

Why Subscription Gaming Services Are Having a Moment

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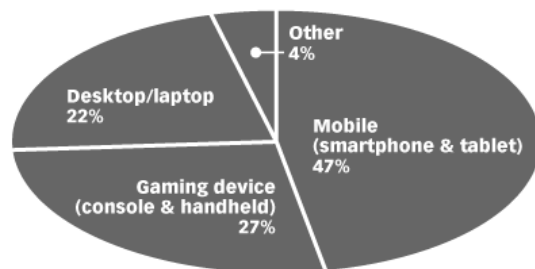
Yoram Wurmser

Apple launched its subscription gaming service Arcade in late September as part of the company's wider iOS 13 release, betting big on subscription gaming services and joining others like Google and Microsoft. As more adults spend time with mobile gaming apps daily, these companies are steadily developing their mobile gaming strategies.

We estimate that the average US adult will spend 21.5 minutes in a gaming app per day, and mobile is attracting nearly half of time spent with digital games among US gamers ages 14 and older, according to Deloitte. This has led to a rapid rise of free-to-play games that are primarily driven by advertising. It's also led some midcore and hardcore games, which attract gamers willing to play for hours a day, to explore some forms of advertising within their games.

Share of Time Spent with Digital Games Among US Gamers, by Device, Feb 2019

% of total



Note: ages 14+

Source: Deloitte, "Digital media trends survey, 13th edition," March 19, 2019

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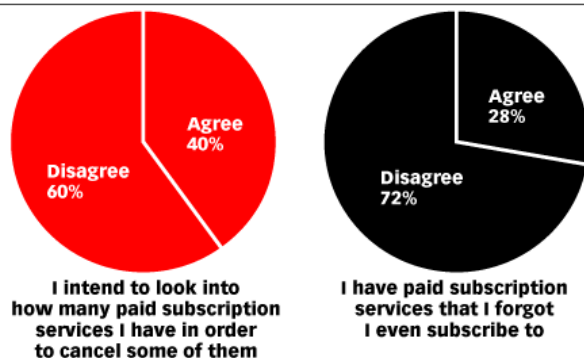
That's where the idea for Arcade, and similar services like Google Play Pass, Google Stadia and Microsoft xCloud, comes in. Arcade offers a subscription for \$4.99 per month for unlimited access to game titles and game play, and both promise no advertising or in-app purchases, like buying a Netflix subscription for games. At \$4.99 per month—the same as the even newer Google Play Pass—it should be within reach for a broad range of consumers.

These services could be attractive for an array of consumers. For less-intense gamers, the services are optimized for mobile but avoid the advertising found in most mobile games. Hardcore gamers can play a variety of game titles without dealing with in-app purchases or buying the games. That said, hardcore gamers may eventually gravitate toward subscription-based streaming gaming services, such as Google's Stadia and Microsoft xCloud, which leave the heavy computing to cloud-based servers, letting them replicate the full console experience from any device.

There are many opportunities for these subscription gaming services, but there are also some potential pitfalls. First of all, there may be a point when consumers feel some subscription fatigue. A March 2019 survey by Fetch found that 40% of respondents indicated that they would look into how many subscriptions they have in order to pare down some. It's still unclear whether subscription games will run into subscription fatigue or ride the subscription wave.

Is the Volume of Paid Subscription Services Getting to Be Too Much for US Subscribers*?

% of respondents, March 2019



Note: ages 18+; *subscribe to paid subscription services such as Netflix, Spotify, Dollar Shave Club

Source: Fetch, "Customer Retention in the Subscription Economy," May 8, 2019

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Then there's the problem of getting developers to build their games for these platforms. At the moment, Apple and Google have attracted some game developers to the new platforms. But in the long run, developers will need to see solid returns from putting their games on these services. Because the companies are forgoing ads or in-app purchases, the business model is very different, and it's unclear whether developers will find the business model ultimately attractive.

"Publishers will be very aware of the long-term value of the service," said Offer Yehudai, president of app monetization platform Fyber. "If they can't see the value, there will be a small amount of content that was paid a lot [to be there]. Or you'll see games that are already past their peak."

Regardless, we should know more about consumer receptivity to these subscription gaming services very soon.