



Let's play a guessing game: commodities boom aside, what's the second fastest-growing industry in Australia? Answer: video games. Business information analysts IBISWorld say the video-gaming sector has been growing at an estimated 12 per cent (\$433 million) throughout 2011 (organic farming was tops, at 14 per cent). IBISWorld says the industry's double-digit growth over the past five years is set to continue.

Games are becoming a serious part of our everyday lives. Interactive gaming is now as popular as watching television or surfing the net; 68 per cent of all Australians play some form of video or computer games. The market research group GFK Retail and Technology estimates that the Australian game industry generated more than \$1.96 billion in sales in 2010, an increase of 112 per cent from 2006 and double the size of local movie box-office revenues.

There are more than 50 game development companies in the country, according to the Game Developers' Association of Australia (GDAA). These include one of the oldest studios, Auran Games, and Blue Tongue, which developed the hit game accompanying the movie *Jurassic Park*. Victorian-based Firemint is the creator of *Flight Control*, one of the most popular iPhone games and a recent Australian Export Awards winner. Within a year of its release, the game had sold more than 2 million copies.

The majority of offerings are still coming out of the US and Europe, where gaming companies are billion-dollar enterprises. Zynga, developer of some of the world's most popular social-media games, including *CityVille* and *Mafia Wars*, is estimated to be valued at \$US10 billion.

The big entertainment companies are moving fast to acquire key players. The Walt Disney Company recently bought Playdom in a \$US763 million deal and Electronic Arts bought Britain-based Playfish for \$US400 million. Around the world, 500 million people of different ages are spending more than 3 billion hours a week playing games such as *World of Warcraft* and *Pet Society* on computers, mobile phones

and home entertainment systems. Director of games Jane McGonigal, at the Palo Alto-based Institute for the Future, author of *Reality is Broken: Why games make us happy and how they can change the world*, estimates the average gamer will have spent 10,000 hours playing them by the age of 21. It's a staggering statistic when you consider the number of hours children spend in school from years 5 to 12 is about 10,080.

And it's not just a mindless preoccupation for kids and teens. The scientific journal *Cyberpsychology, Behavior and Social Networking* says 61 per cent of surveyed senior executives take daily recreational game breaks during work.

"Social" games such as *Pet Society* and *CityVille*, played by friends and family who want to share their experience, are the fastest-growing category and some say they will be the future of the video game industry. Networks such as Facebook and Orkut provide the infrastructure so critical to the spread of the games. It's a win-win for developers and networks: a close-knit community of connected users and a lucrative new revenue channel via subscription fees, plus the virtual currencies and goods that players buy and exchange. For example, the rare and popular "unwithering" sold on *FarmVille* – which prevents owner's crops from dying – is \$45, or 250 coins in "farm cash".

Contrary to the popular assumption that video games are pure escapism, leading to addiction and isolation, there is growing research showing that games can feed innate human desires for collaboration, heroic purpose, a sense of community and creative achievement. One reason game play is addictive is that it triggers the release of dopamine, a neurotransmitter associated with the reward system of the brain, delivering feelings of motivation and enjoyment.

Indeed, an increasing number of developers, including McGonigal, are dedicated to harnessing the positive effects of gaming by designing alternate reality games (ARG) such as *World without Oil* and *Evoke*. These games are based on global problems; the idea is that if we solve them as virtual crises, we can learn how to make our real world better. This type of thinking was also behind the GDAA's federally funded launch in 2010 of a challenge to develop an online game teaching FRED (freedom, respect, equality and dignity), to be played in schools across the country.

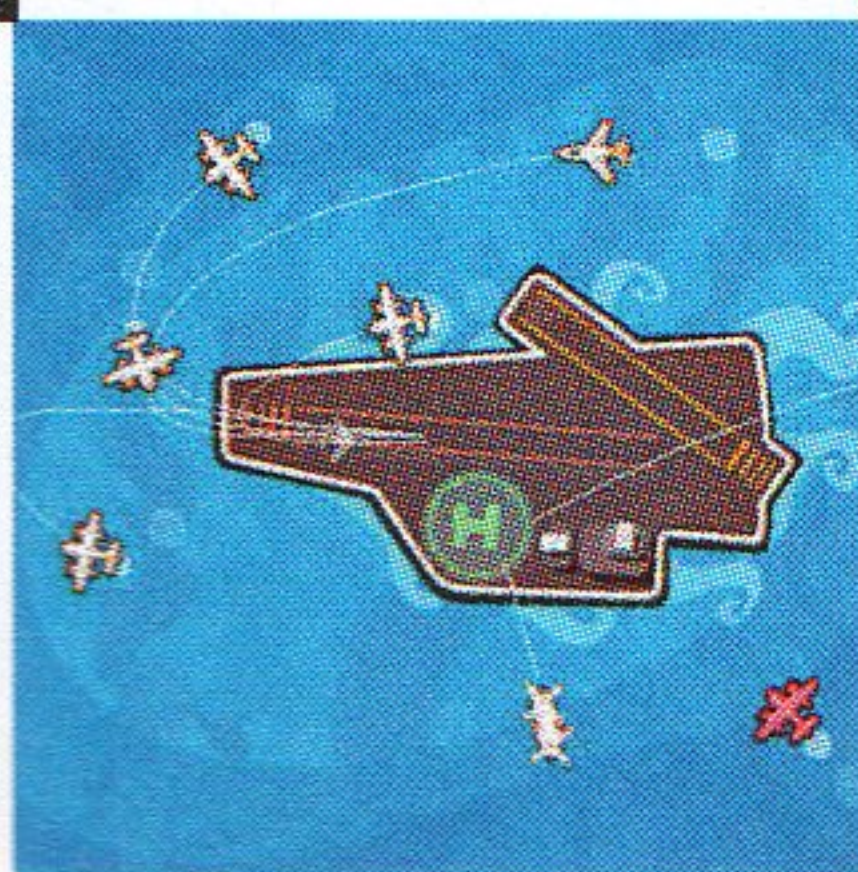
An associate professor of telecommunications at Indiana University, Edward Castronova, predicts ambitiously in his paper, *Virtual World: A first-hand account of market and society on the cyberian frontier*, that 21st-century gaming will create "a social cataclysm larger than that caused by cars, radios and TV combined". Massive growth, new platforms such as iPhones and tablets, and big bets on the social potential of games all provide opportunities for Australia to become a bigger player in this bustling global market. Get ready. **B**

Feedback to: boss@afrr.com.au

GAME ON

IT'S NO LONGER JUST MINDLESS
KIDS' STUFF: VIDEO GAMES WILL
GET EVEN BIGGER IN OUR FUTURE

STORY RACHEL BOTSMAN



FRUIT NINJAS AND GALACTIC TRADERS

It's either angry birds trying to beat the evil pigs, ninjas slicing fruit or your good self catching skyburgers. There's something addictively mindless about our most popular mobile games. There's big appeal for developers, too. They offer a low overhead and an incremental revenue model that is generating plenty of entrepreneurial activity.

Apple takes a 30 per cent cut of revenues from every application sold through its App Store. The price per unit is generally low (from about \$1). But the development costs for mobile games are small, compared with releases for other platforms, so even with very low sales, potential profits are huge.

For example, Finnish company Rovio's top-rating Angry Birds is thought to have cost about \$US140,000 to produce; it has been downloaded more than 100 million times and has generated about \$US70 million in profits.

Brisbane has become a bit of



a game development hub. Halfbrick Studios is behind the increasingly popular Fruit Ninja. When it was established in 2001, Halfbrick's main focus was on hand-held console games for third-party publishers. It first ventured into original intellectual property just over three years ago, chief executive Shainiel Deo says. "At that time, we were targeting digital distribution platforms – Xbox Live Arcade, PlayStation Network, Nintendo DSiware – where we could create our own content without a publisher."

But when the smartphone application phenomenon appeared, Halfbrick knew just where it wanted to be. Fruit Ninja was launched through the Apple App Store in April 2010 and has remained a top-five seller ever since. Billed as a "premier experience in fruit murder", it has sold more than 7.5 million units on the Apple, Google Android, Windows Marketplace and other smartphone app ecosystems.

Halfbrick's Deo says a major

driver for the success of the app has been the addition of social components such as weekly leader boards, facilitated through Apple's own Games Center and independent social gaming network, OpenFeint.

"We also introduced live multiplayer," he says. "I can be sitting here on a beach in Fiji and you in your office in Sydney. It doesn't matter."

Simplicity, combined with a lively and visceral graphic experience is what sells. Since Halfbrick launched Fruit Ninja, it has followed up with several other games, including Monster Dash, which is fast approaching 700,000 units sold, and Age of Zombies, which has sold more than 300,000 units.

3 Blokes Studios, which set

up in 2006 in Brisbane, started out focused on PC games development but changed gears in 2009 to target the social media games space. Chief creative John Passfield says that while 4 million users was once considered impressive,

US social gaming titans such as Facebook-based CityVille now attract more than 90 million players. 3 Blokes' main property, Galactic Trader, takes its cues from this and other Facebook success stories, but with a twist: gunning for a highly engaged niche interest group rather than mass appeal. Where other games attract larger audiences split fairly evenly between male and female

players, the Blokes have drawn on their legacy as more hardcore developers to attract an overwhelmingly male-skewed audience. The players, all 646,000 monthly users, have a niche interest in the space trading and combat themes of

Galactic Trader and spend an average \$3 a month. Galactic Trader is available in Turkish, French, Mandarin, Spanish, German and English. Russian and Korean versions are next.

"You need to maintain a high level of activity, upgrades, adding new content all the time, to keep them interesting," Passfield says.

Rachael Bolton

\$2.5
BILLION

Estimated worth of the Australian video game industry by 2014

1.5+
MILLION

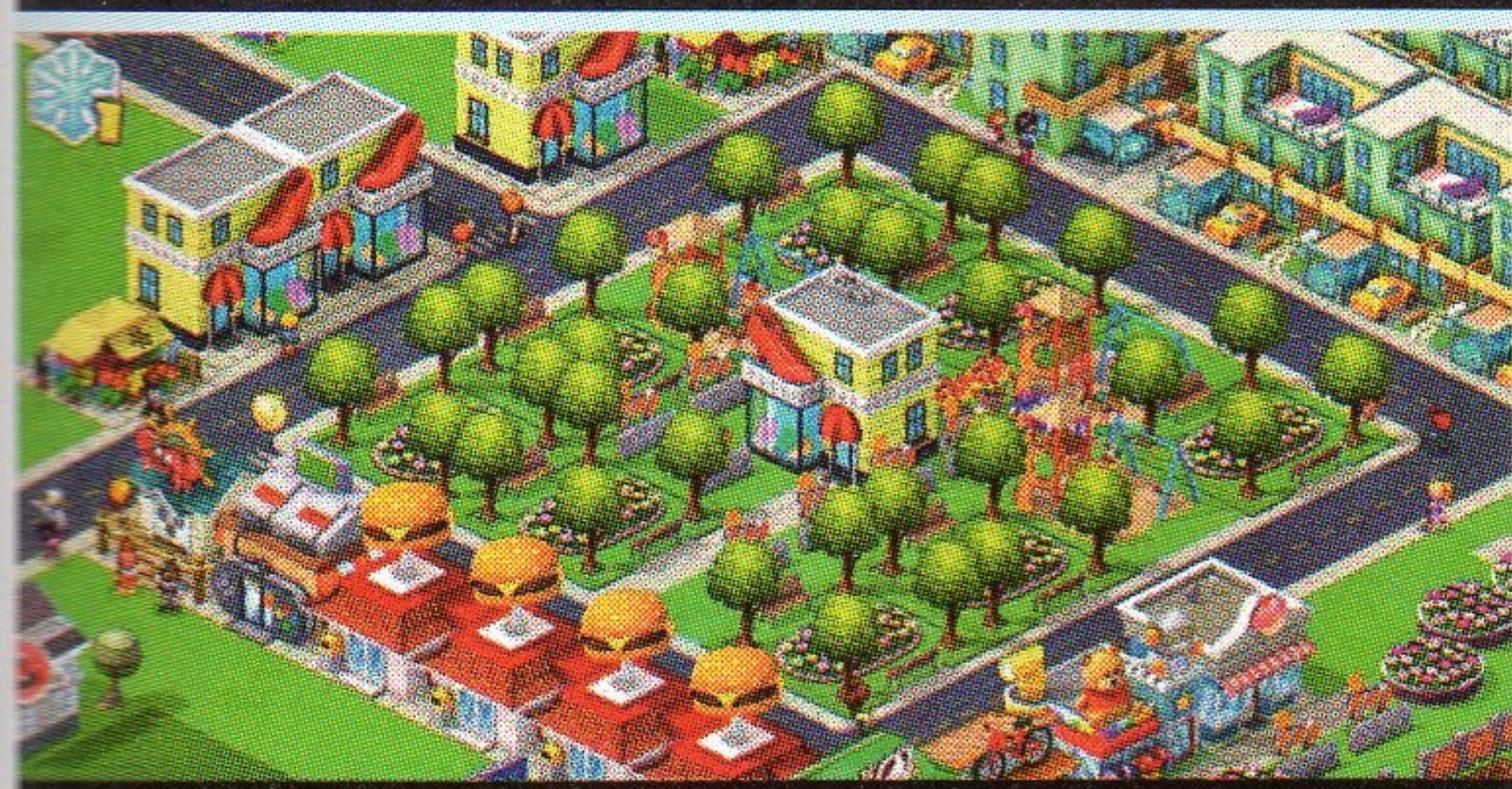
Play video games

30
YEARS

Average age of Australian gamers



TOP PLAYERS



CITYVILLE

- **Launched:** 2010, Zynga
- **Players:** 100 million-plus monthly active users
- **In a nutshell:** Build your dream city from the ground up. Then, as mayor, run it as successfully as possible. Plan the layout, build houses, choose the shops, design services like schools, set up business franchises, harvest plots of ground and even select who lives there.
- **Factoid:** Attracted 290,000 players within the first 24 hours of launch.



PET SOCIETY

- **Launched:** 2008, Playfish
- **Players:** 9 million-plus monthly active users
- **In a nutshell:** Custom-design pets, picking a name and detailing appearance, down to the size of the tail. The game is based on how well you take care of the pet and interact with other pets in your "friends" network.
- **Factoid:** There are 100 levels. To reach the game's highest Gold All-Time Great Pet ranking, you need to earn 1,586,000 paw points.



FATE OF THE WORLD

- **Launched:** 2011, Red Redemption
- **Players:** Just launched, no figures available
- **In a nutshell:** The game simulates the social and environmental impact of climate change over the next 200 years. Players are made head of the Global Environmental Organisation and must find solutions to problems such as floods, fires and carbon emissions.
- **Factoid:** This is a sequel to the BBC's Climate Challenge, which had more than 1 million players.