ISGA

Background Briefing Paper on new independent research on the use and impact of social games

1. Introduction:

The ISGA has launched an independent academic research report by Harvest Strategy into the evolution, use and impact of social games. The report undertakes both a review of existing academic literature and data as well as a new survey of consumer behaviour and perceptions across Australia, the UK, France and the US – "the 2014 Consumer Survey."

This briefing paper aims to summarise the research for policymakers, journalists and all stakeholders who hold an interest in the social games sector.

2. Background:

A new and under researched industry – use of evidence based analysis on the sector

Like any entertainment industry social games have a cultural and social impact. As a new industry social games are under-researched – and have often been a mere sub-category within other studies, if at all. As a result, much of the discussion on the key issues surrounding social games has tended to be based on assumption and conjecture rather than evidence based analysis.

In October 2013 the ISGA commissioned independent academic research into the evolution, use and impact of social games, entitled "**A New Industry's Profile - Digital + Social + Game = *Diǵsogames*"**. Our objective was to bring clarity to the debate surrounding social games and help policy makers differentiate more effectively between the real and perceived risks posed by the sector.

Research was undertaken by Harvest Strategy, an Australian based consulting and research firm specialising in the areas of public policy and consumer behaviour. The social games team was led by Dr Rohan Miller, Senior Lecturer in Marketing at The University of Sydney, with the assistance of a team of internationally recognised academics including The London Business School. Harvest Strategy has taken on the research with full independence to ensure value, credibility and weight to the findings.

We believe that our commitment to researching the impact and reception of social games should be ongoing. As such, we will be following up this wide-ranging study of social games with a project that specifically addresses issues of concern relating to social games and younger users. We look forward to releasing the findings towards the end of 2014.

Key academic research findings

The following are just some of the final report's conclusions:

An increasingly important part of the digital economy

- The social games industry is projected to reach $7 billion in revenue by 2015 and it is expected that 34% of the total Internet population will be playing social games this year. The continuing expansion of mobile technology and social networks are the core drivers of the rise of social games.

Today's games are a natural evolution from traditional games

- Today's social games played on mobile devices are the natural technological evolution of traditional games practices based around strategy, skill and chance. Much of the extensive academic study of gameplay has been left out the discussion of social games and their impact. Understanding that social games are simply the latest development in a long history can help prevent kneejerk or sensationalised responses to the sector.

A lack of common language when examining games

- There has been broad-based confusion amongst legal analysts, academics and regulators about the definition and product attributes of social games. The lack of a common language has restricted the ability of stakeholders to engage in a constructive and coherent dialogue on key issues of concern surrounding the industry.

Towards a new definition of social games: "Diǵsogames"

- To move towards a common language, the report proposes a new and straightforward definition of social games - "Diǵsogames." The definition both incorporates a classic academic definition of social gameplay and provides a starting point to recognise a digitally-based category of social games, separate and distinct to other types of video games and online gaming.

  Diǵsogames :
  "...a recreational activity characterized by organized play, competition, two or more players (or player versus a device), criteria for determining the winner, and agreed-upon rules that is played using digital technology. These games are distinct from gambling games, and do not have any financial or monetary pay-out"

No evidence to support theory that social games leads to gambling

- There is no theoretical or empirical basis to support the argument that playing social games affects gambling consumption or leads to problem gambling. The report argues that the introduction of social games has coincided with the continued decline in problem gambling in Australia and the UK.

Confusion between gambling and social games should be avoided

- Gambling has an established set of criteria and definitions. However, gambling academics have attempted to expand the definition so as to encompass social games as a "gambling like" activity. This type of definition is too imprecise to be a useful tool for policy makers. Moreover, gambling conceptual frameworks are unhelpful when trying to analyse the impact of social games, which are played and paid for differently.

Social casino games should be properly categorised as a genre of social games

- Social casino games should be properly categorised as subset of social games alongside other genres. Money, and particularly winning money, is integral to any definition of gambling. Casino-style social games do not enable people to win money and most players do not even pay to play. They are played for reasons typical of social games such as social interaction and relationship building across social networks. Categorisation as a form of gambling is therefore inaccurate.

Demographic of players shows no gender bias and 40 years old is the average player age

- A comprehensive review of the demographic data covering social games, indicates that:
  - The average social games player is around 40 years old.
  - Gender is closely run and both game and market dependent. Figures suggest that globally 54% of players are men. However, certain markets such as the US (54%) and UK (58%) have a higher proportion of female gamers.
  - Females are more likely than males to spend money on virtual goods within games. 58% of social gamers that purchase virtual are female, as are 70% of the highest social games spenders.
  - These findings support the ISGA's own recently collated data on the audience for its members' social games, which shows that 99.5% of users are over 18.

Discussion around in-app purchases should factor in the role of technology in the rise of "freemium" pricing

- Much of the discussion surrounding in-app purchases has failed to fully consider the commercial forces underpinning the rise of freemium games. The ease of online digital distribution and the continuing problem of piracy have forced downward pressure on prices. The diffusion of mobile technology (for example smartphones and tablets) has driven demand for more flexible game playing experiences. The freemium pricing model has enabled the video games industry to successfully harness these changes in technology and consumer demand.

Discussion around in-app purchases should take into account the value of the "freemium" pricing model

- Consumers are benefiting in gameplay experience from the freemium pricing model, which allows users to access high quality content before they buy, spend according to what they really value and play at convenience. From a commercial angle, large market penetration and attractive in-game features that represent value-for-money are central to success for games developers.

Research finds health and social benefits in playing games

- Much of the research into videogame playing demonstrates the positive potential of playing video games. These range from assisting with mood management, to helping the development of memory and attention skills and the capacity of social games to function as a positive vehicle for social interaction.

3. The Consumer Analysis 2014

Alongside a comprehensive review of publicly available data, primary research has been undertaken. During February 2014, representative sample surveys were collected of consumer behaviour and perceptions from 1000 respondents in Australia, the UK France and the US. Respondents filled out an online questionnaire, which asked a series of detailed questions relating to how they played and paid for social games, and how they perceived social games in relation to the other forms of entertainment.

The following are some of the highlights from this consumer analysis:

A high proportion of people play social games

- Social games are at the vanguard of the new digital economy. Approximately 60% of those surveyed said they had downloaded a game in the last seven days, compared to 35% who played a conventional video game and 70% that accessed Facebook in the same time period.

If people didn't play social games many would be watching TV

- If not playing social games people would watch television. Sitting in front of the television is by far the most popular alternative activity to social game play, preferred by over 60% of respondents in each country.

Average social games players are not spending money on in-app purchases

- Average social games players are not spending money on in-app purchases due to the "freemium" model. Less than 1 in 10 players spent money on a social game on their last playing occasion.

Those that do pay, pay low amounts

- Out of those that do pay, expenditure on the last purchase occasion is typically less than one unit of local currency: 87% of French transactions were less than €1, 90% of UK transactions were less than £1, 91% of Australian transactions were less than $A1 and 86% of US transactions were less than $US1.

Only between 1% and 3% of in-game expenditure exceeds $US13

- The more advanced upgrading features within game playing are on average priced competitively with other forms of entertainment, such as renting or purchasing a movie. 1% to 3% of respondent's in-game expenditure exceeded $13 in Australia, France, the UK and the US.

People are making in–app purchases on significant in-game items

- Respondents were asked to nominate the in-game feature they spent money on the last time they played. Entering a new level was the most popular in-app purchase at 40% in Australia, 33% in France, 20% in the UK and 36% in the US, followed by purchasing more lives (AU 30%; FR 29%; UK 29% ad US 36%).

Consumers understand the difference between social games and real money gambling

- Data indicates that consumers are able to distinguish and understand the difference between social games and real money gaming. Consumers were asked the extent to which they could differentiate between social games and gambling. Out of a graduated agree/disagree scale of 1 to 7, figures were consistently high 5 to 6 for understanding the difference and being able to easily tell the difference between social games and gambling products.

We will be sharing these important findings with all interested stakeholders and continuing to inform the discussion on social games and their impact. The ISGA hopes the report will function as a resource to help educate and inform policy makers and public alike on the social games sector, and as a foundation for further research.

5. About the International Social Games Association

The ISGA has been set up by a group of leading social games companies to explain to the public, policy makers and regulators what the industry does, how it works and the value that it generates, both for the people who enjoy playing social games as well as for the digital economy.

Members of the ISGA include Zynga, Slingo, Plumbee, Playtika, PlayStudios, MGM, IGT, High 5 Games, Gamesys, Big Fish Games, Bally Technologies, Aristocrat, Akamon and Abzorba Games. Over 300 million players play our members' games worldwide through platforms such as Facebook, on smart-phones, tablets, laptop computers and desktop computers.

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