



Mobile Gaming on Messenger Apps: The Future of Mobile Entertainment

Exponential Growth of New Gaming Channels Predicts the Future of Mobile Game Distribution

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Overview

- Opportunity of New Distribution Channels
- Growth of Messaging Apps
- Messaging Apps by Region
- Messaging Apps Becoming Platforms
- Other Distribution Channels
- What you need to do to take advantage of new channels



Opportunity for New Mobile Game Distribution Channels

- Existing game distribution channels ready for competition
 - opportunity to improve on status quo
- Global Playground – need to look at additional channels to maximize distribution and revenue
- Traditional app stores don't work everywhere
- Credit cards don't work everywhere
- Growth of messaging apps offer new opportunities
- Multiple distribution channels needed to optimize distribution and monetization



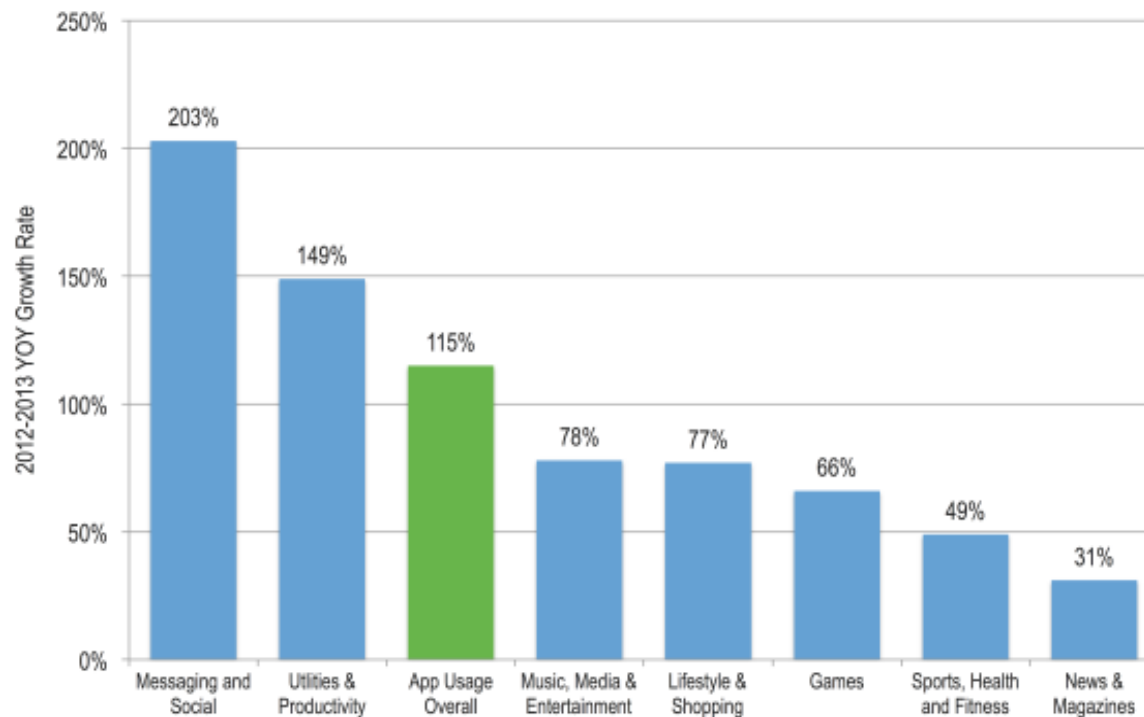
Messaging/Social Leads Mobile Use Growth

- 2013 Mobile Use Grows by 115%
- Smartphones and tablets taking over for PCs
- Utilities and productivity apps up 150%
- Gaming--feared to be saturated—Up 66%
- Messaging (incl. social and photo sharing) ↑
203%
- Mobile users increasingly prefer apps for direct messages vs. traditional SMS texting



Messaging/Social Leads Mobile Use Growth

Mobile Use Grows 115% in 2013, led by Messaging and Social Apps





Teens Are Sharing More on Social Media

Waning Enthusiasm for Facebook

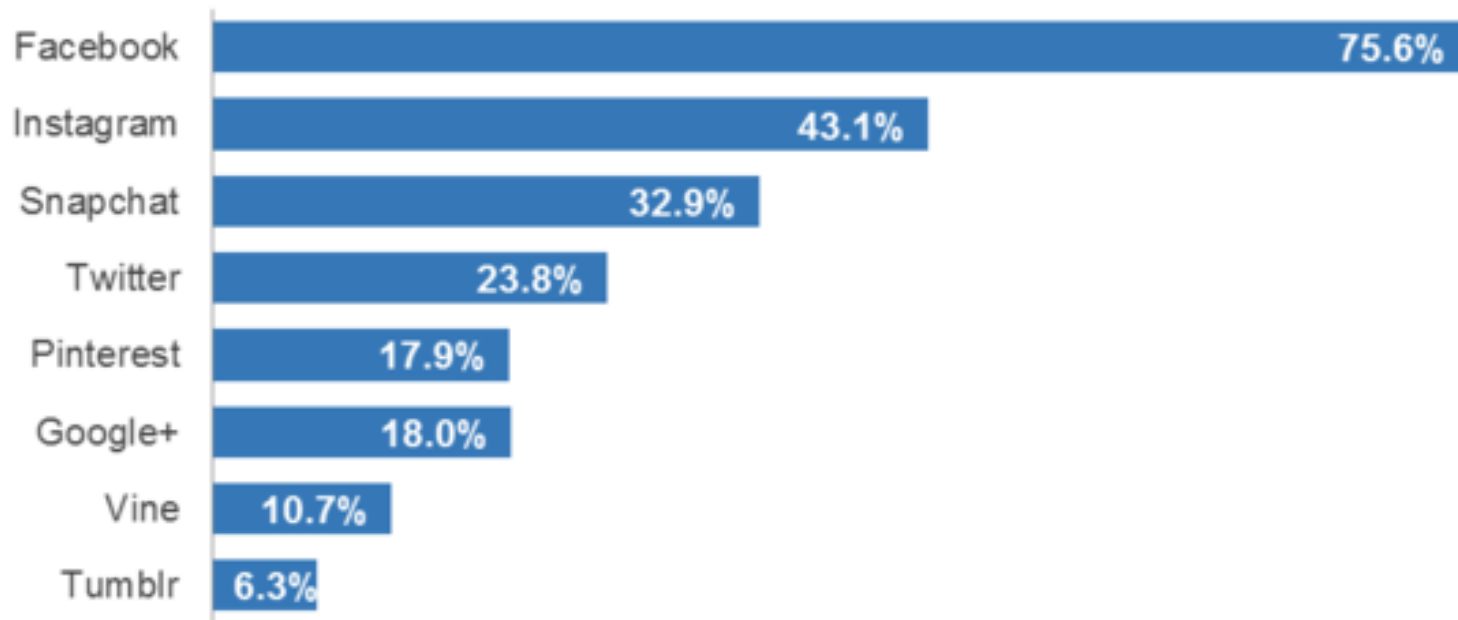
- FB still has more users than any other social network – over 1B
 - Teens sharing more than ever - photos, school, mobile #'s
 - Twitter up too
 - Average teen has 300 friends, 79 Twitter followers
- Messaging is displacing texting and traditional mobile calls
- Dislike FB's excessive sharing and increasing adult presence
 - Keep using it because it's important part of teen socializing
 - 3M US teens left Facebook over last 3 years; number of users between 13 and 17 fell 25.3% - sharpest decline of any age group
- Frequent direct messages via messaging apps to closer circle of friends vs. less posts on Facebook to broader audience
- 60% of Millennials keep FB profiles private – better at managing their online persona



Snapchat #3 Social Media App for Millennials in US

Leading Social Media Apps Among 18-34 Year Olds by
Smartphone Penetration

Source: comScore Mobile Metrix, U.S., Jun 2014





Rapid Growth of Messaging Apps

- Exponential Growth – Over 1B Users in <5 years
- Messaging apps such as WhatsApp, WeChat, KakaoTalk, Line, Kik, Snapchat, Nimbuzz, Viber and Tango all receive lots of press due to almost tripling of growth
- Recent Activities
 - WhatsApp purchased by Facebook for \$19 Billion
 - Viber purchased by Rakuten for \$900 million
 - SnapChat investment by KPCB - valuation at ~ \$10B
 - Nimbuzz to UK's New Call – 70% stake (\$250M valuation)



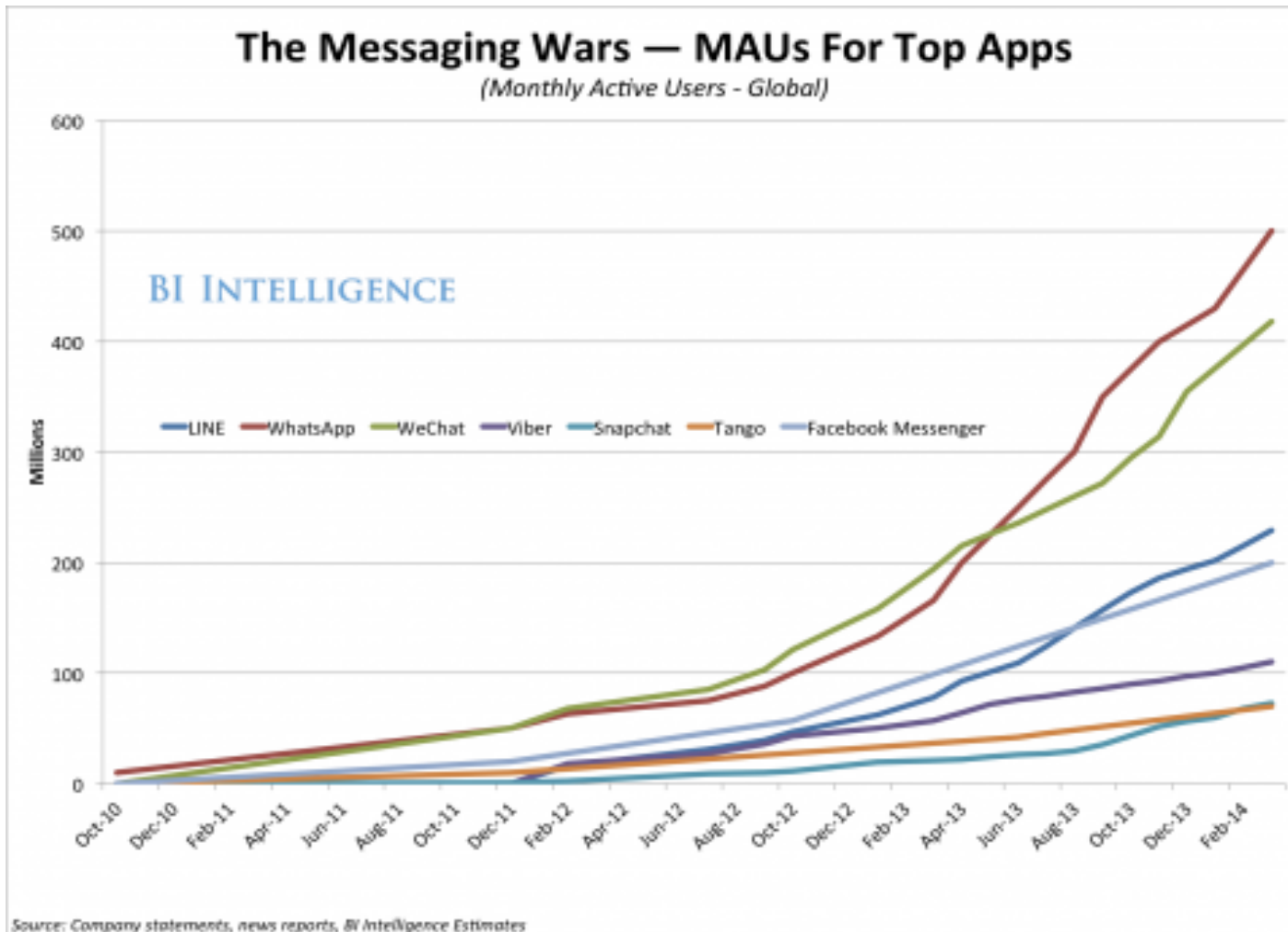
Messaging Apps

The New Face of Social

- Rely heavily on word of mouth promotion
- Frequent interactions with core friends
- High retention rates
- Have potential to become widely used, innovative media portals that integrate games, location-based services, ecommerce, payments and other services into one single platform
- Need to expand offerings to monetize rapidly growing user bases
- Messaging apps: \$1B in revenue in 2013 → \$25B in 2017
- 1B+ Users today → 3B by 2017
- Rapid growth will force digital platforms and established social media players to evolve



Rapid Growth of Messaging Apps





By the Numbers

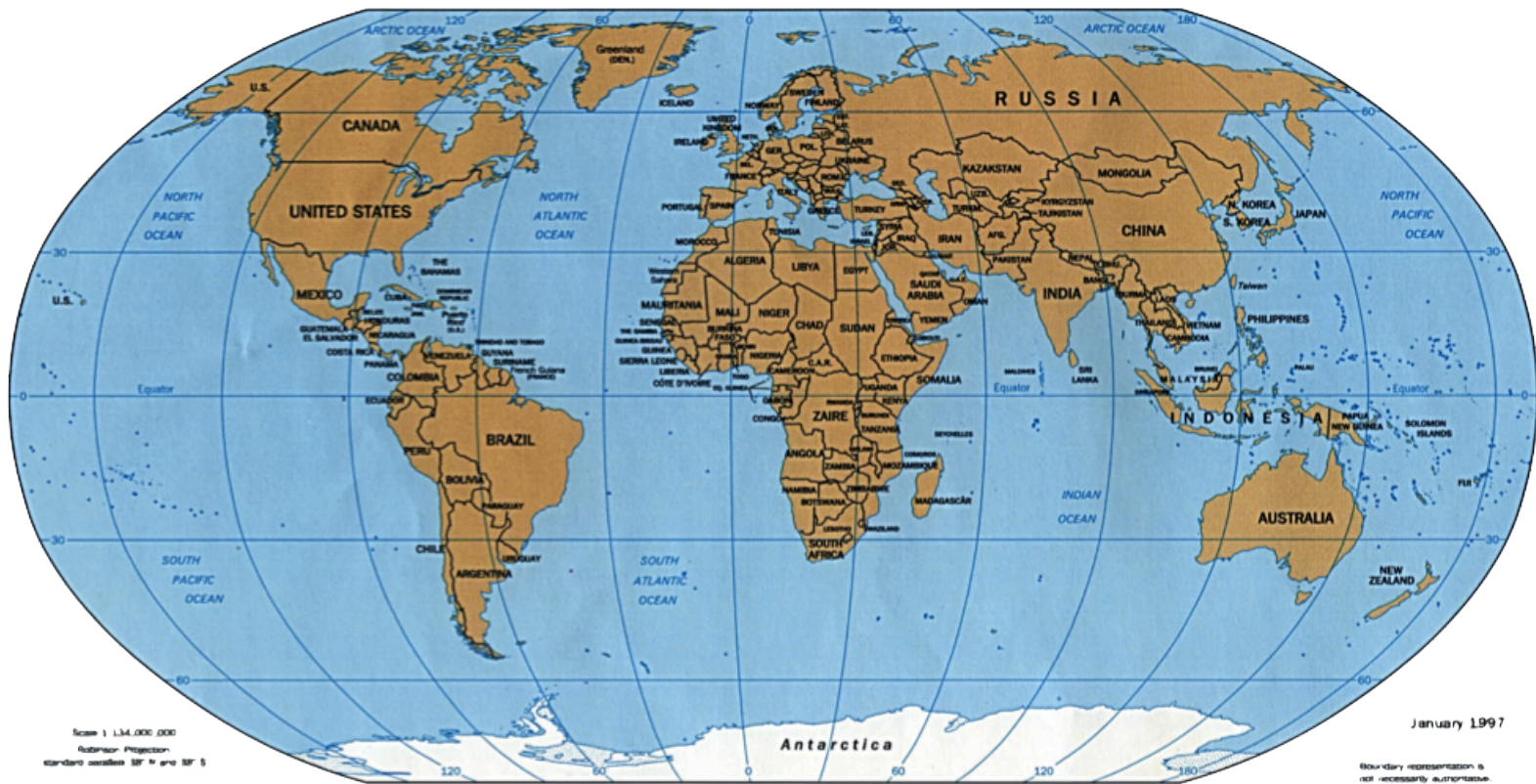
(Early 2014)

Definitions: Registered: downloaded app; Active: using app

- Whatsapp: 500M Monthly Actives
- Tencent's WeChat: 355M Monthly Actives
- Viber 100M Active; 300M Registered
- Skype 300 million Active Users
- Tango: 200 million registered
- Facebook Messenger: 200M Active Users
- Kik: 100M Registered users
- Nimbuzz - 150 Registered million users in 200 countries
- KakaoTalk: 140 million Registered Users
- Snapchat - estimated at 60M registered; 30M active. Prefers to release # daily messages (~1.2B) - mask lower active user number



Messaging Apps by Region

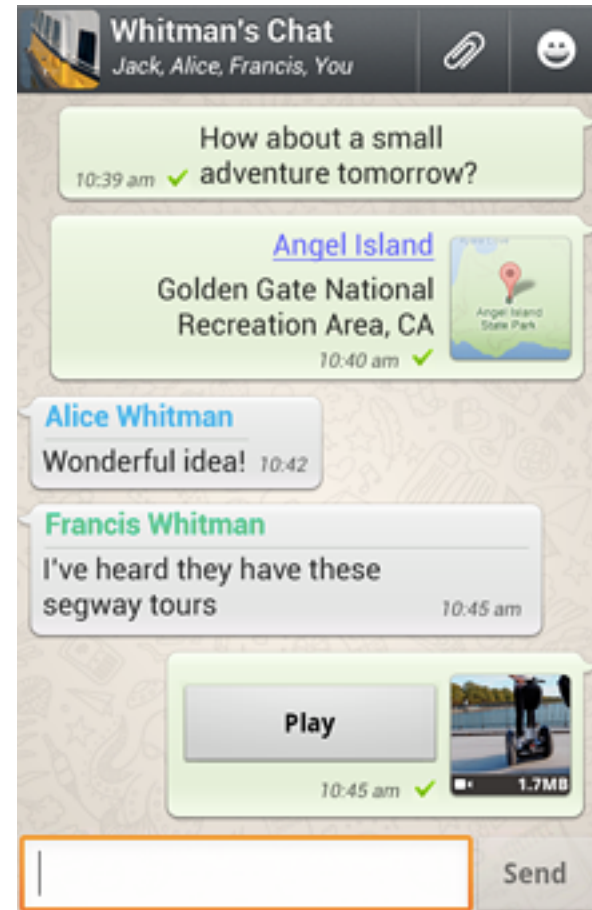




Messaging Apps by Region: North America

WhatsApp

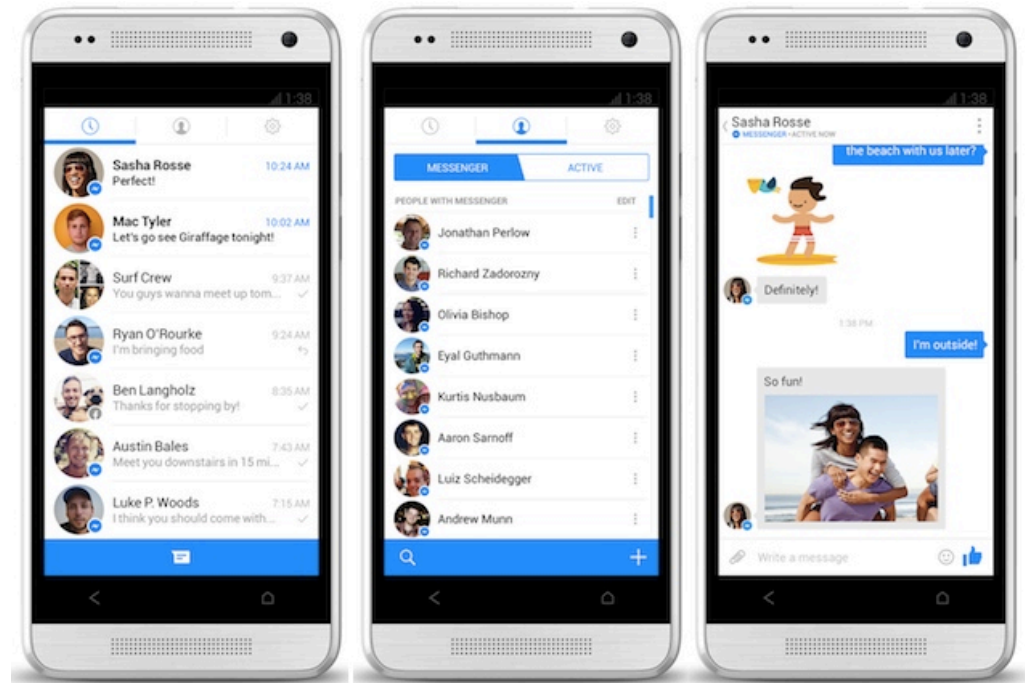
- Largest Messaging App
- Founded in 2009 by 2 former Yahoo employees
- April 2014, 500Ms MAUs, 10B messages, 700M photos and 100M videos shared every day
- Monetizes via annual subscription fee - \$0.99 after initial year of free service
- Estimated annual revenue at \$400M+
- CEO has vowed no ads or games
 - CEO Jan Koum keeps a note taped to his desk: "No games, no stickers, no gimmicks."
- Feb 2014, FB purchased WhatsApp for \$19B
- Purchase by FB will pose an interesting challenging for WhatsApp as they will look to increase monetization with ads as likely next step



Messaging Apps by Region: North America

Facebook Messenger

- 500M – 1B downloads (registered users)
- 200M active Users; 12B messages a day
- Released for mobile in 2011 and on desktop in 2012
- Recently separated Messenger into separate app from main app – forcing users to download 2nd app
 - FB received backlash for forcing 2nd download

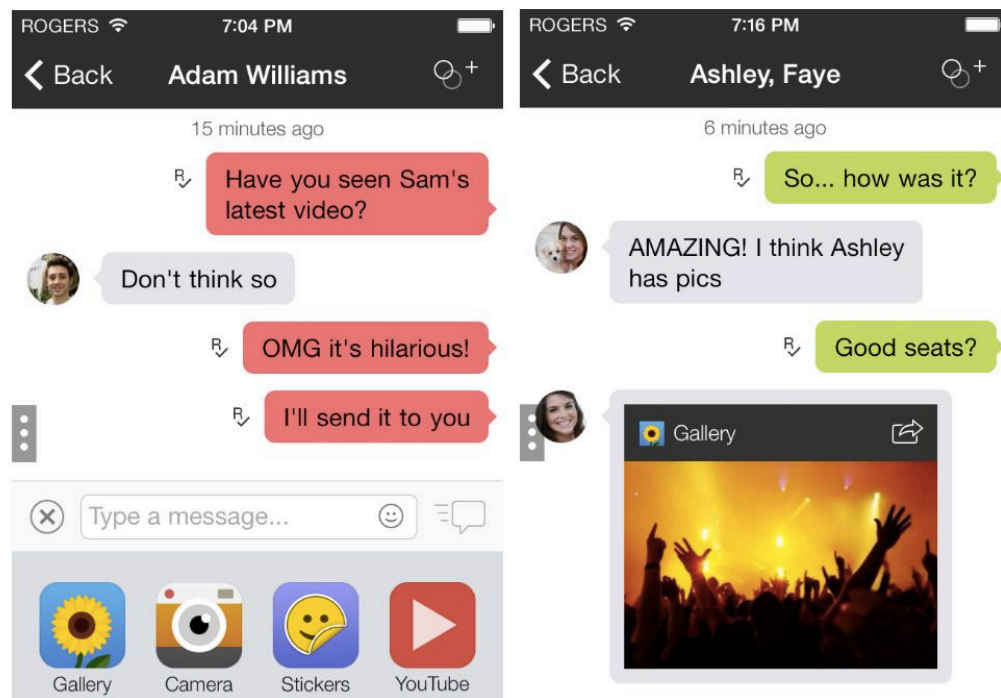




Messaging Apps by Region: North America

Kik

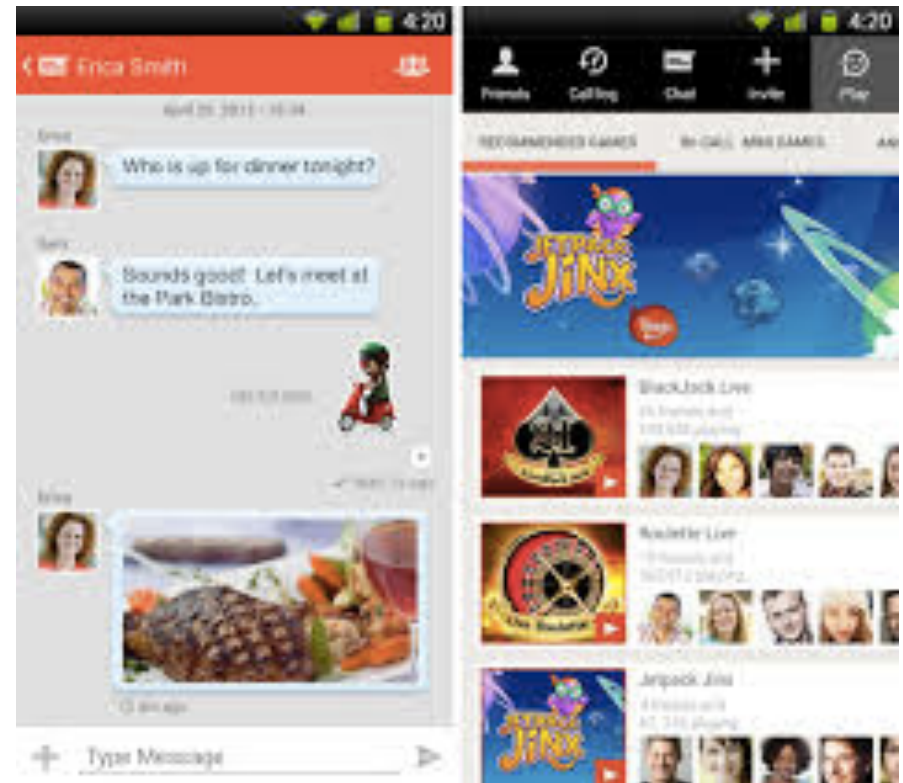
- HTML5 Based
- Modeled after Blackberry Messenger (HTML5 based)
- Released Oct 2010;
Reached 1M users in 15 days
- 150M Active Users
- Doesn't feature voice calls
- App contains a browser for simultaneous browsing and chatting



Messaging Apps by Region: North America

Tango

- Started with voice, video, stickers, video calls, now includes games; social media stream
 - News feed for sharing content with friends like Facebook
 - Games service
- 250M registered users
- Adding standalone apps: Tango Music Pix
- Raised \$280M in round led by Alibaba in March

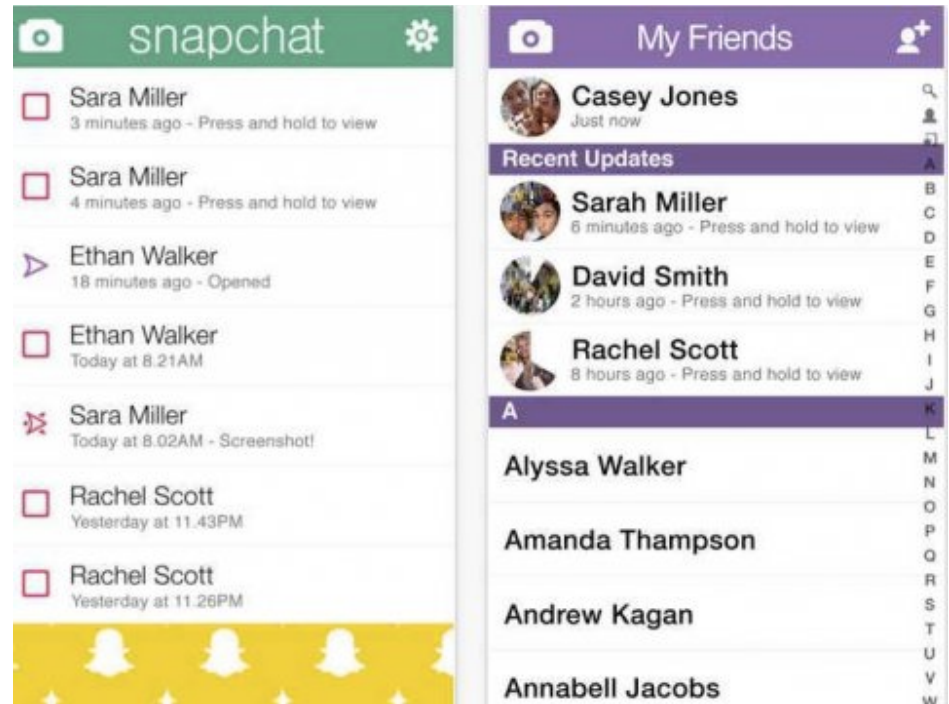




Messaging Apps by Region: North America

Snapchat

- 60M Registered Users; 30M Active Users
- Disposable content – content is shared with time limit for viewing (up to 10 sec.) set by sender)
- Extremely popular with Millennials - #3 Social Network
- 1.2B Messages/Day
- >50% penetration with US 18 – 24 year olds
- Multiple security breaches – latest exposed at least 100K photos





Messaging Apps by Region

Japan - Line

- Korea-owned / Japan-based LINE - Japan's 2nd largest social network
- Launched as response to Japan's Tohoku earthquake in 2011
- LINE has 340 million registered users globally
 - 19 months to reach 100M; 2nd 100M came in 6 months, 3rd 100M in 4 months
- 10B Messages/day
- Revenue: \$388M – Up 5x over last year
- Top 5 markets are Japan, Thailand, Taiwan, Indonesia and Spain
- Growth in India, Mexico, Venezuela and other south American countries – 85% base is outside Japan
- Line is free – monetizes by selling stickers, and recently launch of games platform - explosive revenue growth in last year from games
- Continuing to expand services including manga, utilities, radio, ecommerce (C2C,B2C), calls and sponsored accounts (like on Twitter)

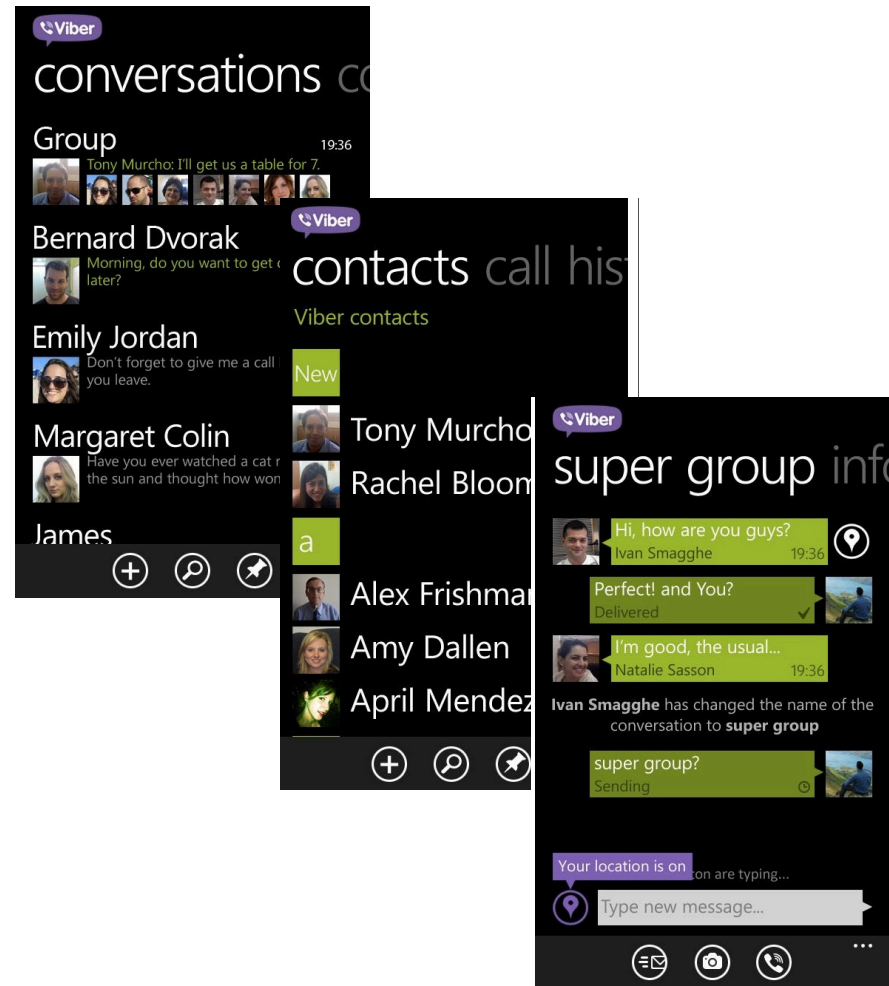




Messaging Apps by Region

Japan - Viber

- Viber offers unlimited calls and texts for free to anyone in the world its 280 million global users in 193 countries
- claims that sound quality is “much better than a regular call”
- Windows, Windows Phone, Android, iOS, Blackberry, Bada and Nokia
- Simple communication through free text messages, photos, call, location sharing
- Can communicate with non-Viber users (like NImbuzzOut) with ViberOut tool but it will cost a fee
- Japan’s top online retailer, Rakuten, purchased Viber for \$900 million. Rakuten founder Hiroshi Mikitani sees Viber as platform for games and other content





Messaging Apps by Region

India - Nimbuzz

- Founded in India, Nimbuzz is available for every smartphone and feature phone, with support for Windows phone, Windows, iOS, Mac OS, Android, Blackberry, Symbian and Java
- Over 150M users
- App to phone calling service called NimbuzzOut
- Ability to communicate with other messaging app clients from within the app – you can talk to Facebook friends on top of communicating with other Nimbuzz friends

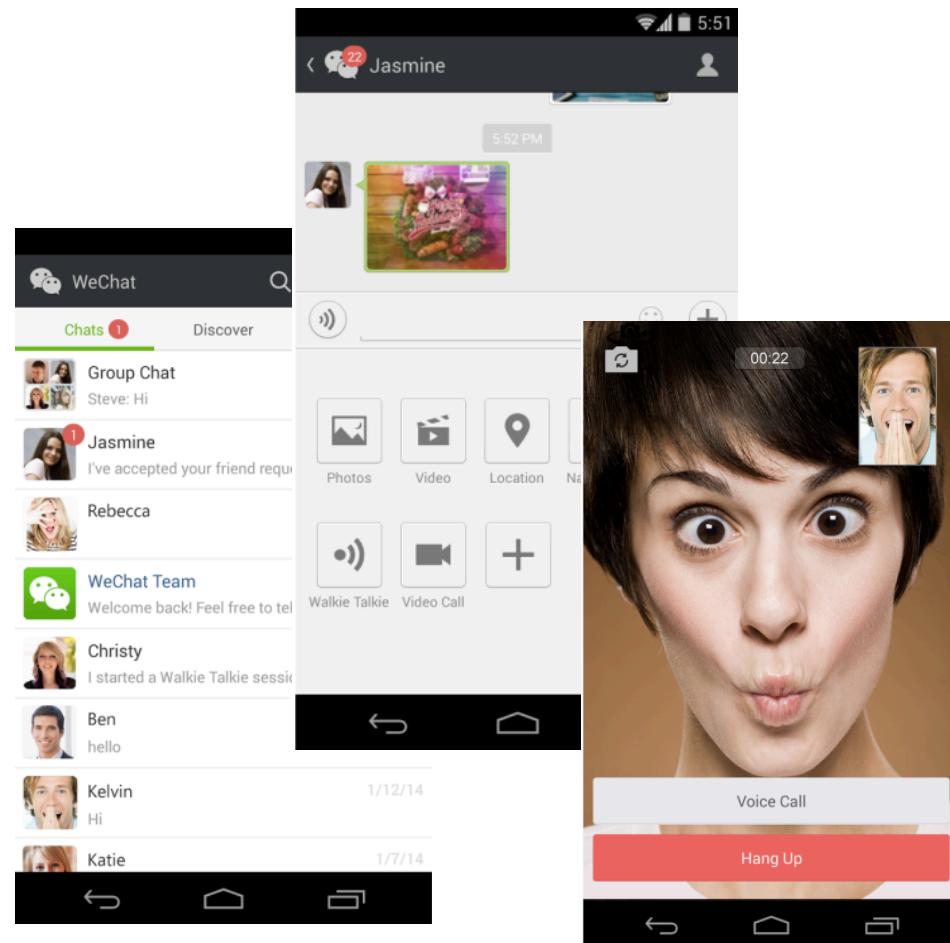




Messaging Apps by Region

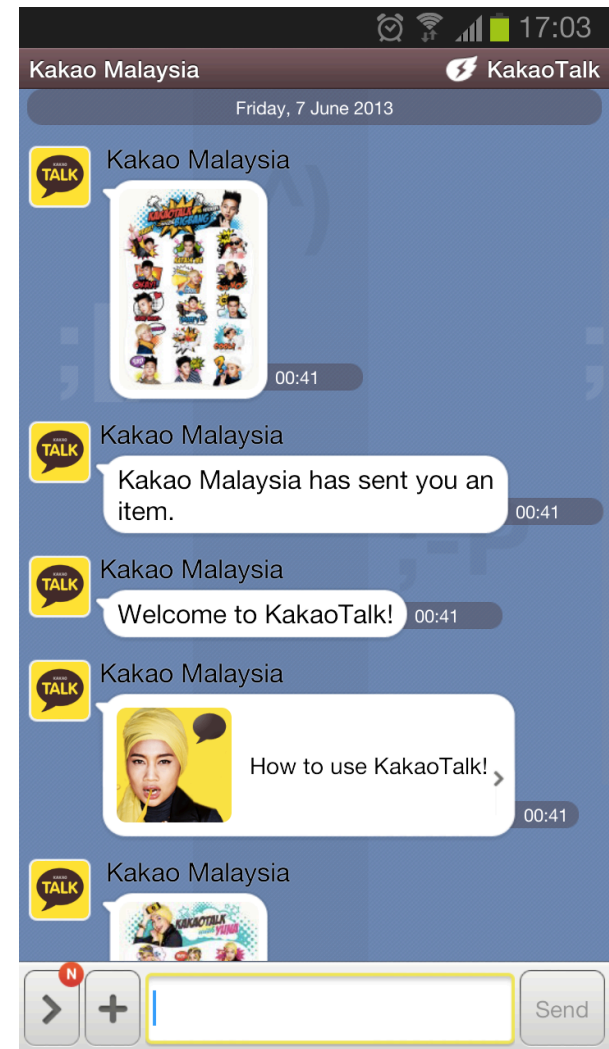
China - WeChat

- WeChat, owned by Tencent and launched in 2011, is China's dominant mobile messaging app with estimated 300 million active users.
- Tencent is China's 2nd largest Internet company - offers a diverse group of services that includes social networks, web portals, ecommerce, and multiplayer online games



South Korea - KakaoTalk

- South Korea's Kakao launched KakaoTalk in 2010, and currently has about 130 Million users - about 40% are outside of South Korea.
- 90% penetration of Korea: 27 million daily active users, Revenue \$203M – up 4x over last year; 2B Messages/day
 - 91% of Korean women tend to use mobile messengers apps compares to 88 percent of males
- KakaoTalk has evolved to become it's own platform for 3rd party apps. Game developers can tap into Kakao's audience and social graph
- Mobile games are one of biggest drivers of growth, engagement and monetization





Messaging Apps as Platform

Line, KakaoTalk and WeChat

- While US has highest number of smartphone users, Asia Pacific region has highest growth rate of smartphone usage.
- Developers in Asia are advancing the mobile app space in unique ways that will influence US market
- Messaging Apps in Asia are widely used and innovative media portals that integrate games, location-based services, commerce, payments into one single platform – quickly expanding offerings to monetize rapidly growing user bases
- Line, KakaoTalk and WeChat are leading the charge in Japan, Korea and China respectively



Messaging Apps as Platform

	Kik 	KakaoTalk 	Tango 	Nimbuzz 	Viber 	LINE 	WeChat 	WhatsApp 
Paid for/ Subscription	No	No	No	No	No	No	No	Yes
Advertising	No	No	No	Yes	No	No	No	No
Stickers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Sponsored stickers	No	Yes	No	No	No	Yes	Yes	No
Official accounts	No	Yes	No	No	No	Yes	Yes	No
Content merchandising	No	No	No	No	No	Coming soon	No	No
Other content – filters, themes...	No	Yes	No	No	No	Yes	Yes	No
Platform SDK incl in-app purchases	Yes	Yes	Yes	Limited	No	Yes	Yes	No
Commerce incl payments	No	No	No	No	No	Coming soon	Yes	No
Music	No	No	No	No	No	Coming soon	No	No
Call termination	No	No	No	Yes	Limited trial	No	No	No

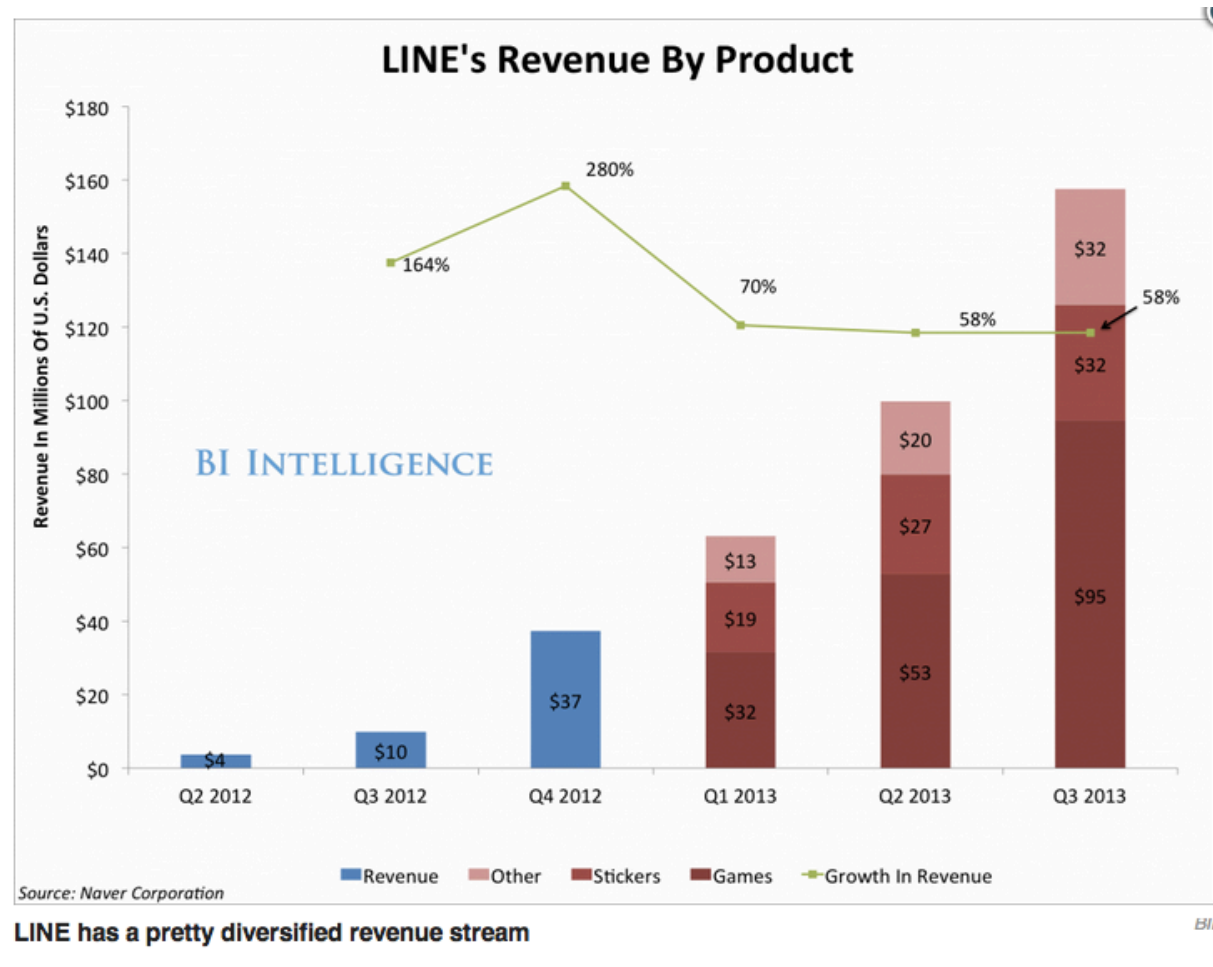


Messaging Apps as Platform Line

- Line, a leader in push to monetize users, brought in around **\$335 million in revenue in 2013**, according to Reuters. By 2017, revenue is estimated at \$2.2 billion.
- In March 2013, **3 months after launching it's game distribution platform, LINE announced that it had delivered over 100 Million downloads** to game partners
- **Games are 60% of LINE's revenue** and continuing to grow to bigger % of total revenue
 - Increase in revenue is mainly due to in-game purchases
 - Games are downloaded from Google Play and Apple's App store and revenue numbers are gross: 30% goes to Apple and Google



The Rise of Messaging Apps as Platform





Messaging Apps as Platform

KakaoTalk

- Released platform in the summer of 2012
- Kakao Games platform generated \$35.3 million with 82 million downloads from 23 million unique users in it's first month after launch
- Three months after launch revenue soared 9X to \$35.3 million.
- Within a year it hit 30 million users and 400 million game downloads
 - Many original games from Korea, now looking at games outside Korea
- In the first year, games listed on platform were practically guaranteed success,
- Leaderboards, challenges and steep competition drives game downloads
- The top games on Kakao Talk are generating \$1 million to \$2 million a day in revenue in the Korean market alone
- Com2Us has five games on Kakao, and they have become the company's biggest titles. Com2US says it used to take five to six months to grow a game to 1 million daily active users. On Kakao, it takes only two weeks to one month to get to a million users.

Messaging Apps as Platform WeChat

Tencent WeChat Services = Virtual Assistant

WeChat Service Accounts = Interactive Accounts with Communication / CRM / Ordering Capability

Personal Banker

China Merchant Bank allows customers to check & repay balances and ask live questions via WeChat



Shopping Assistant

Mogujie / Meilishuo (fashion discovery & shopping sites) give customers tailored suggestions via WeChat



Private Chef

Hahajing (a chain deli restaurant) allows customers to order & deliver food via WeChat



Grocery Getter

Xiaonongnv (a grocery delivery startup) prepares fresh groceries & delivers to your address via WeChat





Messaging Apps as Platform

WeChat

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Tencent Works to Make WeChat Remote Control for Your Oven

By Lulu Yilun Chen | October 30, 2014



Messaging Apps as Platform

WeChat

- Owned by China's second largest internet company, Tencent
- WeChat is mobile version of QQ (800M accounts, 176M online at peak times)
- Tencent owns 13.8% stake in Kakao - wants to repeat KakaoTalk's games success
- Leaderboards, challenges and viral word of mouth drives game downloads
- Tencent is betting on in-app purchases for mobile games, paid for emoticons (stickers) and a mobile payment system





Messaging Apps as Platform

WeChat

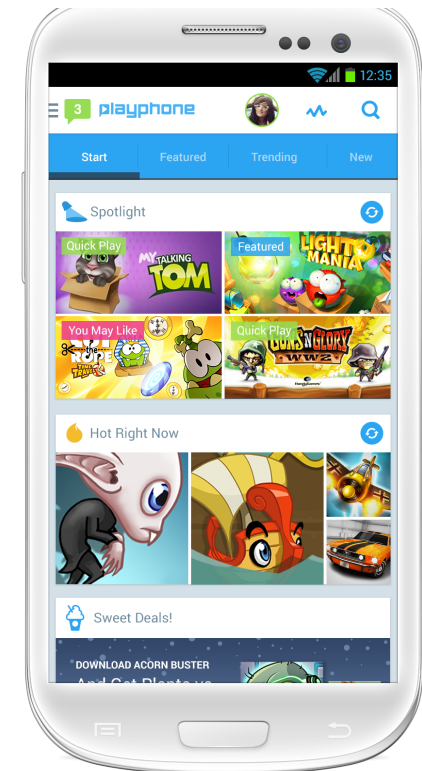
- Tencent wants to invest/buy top game devs and are willing to pay top dollar to bring in talent.
 - start developing freemium content for developing markets
- Estimates that games account for 73% of WeChat's \$482M 2014 revenue
- WeChat could be solution for game devs to distribute in China
 - Android dominates China with 2/3 market share in April, but highly fragmented Android appstore market
 - Google Play market muscled out by local 3rd party players





Other Distribution Channels

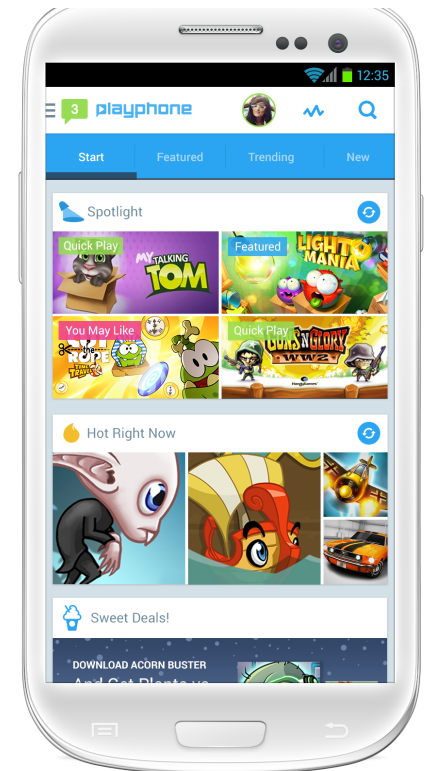
- Carriers are concerned with messaging app rise, have launched their own distribution channels for games and more
- Messaging apps have undermined text messaging, which declined for the first time ever in 2012.
- Carriers have opportunity to offer gaming services also
 - Massive distribution network
 - Own “Out-of-Box” experience and customer relationship
 - Offer carrier billing for easy monetization
 - Opportunity to revisit gaming experience
 - Localized for their region
 - Desire to Recapture Lost Revenue from Smartphone Launch (~\$2B/year)





PlayPhone Carrier Gaming Network

- PlayPhone provides a social gaming platform for carriers to offer social gaming services to their customers
- Lets carriers get closer to customers, build loyalty
- Offers “new take” on gaming – game store and game center combined
- Already live with 9 carriers – Verizon, Sprint, SingTel, Telkomsel, Claro Brazil, Vivo, Virgin Mobile, Boost Mobile
- Carrier billing – no credit cards
- Localized for territories
- Carriers incentivized to make it work – offer marketing and merchandising opportunities
- One SDK integration for all stores





Opportunity

- It's a global playground – lots of new distribution channels are opening up
- Multiple channel strategy to increase discovery, acquisition and monetization
- Pay attention to local needs
 - Game genres
 - Payment solutions
 - Local needs





Opportunity

Get ready to start using more distribution channels!

1. To integrate with Line Games
 - To submit your proposal
https://partner.line.me/proposal/en_US/proposalRegister.nhn
2. To integrate with KakaoGames
 - To submit your proposal
<http://with.kakao.com/game/en/proposal>
3. To integrate with PlayPhone
 - For more information and to download the SDK
<http://developer.playphone.com/>



Powering a New Generation of Mobile Gaming

Thank You!

John Golden



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