Introduction

This chapter presents a perspective of on-line gaming (networked commercial games), especially the situation and prospects in Asia. The worldwide number of paying users of on-line games for 2001–2002 was about 10 million, and it is possible to estimate a market size of about US $1 billion. However, this is a very conservative estimation. The entire game market, inclusive of packaged games, has been forecast to grow at a considerable pace into the future, and in particular, most research institutes are predicting that the on-line game market will expand considerably more rapidly than that of the game market as a whole.

For example, against the forecast of PricewaterhouseCoopers of the United States that the North American video game market, which was $7.8 billion in 2002, will grow to $13.5 billion, about 1.7 times its size, by the year 2007, Informa Publishing Group of the United Kingdom forecast that the on-line game market, which was $568 million worldwide in 2001, will grow to $5.648 billion, about ten times its size, by the year 2006.

Also, in the case of Korea, which is one of Asia’s leading countries in on-line gaming, the total value of on-line game shipments has been growing fast: in 1998 it was only $2.5 million, in 1999 it was $16 million, in 2000 it was $100 million, and in 2002 it was $250 million. For Japan, packaged games are still the mainstream, but changes are also being seen in that market. According to the Digital Content Association of Japan, a research institute affiliated with the Japanese government, Japan’s domestic market for packaged games in 2002 was about $4 billion, remaining at a year-on-year growth rate of 1.1 times. On the other hand, on-line games surged to about $55 million in sales, with a year-on-year growth rate of 4.2 times. The association has also forecast the 2003 network game market to be $170 million.

One assumes that there are a number of compound factors underlying such fast growth in on-line games, but excluding infrastructure aspects such as the

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spread of broadband, we can roughly sort them out into business model-related factors and factors related to the design of the game itself. In the case of the former, on-line games are generally more profitable than packaged games, and in the case of a hit game, profits are ensured over a long period of time, there are no losses from pirated versions unlike packaged games, and it is easy to develop systems that ensure receipt of payments. According to research by the Online Publishers Association of the United States, in 2001, US consumers paid a total of $675 million for on-line content, in 2002 the total was double that at $1.3 billion. In addition, a tendency has been observed for users to make the correct payments for on-line content.

With regard to factors related to the design of the game, it can be pointed out that, compared with packaged games, the percentage of traditional games such as Go and Mahjong in on-line games is high. Large entertainment firms, as well as Hollywood’s film industry, are injecting large amounts of capital into on-line gaming, and games incorporating already well-established entertainment-related content are being created. This is tied to speculation and strategy of the leading manufacturers who maintain supremacy of the next generation game consoles, and is connected with the new development of a customer segment that has a wide range, going beyond the traditional packaged-game users.

Of course, the novelty of the business model and game design does not just give rise to a bright future for on-line gaming. Some intractable issues such as increases in development costs, the need to develop new relationships between users and manufacturers, etc, will also be taken up.

Status of On-Line Gaming in Asia

Figure 1 shows the transition in the Asian and United States game markets. The content of the calculation and the basis for the statistics in each country differ too much to mutually compare statistics; however, the market will admittedly expand rapidly in the main game-consuming countries, other than Japan, including the United States.

South Korea

South Korea is the most developed country regarding on-line games in the world. The industry developed from changes in national policy in 1998. Broadband services spread quickly, and 30000 network cafes made the new industry. Except general ways to collect fees per month/day/hour, players can pay small (under $1) amounts by mobile phone. This creates a new style of games with a strong communication element, for example, Avatar Game. On-line games may be said to be only a tool of a highly efficient chat. In March 2002, more than half of the 27 million Internet users in South Korea—a country that promptly developed broadband due to the spread of ADSL—were experienced on-line gamers; the