International Social Games Association

# RESEARCH REPORT

Australia's video games success story: why games made down under are on top of the world

November 2023





# AUSTRALIA'S VIDEO GAMES SUCCESS STORY: WHY GAMES MADE DOWN UNDER ARE ON TOP OF THE WORLD

Australia has established itself as one of the best places in the world to make, release and play mobile games.

# A NATION OF VIDEO GAME PLAYERS

Australia is a nation of video game players. According to research by the Interactive Games & Entertainment Association (IGEA), 81% of Australians play games and spend \$4.21bn each year.

- Games are a part of the country's social fabric, with 75% of Australians playing video games with family and friends
- 91% of parents play games to bond with their children
- 66% of Australians say games support their mental health, with 71% saying that playing games makes them feel less stressed and 58% saying they feel less isolated through play
- Half of all people who play games in Australia are women and the average age of a player is 35 years

#### **A THRIVING GAMES INDUSTRY**

The Australian games industry is thriving. Global Australia reported in March 2023 that 400 businesses across the country employ more than 3,200 full-time equivalents, generating \$284.4m each year for the national economy.

- Australia has established itself as a strategically important base for mobile game developers, acting as the launchpad for the biggest mobile games in the world
- It is a crucial part of the Triple A development cycle, with major studios and external development businesses making Australia a crucial APAC base for round the clock development
- Australia's independent development scene is world class, producing culturally acclaimed and commercially successful hits such as Hollow Knight and Untitled Goose Game

# **A SUPPORTIVE POLICY ENVIRONMENT**

The Australian games industry has benefitted from an increasingly supportive policy environment:

- Access to finance is simple, with funding from bodies such as Screen Australia, individual States and the forthcoming Digital Games Tax Offset unlocking growth
- Australia benefits from a strong talent pipeline, with the country's tech sector, games expat community and international talent supplementing homegrown talent
- Political sentiment towards games has improved considerably in the past decade, helping to stabilise the regulatory environment and encourage a common sense approach to regulation

Australia is well positioned to continue its growth, provided it maintains its balance between supporting the domestic development scene and retaining its global perspective.



# A NATION OF VIDEO GAME PLAYERS

Australians love video games. The IGEA's Australia Plays 2023 Report<sup>1</sup> shows that four out of five Australians (81%) play games and spent \$4.23b last year (2022)

While Australians enjoy games across platforms, mobile games form the biggest part of the market with 9.2m players spending \$1.5bn on games on the  $go^2$  every year.

Social casino is the biggest genre within the mobile games space, with players spending \$320m each year within the category.

But while mobile games have helped to grow the market by widening access to games, it's important to understand why Australians play games and the simplest explanation is also the most significant one: they're fun.

## DRIVING FUN AND CONNECTION

When asked why they play, 91% of Australians said games create feelings of enjoyment 82% said games bring joy to their lives.

Games are also a way for Australians to socialise with 75% of Australians playing games with family and friends.

Importantly, 91% of parents play games to bond with their children - showing the value of playing games as part of a happy and healthy family life.

# **BOOSTING MENTAL HEALTH**

The social and entertainment value of games contributes to another key reason why people play - to support their mental health.

This is supported by the findings of the recent global The Power of Play report<sup>3</sup> published in October 2023. It found that 71% of Australians felt less stressed when they played games, 66% felt less anxious and 58% felt less isolated and lonely.

This shows the importance of games as a tool for social connection, countering long held stereotypes about people who play games.

# **BENEFITTING PLAYERS OF ALL AGES**

And importantly, these benefits are felt across Australian society because of the breadth of people who play games.

The gender split has changed drastically over the past twenty years, with women accounting for 48% of Australia's game player base, while the average age of game players is now above 35. The growing up of players is also reflected in who spends and how they spend, with Newzoo's October 2023 Generations report - which draws on player data from Australia revealing that older generations such as Millennials spent more on games and on a wider range of content than their younger counterparts.<sup>4</sup>

 $<sup>1 \,</sup> Australia \, Plays \, 2023, IGEA \, and \, Bond \, University, \, August \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-play-video-games-do-you/linear-plays \, 2023, IGEA \, and \, Bond \, University, \, August \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-play-video-games-do-you/linear-plays \, 2023, \, IGEA \, and \, Bond \, University, \, August \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-play-video-games-do-you/linear-plays \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-plays \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-play-video-games-do-you/linear-plays \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-plays \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-plays \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-plays \, 2023 - https://igea.net/2023/08/four-out-of-five-aussies-plays \, 2023 - htt$ 

<sup>2</sup> Australian Consumer Video Game Sales 2022 Snapshot, IGEA, June 2023 - https://igea.net/2023/06/australians-subscribe-to-video-game-growth/

<sup>3</sup> The Power of Play - Global Report 2023, ESA, October 2023 - https://www.theesa.com/wp-content/uploads/2023/09/PowerOfPlay2023\_Final.pdf

<sup>4</sup> How different generations engage with video games today, Newzoo, October 2023 -





As the average age increases, so do the benefits, especially for people over 60 years of age - with older players reporting that games are valuable as a method for practicing mindfulness and fighting off dementia.

But there are also demonstrable benefits for younger players too. Research from the UK has shown that games can boost literacy skills<sup>5</sup> and that participating in esports helps children build soft skills such as confidence and teamwork<sup>6</sup>.

Playing games isn't just a part of modern Australian life; it positively contributes towards it. And this becomes even more apparent when we take a closer look at the country's thriving development scene.

# A THRIVING GAMES INDUSTRY

Australia's game development industry has exploded over the past decade to become one of the largest in the world.

Global Australia's Level Up report<sup>7</sup> from March 2023 shows that the 400+ games businesses that operate across the country support over 3,200 full time equivalents and generated \$284.4m of income for the national economy - an increase of 26% year on year and, extraordinarily, an increase of 148% since 2016.

While the majority of studios are based in Victoria (39%), New South Wales (25%) and Queensland (20%), there are games businesses based in every state across the country. This delivers economic benefits to local communities across the country.

Importantly, Australia's growth as a games cluster has been built upon a wide range of businesses succeeding within the sector. This has established the country as a key part of the global supply chain, while allowing it to retain its distinctive personality.

## A STRATEGICALLY SIGNIFICANT MOBILE GAMES MARKET

Australia has established itself as one of the most important markets in the world for the mobile games industry because it fulfills an essential role for companies launching games using the industry's free to play games-as-a-service business model.

Australia is considered an ideal base for 'soft-launching' titles, where developers test a game in a handful of markets before launching it globally to check to see whether it's fun and whether it'll deliver on its business goals.

Australia has become a perfect test market because it has a large pool of mobile users who behave in a similar way to other key markets like North America and Europe. This means that Australian consumers regularly get the first look at major mobile titles, such as the muchanticipated *Call of Duty: Warzone* which has been available to Australian consumers since November 2022.8

5 Children and young people's video game playing and literacy in 2021, The National Literacy Trust, August 2021 - https://literacytrust.org.uk/research-services/research-reports/children-and-young-peoples-video-game-playing-and-literacy-in-2021/

6 Esports: Engaging Education, Digital Schoolhouse, September 2018 - https://www.digitalschoolhouse.org.uk/media/Documents-and-reports/Esports-Engaging-Education-SCREEN.pdf

7 Level Up: A Guide to the Australian Games Industry, Global Australia, March 2023 - https://www.globalaustralia.gov.au/sites/default/files/2023-03/Level\_Up\_AGTTAGI\_A4\_booklet\_March\_2023.pdf

8 Call of Duty Mobile Limited Release announcement, Activision, November 2022 - https://www.callofduty.com/blog/2022/11/Call-of-Duty-Warzone-Mobile-Limited-Release-FAQ#:~:text=Limited%20Release%20began%20in%20Australia,30%2C%202022%20at%203PM%20AEDT



But the Australian games industry has also benefited too. International mobile games businesses such as Gameloft, Snap and Zynga have established bases in Australia, while developers such as SMG Studios, Half-Brick and Hipster Whale have been able to turn their domestic businesses into global companies - showing the country's value to the global mobile games business.

# A GROWING PART OF THE TRIPLE A PRODUCTION CYCLE

Australia has also been a beneficiary of a major shift in the way that the highest profile games, called Triple A titles, have been developed.

In the past, such games were made by a single studio. Now, the only way to develop such extraordinarily complicated games is often by establishing studios or partnerships with external development providers - who offer additional technical services to games businesses - around the world to create games via a global relay.

In this context, Australia's position as an English-speaking development hub aligned with Asian time zones has positioned it perfectly to become a part of the Triple A development supply chain.

- Microsoft-owned Sledgehammer has a Melbourne base with over 150 employees which was recently working on Call of Duty Vanguard
- Ubisoft has established a studio in Sydney which is reportedly working on a Triple A online multiplayer development title
- Riot Games has a studio in Sydney dedicated to player experience, which it acquired from Wargaming in 2022

It is also becoming home to major external development businesses. Keywords Studios, the multi-billion dollar 'go-to' service for development, acquired or invested in three Australian firms in October 2022 - Tantalus, Wicked Witch and Mighty Games - to establish a base in the market in time for the market's biggest industry event Melbourne International Games Week.<sup>9</sup>

And as its importance to the Triple A industry grows, it also emboldens Australian companies such as Big Ant Studios, a sports game developer, to aim for global greatness itself - setting the country on a course that could result in its own industry super-power in the years ahead.

# **AN INDEPENDENT PARADISE**

Australia's independent game development scene is the envy of the world, producing internationally celebrated independent games that have dominated the global cultural conversation.

The success of its independent scene has been enabled by a virtuous circle within its national development community, where thriving independent developers collaborate extensively. The result is a golden age of independent development.

 Hollow Knight, a 'Metroid-vania' set in a decaying bug kingdom, was named one of the best games of the 2010s by games site Polygon<sup>10</sup>

9 Keywords Studios announces new studios and expansion in Australia alongside MIGW, Keywords Studios, October 2022 - https://www.keywordsstudios.com/new-studios-expansion-australia-migw/

10 The 100 best games of the decade (2010-2019): 100-51, Polygon, November 2019 - https://www.polygon.com/features/2019/11/4/20944265/best-games-2019-2010-ps4-switch-xbox-pc-100-5



- Unpacking, a puzzle game available on mobile devices about unpacking moving boxes with a bitter-sweet narrative, won two games - including Best Game - at the BAFTA
- Untitled Goose Game, which puts players in the webbed feet of a badly behaved goose, became a global viral breakout hit after its release in 2019

But while *Untitled Goose Game's* success was due to its creativity, it also benefited from receiving public funding to support its development<sup>11</sup>. And as we'll explore in the next section, the creation of a savvy policy environment has unlocked serious growth for businesses down under.

# A SUPPORTIVE POLICY ENVIRONMENT

In 2022, Australia became the first national partner of gamescom - the biggest games trade and business show in Europe.<sup>12</sup> The decision to forge ahead as the show's first national partner showed the extent to which Australia understands the benefits of backing the games industry.

The Department of Foreign Affairs and Trade reported that the industry accrued \$270m of inward investment between 2020 and February 2022, describing the sector as a "crucial pillar of a modern, digital and creative Australia."<sup>13</sup>

And a significant reason why it has become such a crucial pillar is the evolution of a policy environment - especially in regards to funding - that has unlocked enormous growth in the process.

#### FUNDING THE FUN

Australia's biggest strength has been the emergence of a wide range of funding for game developers which can lead to relief rates of up to 45%.

Bodies such as Screen Australia have offered a range of funding support to developers. Its Expansion Pack programme was recently reformed to offer funding to three categories of companies or individuals - emerging talents, future leaders and established talents - to support independent business growth.<sup>14</sup>

States, meanwhile, have offered a range of incentives that have increased interest in creating within the country.

- Screen Queensland has offered a 15% digital games incentive to encourage developers to create in the region
- Victoria has a 10% relief and runs a production fund that supports project costs up to a rate
  of \$500k
- New South Wales has its own 10% relief of projects which pass the \$500,000 Australian dollars

Crucially, Australia's long mooted Digital Games Tax Offset has also been approved and made

<sup>11</sup> How public arts funding helps developers make unique, more diverse games, The Verge, May 2020 - https://www.theverge.com/21256048/public-arts-funding-games-untitled-goose-game-mutazione

<sup>12</sup> Meet Australia's top digital games innovators at Gamescom 2022, Australian Trade and Investment Commission, August 2022 - https://www.globalaustralia.gov.au/news-and-resources/news-items/meet-australias-top-digital-games-innovators-gamescom-2022

<sup>13</sup> The booming Australian digital games industry, Department of Foreign Affairs and Trade, February 2022 - https://www.dfat.gov.au/about-us/publications/trade-investment/business-envoy/business-envoy-february-2022/booming-australian-digital-games-industry

<sup>14</sup> Screen Australia reshapes funding programs to provide more support to indies, Game Developer, October 2023 - https://www.gamedeveloper.com/business/screen-australia-reshapes-funding-programs-to-provide-wider-support-to-indies





its way into law. The refundable 30% offset, which can be combined with state incentives, is applicable to the creation of new games, porting an existing game to a new platform or for ongoing live operations games covering all of the Australian industry's major areas of growth.

And while its impact hasn't been seen yet, it is expected to be significant. In the UK, nearly a third of the games industry's value to the wider economy was generated as a result of the country's introduction of Video Game Tax Relief.<sup>15</sup>

This suggests Australia could be on course to unlock similar benefits, provided the relief is available to - and accessed by - as broad a range of game development companies as possible.

# **TALENT AND LIFESTYLE**

Australia benefits from both a strong domestic talent pipeline and a good proposition for international employees which has helped its games businesses compete in a global market.

From a domestic perspective, Australia has a successful \$78bn multi-disciplinary tech sector<sup>16</sup> that makes up a significant part of the country's overall economic output. This naturally supports the development of relevant talent for the local games sector, a process strengthened by industry efforts to match young talent emerging into the workforce with game studios via programmes co-ordinated by its association IGEA.

Internationally, Australia benefits in two ways.

Australian expats returning to infuse the local development scene with senior talent who have worked in the sector across the world, bringing their expertise back to domestic developers.

Second, international talent is able to make its way to Australia through a variety of visa schemes. With the Government prioritising under 35s, a demographic that makes up the majority of game development talent, placing complementary skills-based t roles such as programmers and web developers on its medium and long-term strategic skill sets list, Australia has opened up key pathways for development talent.

And with five of its major cities consistently rated as amongst the most livable cities in the world, it offers an environment where talent can both make games for a living and live a better lifestyle

# **A STABLE POLICY ENVIRONMENT**

Finally, Australia's games policy environment has mostly improved over the course of the past decade to help support developers operating within the territory.

At a wider political level, the Australian political environment has moved away from the less positive approach towards games in the early 2010s - when the industry's growth was slowed by the Morrison government abolishing the Interactive Games Fund - to the present day where the Albanese government made the growth of the games sector a key part of its March 2023 Revive cultural strategy.<sup>17</sup>

Yet the political and policy discourse around games specifically varies. Australia's age rating system, as administered by the Australian Classification Board (ACB), rates games independently

<sup>15</sup> Screen Business Report, The British Film Institute, December 2021 - https://www.bfi.org.uk/industry-data-insights/reports/uk-screen-sector-economy

16 Australia ICT Market Size and Forecast to 2027, Global Data, July 2023 - https://www.globaldata.com/store/report/australia-ict-market-analysis/#:~:text=The%20Australia%20ICT%20market%20was.billion%20between%2020222%20to%202027

<sup>17</sup> National Cultural Policy—Revive: a place for every story, a story for every place, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, February 2023 - https://www.arts.gov.au/sites/default/files/documents/national-culturalpolicy-8february 2023.pdf





and differently to the Pan European Game Information (PEGI) system in Europe and the Entertainment Software Ratings Board (ESRB) in the US.

However, the ACB is part of the International Age Rating Coalition (IARC) featuring age rating authorities from around the world. This means it is part of the group's shared tool for age rating digital games, allowing game developers to easily secure appropriate ratings for the Australian market.

There are areas where Australia does diverge from the rest of the world though. In September 2023, Australia passed a bill to ensure feature loot boxes are awarded a Mature rating - equivalent to a 15 - in the territory.

This puts it out of step with other rating systems such as PEGI, which favoured the inclusion of a separate 'paid random item' label to prevent its content rating system - which is anchored in cultural decisions regarding the acceptability of bad language, violent content etc - being watered down by attempting to place an age rating on monetisation mechanics.

There is also a question about the wider impact of the decision given current spending trends. While Australian data isn't available, recent research from Ipsos MORI of spending habits in Europe discovered that only 4% of children had spent on loot boxes: suggesting a diminishing risk of harm as the mechanic falls out of favour.<sup>18</sup>

Additionally, there is a question about how Australia is considering enforcing ratings by limiting access to content: particularly in regard to games featuring simulated gambling content such as social casino titles.

The September 2023 Bill requires such games to carry an R18+ rating when the law passes into effect. While there are ongoing concerns about the quality of the evidence base linking gambling and games together<sup>19</sup>, the age rating is broadly consistent with views taken by other independent regulators such as PEGI in Europe and prevents regulatory divergence.

However, it is important that the imposition of ratings does not lead to attempts to enforce experimental age verification technology that may wrap developers up in expensive privacy and practicality concerns.

A report from the eSafety Commissioner's March 2023 roadmap to age verification prioritised the creation of codes of practice to guide businesses and implementation of digital literacy initiatives to inform consumers about online topics.<sup>20</sup> Age rating authorities have successfully taken a similar approach across the world for decades and it makes more sense to rely on such best practice, rather than unproven new technology.

Nevertheless, the reality is that the wider environment around games in Australia has improved over the past decade as the country has become a nation of players and game creators. As the sector continues to grow in size and influence, it is likely that Australia will see real benefits by continuing to develop a policy landscape that capitalises both on its domestic strengths and its role in the global sector.

<sup>18</sup> UK kids are most likely to make in-game purchases, but only 4% spend on loot boxes, Pocket Gamer Biz, October 2023 -



# CONCLUSION

Australia is experiencing a golden age of game development. The sector is thriving, its games are dominating the international cultural conversation, and a supportive domestic policy environment is helping it to reach new heights.

For policymakers, there is an opportunity to unlock further value from the sector. Australia's reputation as a creative hub, as an accessible base for development within APAC and its status as a launchpad for new games provides it with a uniquely defined role within the global games market that offers further room for growth.

As it stands, Australia is making a number of positive steps to continue to do that including introducing the Digital Games Tax Offset, ensuring that local state support remains valuable while keeping the domestic and international talent pipeline open.

But the country must make sure that efforts to tackle concerns over games are broadly in line with international standards and account for the positivity that most Australians feel towards games to continue to build on the country's burgeoning reputation in games.

The games industry in Australia is one of the country's modern success stories. Sustaining the story will be key to growing the industry further and delivering jobs, economic value, and cultural benefits to the country as a whole.







