

# **Online Game, The Status and Business Opportunity**

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## 01 INTRODUCTION

### About NEXON

- Specializes in **developing, publishing** and servicing online games
- Games in service: **22** unique games globally
- NEXON's gaming community: **18 million subscribers** in Korea
- **4 million** daily Unique Visitors to NEXON portal site, [www.nexon.com](http://www.nexon.com)
- Annual Revenue: **US \$ 220 million** (2005 est.)
- Number of employees : **1,300+**
- Subsidiaries : NEXON SD, NEXON Mobile



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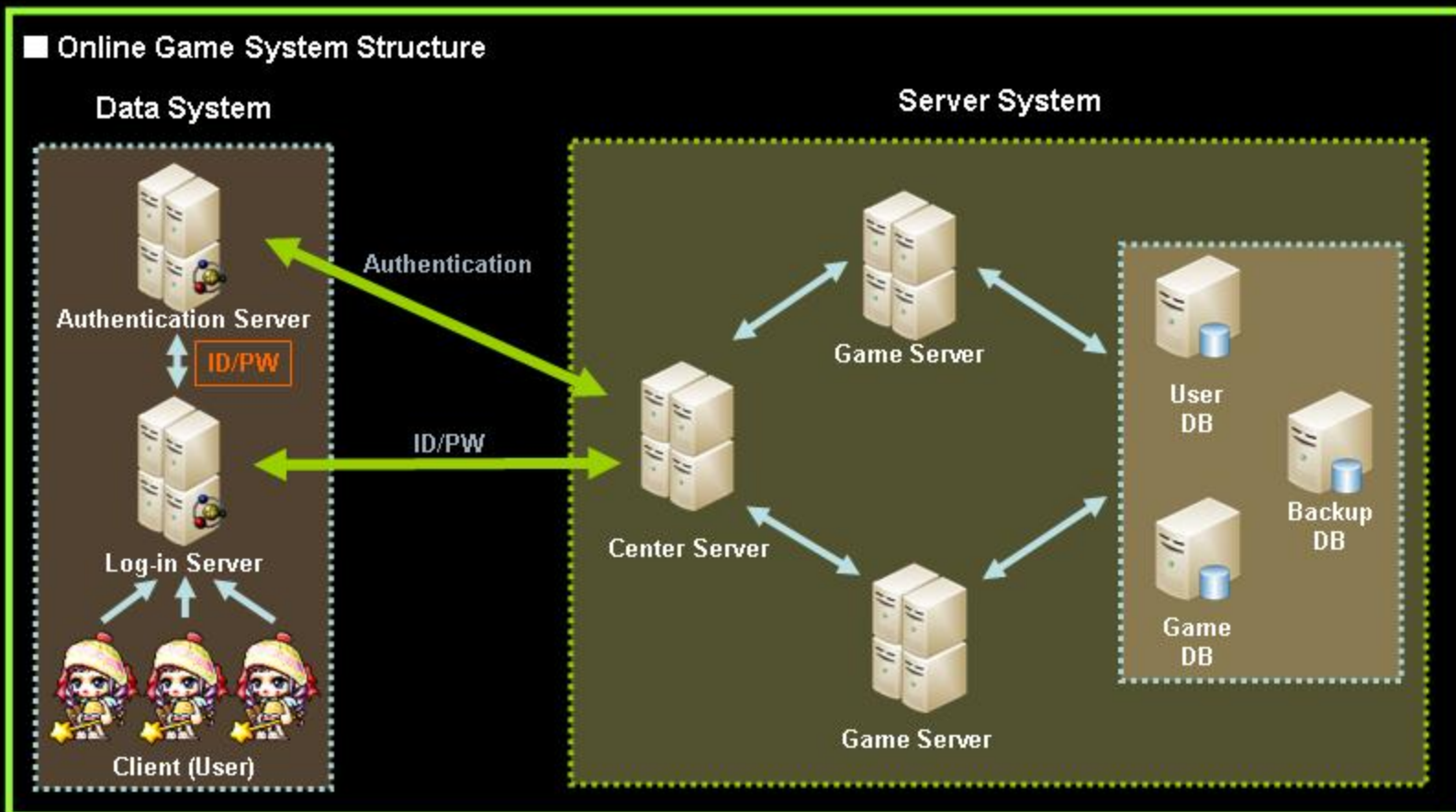
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# 02 DEFINITION OF ONLINE GAME

## What is Online Game?

Game players in a Common Environment (or Virtual world) to play a game with one another.

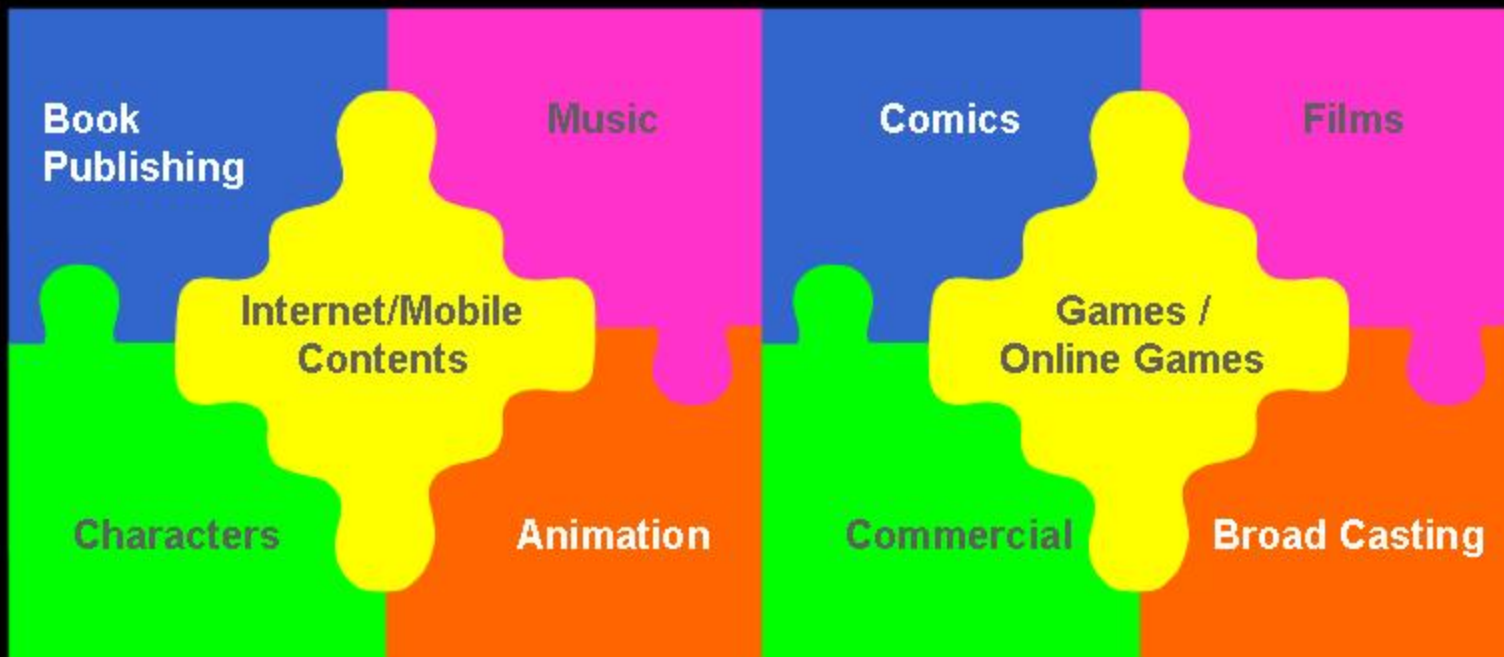


## 02 DEFINITION OF ONLINE GAME

### What is Online Game?

Online Game is considered as a **CULTURE** in Korea.

There are 10 contents industries in Korea; Online Game takes the majority.



## 02 DEFINITION OF ONLINE GAME

### What is Online Game?

Genre	Definition	Games
MMORPGs	Massively Multiplayer Online Role-playing games	WOW, Lineage, Everquest, Starwars Galaxies, Zera
FPS	First Person Shooters, a game with a machine or a gun to shoot at the object	Counter-Strike, Warrock, Special Force
RTS	Real Time Strategy games, usually known as PC games	Starcraft / Warcraft, Age of Empires, Warhammer 40K
Casual Games	nonviolent puzzle, trivia and classic arcade-style games	Crazy Arcade BnB, Kart Rider, Fortress
Sports Games	Traditional sports games; soccer, basketball, tennis games	FIFA Online, Free Style, Pangya
Card Games	Traditional gambling cards	Poker, Matgo (Korean Poker)

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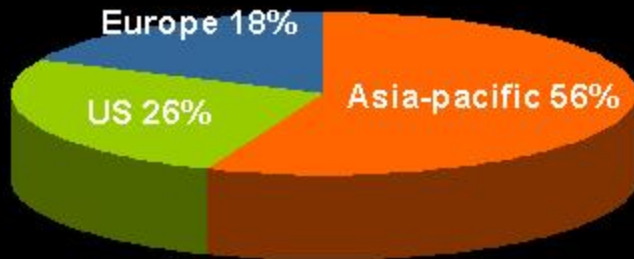
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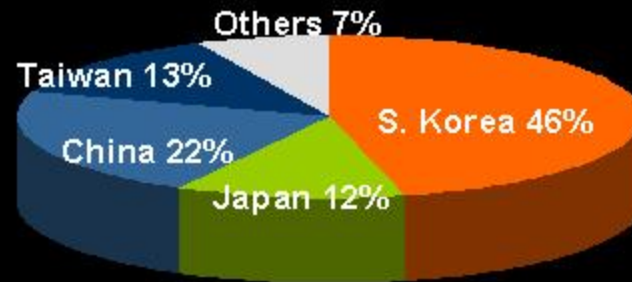
# 03 ONLINE GAME MARKET SIZE

What is happening in Online Game industry?

[World Market]



[Asian Market]



[Asia-Pacific Market]

[Unit : \$1 mil.USD]

	2003	2004	2005	2006	2007
S. Korea	628	849	1,104	1,379	1,655
Japan	131	221	316	397	470
China	236	420	621	849	1,146
Taiwan	203	238	278	285	281
Others	110	149	184	246	324

Source : Korean Game Development & Promotion Institute

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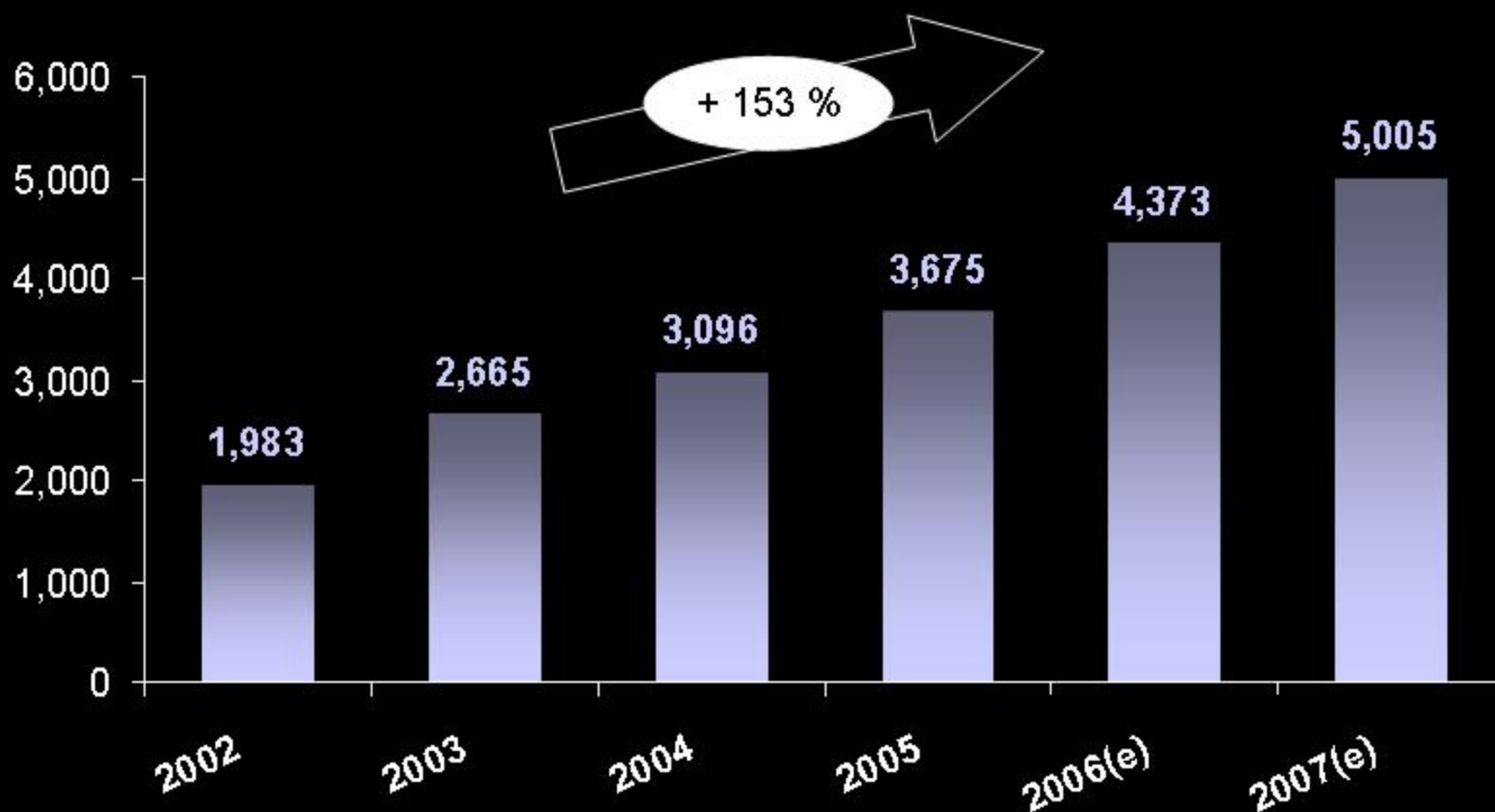
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# 04 ONLINE GAME IN KOREA

## Online Game Market in Korea (incl. PC café revenue)

[Unit: 1 mil. USD]



Source : Korean Game Development & Promotion Institute

# 04 ONLINE GAME IN KOREA

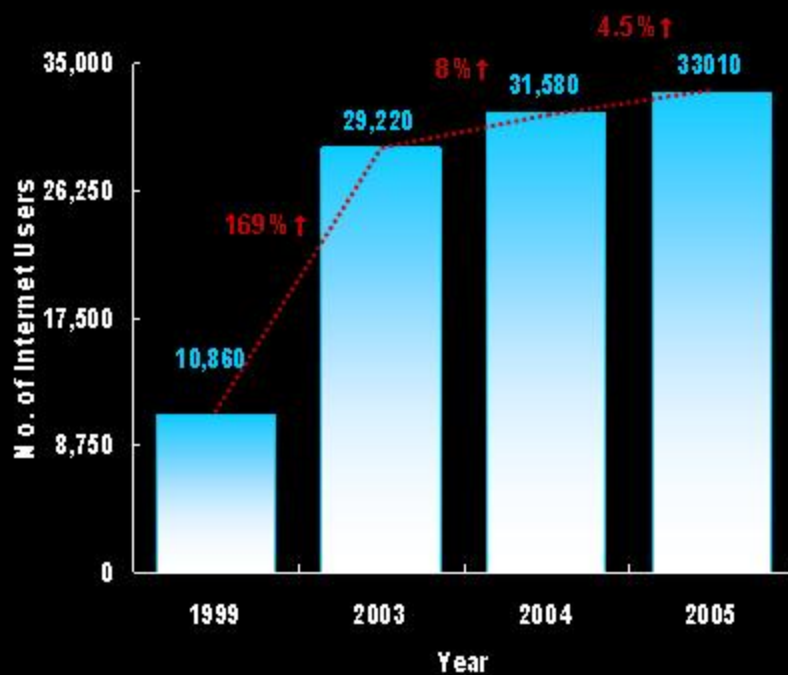
How did Korea become World No. 1?

For the rapid growth of the industry, **Broadband** is one of the main factors.

Main Factors



Internet User Growth

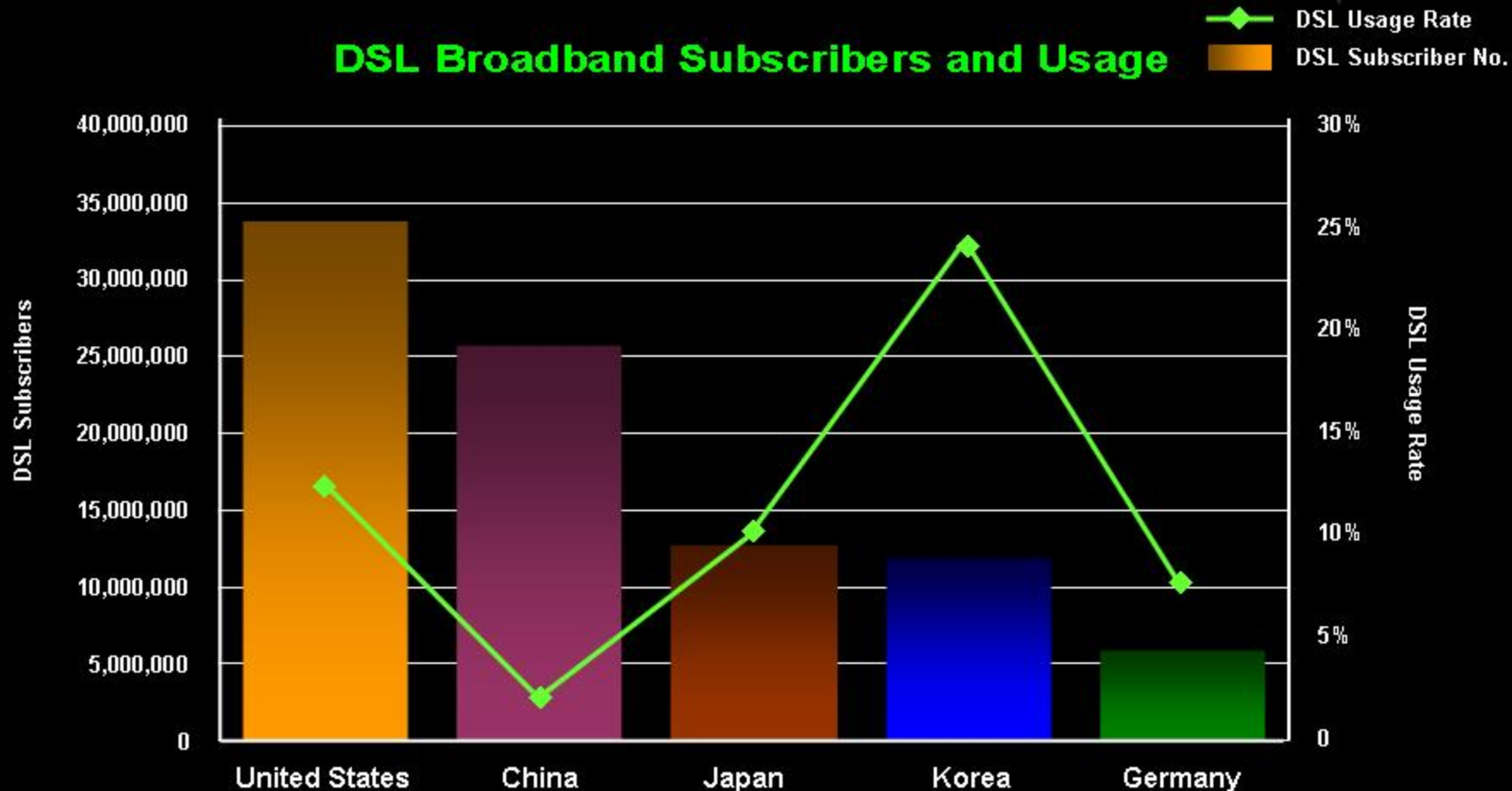


Source : [www.internetworldstats.com](http://www.internetworldstats.com)(2005)

# 04 ONLINE GAME IN KOREA

## World Top 5 with Highest DSL Broadband Subscribers

**DSL Broadband Subscribers and Usage**



Source : [www.internetworldstats.com](http://www.internetworldstats.com)(2005)

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# 05 ONLINE GAME BUSINESS

## Online Game Market in Korea

### Subscription

- Mainly implemented by MMORPGs like Lineage II, WoW
- Fixed, stable business model
- Requires user's devotion and loyalty for the game

### Item Selling

- Mainly implemented by Casual Games like Kart Rider, Special Force
- Primarily selling of virtual items with decorative and/or functional effects
- Balance between the function of items and the overall game flow crucial
- Instable revenue generation, dependent on popularity of certain items and the frequency of their updates

### Internet Cafe

- Subscription based / temporary game play in Internet Cafes
- Perpetual revenue generation through affiliation with Internet Cafes
- Requires Win-Win strategy with Internet Cafe

### Others

- PPL advertisements within the game
- Diverse licensed articles such as stationary, toys, etc.
- Expansion into mobile game

# 05 ONLINE GAME BUSINESS

More about the Item Selling Business Model

a **SERVICE**, not a product

- Enriching the game experience
- Providing the appealing services & items/contents to users
- Different criteria depending on audience and genre
- More visual? More recognition? Exclusive content? Enhanced gameplay?

**Free Gameplay**



**Selling of Items**

# 05 ONLINE GAME BUSINESS

## Features of Business Model : Maple Story

### Types of Items sold (in USA)

- Decorative Item, US \$ 0.3 ~ US \$ 7.0
  - Enhances the outlook of character
  - No effect on game-play
  
- Functional Item, US \$ 3.0 ~ US \$ 4.0
  - Amplifies the attack power or increases the skill level
  - Pet items for picking up the items

### Best-selling Items (worldwide)

- Speakers, Shop Coupons, Siberian Huskies (pet)
- Most of functional items are available for sale with the NX Cash
- “200% Experience” coupons constitute 34% of sales volume in China & Japan



Default Character :  
Basic Items Only



Equipped w/ Functional Items  
but w/o Decorative Items



Complete w/ Decorative  
& Functional Items

# 05 ONLINE GAME BUSINESS

## Features of Business Model : Kart Rider

### Types of Items sold (in Korea)

- Decorative Item, US \$ 0.6 ~ US \$ 1.8
  - Enhances the outlook of your car and character. No effect on game-play.
  - License-plates, paints, etc.
- Functional Item, US \$ 0.9 ~ US \$ 4.5
  - Aids game-play. No change in appearance.
  - Item-slot changers, Temporarily-acquired license
- Decorative + Functional Item, US \$ 0.6 ~ US \$ 10.0
  - Various characters, goggles, balloons, Kart bodies
  - More interesting appearance & improved performance (more game money, more experience points, etc.)



### Best-selling Items (in Korea)

- Plasma PXT(Kart Body), Bazzi(Character), Item-slot Changer, Balloon
- Decorative + Functional items are popular with its dual features.

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