Infrastructure based Business Models for Online Games.

Superdistribution: A Deutsche Telekom Laboratories’ view.

Münchner Kreis, 10. July 2007
Dr. Behrend Freese
Global infrastructure.
A social network.

Metcalfe’s Law

“The value of a communications network is proportional to the square of the number of users of the system (n²).”

Robert Metcalfe


[Bar chart showing the development of various infrastructures from 2005 to 2007.]

BITKOM; Basis: EITO

1 DSL, Kabelmodem und andere
Strong and explicit user engagement. Especially young users substitute traditional media activities for Internet usage.

**Substitution of other media activities by the Internet, by age group, UK**

"Since using the Internet for the first time, which of the following activities do you undertake less often?"

- Use game consoles
- Listen to radio
- Read magazines
- Read local newspaper
- Watch video/DVD
- Read national newspaper
- Watch TV

Proportion of Internet users 15+%

All individuals | 15–24 year old | 45–64 year old

<table>
<thead>
<tr>
<th>Activity</th>
<th>All individuals</th>
<th>15–24 year old</th>
<th>45–64 year old</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use game consoles</td>
<td>-5</td>
<td>-12</td>
<td>-18</td>
</tr>
<tr>
<td>Listen to radio</td>
<td>-7</td>
<td>-15</td>
<td>-18</td>
</tr>
<tr>
<td>Read magazines</td>
<td>-8</td>
<td>-21</td>
<td>-27</td>
</tr>
<tr>
<td>Read local newspaper</td>
<td>-5</td>
<td>-22</td>
<td>-27</td>
</tr>
<tr>
<td>Watch video/DVD</td>
<td>-4</td>
<td>-8</td>
<td>-13</td>
</tr>
<tr>
<td>Read national newspaper</td>
<td>-12</td>
<td>-14</td>
<td>-18</td>
</tr>
<tr>
<td>Watch TV</td>
<td>-12</td>
<td>-15</td>
<td>-18</td>
</tr>
</tbody>
</table>

**Usage of social networks, by age, UK**

How frequently, if at all, do you use websites where you can chat with people you know or contact people you have lost touch with?

Proportion of Internet users 15+

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Less often</th>
<th>Not weekly but at least monthly</th>
<th>Every few months</th>
<th>At least weekly</th>
</tr>
</thead>
<tbody>
<tr>
<td>16–24</td>
<td>70</td>
<td>9</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>25–34</td>
<td>54</td>
<td>13</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>35–44</td>
<td>48</td>
<td>7</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>45–54</td>
<td>30</td>
<td>7</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Over 55</td>
<td>25</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Ofcom research, 2006
Development of infrastructure based business models. Increasing opportunities to sell digital content.

**World Wide Web**
- **Step 1**: PC Era
- **Step 2**: Digital Content
- **Step 3**: User Generated Sales

**User Generated Sales**
- From web shop to community based sales.

**Digital Content**
- Range from professional to user generated content.

**World Wide Web**
- Interlinked, hypertext documents.
Superdistribution.
Enabler Technology for user-generated sales.

Online Games

Separation of digital content and rights

Distribution within social networks

Superdistribution

... is legal
P2P download and licensing

... gets awarded
Recommendation and award system

... is licensed
Media distribution and licensing
Digitalization of the media Industry.
Network effects increase user adoption rate.

Drivers of network effects:
- Standards
- Lock-Ins
- Search costs

Idealistic, successful diffusion curve for goods with network effects

Traditional diffusion

Flop-like diffusion curve for non successful products

"Critical mass point"

Long tail sales.
Revenues with a lot of niche products can top revenues with blockbusters over time.
User-Generated Sales.
Viral Distribution of Mobile Games.

Offer functionalities to share mobile games

Redirect the user to an Online Shop or display advertisement

Distribute it anytime instantly for joint Online Games with friends
Network Centric Rights Management Platform.
From Service to Business Model.
New infrastructure based business potential.
Let your content be superdistributed.

<table>
<thead>
<tr>
<th>Enable user generated sales through their own personal networks</th>
<th>Push digital content through existing personal networks&lt;br&gt;Enable revenue sharing models&lt;br&gt;Support community shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support Gaming on-demand through social networks</td>
<td>Offer new services for ad-hoc games and games distribution&lt;br&gt;Allow a more flexible digital rights management</td>
</tr>
<tr>
<td>Analyze the content distribution networks of your customers</td>
<td>Identify the opinion maker&lt;br&gt;Analyze geographic and demographic differences&lt;br&gt;Understand the long tail product distribution</td>
</tr>
</tbody>
</table>
Structure of potential On-Top-Revenue.
Increasing revenues through superdistribution.

Structure of revenue generated by superdistribution

B2B (user generated content)
B2B (paid content)
Hosting & storage
User-generated content (ad sales)
Advertising
Games
Music
Software

“New revenue”

“Additional revenue”
DE 102007013013.0
Backup.