

Cloud Gaming Prospects for 2012

With executive insights from:

Frank Gibeau, President

EA LABELS

David Perry, CEO

GAIKAI

Jason Ing, Head of Marketing

XBOX LIVE MARKETPLACE, MICROSOFT

Carsten van Husen, CEO

GAMEFORGE 4D

By John Gaudiosi



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Cloud gaming was a major theme at E3 2012 as more powerful smartphones and tablets continue to open new windows for consumers to enjoy movies, music and games wherever they are, whenever they want. Huge companies like Intel, NVIDIA, Microsoft, Sony, Nintendo and Qualcomm are investing heavily in the cloud. Video Games Intelligence is assembling the leaders in the burgeoning cloud gaming space in San Francisco September 11 – 12, 2012. For a preview of what they'll be discussing, four big names in the games industry share their thoughts on the future of games and explain how their companies are embracing the cloud.

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Frank Gibeau, President, EA Labels

Since 2011, Frank Gibeau has spearheaded Electronic Arts adoption of cloud gaming as a cross-platform, multi-screen development initiative. Gibeau oversees product development, worldwide product management and marketing for all packaged goods and online offerings for all four EA Labels – EA SPORTS, EA Games, the Maxis Label and the BioWare Label – across a dozen studio locations and over 5,000 employees.

Coming off E3, how have you seen cloud gaming become a bigger part of the games industry?

With the advent of social and smart phones, the audience for games has expanded from around 200M consumers to roughly 2 billion. And the message from that audience is clear: people want to access games anytime and anywhere, they want to connect with friends, and they want to be recognized across multiple devices. Cloud gaming is going to make it easier to step over walled gardens.

What impact do you see announcements by LG and Samsung to bring PC games to Smart TVs having on helping to expand the games industry?

At EA, we think interactive entertainment has a big future on TV. Forgive my bias, but interactive is just more fun than linear entertainment. And recent history with phones suggests that anytime a CPU is added to a device, games are going to dominate the platform.

Smart TVs represent another exponential leap in the audience size for games. If I was in the network television business, I would be very nervous about games on TV.

How has Origin capitalized on the cloud and connected with gamers in new ways?

Origin had a very successful first year with nearly 13 million downloads, over 50 publishing partners and over \$150 million in revenue. Being able to store game data in the cloud gives Origin the flexibility to reach all platforms and create a positive experience for our users.

EA has made some huge achievements in digital – what do you see as the key growth areas moving forward?

Again, forgive my bias, but we think EA is better positioned for success, and for serving consumers than other companies that are marooned

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on one platform. The investments we've made in mobile, social, and in creating a platform that connects consumers across multiple devices is going to allow us to provide a much better experience for game players.

For all the investments we've made in mobile and social, we never abandoned consoles. We are working closely with the console manufacturers and we are VERY excited about the Gen4 consoles that will be launched in the months and years ahead.

We are very proud of the way EA evolved with consumers. I have not green lit one game to be developed as a single player experience. Today, all of our games include online applications and digital services that make them live 24/7/365.

One of our biggest growth opportunities is Play4Free titles that allow customers to play at no cost and make purchases via microtransactions. We see this as a huge opportunity, and one that's powered by our hybrid cloud model.

Can you explain how EA is now developing franchises for multi-screen, cross platforms (mobile, console, PC, social) and how the cloud is opening up these new gaming opportunities?

EA is the only game publisher that offers a truly unified experience across every game platform. FIFA is a perfect example – available across 12 different platforms, FIFA fans can check their standings on their mobile device or tablet, manipulate their teams on Facebook or play an immersive game of FIFA on their PC or console. Everything is connected so the user can pick up just where they left off from anywhere. No other franchise is a better example of cross-platform connectivity than FIFA and those real time connections are happening in the cloud. We're deploying similar experiences in our other popular brands over the next year including Madden, Battlefield and SimCity and you'll continue to see more and more of this from EA.

What role do you see brick-and-mortar retail playing moving forward as digital continues to grow?

Retail stores will continue to be extremely valuable for EA as we go digital, but I think we'll see some changes in the way in which consumers use brick-and-mortar retail locations. Most of the traditional retailers have evolved their strong consumer relationships with websites that allow them to participate in digital games and services.

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Jason Ing, Head of Marketing, Xbox LIVE Marketplace, Microsoft

Jason Ing is responsible for managing and driving Xbox LIVE Marketplace's global marketing, revenue and international sales for all digital content. He oversees the game maker's cloud gaming initiatives, including Xbox LIVE Arcade, Game Add Ons/DLC, Avatar Marketplace, Games on Demand, Indie Games and Movie/TV rental streaming and direct to own via Zune Marketplace.

How has Microsoft embraced the cloud with Xbox 360?

Today, we've embraced cloud in our LIVE service through cloud saves, and the ability to store your games and your profile in the cloud so that you can access it anywhere - whether you're at work, at your friend's place, or anywhere where there's an Xbox 360. We also utilize the cloud through our first and third party video & entertainment services including Xbox Video, Netflix, Hulu and ESPN to name a few. Our customers spend as much time consuming entertainment content as they do gaming. So it goes without saying that cloud is critical to what we do today, and its importance will only increase. We are looking at where cloud technology is today, how it can impact the gaming experience, and implementing it in a way that makes sense. We strive to deliver a best-in-class customer experience. As you've seen with our Xbox SmartGlass announcement, our Xbox platform will continue to evolve as we innovate, the technology improves, and new scenarios are enabled. We're seeing great adoption by our customers thus far in how we've used cloud today.

Can you talk a little bit about SmartGlass, which debuted at E3 2012, and how that will implement the cloud?

Xbox SmartGlass is a new technology that leverages the cloud to provide consumers a second-screen experience that is relevant and synchronous with whatever is playing on your Xbox at the moment. It provides related information, immersive details, and expanded gameplay to your Xbox 360 in real-time and across any smart device: your mobile phone, tablet or PC. All of this is powered by the cloud. Whether you're moving your movie seamlessly from your tablet to your TV, getting contextual game help, or seeing behind-the-scenes information on your favorite film, I believe that Xbox SmartGlass is a game changer in making your entertainment more amazing. And the response we've seen from our partners both on the gaming and entertainment side is overwhelmingly positive.

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What role do you see mobile devices playing in a multi-screen world with the Xbox 360?

When we look at how customers experience and engage with their Xbox 360, they have the TV on, they have their smartphone on, and they have their tablet or their laptop at their side. They're watching a movie while they're looking up information on IMDB or playing a game and viewing the walkthrough on Gamefaqs. We look at how people are consuming entertainment and it's changed. A lot of these devices like the smartphone and tablet are companions to the experience on TV, so they add something new to the content that gamers already enjoy. The scenarios that we'll enable through Xbox SmartGlass, and as we get more content providers like HBO GO and game publishers like EA, will take advantage of these complementary experiences in new ways. At E3, we showed an example of how Madden NFL 13 allows you to design your own plays on your tablet and use them in the Xbox 360 game. When you think about movies and TV shows, it adds a level of interactivity with that content that doesn't exist today. The cloud will enable and provide the backbone to a lot of those scenarios and it will bring new levels of interactivity to the experience.

What impact do you see the cloud ultimately having on the traditional brick and mortar retail experience as you look to the future?

Retail will always be an important component to our customers and to our business. It's clear that our customers are purchasing and consuming content differently, and a lot of that is being driven by digital distribution adoption, which the cloud plays a big role in. In spite of where digital is going, retail is still the main entry point for our customers, even for the content we sell digitally. Our customers enjoy going into stores, talking to store reps, and hearing what they recommend. They buy MS points to be used in our marketplace at retail. In addition, the way a customer looks at digital vs. retail is different. Digital distribution is great for impulse buys. A customer browses through a marketplace, sees something they like, that's between \$2 and \$20, they'll make that purchase rather quickly, using currency that they purchased at retail. But when you're buying a full game at \$60 or a piece of hardware like an Xbox 360, there is a more thorough purchase decision process involved. Retail is and always will be well suited in adding value to that process.

How familiar are Xbox 360 customers with the notion of cloud gaming today?

As I read a lot of the forums and talk to our customers, what I've learned is a lot of the parlance – the way in which we talk about the

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technology – it doesn't connect with customers. And that's how it should be – the technology should be invisible to them. What they will understand as cloud gaming takes hold are the benefits. Most importantly, how these technologies will enable and enhance their new experiences, and eliminate friction and pain points. It becomes a matter of more show than tell. As customers see how we can enable cross screen experiences like Xbox SmartGlass, and how cloud gaming can make gameplay experiences accessible everywhere, their familiarity of what we call cloud gaming will grow.

David Perry, CEO, Gaikai

After spending his early years developing over 100 games, including a 12 year stint as founder and president of Shiny Entertainment, industry veteran David Perry has become one of the leading advocates for cloud gaming. As CEO of Gaikai, Perry has been instrumental in signing over 40 game publishers to provide trial and streaming game offerings via the cloud for clients that include consumer electronics giants Samsung and LG.

How has Gaikai evolved as a company?

We started off as a company offering the ability to put games anywhere, so that people could try them out before buying them. People have been continually asking us when we're going to offer the ability to buy and stream entire games and save them. That's something that we now have working here in the lab that we'll soon be showing off. It's kind of a given that that's where Gaikai is going. The thing that gives that away is the overall platform strategy of simply allowing companies to use our network and technology to create cloud gaming services themselves. Samsung and LG can do what they wish with their cloud gaming networks. The bottom line is that any company that wants to have cloud gaming long-term, and that includes retailers and publishers, can purchase whatever capacity they need for their network and go from there. Streaming games will take a lot more servers than the trial model, but we can support both.

What differentiates Gaikai from Netflix?

The idea is to not to make these cloud gaming services a one-size-fits-all offering like Netflix. Each company we work with can start to participate in the game industry in their own way. We serve up games publishers, and content like Machinima, to them on a plate and they can cater to their audience any way they like. LG, Samsung and our other partners are in charge of what games and content they provide to their customers.

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How big a library does Gaikai have now?

We have 40 publishers and about a hundred titles now. We could easily get 500 games now, but we realize that it's the quality of those games that matters. We're focusing on the important titles like Mass Effect 3, which we just put on Facebook. You could license a thousand games from companies, but you'll end up with crap that was written in 1982.

We're working on relationships with publishers so that we can launch the state-of-the-art games first or give sneak peeks at games. We're doing this with Meteor Entertainment's HAWKEN. We want to be that company that gets the hottest, coolest stuff first. That's a great business that all the TV makers are very excited about.

How do you see exclusive cloud game streams impacting the game industry?

The enemy for me is the movement of data. Every time the data has to be moved from A to B that creates a problem and as games get bigger and bigger and it becomes even more difficult. My overall focus is that once you have experience moving data around, it's very hard to go back. Imagine if you now had to go back and install Farmville on your computer? You're used to the idea of things just working and being available wherever you are, whatever you want. Companies are always saying, "We just give the gamers what they want, when they want, where they want," but then the question is, "What are you doing about it?" We all agree that cloud gaming is the best thing for the game industry to make that a reality.

How do you see the cloud growing the game business?

When I present Gaikai to consumer electronics companies and cable and satellite companies, they believe they're in the entertainment business because they're delivering movies and music. But they didn't participate in the biggest entertainment launch in history with Call of Duty last year. Cloud gaming is the only way these companies can participate in these types of big game launches. The cloud allows any low-end device to deliver state-of-the-art gaming experiences. There's been a lot of excitement around tablets and people are forecasting that by next year tablet games are going to catch up to Xbox 360 games. But tablets are catching up to six-year-old technology. What I'm excited about is the next generation of hardware showing up on my TV or Blu-ray player through games before they're available on consoles.

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What role will tablets play in the cloud?

We're very lucky because we find ourselves at this moment in time where the hardware on tablets is good enough to do real-time video compression and that Internet connections are good enough to support 60 frames per second. We have HAWKEN running at 60 frames per second through NVIDIA Grid servers. We have great support from hardware companies like NVIDIA, Intel and Qualcomm which have all invested in Gaikai. In addition to the tablets now smartphones are getting Tegra 3 chips and they'll support our streaming. Qualcomm's SnapDragon is also supporting cloud gaming on tablets and smartphones. Within three years every single set top box, TV, tablet and smartphone will be built to run games at 60 frames per second through the cloud.

Once that happens, what role do you see cloud gaming playing in the games industry?

Then we're just in that land of do enough people in the world have broadband to make a complete switch. The broadband is constantly growing and there's this wonderful layer coming in with 4G. There are billions of dollars being spent right now building the 4G infrastructure. We believe a lot of people will cut the Internet and home phone chords and go with 4G. Either way, we're happy with 4G or with local connections. We're also offering a cloud delivery service to bridge the gap for people in rural areas that don't have good connections.

When do you think consumers will become aware of cloud gaming?

The industry doesn't have the marketing strength to go as wide as the television makers and cable companies. They spend enormous amounts of money marketing the features of their TVs and electronic devices. The fact that these cloud gaming services don't cost anything more to the electronics makers or to the consumers and that there are no modifications is great. The Samsungs and LGs will start to push the message out.

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Carsten van Husen, CEO Gameforge 4D

Gameforge is the leading publisher of free-to-play MMOs in the Western hemisphere, accumulating more than 200 million users in over 75 countries. Having started in 2003 with the release of Web games like OGame and Ikariam, Carsten joined the company in 2006 to head up development of client-based MMOs within a newly established Gameforge 4D division. Metin2 surged to dominate the Western hemisphere with an active customer base of over 9 million monthly players.

Coming off E3 2012, how have you seen cloud gaming become a bigger part of the games industry?

Even the last dinosaurs have finally recognized that a new era of online distribution and delivery is upon us. As a company completely focused on online games, the trend is nothing new for us. Gameforge games and virtual worlds are cloud gaming in its purest form, running on remote servers in the cloud and accessed by players from all over the world with their local clients. What matters next for us are the end user devices used for playing.

What impact do you see announcements by LG and Samsung to bring PC games to Smart TVs having on helping to expand the games industry?

TVs have a massive potential for gaming still largely untouched – except by conventional game consoles. While the announcements illustrate the first steps towards a truly connected living room or home, the next big step for cloud or online gaming to overcome will actually be the controller. Kinect and similar movement tracking devices will offer hassle free entry into games for a larger and more casual crowd, but similar to touchscreens this kind of controller may not be the right choice for every game. It will be interesting to see if the classic controller can expand its influence beyond traditional consoles, or if we will see keyboards and mice attached to Smart TVs.

How has Gameforge capitalized on cloud gaming?

Besides the classic client-server concept already mentioned, we have been using modern cloud gaming technology for quite a while. We have experimented with various technology partners, and as a result created streaming browser versions of our successful client-based MMOs 4Story and Runes of Magic. Players no longer need to download and install large pieces of software, but can simply join the game with a few mouse clicks directly from their browser. The technology

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opens up completely new target groups for us that would have never contemplated downloading a large client.

Many publishers are making key investments in digital – what do you see as the key growth areas moving forward?

At Gameforge we have been in digital since the very beginning. We started with the development and marketing of browser games in 2002 and have been licensing, localizing, marketing and operating client-based MMO games since 2006. Thus, our business is clearly centered around online distribution and delivery.

Cloud gaming is enabling us to offer our games to potentially millions more players on a multitude of devices in the future. And we are looking into that. But we still recognize that content is king, that's true for all devices. The quality of the games is what will be decisive, no matter the platform.

What are your thoughts on franchises launching and expanding into multi-screen, cross platforms (mobile, console, PC, social) and how the cloud is opening up these new gaming opportunities?

Cross-platform is getting more and more important, but not every device can (physically) offer the same gameplay experience. Our goal for the short to medium-term future is that players will be able to access their game wherever they want: on the PC, within the browser and as soon as possible on tablets, too. Cloud gaming helps our game designers to think beyond the current hardware capabilities offered by the devices, and offer the right content to the right device.

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Frank Gibeau, Jason Ing and Carsten van Husen will be speaking at the **Cloud Gaming USA Conference & Expo in San Francisco, September 11th-12th**. Looking at partnerships, strategies and distribution models to increase players and profits in cloud gaming, the conference brings together expert speakers from across the industry including: **Ubisoft Montreal CEO**, Yannis Mallat, **Valve Director of Business Development**, Jason Holtman and a host of other companies including **Nvidia, Activision, Konami, CCP Games, Gameforge, Meteor Entertainment, Intel** and **Comcast**.

More information and opportunities to reserve a place at this landmark event are available on www.cgconfusa.com