Online Gaming Is NOT Just for Kids Anymore

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Andreas Neus is a consultant with IBM Germany and an expert in online gaming. Andreas is also the co-author of the chapter about Online Gaming in the recent book titled Irresistible! Markets, Models, and Meta-Value in Consumer Electronics.

In this podcast, Andreas explains what Online Gaming is and how it’s not “just for kids” anymore. Online gaming today is a huge market that is growing and changing rapidly. Andreas also explains some of the wider implications of today’s Online Gaming phenomenon.

HENDERSON: Hi. I’m Al Henderson.

With me today is Andreas Neus, a Strategy and Change consultant from IBM Germany and an expert on online gaming.

Online gaming is very popular today, with titles like Counter-Strike and World of Warcraft being played daily by many thousands of people around the world. And it’s not just a kid’s thing anymore.

I’ll bet that few of us really give much thought to the wider implications of online gaming. Well, here’s our chance.

Andreas, I’m glad you could be with us today.

Neus: Allan, I’m very happy to be here. Thank you for having me.

HENDERSON: Can you start by explaining what online games are, and give us some examples?

Neus: Of course. Actually online gaming is not such a new phenomenon. Looking back about 10, 15 years, we had what was called the MUDs, multi-user dungeons.

Those were already an early kind of online gaming. They were all text-based, so you basically were staring at a screen and you had to enter in text all your interaction with the environment, whether you’re moving north, south, west, etc.

Then probably the major breakthrough was something like Ultima Online, which arrived about ’95. It was a graphical environment with, even then, thousands of people in parallel and a very complex economic system. The most recent and probably the most successful online game, World of Warcraft, has more than 4.5 million paying subscribers worldwide.
Neus, continued: That’s basically a range of things showing you a little bit how we’ve come to today.

HENDERSON: What kinds of online games are there? Are they all the same or are there big differences?

Neus: Basically there are two important types of online games, called peer-to-peer and server-based games.

In peer-to-peer games, you go into a store and buy a boxed game, install that on your computer, and you can play with other people who have that game installed on their computers. Usually you will not get more than about eight to 16 people playing at the same time because the information is exchanged between the individual computers.

In server-based games, you actually have much of the game environment located at central server farms and only part of it on your home computer. The benefit of this is that you can scale the game to many more than only 16 people. You could be there playing with thousands and thousands of people at the same time in a virtual environment.

And so these are basically the two major types of games. There are, of course, online games that you can play by yourself against a computer, online, but that’s really not such a significant phenomenon.

HENDERSON: Let’s look at this as a cultural thing. Can you tell us something about how popular online gaming is? And also something about who the online gamers are?

Neus: The short answer actually is “everybody and their sister.”

It used to be thought, and certainly the impression still is held today, in some quarters at least, that online gaming is a kid’s thing. But this has changed dramatically.

Basically it’s a phenomenon similar to what we’re seeing with things like instant messaging. It started very much as something that kids would do after school, and now actually has entered into the serious world of business.

While we have a phenomenal uptake with the young population, also lots of 30-year-olds, 40-year-olds are playing games.

And what you have to understand is that online games are not simply shoot ’em ups where you just hunt down monsters. They are very complex, and much of the game depends on the social interaction between the players. You have situations where you create things. You collect items, you collect, for example, leather, after you have killed an animal in the game. Then, you have to get some needle and thread and actually create something out of that and maybe sell it.

So, much of the game is very complex.
Neus, continued: It’s really not something only for kids. What we found in a recent survey in Germany is that about 8 to 16% of the 20- to 30-year-old and the 30- to 39-year-old age groups play online games. That is a significant slice.

So, it’s a massive thing out there that most of the mainstream media haven’t caught on to.

Just as we see today that people of all age groups go to the movies and buy DVDs to watch them at home, I think it’s going to be a similar, very normal thing, to be playing online games.

HENDERSON: So then would you say that online gaming is mostly entertainment?

Neus: Probably yes, although it depends very much on what you mean by entertainment and where you draw the lines.

For example, online gaming leagues have started over the last couple of years in a very big way, turning online games also into a spectator sport. For example, you will have people in tactical first-person shooter games, who will compete as a team, and there will be other people watching, as people watch a football team.

This has grown to a size and an acceptance level that we have prize monies up to $1 million for the groups that win these games. So, depending on where you draw the line between entertainment and non-entertainment, I’d say yes, probably most of it is still entertainment, but it’s certainly not entertainment in a passive way that we’re used to.

HENDERSON: So far we’ve been talking about the player’s point of view, which, of course, is the consumer’s point of view. How about the game developer’s point of view? What’s driving the makers of online games today?

Neus: Well, I think there are actually two sides to the dynamic.

One is the technology side. Of course, the technology capabilities are getting better at an almost exponential rate. And the second side is actually adoption by the users.

On the technology side certainly we’re seeing better capabilities, and we’re seeing today real-time rendering and ray tracing in games that ten years ago you maybe would have in a movie, but not in real time. And now we’re seeing these features real time in games. We have shadow effects. We have water effects. We have all sorts of things that make the experience more realistic. But that’s only part of it because even the most realistic display of graphics in a game is not going to make a good game.

The content of the game is becoming more important. Today major games are produced much in the way that major Hollywood studio productions are produced. They have storyboards; they have professional storytellers; they have professional people doing modeling and working on the characters. Production is becoming much more professional.
Neus, continued: On the side of what the user’s actually doing, there are some very interesting developments around things like auctions and user-created content. The auctions started as something of an annoyance to game publishers actually. Already, way back when Ultima started, people would realize that these items that they collected and maybe created and crafted in the games actually had commercial value.

And then as a possible third point, we have the issue of user-created content. I mean specific items, objects in the game. Of course, in a certain way, all of the multi-player games use user-created content because they use the user interactions. They basically provide a context for the users to interact within, so the users provide content for each other in a way.

So, I think that’s a very interesting trend that’s happening there, and economists all over the world are scrambling to understand the dynamics. There is real money actually being made and real money being paid for these game artifacts.

I’m not sure that we have a proper framework for understanding where all this is leading yet.

HENDERSON: Let me ask you to look out into the future a little bit. What will the online gaming situation be in five years or so?

Neus: I think that in five years probably we’re going to be somewhere significantly different than anyone would predict today. One of the interesting characteristics of the Internet is the ease with which any state can be disrupted. Influences are coming from anywhere and are entering markets.

Honestly, I don’t know where we’re going to be. I think that we will see more advertising-supported gaming. We probably are forming different revenue models; the advertiser in the online game actually has very good control over who is seeing their advertising. So, I think for marketers and advertising this is a very interesting space to be in.

Recent studies, including our own media study in Germany, have shown that younger consumers are to a certain extent turning away from the passive consumption of TV and very much turning towards things like discussion groups, blogs, and also specifically to online games as a way to use media to interact.

I also think that we will see more perfection in the presentation of online gaming environments. We will see even more realistic elements and we probably will see online games become more movie-like in many respects. They will become larger, too, in the sense that you may be able to lead a large part of your life online.

So, I think we’re going to see many changes in that area. I also think that we’re going to see more involvement by people co-creating the experience, building things in this online world.
**Neus, continued:** And playing probably is going to become much more normal for many more people than is the case today. Today many people still have this mistaken idea that online games are something for 14-year-olds who don’t have anything better to do.

I think online games simply have become a new medium.

**HENDERSON:** Andreas, thank you very much for joining us today.

**Neus:** Allan, thank you very much for having me. It’s been a pleasure.

**HENDERSON:** That was Andreas Neus. Andreas is one of the co-authors of a fascinating book called *Irresistible! Markets, Models, and Meta-Value in Consumer Electronics.*

You can learn more about this topic, as well as about other important topics for the Consumer Electronics industry, in that book. The book is called *Irresistible! Markets, Models, and Meta-Value in Consumer Electronics.*