Emerging Southeast Asia
Mobile Gaming’s New Frontier
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1. Introduction

Over the past seven years, mobile gaming has become the biggest driving force behind the global app economy for the iOS App Store and Google Play Store. According to App Annie Intelligence, games contributed around 80% of revenue and 40% of downloads generated globally on iOS and Google Play combined in December 2014. In Asia, mobile games are even more critical. During the same period, games represented more than 90% of combined iOS and Google Play revenue in China, Japan and South Korea.

Witnessing the demand for mobile games, many PC and console game publishers from Asia swiftly pivot to a mobile-first strategy. At the same time, the investor community continued to inject cash into the market and incubate companies vying for mobile dominance. Competition in the mobile game sector has never been fiercer in China, Japan and South Korea, motivating publishers to seek fresh opportunities in the region.

Southeast Asia could be the next frontier. With a population of 630 million people across 11 countries, the region has shown impressive growth: monthly iOS and Google Play downloads combined grew 40% from December 2013 to December 2014, while revenues grew 75%. Increasing smartphone and broadband penetration is expected to help propel Southeast Asia’s app economy over the coming years. Games, as the #1 app category, is set to lead this growth just as it has elsewhere.

Among the 11 countries in Southeast Asia, Indonesia, Malaysia, Philippines, Thailand and Vietnam were the five fastest growing markets in terms of both app downloads and revenue in 2014. These five countries also share many similarities on metrics such as population, GDP, GDP per capita, personal income and scoring on the Human Development Index. These five emerging Southeast Asian markets are poised to help contribute to the global app market’s continued growth.

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2. Mobile Gaming Overview in Southeast Asia’s Emerging Countries

Southeast Asia’s Game Downloads Are 3x South Korea’s

Gaming is one of the most popular uses for mobile devices. A Google survey indicated that over one-third of smartphone owners in each of the five emerging Southeast Asian markets played mobile games at least once in the last seven days.

The popularity of mobile gaming in the region is reflected in the iOS App Store and Google Play, especially when compared to South Korea, one the world’s largest and most influential app markets. For example, in December 2014, the download volume for games in Indonesia, the largest in terms of downloads among the five emerging Southeast Asian countries, was approximately 90% of South Korea’s. Vietnam, with the smallest download volume in the region, amounted to half of South Korea’s. In total, the downloads across these five countries was nearly three times that of South Korea’s.
App store revenues in these markets are still in the very early stages of growth. In December 2014, the amount of combined revenue generated by mobile games in the five emerging Southeast Asian countries barely exceeded 25% of South Korea’s mobile game revenue.
It is also worth noting that app store revenue is just a part of the overall mobile game opportunity in these countries. Publishers commonly use advertising and other indirect or subsidy-based monetization strategies, such as the crowdsourced by-product business model, to supplement the direct revenue that games generate from in-app purchases and paid downloads.
Mobile Gaming Drives Nearly Half of All App Downloads

Within each country’s app economy, mobile games play an extremely important role. Among these five emerging markets, the proportion of combined iOS and Google Play downloads from games in December 2014 ranged from a low of just under 40% in Indonesia to a high of over 60% in the Philippines, and Games is the largest mobile app category by downloads in both stores across all five emerging Southeast Asian countries. As a benchmark, game downloads were about 35% of combined iOS and Google Play downloads in South Korea.
However, unlike in South Korea where mobile gaming revenue represented over 90% of the total app store revenue in December 2014, game revenue in each Southeast Asia emerging market contributed only about 50% to 75% of total app store revenue in the same period, with the highest percentage occurring in Malaysia and Thailand. By revenue, Games are also the largest category in both stores.

Like South Korea, Malaysia and Thailand are traditional Asian online PC game markets since the 2000s where people are much more used to paying for online games. Also, according to a series of research conducted in early-mid 2014 by Euromonitor, annual disposable income and credit card penetration are higher in Malaysia and Thailand than in the other three markets. Both the willingness and ability to pay in Malaysia and Thailand might lead to better monetization of mobile games in these two countries.

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3. Mobile Gaming Skyrocketed in Southeast Asia

Total Game Downloads Grew 45% Year-Over-Year

Given the current state of mobile gaming in emerging Southeast Asia, it is also interesting to see how quickly these markets developed. Game downloads on iOS and Google Play combined across the five markets grew 45% from 2013 to 2014. Vietnam claimed the highest growth rate, increasing 95% over this period. Indonesia was next with an increase of 85%. Philippines and Thailand also saw moderate growth of about 25%, while download growth in Malaysia stabilized like mature markets such as South Korea and Japan.

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Skyrocketing smartphone penetration could be a major driver of this download growth. According to eMarketer, smartphone penetration in Indonesia grew from 13.8% to 21.3% between 2013 and 2014, and was expected to reach 26.3% in 2015, which translates to more than 60 million consumers. Similarly, the Global Connected Consumer Study 2014 claimed that 36% of Vietnam’s population currently own a smartphone, nearly double last year’s figure. Historically, Indonesia and Vietnam have lagged behind Malaysia and Thailand on economic metrics, contributing to lower PC and internet penetration in those countries. Smartphones and mobile internet are more transformative in these types of markets because they are even accessible to low-income users who lack access to well-developed landline network infrastructures. Mobile gaming led app growth by providing an affordable and engaging form of entertainment that users can access anytime and anywhere.

Revenue, interestingly, experienced even more impressive growth. For the five emerging Southeast Asian markets combined, the total mobile gaming revenue on iOS and Google Play combined nearly doubled from 2013 to 2014. Vietnam and Malaysia experienced the highest growth rates, at 150% and 115% respectively. Even Thailand, with the lowest growth rate among the five, saw its mobile gaming revenue grow by a staggering 75%.

Although mobile gaming revenue growth is impressive, it benefits from a small user base as it is at a very early stage. However, with a growing user base and diverse payment channels (particularly the addition of direct carrier billing), we’ve already witnessed more foreign publishers starting to offer localized games in these markets, which may lead to explosive revenue in the future.
Google Play Beat Out iOS in Downloads by 4x

In the five emerging Southeast Asian markets, Android holds a significant lead over iOS in device install base. The combination of lower purchasing power prevalent in the region and direct smartphone distribution (with unsubsidized prices) favors the lower price points offered by Android OEMs.

In 2014, Google Play generated more than 4 times the mobile game downloads as the iOS App Store in the five emerging Southeast Asian countries combined. The largest difference occurred in Indonesia, where Google Play was 9 times the size of iOS; the smallest difference was apparent in Vietnam, where Google Play was 3 times the size of iOS.

iOS maintained its lead position in game monetization and was 1.3 times as large as Google Play in the above-mentioned five markets combined in 2014. In Thailand, Vietnam, Indonesia and Philippines, the iOS App Store’s lead ranged from approximately 1.3 times to 2 times. Malaysia was the only country where Google Play’s revenue did not trail iOS App Store’s in 2014.

In terms of year-over-year growth, Google Play grew faster than iOS in 2014 in both downloads and revenue. In the five Southeast Asian markets combined, Google Play downloads grew by 65% in 2014, substantially outpacing iOS. Meanwhile, Google Play revenues grew by approximately 220% and iOS grew by roughly 45%. Google Play’s growth started from a much lower base point compared to iOS in 2013, but it has exhibited impressive growth velocity in just one short year.
In February 2015, Google released Android One devices in Philippines and Indonesia, promising more devices in more countries were on the way. Android One is a set of smartphone standards designed for customers in developing countries primarily focused on people buying their first-ever smartphones. Android One smartphones run nearly stock Android with Google Mobile Services and can be built on reference hardware designs provided by Google. Google’s deeper involvement in software and hardware standards could reduce manufacturers’ R&D costs to help create more affordable phones, offer a unified and simplified user experience, and provide better security and privacy protection. It will be interesting to see how Android devices further penetrate the smartphone market in these countries.

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4. Emerging Southeast Asia’s Competitive Landscape

Indonesia and Philippines: Still Blue Oceans

Over the past decade, differing economic conditions and telecommunication infrastructures played a key role in shaping personal computing device penetration and internet access in the five emerging Southeast Asian game markets. Therefore, consumers in these countries developed different app- and phone-related behaviors and preferences.
### Top 10 Games by Revenue in Emerging Markets Southeast Asian Markets

**iOS and Google Play Combined, December 2014**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Vietnam</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Clash of Clans</td>
<td>Clash of Clans</td>
<td>Clash of Clans</td>
<td>Everybody’s Marble</td>
<td>Clash of Clans</td>
</tr>
<tr>
<td>2</td>
<td>Everybody’s Marble</td>
<td>Tower of Saviors</td>
<td>Summoners War</td>
<td>Kung Fu House</td>
<td>Heroes Charge</td>
</tr>
<tr>
<td>3</td>
<td>Hay Day</td>
<td>Cash King Islands</td>
<td>Brave Frontier</td>
<td>Clash of Clans</td>
<td>Summoners War</td>
</tr>
<tr>
<td>4</td>
<td>Game of War - Fire Age</td>
<td>Dot Arena</td>
<td>Clash of Kings</td>
<td>Summoners War</td>
<td>Hay Day</td>
</tr>
<tr>
<td>5</td>
<td>Heroes Charge</td>
<td>Castle Clash</td>
<td>Boom Beach</td>
<td>Dot Arena</td>
<td>Boom Beach</td>
</tr>
<tr>
<td>6</td>
<td>Summoners War</td>
<td>Racing Rivals</td>
<td>Candy Crush Saga</td>
<td>LINE Rangers</td>
<td>Dragon Bane</td>
</tr>
<tr>
<td>7</td>
<td>Candy Crush Saga</td>
<td>Summoners War</td>
<td>Candy Crush Soda Saga</td>
<td>Cookie Run</td>
<td>Darkness Reborn</td>
</tr>
<tr>
<td>8</td>
<td>Brave Frontier</td>
<td>Game of War - Fire Age</td>
<td>Game of War - Fire Age</td>
<td>ReverseWorld</td>
<td>Playshoo Texas Poker</td>
</tr>
<tr>
<td>9</td>
<td>Little Empire</td>
<td>Clash of Kings</td>
<td>Zynga Poker</td>
<td>Hay Day</td>
<td>Castle Clash</td>
</tr>
<tr>
<td>10</td>
<td>Candy Crush Soda Saga</td>
<td>Slotomania</td>
<td>Brave Trials</td>
<td>Brave Frontier</td>
<td>Kung Fu House</td>
</tr>
</tbody>
</table>

**Legend:**
- Blue: Global
- Yellow: Asia-Pacific
- Purple: Local Southeast Asian
- Green: LINE Games


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### Top 10 Games by Downloads in Emerging Markets Southeast Asian Markets
**iOS and Google Play Combined, December 2014**

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<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Everybody’s Marble</td>
<td>Clash of Clans</td>
<td>Clash of Clans</td>
<td>LINE TRIO</td>
<td>My Talking Tom</td>
</tr>
<tr>
<td>2</td>
<td>Subway Surfers</td>
<td>Cash King Islands</td>
<td>Candy Crush Soda Saga</td>
<td>Candy Crush Soda Saga</td>
<td>My Talking Angela</td>
</tr>
<tr>
<td>3</td>
<td>Clash of Clans</td>
<td>Candy Crush Soda Saga</td>
<td>Dumb Ways to Die 2</td>
<td>Everybody’s Marble</td>
<td>Zombie Tsunami</td>
</tr>
<tr>
<td>4</td>
<td>Pou</td>
<td>Ninja的觉悟</td>
<td>Candy Crush Saga</td>
<td>Cookie Run</td>
<td>Candy Crush Soda Saga</td>
</tr>
<tr>
<td>5</td>
<td>Candy Crush Soda Saga</td>
<td>Subway Surfers</td>
<td>Subway Surfers</td>
<td>Subway Surfers</td>
<td>Candy Crush Saga</td>
</tr>
<tr>
<td>6</td>
<td>Cars: Fast as Lightning</td>
<td>Candy Crush Saga</td>
<td>Stick Hero</td>
<td>Candy Crush Saga</td>
<td>Plants vs. Zombies</td>
</tr>
<tr>
<td>7</td>
<td>Candy Crush Saga</td>
<td>Plants vs. Zombies</td>
<td>Plants vs. Zombies</td>
<td>โดดเดี่ยวดอก Jump Flower</td>
<td>Onet Connect Animal</td>
</tr>
<tr>
<td>8</td>
<td>Modern Sniper</td>
<td>Pou</td>
<td>Pou</td>
<td>Snakes &amp; Ladders King</td>
<td>Subway Surfers</td>
</tr>
<tr>
<td>9</td>
<td>Snakes &amp; Ladders King</td>
<td>My Talking Angela</td>
<td>Zombie Tsunami</td>
<td>My Talking Tom</td>
<td>Temple Run 2</td>
</tr>
<tr>
<td>10</td>
<td>Plants vs. Zombies</td>
<td>小小怪獸幫</td>
<td>Snakes &amp; Ladders King</td>
<td>Hill Climb Racing</td>
<td>Plants vs. Zombies 2</td>
</tr>
</tbody>
</table>

**Legend:**
- Blue: Global
- Green: LINE Games
- Purple: Local Southeast Asian Games
- Yellow: Asia-Pacific Games
- Pink: Western Games


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Less developed countries like Indonesia and Philippines have drawn less attention from app publishers. Fashion and trends in mobile gaming in these countries have been heavily influenced by Western markets, with some minor influences from China, Japan and South Korea. In Indonesia, globally popular games like Clash of Clans and Candy Crush Saga took 5 of the top 10 spots by revenue and 7 spots by downloads in December 2014. In Philippines, global leaders took an even higher share: 6 of the top 10 spots by revenue and the entire top 7 by downloads. However, unlike in Japan or South Korea, Supercell and King did not rely on massive TV and outdoor advertising campaigns to acquire users and climb up ranks. It seems that the growth in these five emerging Southeast Asian markets was more organic -- users were acquired more through advertising-automation channels such as Facebook, which helped to build a sizeable customer base in Indonesia and Philippines.

Given that the big players have yet to unleash their substantial war chests in these markets, there is potentially room for new market entrants to build up a meaningful user base, with relatively low market investment, and grab a significant piece of the market.
Asian Publishers Increase Their Presence in Vietnam, Thailand and Malaysia

The story in Vietnam, Thailand and Malaysia is quite different from Indonesia and Philippines. Historically, better economic conditions and infrastructure in these countries enabled higher penetration for PCs and internet access, which laid the foundation for PC online games. Over the past decade, geographical proximity and cultural affinity made Asian game publishers become the first group interested in Vietnam, Thailand and Malaysia. Game companies from China, Japan and South Korea entered these markets by establishing subsidiaries or licensing game products to local partners. In December 2014, Asian content-heavy role playing or strategy games like Summoners War, Dot Arena and Castle Clash took 5 of the top 10 spots by revenue in Malaysia, 4 in Thailand, and 6 in Vietnam.

By providing a similar but simplified gameplay experience and in-game player progression akin to online PC games, these publishers secured the PC gamer segment while gaming transitioned from desktop to mobile. The performance of GAMEVIL, FunPlus, IGG and others with a presence in Southeast Asia should be watched carefully since they can leverage their first-mover advantage as these markets continue their dramatic growth.
LINE Leads the Messaging Platforms

As we mentioned in the App Annie Index: 2014 Retrospective, messaging apps are expanding their ability to serve as gateways to new audiences for games and online services in China, Japan and South Korea. This trend was already evident in Southeast Asia in the past year.

So far, LINE is the market leader in these five markets. In Malaysia, Indonesia and Thailand, it took the #1 spot by revenue among apps outside of games in December 2014, and also ranked in the top 20 on the download charts. In Philippines and Vietnam, even though LINE didn’t rank in the top 10 by downloads, it still reached the top 10 by revenue. WeChat, which made significant progress in Malaysia, could be another major messaging app contender in the country. While there are other popular messaging apps in the region like Viber, Facebook Messenger and BBM, LINE was the only one that has successfully built a large game portfolio and other mobile services, such as e-commerce.

However, messaging platforms are still in the earlier stage of their product lifecycle in the emerging Southeast Asian markets. In some markets, they still need to hit a critical level of users to capitalize on network effects. Then messaging platforms could roll out games and services to their massive user bases.
5. Recap

Mobile gaming has driven the growth of the global app economy. In December 2014, games accounted for roughly 80% of all revenue and 40% of all downloads generated worldwide on iOS and Google Play. In China, Japan and South Korea, Asia’s largest app markets, mobile gaming already has an ever stronger foothold. This report highlights five emerging Southeast Asian countries — Indonesia, Malaysia, Philippines, Thailand and Vietnam — that could be the next frontier for mobile games:

- Games is already the largest mobile app category in emerging Southeast Asia. Combined game downloads, for our five featured countries, is nearly three times larger than South Korea’s, a huge gaming market in its own right. Although the mobile game revenue in these five countries is not large today, it is growing at a staggering rate in each one.

- Mobile games experienced surprising growth in 2014 in emerging Southeast Asia. Game downloads across both stores climbed nearly 50%, with some countries showing game revenue growth of over 100%.

- In emerging Southeast Asia, Android holds a significant lead over iOS in device install base. As a result, Google Play is generating substantially more downloads. iOS is still maintaining its revenue lead, like we see in other countries, but revenue growth per store is something everyone investing in this region should keep an eye on.

- The five emerging markets demonstrate quite different competitive landscape, with ample blue oceans, entertainment-hungry populations ready to consume the next hit game, and ripe opportunities for game distribution platforms.
Notes

- The download and revenue estimates used in this report are available through App Annie Intelligence.

- App Annie’s revenue estimates include iOS App Store and Google Play revenue earned from paid downloads and in-app purchases. They do not include revenue earned from in-app advertising.

- In the iOS App Store, an app can be categorized under a Primary Category as well as an optional Secondary Category. If an app has a primary category of Games and a secondary category of Entertainment, it is considered a game in this report. If the app’s primary category is Entertainment and its secondary category is Games, it is considered an app outside of games.

- In Google Play, an app can be categorized under only one category, so there is no double-categorization.

- The Indexed Downloads metric provides an easy way of comparing different downloads numbers against each other. For example, if Q2 2014 has Indexed Downloads of 100 and Q3 2014 has Indexed Downloads of 200, then Q3 2014 downloads are 200/100 = 2 times as high as Q2 2014 downloads. If Q3 2014 has Indexed Downloads of 80, then Q3 2014 downloads are 80/100 = 80% of Q2 2014 downloads. The same applies to the Indexed Revenue metric.

- The app rankings used in this report are based on unified apps made possible by App Annie’s exclusive DNA. In unified apps, similar versions of the same app with different names and on different platforms are unified. For example, Everybody’s Marble and LINE: Let’s Get Rich, along with all other versions, are combined and ranked as a single unified app, Everybody’s Marble.

- Company rankings used in this report are based on parent companies in App Annie DNA, where available. For example, estimates for apps from Zynga, Buzz Monkey, Natural Motion and OMGPOP are combined and ranked under a single parent company, Zynga.

- App and company rankings are based on the App Annie DNA relationships at the time of publication. App Annie DNA relationships are subject to change over time.

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- The geographical definition of Southeast Asia includes 11 sovereign states (Philippines, Malaysia, East Timor, Indonesia, Brunei, Singapore, Cambodia, Laos, Myanmar (Burma), Thailand, and Vietnam), 2 dependent territories (Christmas Island and Cocos (Keeling) Islands), and 2 administrative subdivisions of countries (Andaman and Nicobar Islands of India and Hainan Island of China).
About App Annie

App Annie is the #1 decision-making platform for the mobile app economy. App Annie combines the analytics of one’s own apps with a granular understanding of the competition and market to provide a unique 360-degree view of one’s mobile business. The App Annie platform is relied upon by over 90 percent of the top 100 publishers and more than 700,000 apps. Customers of App Annie Intelligence include the likes of Electronic Arts, Google, LinkedIn, Line, Microsoft, Nexon, Nestle, Samsung, Tencent, Bandai Namco and Universal Studios. The company has tracked over 83 billion downloads and more than US $25 billion in gross revenues to date -- the industry leader by far.

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