixed or mobile games at least every month. There is an even split between males and females, but with slightly more male gamers in Brazil. 50 percent of gamers in the US were over 34 years old, whereas in South Korea 50 percent were over 40. In Brazil almost 60 percent of the gamers were under 30 years old [Ericsson ConsumerLab Analytical Platform, 2013]. Consumers play different games for different reasons and the choice of how to play is as diverse as the people playing. This shows that playing video games has really become a mainstream activity.

It has not always been like this. Gamers have struggled with the social stigma of the activity being only for a techy subgroup, and often seen as uncool and lonely. This is coming to an end as games are reaching a larger audience, thanks in part to services and devices that have targeted a more mainstream audience. Games are appearing in a variety of different forms and more people are interested in playing new or different types of games. Sitting in public playing a game is becoming much more common.

While different gamers have different profiles, the motivation for playing can be grouped into three categories. A person may focus on a game very closely when playing, concentrating on the experience, challenge and the pleasure – we call this game immersion. Another driver is to earn rewards or reach a goal, such as to kill time or reach a new score. Lastly, games are played as a means of socializing and interacting with other people.

The reward driver is most commonly used for games, ranging from simple to advanced. Even the simplest games can be played in order to just get a new badge, or earn a few points while passing time. Important to understand is that the two other motivation areas, immersion and socializing, are enhancing the motivation to play for rewards. For instance, it is much more stimulating and satisfactory to play the same game if

you are competing against another person, not only a computer. The same is true if the game is an experience in itself, with a good story, music or challenge that lets the player really concentrate on the experience of the game.

Consumers play games in various situations and contexts depending on the game and situation. Described on the following page are the four main contexts in which people game, although they do not exist in isolation – contexts can overlap. As shown in Figure 1 these gaming contexts can take place in a variety of locations throughout the day.



GAME IMMERSION
Playing games for stimuli



REWARDS
Playing to reach an aim or achieve a goal



SOCIAL
Playing games as a means of interacting with other people

Figure 1: Different gaming contexts in the day; quick and social games sessions take place throughout the day



- > Free time and social interaction are the most common gaming contexts throughout the day
- > Me time, the context that demands most time and often is planned, mainly occurs during the evening at home

Source: Ericsson ConsumerLab, New ways to play games, 2014

Social interaction
 There are two main reasons to socialize through games. First, socializing can enhance the gaming experience, such as when players collaborate in a game or discuss the game they are playing together. Secondly, games can also be used as a social communication channel, for instance, enabling people to catch up with friends. This makes socializing the main goal, and the game secondary.

Me time
 Games can be played as a way to relax and be entertained after a long day. This type of gaming is often planned and takes place for a prolonged amount of time, for instance during the weekend, or at home in the evening. The motivation for playing games during me time is often to experience 'game immersion'.

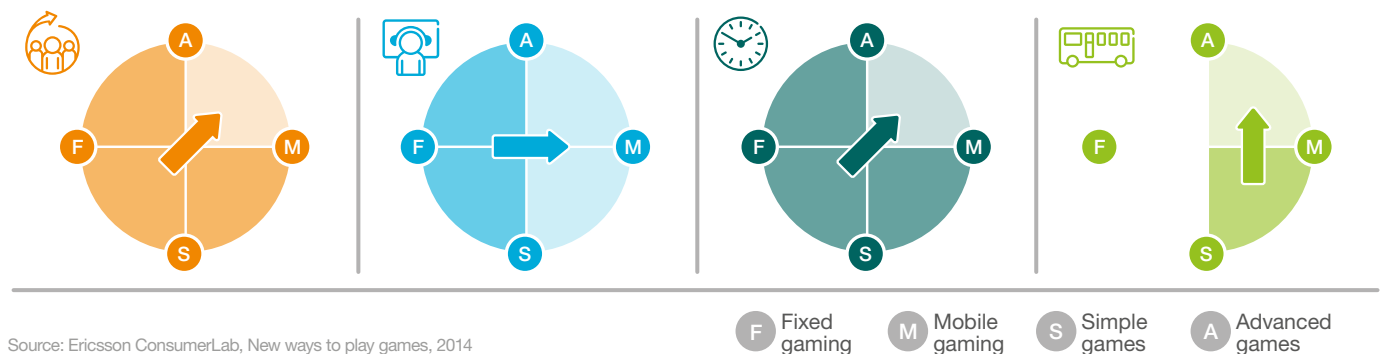
Free time
 Increasingly, games are used to fill time, such as playing a quick game on the phone while waiting for an appointment, or taking a break between chores. This type of gaming session is often spontaneous, and varies in duration. Often games only offering rewards, not the other two drivers for playing, can be found in this context.

Commuting
 Playing games on the move, for instance while commuting on the subway, has become more common. Just like in the free time gaming context, games only offering rewards as motivations are common here.

Figure 2 illustrates how the different gaming contexts are likely to develop further. The x-axis shows whether the gaming session is carried out at a fixed or a mobile place. The y-axis represents whether the game is advanced or simple. For all contexts there is an arrow showing where the current development is oriented. Behind the transformation lies technology development,

such as improved internet connectivity and better devices, as well as a new consumer interest for games. Today there are few games located in the area for mobile advanced games. In the coming years, games will be more common for this context. Smartphones are one key to this transformation as they have made it easier to play games – especially outside of the home.

Figure 2: Development of gaming contexts; arrows indicate how the different gaming contexts are likely to expand in the future, based on interviews with experts and consumers



Source: Ericsson ConsumerLab, New ways to play games, 2014

NEW WAYS TO PLAY



My ideal gaming scenario would be a 4D gaming experience that fully immerses me.”

Female, 28, US



Advances in new devices and services and greater network performance are helping to support the evolution of gaming habits and behavior. Consumers have a greater choice when deciding what device to use. Today’s platforms include PCs or laptops, mobile and fixed game consoles, and different mobile app-based devices such as smartphones and tablets.

Even though most devices can be found within all gaming contexts – apart from while commuting – the actual choice of game and device is affected by context and gaming drivers. Using a smartphone to game during free time or while commuting is very common. Gaming for socialization encourages the use of a device that offers a good social experience, while advanced me time gaming might require a very powerful device.

It is not only the mobile context that is evolving. Fixed devices will still have a place in the future gaming world. These devices will be favored for advanced, immersive games, particularly by consumers that invest in gaming as a hobby. This is due to advances in hardware, such as larger, higher quality screens, improved sound and more responsive controllers.

In the future, as wearable devices, such as connected watches become more commonplace, we will see games take advantage of this and enable players to interact with their surroundings. This could also encourage more immersive gaming experiences

for both fixed and mobile gaming. Especially in South Korea, consumers express hopes about future gaming becoming a more immersive experience, using virtual reality, holograms, and wearable technology.



IMMERSIVE MOBILE GAMING

will become more common

A new kind of continuous cross-media experience that spans devices and channels is emerging. One of those experiences could for example mix ingredients from a game, a TV show, betting and social forums to build one common experience. Cross-media experiences raise the most confusion amongst consumers.

This was also mentioned during the expert interviews as one of the main barriers for cross-media games. The successful cross-media experience will need to address this barrier and show clear benefits in order to reach a broader audience.

GAMIFICATION

WHAT IS GAMIFICATION?

Gamification applies gaming elements or mechanics to other areas and activities. The popular app Foursquare is an example of this phenomenon. The service allows users to check-in at different places, such as pubs and restaurants. The user can compete with friends to earn points and badges by completing certain tasks.

CINEMA

PARK

CAFÉ

SHOPS

Going mainstream

Gaming on smartphones and tablets has driven the gaming industry forward. One of the reasons for doing so is that games on smartphones and tablets today address all drivers for playing, i.e. immersion, rewards and socialization, whereas previous games on mobile phones only offered rewards. Also, smartphone games can now be easily found and downloaded through app stores, whereas before consumers mainly played pre-installed games.

As gaming becomes more common, it is starting to influence other areas and activities. Gamification is the use of game elements and features in non-game contexts to engage consumers. The method has been used for decades, but as a phenomenon it has grown rapidly during recent years, enabled by new services and devices. However, many of these applications have been focused on simply trying to increase sales or to reach consumers in new ways, for example rewarding consumers with points or air miles for buying products and services. Just like the games played on the mobile phone before the smartphone, these initiatives only address the reward aspect of the gaming drivers. Initiatives that address all of the motivations for playing games – immersion, rewards and socializing – are more likely to have a greater effect and offer better experiences.



I think gamification is actually really cool and it would promote a lot of customer participation.”

Male, 21, US



Within education and especially for children, there is a lot of potential and usage for gamification.”

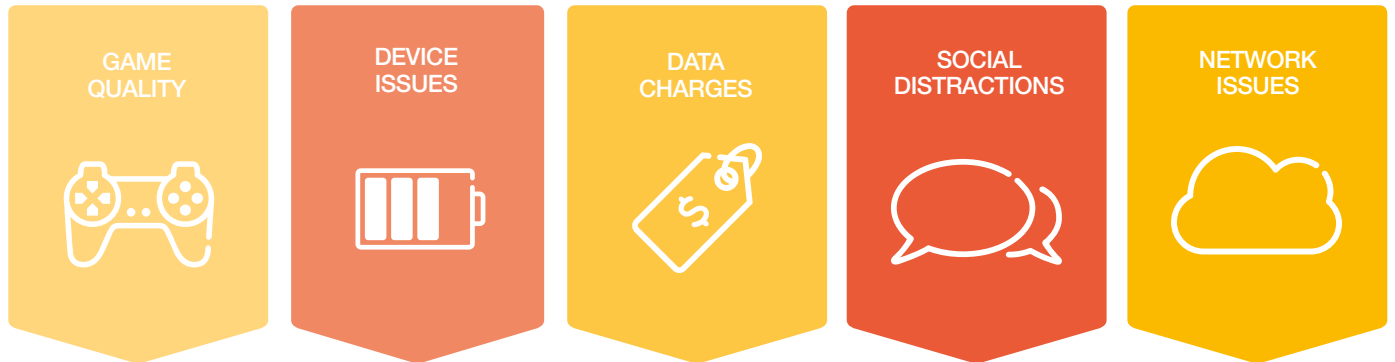
Patrick Liu,
Creative Director, Rovio

Many of the respondents we asked were open to introducing gaming elements into other aspects of their lives. However, gamification should not be forced – not all aspects of life should be subjected to it. The most important underlying factor of all gaming is choice, and this cannot be taken away from consumers.

There is potential for gamification to enter even more areas of our lives in the future, for example to increase employee performance, aid education and for personal development. The openness towards games and the use of game mechanics will spread to other industries, and this will become expected by consumers who are used to gaming mechanics.

NOT ALL FUN AND GAMES

Pain points



The main pain point for gamers is the interruption of the seamless experience. This could be anything from technical issues to in-game disturbances such as advertisements that disrupt the gaming experience. This is especially true during me time gaming.

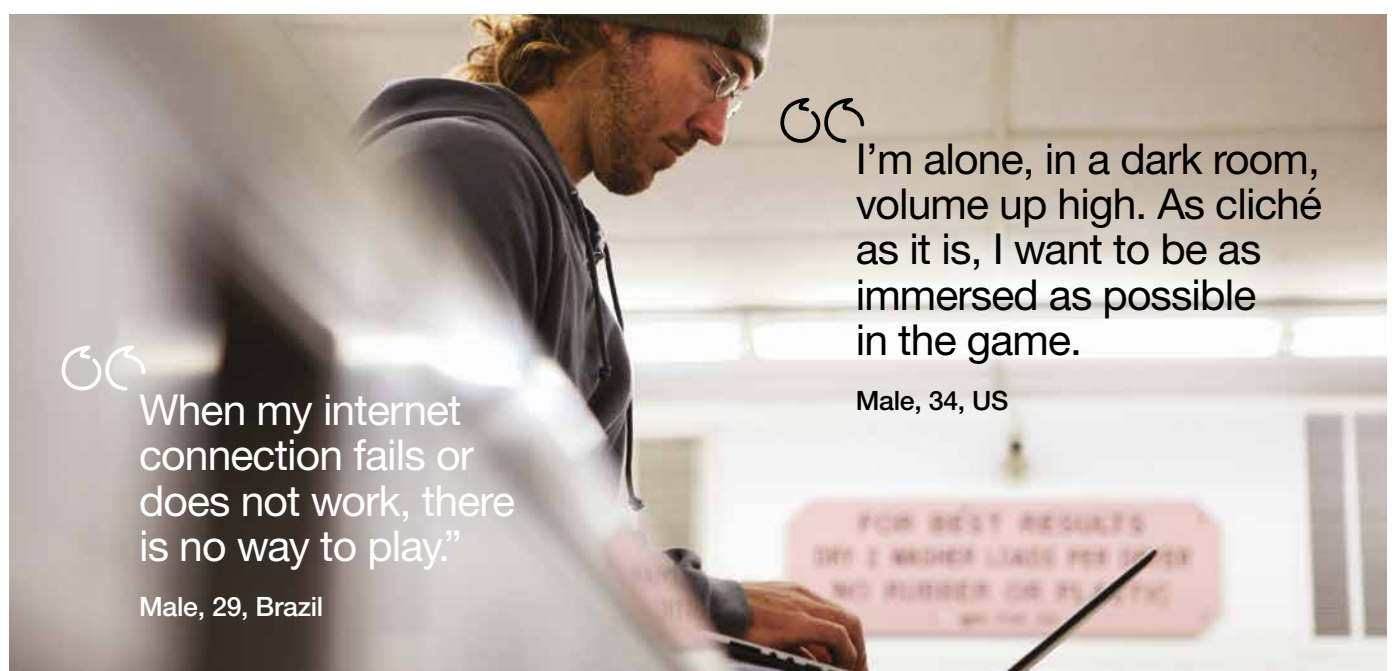
Other aspects that can reduce the enjoyment of playing a game are battery issues, low responsiveness, bad graphics, sound quality or story, and fears of using up or being charged for exceeding data allowances.

There are social complications that can affect playing. Gamers complain about other players if they demonstrate poor sportsmanship or behavior. Distractions can also

come from outside the gaming area, such as phone calls or interruptions from people who are not playing. All of these have a negative effect on the consumer experience, and may very likely influence players to choose other activities instead of gaming.

Social concerns

Even if the social acceptance is growing, a stigma still exists in some markets. This is especially true in Brazil where consumers mentioned concerns about gaming taking over consumers' lives and becoming a harmful addiction, making it difficult for children to form close relationships.



STABILITY ABOVE SPEED

Overall, the network is becoming increasingly important to the entire lifecycle of gaming – from purchasing to playing against opponents and downloading updates.

As soon as a game requires an internet connection while playing, the network quality affects the consumer experience of the gaming session. A poor connection is a pain point for gamers when playing online because it interrupts gameplay and takes away the required seamless experience. Consumers argue that this is especially troublesome when playing with others online.

According to the Entertainment Software Association in the US, 62 percent of gamers play games with others, either in-person or online.



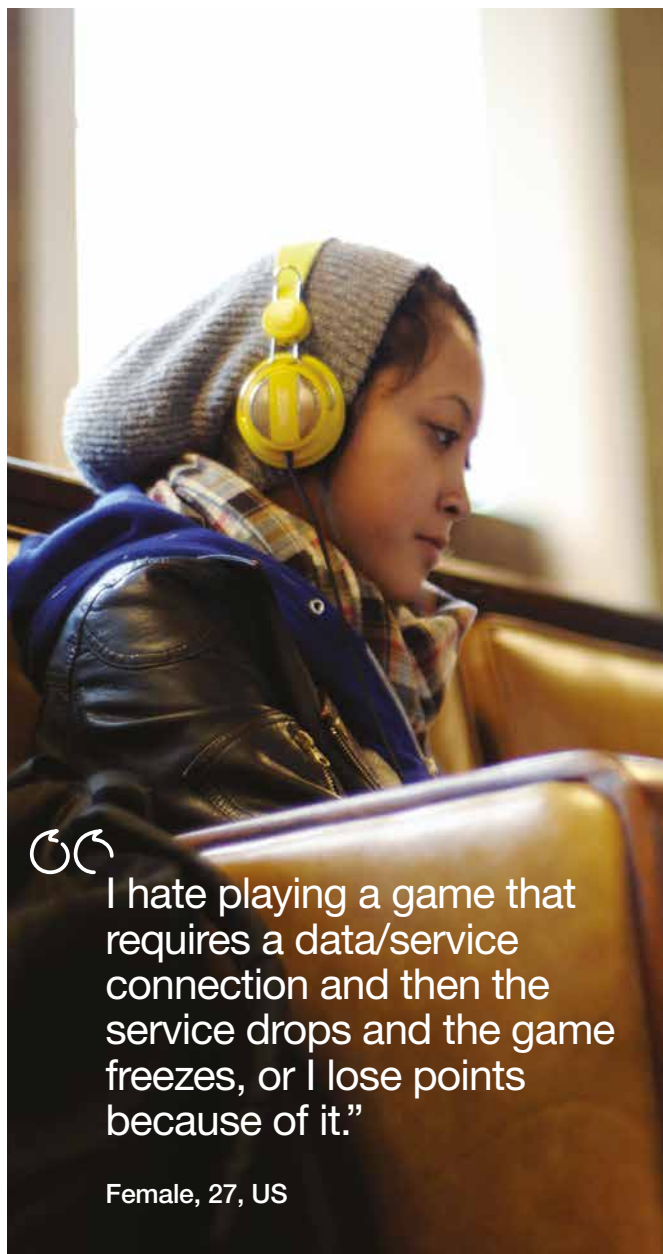
NETWORK IS CENTRAL

to the entire lifecycle of gaming

There is great opportunity for improving connectivity when commuting, which is becoming a more common gaming context. Consumers say that they are least satisfied with network performance when mobile, such as on a commuter train. It is still not possible to play more advanced connected games today due to a lack of predictable connectivity and a lack of capable devices. As commuting is a common context for playing games, this will put demands on the stability of the connectivity.

Internet stability

Consumers and experts agree that the stability of the internet connection is very important. Consumers see interruptions as the main pain point for gaming. Game developers want to bring consumers the best possible experience, and therefore minimize the amount of data sent over the network. Therefore, it is not bandwidth, but rather stability, that is important to ensure the experience today.



I hate playing a game that requires a data/service connection and then the service drops and the game freezes, or I lose points because of it.”

Female, 27, US



We are dependent on great network performance. If the network goes down, players suffer and they usually blame us.”

Pim Holfve, CEO, Expansive Worlds

CLOUD GAMING OPPORTUNITIES

Games go streaming

In our interviews with both consumers and industry experts, many talked about potential benefits for gaming services to be streamed. A large number of consumers recognize the benefit of no longer relying on a specific powerful device. Other benefits that came up, particularly in relation to fixed gaming, are:

- 1 Being able to access games across all platforms at any time
- 2 Instant access, no waiting and no need to install
- 3 No need to pay for expensive gaming-centric devices

Several experts from the gaming industry also mentioned the benefits of being able to offer consumers a better experience when games not only have to rely on the processing power of the device. They also highlighted the benefit of not having to build new versions of the game for every different platform, and to be able to offer more personalized services for consumers by using big data.

However, both consumers and experts agree that the success of this type of cloud-based gaming relies heavily on a consistent and stable internet connection.



As long as we have a fast network system, cloud gaming is very conceivable.”

Male, 19, South Korea



When we are able to say now you have the power of hundreds of CPUs and GPUs at your disposal, and we can create radical new types of games – that is when you will see a growth in cloud gaming.”

Jacob Navok, Director of Business Development, Square Enix

Changing business models

Experts believe that a shift to cloud gaming and digital distribution will further decrease distribution costs, enable new business models and lead to new opportunities, services and revenue streams.

Apart from charging for new services, offerings and game related content in or outside the game, revenue will also come from personalized advertising.

Today, the most noticeable business model, especially for mobile games, is in-app purchases. This is a way of allowing consumers to pay as much as they want. Still, when talking to experts in the gaming industry some point out the flaws with the model. The problem with the business model lies in providing options where consumers pay out of interest and not frustration. Most consumers do not want to pay, which was a clear trend amongst the consumers within this study. Therefore the provider of the game ends up having to rely on a few people to pay a lot. Several experts mentioned advertising as a potential and more sustainable business model.

Today, the advertising business model is underutilized and one of the problems is how to integrate it. Consumers mention advertising as being intrusive, especially if it disturbs the seamless experience of the game. One way of making it more attractive is by making the ads more personalized and relevant to the consumer. Of course, the personal information used to customize ads must be treated with the consumers' privacy in mind.

EXPANDING THE GAMING EXPERIENCE



“You just need a screen and an interactive control. All the other things will be streamed.”

Erica Kato Marcus, Head of Experience Planning, Sony Mobile Communications

In the future consumers will continue to play in the four different contexts, driven by various motivations. However, playing a game will no longer only be a deliberate activity. Gaming will also be seamlessly integrated into everyday activities. This will increase the appeal of certain activities, such as exercising and education. Inevitably, gaming will merge into many other activities to make consumers' lives more well-rounded and enjoyable.

Today's games will not disappear as new types of games emerge in the future. Rather, new and innovative types of games will complement today's games. Nevertheless, most games will make use of new technology and appeal to evolving consumer interests and behaviors. We will see more advanced games that are played while mobile. Gamification solutions that are both absorbing and socially advanced, and the utilization of both sensors and wearable devices will intensify the experience.

If consumers are to adopt this new way of gaming, their experience must be seamless and without disruption. Games should be easy to access, with the possibility to share the experience, but still giving users the freedom to choose when, where and what to play.

“Glasses or wrist watches will help make the gaming experience more connected to the rest of the world and the people around us.”

Female, 30, US

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