

# State of the Virtual World Market

Overall Growth and Market Dynamics



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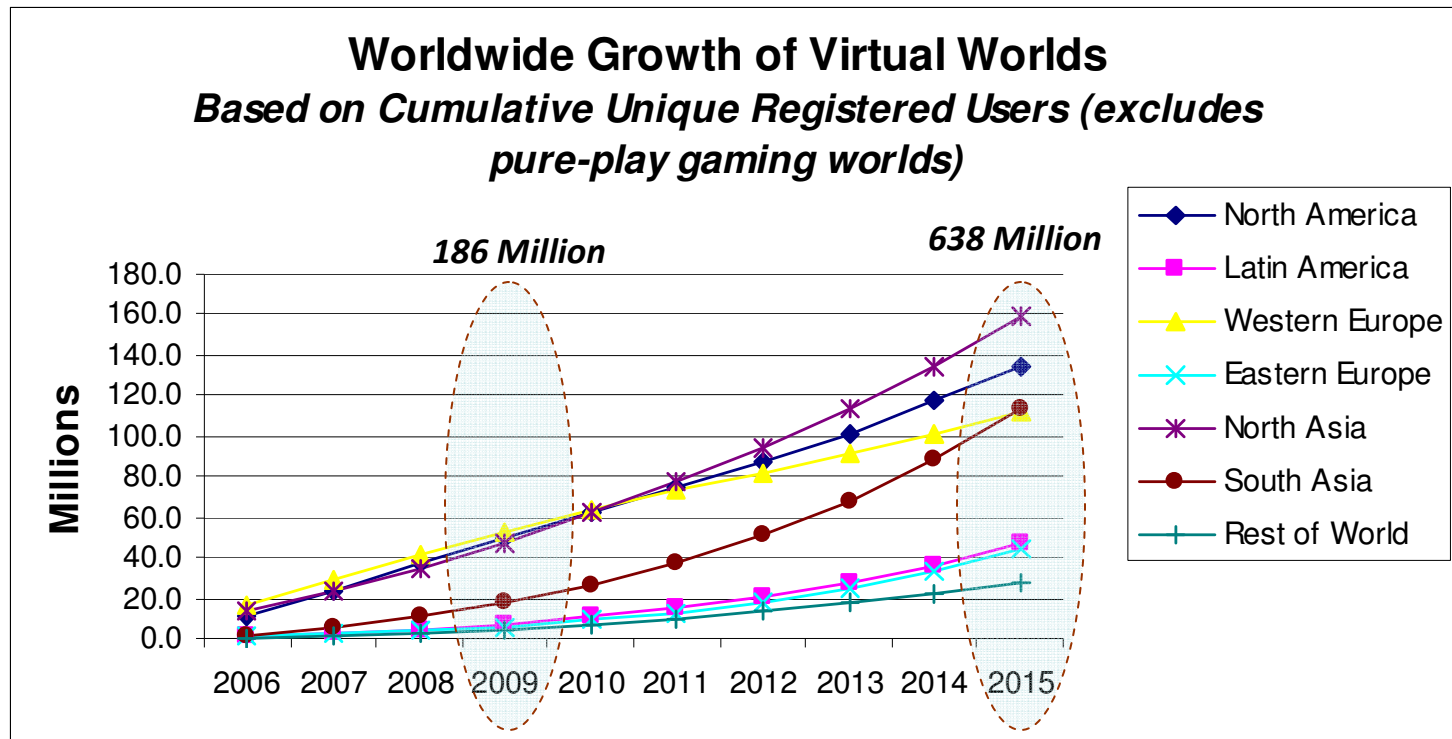
**STRATEGYANALYTICS**

## First, Some Industry Observations ...



- **2008 Witnessed an explosion of kids' worlds**
- **Advertising will take a hit in 2009, but will recover**
- **Business models for monetizing virtual worlds are still going through the vetting process -- advertising, premium subscriptions, currency, virtual goods, prepaid cards**
- **Virtual goods acquired via microtransactions becoming the model to beat**
- **The migration to mobile devices is in its formative stages and will make significant in-roads in the next 3-5 years**
- **Browser-based access is gaining momentum**
- **Interoperability issues, standards, and portability are still areas of controversy for the greater market.**

# Global Interest in Virtual Worlds Showing Solid Growth

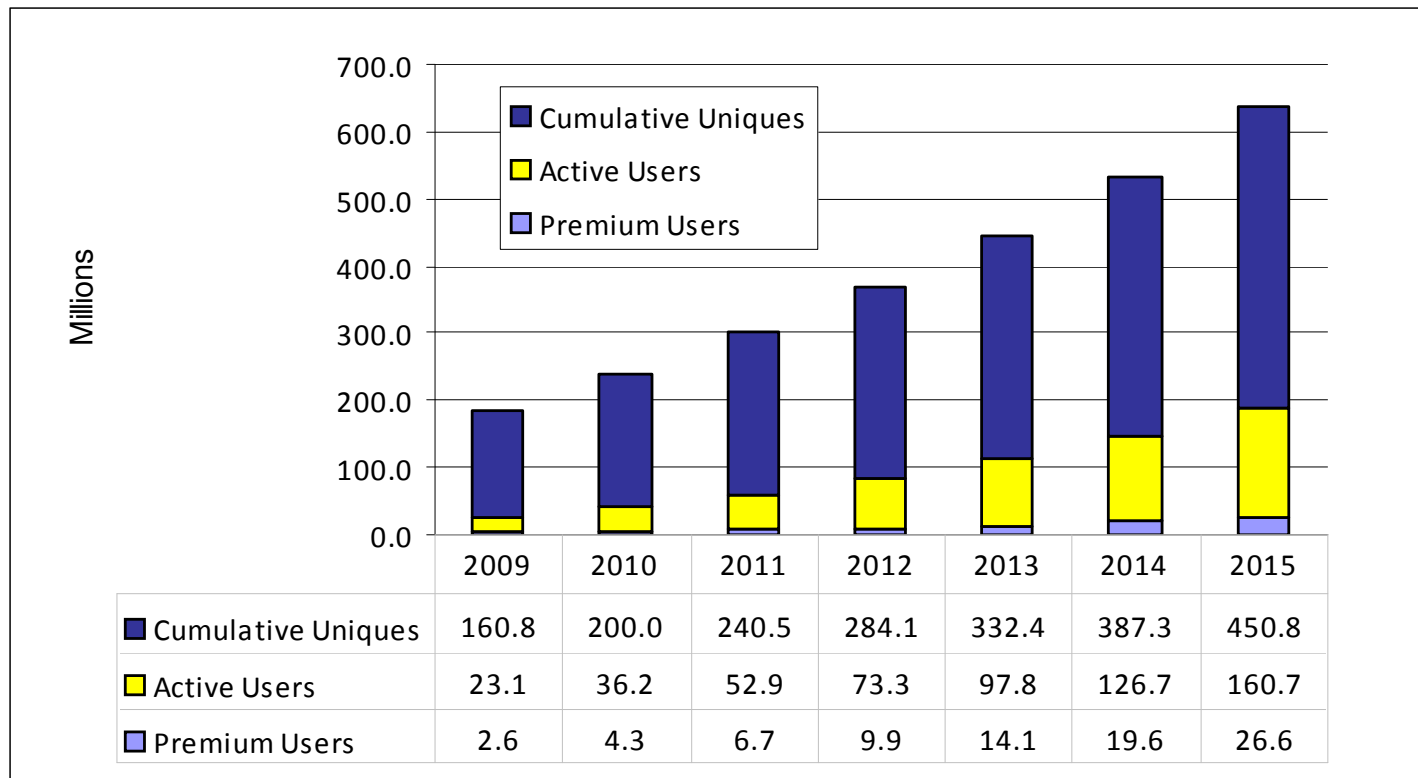


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**Expected growth for virtual worlds (non pure-play gaming) are expected to show dramatic increases over the six year forecast horizon.**

# Cumulative Unique Users

## Visitors, Active<sup>1</sup>, & Premium (subscription) Users



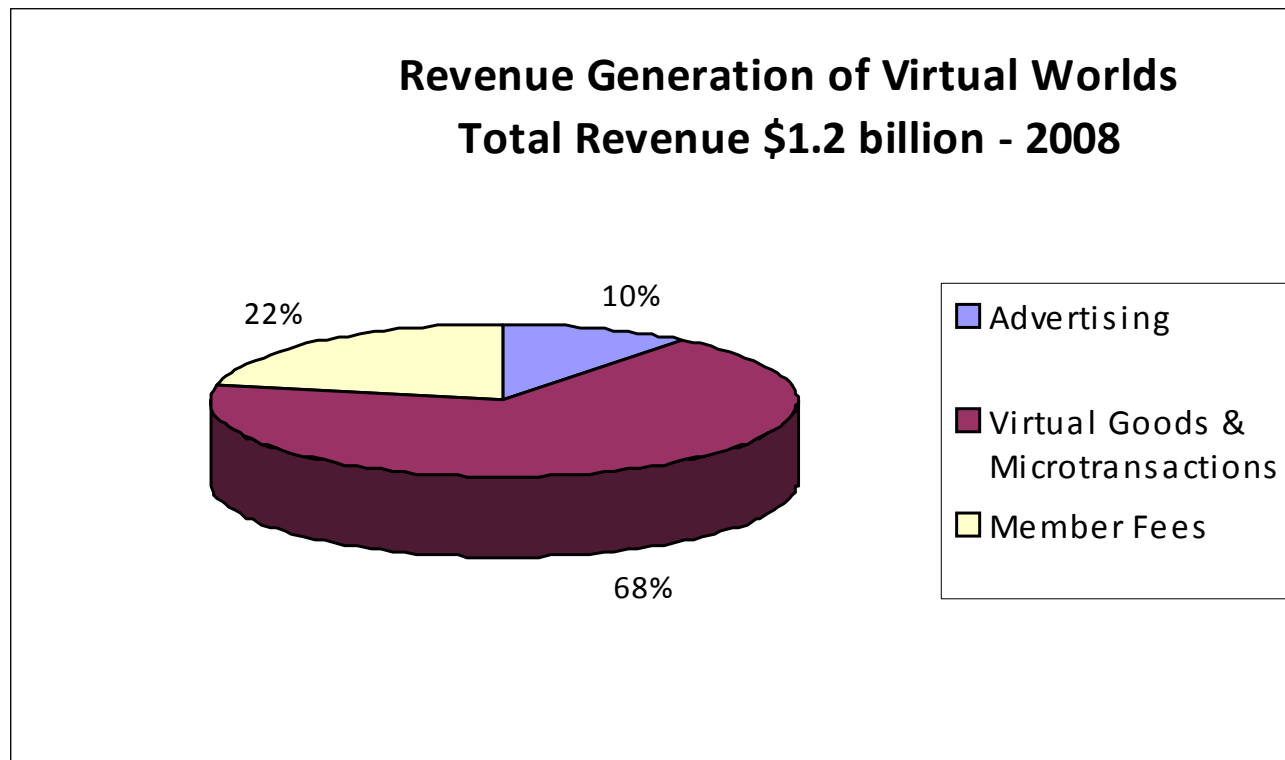
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**Overall total users are growing at a 22.8% compounded annual growth rate (CAGR) while active users are showing a 38.2% CAGR. Paying users are showing a 47.3% CAGR but starting from a relatively small base.**

<sup>1</sup> An active user is someone who logs in at least once per week



## Overall Size of the non-Enterprise (Business) Virtual World Market

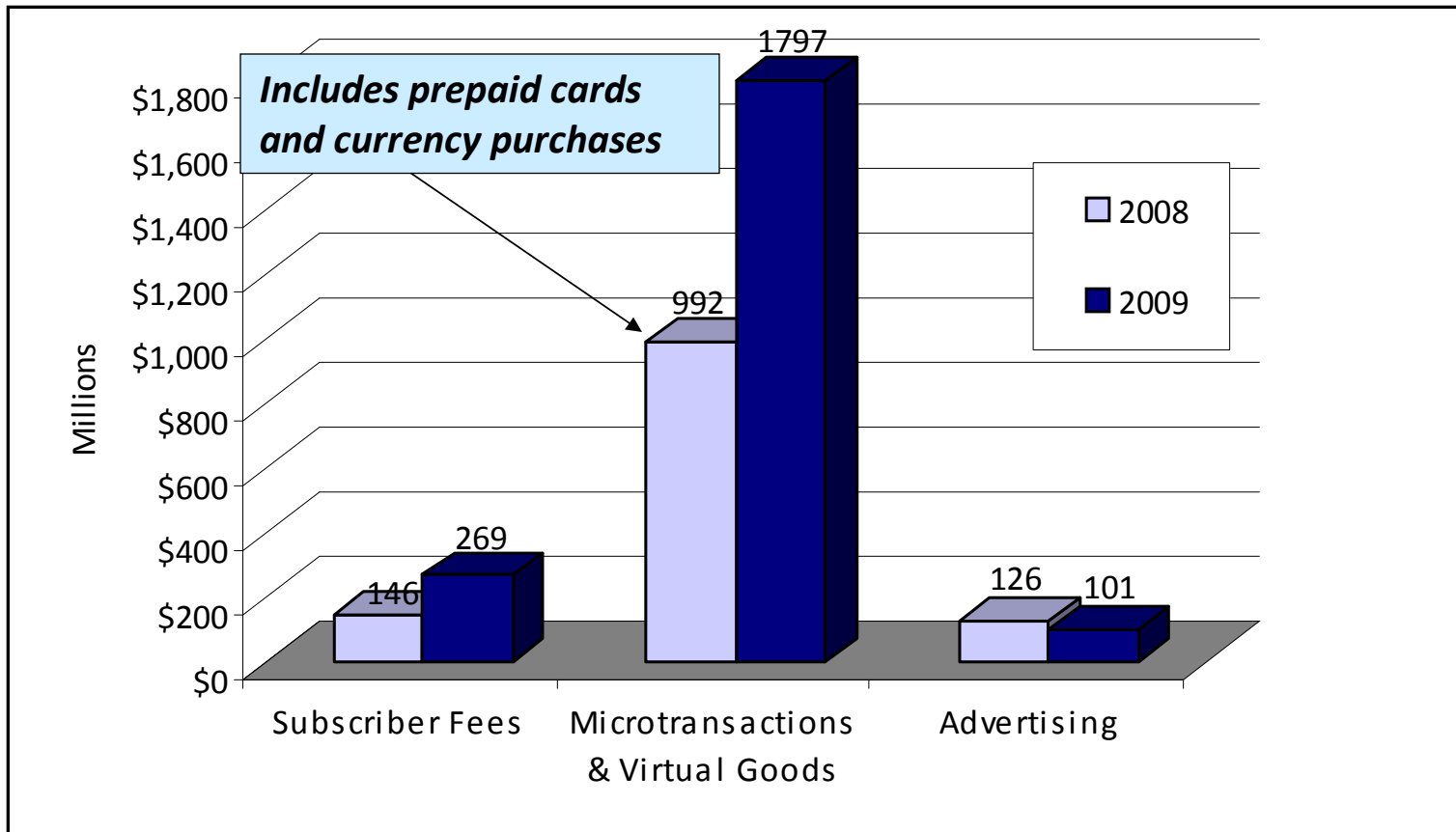


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***Excludes Second Life land purchases, maintenance fees, hosting fees, development fees, retail (out of world purchases for merchandise) and licensing fees.***



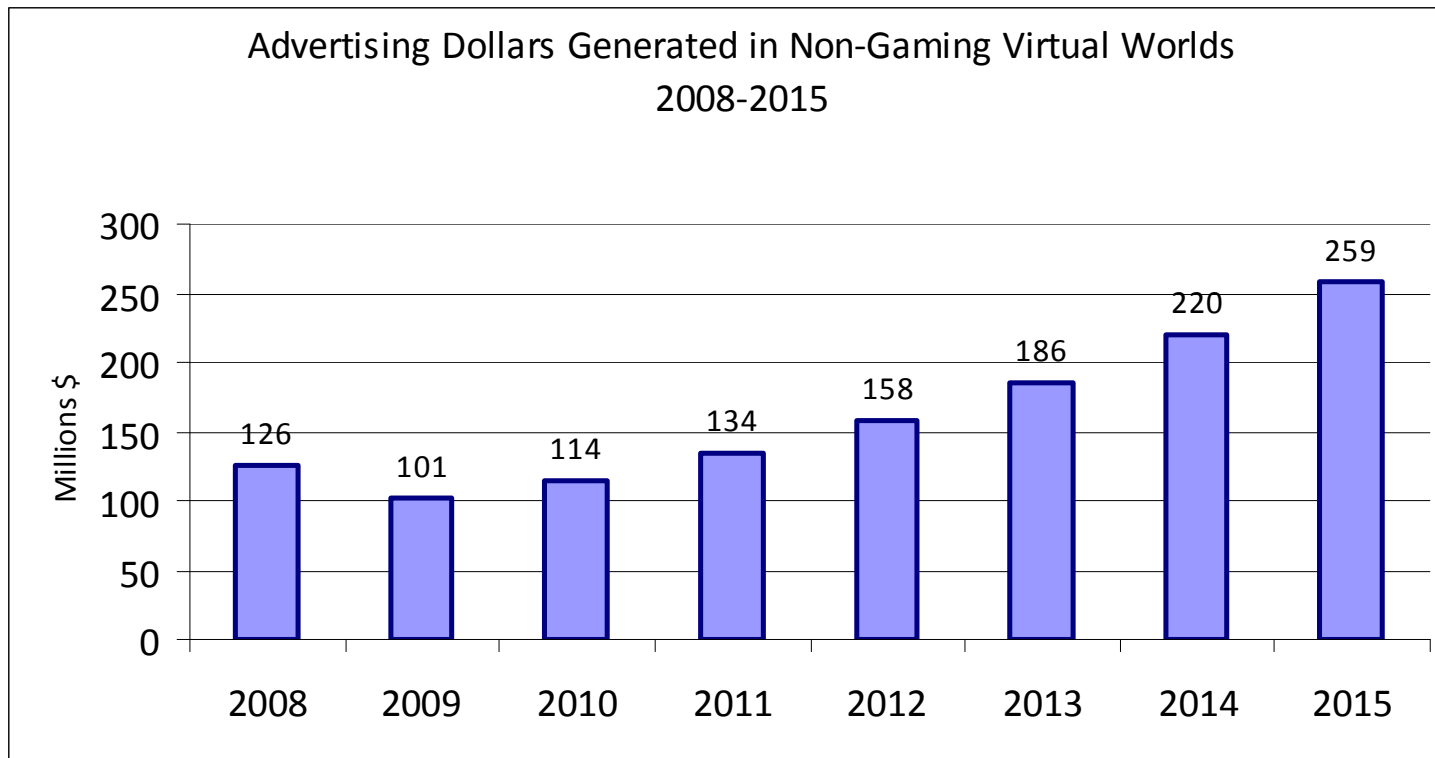
## Revenue Components of Virtual Worlds (non-gaming) 2008 vs. 2009 Global Market



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**With the exception of advertising, both subscription fees and virtual goods are expected to show dramatic increases year over year.**

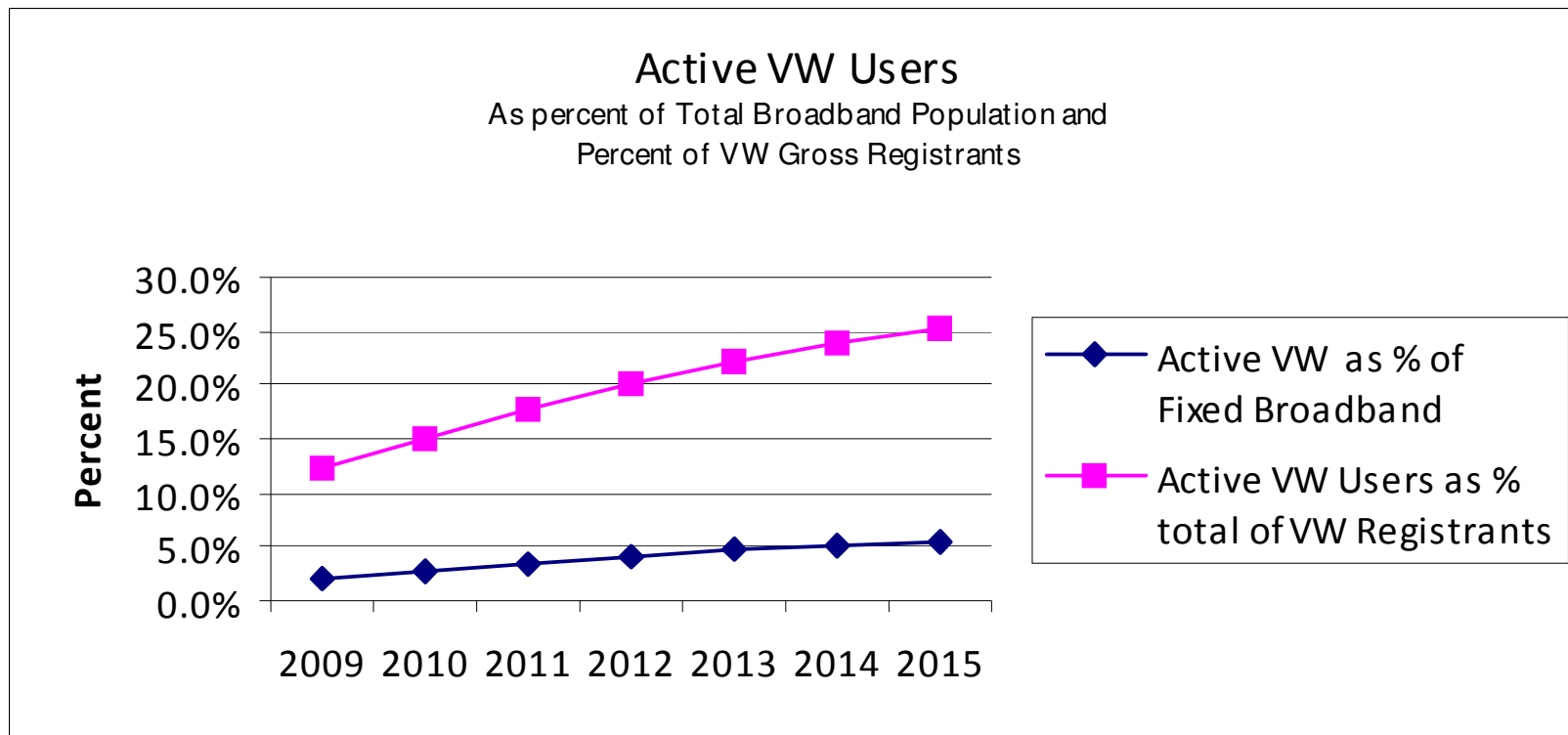
## Ad Revenues Expected to Dip But Rebound in 2010



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**Advertising dollars are poised to dip in 2009 but should rebound in 2010 and grow 2.5 times by 2015.**

# Active VW Users



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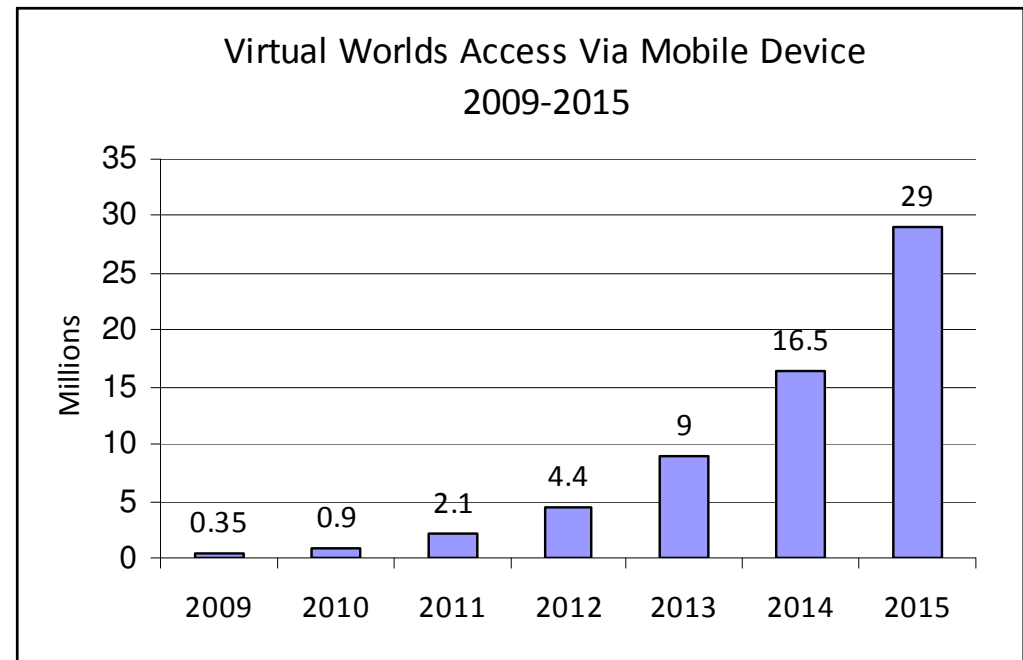
***Active virtual world users make up only a small percentage of total broadband users as noted above – and they're percentage of total registrants is increasing, suggesting a positive conversion sign for the industry.***

# Virtual World Access via Mobile Devices



## Challenges to Mobile Access

- Questions remain on the “user experience” via a mobile device
- Operator support still in flux
  - Bandwidth
  - Pricing
- Handset limitations
  - Small screens
  - Ease of navigation
  - 2D vs. 3D issues
- Cost Implications
  - Willingness to pay by target demographic



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## So, What's on the Horizon with Virtual Worlds...?



- **Continued integration with social networking**
  - e.g.: WeeMees being used for chat on Skype and Aim
- **Some consolidation with occur in 2009 as a result of the economy and lack of traction with target market**
- **Reduction in venture capital availability will slow the launch of new virtual worlds**
- **Branding efforts will continue, though perhaps less investment in 2009**
- **Increased avatar portability as success stories emerge**
- **The emergence of standardized industry metrics**

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