Southeast Asia's Games Market

A Short Guide to One of the Fastest Growing Regions for the Games Industry

This Insights Article is a collaboration between Niko Partners and gamescom asia.

Introduction: Niko's analysis on Southeast Asia's games market size

Asian gamers have contributed to the massive growth of the global video games industry. Niko Partners estimates the total mobile and PC game revenue in Asia will reach US$82 billion in 2022, or 55% of the global games market, with at least 1.47 billion gamers in the region. Asia's gigantic economies dominate: China, Japan, and South Korea, for example, while the six major countries of Southeast Asia (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam) represent 6% of Asia's games revenue and 19% of Asia's gamers.

While seemingly small in comparison, these Southeast Asian countries boast US $5 billion market size and 270 million gamers. With an estimated compound annual growth rate (CAGR) of 8.6% between 2020-2025, Southeast Asia is one of the fastest growing regions for the games market in the world. Supported by its young populace, rapidly rising economies, and upgraded infrastructure, the region provides promising ground for the games market to continue to thrive. Through our research, Niko also found that the majority of Southeast Asia's gamers are playing games responsibly and contributed to the region's share of the global games industry growth.

The Southeast Asian games industry has begun to take part in shaping the metaverse, pan-entertainment IP and transmedia which is leading to a convergence between games and entertainment. We expect to see more traditional brands, entertainment properties and artists take advantage of live service games in 2022. On the flip side, we expect to see more collaboration between video game IP holders and traditional entertainment such as movies, TV, and comics. This bi-directional approach will further engage gamers in the future.

Esports in Southeast Asia

Esports is an important segment of the games industry, especially in Southeast Asia where there are over 200 million esports viewers and gamers as mentioned in Niko's Asia Esports Report. Esports is becoming a part of mainstream entertainment. Esports was included as a demonstration sport in 2018's Asian Games in Indonesia and later included as a medal title for the first time at the Olympic Committee-sanctioned Southeast Asian Games (SEA Games) in the Philippines in 2019. Esports continued to be a focal part of the 2021 SEA Games in Vietnam, as well as the upcoming 2022 IESF World Championship in Bali and the 2023 SEA Games in Cambodia. The region boasts prominent esports organizations, such as Team Flash, Fnatic, and EVOS Esports. Southeast Asian countries have also presided or will hold major global tournaments such as Dota 2 The International, Mobile Legends: Bang Bang World Championships, and Free Fire World Series.

Southeast Asia is a subregion that is worth to note, with Niko's research noting that 60% of the region's gamers strongly drawn to esports. Furthermore, 42% of gamers in Southeast Asia fall into the segment of competitive arena gamers who love esports and other competitive games. It is not surprising to find that community tournaments are very popular in Southeast Asia as they get to promote livelihood and income to the communities. They serve as the training ground for aspiring amateur players who want to break into the professional scene.

Over the last 5 years, Niko has closely monitored the explosion in esports across Asia, and since 2018 we have tracked the major esports competitions in each Asian market we cover, recording tournament data as a means to understand leading trends across the region. In 2020 we made this database available through our Asia Esports Tracker, a detailed view of esports in Asia by the numbers.

Female Gamers in Southeast Asia

Southeast Asia's gaming audience is increasingly diverse—although men still outnumber women in many gaming segments, the gap is quickly narrowing. Year over year growth rates of female gamers significantly outpace average growth rates for all gamers. Women make up about 40% of gamers in the region, but in key markets like Indonesia and Singapore the gap is much smaller with women comprising nearly half of the total gaming audience. Representation is nearly identical among mobile gamers, but in segments like PC and console gaming there is still some ground to cover. Female gamers are important to the bigger picture of Southeast Asia's gaming market as it attracts new players and spectators.

The growth and expansion of female gaming—and by extension, female esports—in Southeast Asia has also resulted in the proliferation of all-female tournaments. This is not only an opportunity of those who are players of esports but also sponsors to widen their target audience. In 2020, Vietnam has held their first all women PUBG Championship. On a regional level, Zeppeto held Point Blank Southeast Asia Ladies Tournament Season One and Two with a total prize pool of US$10,000.[1] One of the most prominent female esports organizations in Asia is the Singapore's Female Esports League (FSL). Founded in 2012, the organization has reached millions. This year, FSL is holding their eight-month-long *Valorant* tournament from March to October. Furthermore, one of the most significant efforts that can be seen is the addition of women category to the 2021 SEA Games League of Legends: Wild Rift medal event, although this doesn't mean female players can't participate in other categories.

Blockchain Games in Southeast Asia

Blockchain technology has been around since the 1980s, but it has only recently gained widespread attention because of the rise in the popularity of cryptocurrency, such as Bitcoin and others. An important use of blockchain technology is in video game development, what is referred to as blockchain gaming. Niko Partners sees this as a disruptor for game development and monetization design trends worldwide. As often is the case, the first notable instances of this trend emerged in Southeast Asia, such as with the Vietnamese game *Axie Infinity*.

Blockchain games' play-to-earn model makes them an attractive source of income and investment. The model allows players to earn money by playing, receiving rewards, and trading digital assets for cryptocurrencies, which they can then trade for fiat money and spend in real life. This opens a new monetization model, which should be integrated with the game design and development. As free-to-play games use several more traditional monetization models, the new model will potentially be a big disruption to the existing ones.

Blockchain games are not as simple to play as traditional games, yet it has not stopped blockchain games from exploding in popularity. Blockchain-powered game titles, such as *CryptoKitties, The Sandbox, Decentraland*, and *Axie Infinity*, have proven to be popular internationally. Challenges exist, but *Axie Infinity* surpassed 1 million daily active users (DAU), of which 40% are Filipino users. However, it should be noted that with the digital transformation that is happening all over the place and in business and economy, including in gaming, blockchain games such as *Axie Infinity* are here to stay.

[1] Source: Niko Partners' Esports Tracker

Opportunities and Challenges

There are ample opportunities in the games industry while at the same time, challenges do persist. Parents across the region (see here, here, and here) tend to be skeptical about video games and esports. Video games and esports are often seen as having bad impacts on children, such as causing addiction, bad behavior, and poor social skills. Crypto-based games are also facing issues of distrust and scams.

Government policies should also be seen cautiously as policies that either support or hinder to the games industry growth have been enacted by governments in Asia. China is a well-known example of government policies that led to the need to understand and wait for local game approvals before entering the market while India and Indonesia have been banning games and applications over the last few months. In 2022, major game bans are recorded in Indonesia, with Steam, Epic Games Store, Origin, *Dota 2,* and *CS: GO* banned following the country's PSE regulation, although Steam and Origin, along with *Dota 2* and *CS: GO* were later unbanned. On the other hand, governments in the region also support the development of the industry, with the Vietnam Game Development Alliance (VGDA) launched under the country's Ministry of Information and Communications and the Department of Education of the Philippines partnering with Microsoft to launch *Minecraft: Education Edition* on mobile for public and private school teachers and students. Malaysia's Ministry of Youth and Sports also launched ESI Hub, Malaysia's first national esports center, earlier this year.

Cultural and religious aspects are also important to note when presiding over games published in Southeast Asia. Celebrating and involving local festivals and traditions could improve a game's performance and revenue in the region, such as Ramadan events improving revenues for games in Indonesia and Malaysia or Songkran events performing similarly in Thailand. However, sensitivities are needed, with *PUBG Mobile* experiencing backlash from the region's Muslim gamers for including an act of idol worship or *Fight of Gods* banned in Indonesia, Malaysia, Singapore, and Thailand for including Buddha and Jesus as playable characters.

There are also other positive signs from the region. Southeast Asian gamers are dominating the social media discourse on video games. In 2021, 3 of the top 10 countries tweeting about games were from Southeast Asia while 3 others were from other parts of Asia: #1 Japan, #3 South Korea, #4 Thailand, #6 the Philippines, #7 Indonesia, and #10 India. Higher education institutions across Southeast Asia have also introduced programs in esports and esports management while companies such as Garena and Riot Games operate collegiate leagues for *League of Legends* and *Valorant*, respectively, across the region.

Key Takeaways

Southeast Asia is a fast-growing region for the gaming market and industry. The region represents a major opportunity for game developers and publishers, hardware and device makers, infrastructure providers, and investors. High consumer demand for games and esports, coupled with growing disposable income, improvements in infrastructure, and investment by multinational companies and country governments have set the stage for strong continued growth. However, Southeast Asia is not a monolith with different cultures, gamer preferences, and spending behaviors, resulting in no one size fits all approach to the region.

About Niko Partners

Niko Partners is a market research and consulting firm covering video games, esports, and streaming in Asia and the Middle East. Founded in 2002, Niko provides qualitative and quantitative data collection and analysis, and strategic advisory services to deliver the intelligence and answers necessary to truly understand these complex markets. Niko's products include market reports and forecasts, the China Games Industry database, the Asia Esports Tracker, the China Games Streaming Tracker, and the Asia and MENA News Analysis Service; and custom research and consulting services including focus groups, product and gamer studies, surveys, investor due diligence, IPO and market opportunity analysis, and transaction advisory services. The company is based in Silicon Valley, with offices in Shanghai, Bangkok, Jakarta, and London.

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