



IR PODCAST

IBM AND THE FUTURE OF ONLINE GAMES

DECEMBER 21, 2005

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As the world's urban populations expand, governments and citizens face increasing challenges. To help tackle these problems, the World Urban Forum will host a first-of-a-kind, online event in December called Habitat Jam. Using IBM social collaboration technology, Habitat Jam will provide an open forum for debate about the future of cities to everyone who wants to participate, from the richest to the poorest city dwellers.

JACOBS: I'm Nick Jacobs. For many of us, online computer games bring to mind the image of young men immersed in a solitary virtual world. But in fact, gaming is an inherently social activity, one that brings together players from diverse backgrounds, into communities that frequently spill over into the real world.

It's much more than just a game. It's a big business that brings with it the very real possibility of social change. And Asia's vibrant cities are leading the way.

With me today in Mumbai, India, to discuss the future of online games are two experts in the area: Joey Alarilla, President of the Asian Gaming Journalists Association and editor of hackenslash.net's game portal; and Quentin Staes-Polet, who leads IBM's online game practice in Asia Pacific. Gentlemen, welcome.

ALARILLA: Good morning, Nick. It's a pleasure to be here.

JACOBS: So, Joey, maybe you can help us to start out. What is an online game?

ALARILLA: Well, an online game is something you play over the Internet or over a network. Usually we have the image of people just playing games alone, but what we've seen in recent years is people is that people are playing these games in order to interact with other gamers.

The most popular online games right now would be role playing games, massively multiplayer online role playing games, where people they can form parties, go on quests and you know, meet lots of people.

JACOBS: Right. Yes, that massively multiplayer statement, we hear that a lot in connection with online games. Quentin, how massive are we talking here?

STAES-POLET: Well, I think World of War Craft, the company that developed World of War Craft, announced about a month ago that they just signed their fourth millionth subscriber. On many case, you will find countries with several hundred thousand players playing simultaneously concurrently on the same servers, which is an amazing situation.

There are no other application onlines that really brings so many people together interacting both way and communicating. So it's a very exciting business also in terms of breaking the limits of what can be done with the Internet in terms of creating community and interactive group of people.

ALARILLA: As a tech journalist, I've always said that the Internet is not just a network of computers. It's more importantly a network of people.

And that's something we're seeing with games now. People are communicating, collaborating with young people all over the world, and it's become more than just the games. It's really the

sense of community, the peers you interact with on a daily basis. It becomes like instead of hanging out in a mall you go to a cyber cafe.

STAES-POLET: I was in Singapore two weeks ago and I had been in a shopping mall a month before. There was one Internet cafe, with maybe 50 players in it.

And one month later I showed up in the same Internet cafe and this was coinciding with the World Cyber Games, which is one of the biggest events, it's the Olympic of online games, that the final was in Singapore this month.

And the Internet cafe had multiplied by four. There were now at least four Internet cafes with various different games being offered, different type of pricing, different environment, catering to different crowds. But it's spreading it at very, very high speed.

ALARILLA: You mentioned the World Cyber Games. I was also in Singapore last week to cover it. It's really an electrifying experience. Gaming has become the new spectator sport. If you don't believe that just go to the World Cyber Games Grand Final, you can see all the young people here cheering their teams on. It's like watching a cricket or a rugby match for other sports enthusiasts.

And the other thing about it it's not just the actual competition, but you have young people here from different cultures suddenly interacting, getting to know each other, you know, because of a common passion for games, and for the athletes the chance to win honor for your country.

JACOBS: Where do you think the industry is going to be heading next over the next couple of years?

STAES-POLET: I think it's fairly disparate from country to country around Asia. There are some countries that are just emerging. In places like Korea, it has become a very mainstream standard business. You have TV shows like you have about music and rock stars, you'd have TV shows about online game, game masters and game producers are celebrities.

There are changes in the business models in the way people are being charged for play. There's still a lot of experimenting being done with that.

You know the basic model works around you pay for one month's subscription. But you can also pay per the hours. You can pay per level you are going for games. And there's a whole paradigm now that is showing up around paying for items where you play for free but in order to succeed and do your game play you need to purchase certain items.

JACOBS: Real items or virtual items?

STAES-POLET: Virtual items.

JACOBS: You're actually paying for a virtual item you will use in the game.

STAES-POLET: That's right.

ALARILLA: That's right.

STAES-POLET: And there's a lot of, you can also buy real estate in the game. You know, there's a lot of possible interaction. Basically, some of the very large, you know, role playing game that Joey was talking about, virtually becoming parallel worlds where, you know, people are fully interacting and living a second life.

There is money being created. And then what is very interesting is that those games are starting to overlap with reality. There are people who are using the virtual money they have in the game to exchange real things in the real world.

And there are people who perform some of the activities related to the game in the real world. And it's all becoming a very interesting ecosystem.

JACOBS: So when you have such an exciting and vibrant virtual world, what happens when you need to step away from it? Eventually you have to turn off the PC, go to work, go to school, do whatever. What happens when you step away?

ALARILLA: Well, that's one reason why we formed the Asian Gaming Journalist Association. We would like to promote the concept of responsible gaming.

STAES-POLET: I think there's a negative perception on the industry. And this is mainly due to a lot of the popular games being war, battle, martial art games, et cetera. But you have to put things into perspective. The reality is that gaming potentially can become a much more - because of the interactive aspect - can become a very amazing tool for education, et cetera.

The most natural way we all learn about doing things as children is playing. Not only human; animals are playing when they learn everything. So playing, learning by playing is definitely very efficient ways.

ALARILLA: I think there's been an over emphasis on the negative aspects because controversial stuff that really makes it to the newspapers, but for example Harvard Business Press published this book called Dot Game which talks about how the gamer generation is taking over the workplace.

It argues that, you know, we are learning a lot of real-world skills playing games. We're talking about resource management. We're talking about leadership skills, getting your team together. Focusing on an objective.

These things, you know they might be in the context of a game, but like Quentin was saying it's the most interactive way to learn. And the funny thing about games is that we are willing to absorb a lot of information. We are willing to master a lot of skills in a very, you know, short span of time, in order to win.

JACOBS: Interesting. So we might see games coming out of the cyber cafe into the classroom and eventually maybe even the board room.

ALARILLA: Exactly.

STAES-POLET: I think we will see it, and we should actually promote it. Because fundamentally our world has now evolved to a digital interactive connected world and for people to learn skills only into what we learned skills 20 years ago which was an unconnected environment, where travel wasn't so easy, et cetera...

...is not adapted to today's world where kids as very early through the Internet can be meeting people from all around the world, having to work with people all around the world and understand cultural differences, et cetera. Game is the ideal medium to develop all of those skills and those social interactivities that we are building there.

JACOBS: For anyone who has traveled in Asia, it becomes very obvious very quickly that mobile handsets are an inherent part of life here. For example, your country, the Philippines, quite widely recognized as a leader in...



ALARILLA: Yes we're supposed to be the SMS capital of the world.

[LAUGHTER]

ALARILLA: It's always been said that we, especially among the younger people nowadays, our attention spans are getting shorter and shorter. That's because we're bombarded with so much information and we're all multi-tasking.

So in the same manner that when you're playing games, it's like when you go to a country and, you know, if you can't check your e-mail or you can't SMS someone or call someone, you get a bit antsy. You feel like you're disconnected.

[LAUGHTER]

So the mobile devices complement your online playing, because you know you know that you can check up on your characters. You can chat with your friends or you can, you know, make small transactions during what's supposedly should be your down time. If you're waiting for a bus or waiting for your train. You can just check it using your mobile.

JACOBS: You mentioned downloading and every time downloading comes into the discussion, it should be attracting the attention of the telcos.

ALARILLA: Exactly.

JACOBS: Are they focused on this as a new opportunity, as a way to drive traffic and potentially also to attract subscribers?

STAES-POLET: We were talking earlier this is probably the only service on the Net that has two-way interaction on such large numbers. So online gaming is actually challenging companies like IBM and other players in this field to push what they do on the Net much further than any other business.

We were recently asked by a game developer to, before releasing the game, to if we could do a test on 100,000 users.

[LAUGHTER]

Now, there are very few...there are no other business that require massive testing before the product can be launched. And so we had to look around and see how can we actually achieve that? We can't get 100,000 people in a room and get them to actually play. So we'll need to find a way to make that testing.

Another thing I always like to bring up about how it's pushing the limit of technology and how to me online game is probably a very good indication of what the next generation Internet will be is the human interface aspect.

I spend half of my weekend with my son in front of a PlayStation 2 equipped with a camera interacting with virtual boxes and virtual ghosts and everything by not touching any controller. The camera just recognizes your movement and use this data to make you interact with a virtual environment.

Now, again, those are technologies that we will be using. Nobody wants to use a keyboard. It's very impractical way to communicate to actually have to type on little squares...

[LAUGHTER]

...when you can actually just talk to that computer or make a move to explain what you're doing. So what we see the technology industry bring in to online gaming is a very good indicator, I think, of how we will in general interact with networks and computers in the future.

JACOBS: And maybe even with our own homes?

STAES-POLET: Definitely.

ALARILLA: Exactly. Because, for example, I mean I was talking about how this is really becoming part of the digital lifestyle we're living. So our kids are taking this for granted. I have a daughter. She's going to be turning four this December. She started surfing before she was a year old now she can play console games. I bet she can beat some people that are online...

[LAUGHTER]

JACOBS: She can beat me, that's for sure.

ALARILLA: So it's really a, because of this, I mean it's.... You push the envelope, because sometimes that's really the wake-up call that the industry needs.

JACOBS: This concludes the first part of our podcast on the future of online games. In part two, Joey, Quentin and myself talk about the community ethic that has arisen around online games, the outlook for the industry, and how online games can have a role to play in business, politics and urban planning.

End of Part I

Start of Part II

JACOBS: I'm Nick Jacobs. Welcome back to part two of this IBM podcast on the future of online games. With me today in Mumbai, India, are Joey Alarilla, president of the Asian Gaming Journalists Association, and editor of hackenslash.net's game portal and Quentin Staes-Polet, who leads IBM's online game practice in Asia Pacific.

JACOBS: So we've been here in India for a couple of days now, and we've been meeting with some very interesting people who are looking to build the market for online game here. And one of the things that we've heard frequently is the importance of community. It's come up in virtually all of our discussions. What is it about online game and community that go together so well and are so important?

ALARILLA: Yes, because in online games, you have clans. These are groups of people who band together. The thing about online games is it really makes it sociable because you can try to adventure all alone for a while, but at some point you need to form clans in order to tackle the biggest quest and bring down the bigger opponents.

So in the real world this is translated into clans which are based around our own peer group. So, for example, you see in schools, we have school organizations forming clans for these online games.

It's come to the point where it's become, it's like a college basketball thing. So you actually have schools which are representing themselves through clans and going up against the rival schools.

JACOBS: So you will get to a point in the game where you can't do it alone, you need

to buddy up?

ALARILLA: Yes.

STAES-POLET: Most games are built in that manner. The reality is that many of the early massively multiplayer online game to make sure there would be stickiness and people would come back, there was a requirement to team together, achieve things together, et cetera. So naturally the industry developed that taste for community, because it's good for the business as well.

And so I think kids today, I mean I'm very happy to see my children spend more time playing online than being in front of the TV passively receiving information to which I have no control or anything.

So I think for a lot of people who have started in online games it's really easy after that to continue some of the communities. Typically an online game will have a shelf life of anywhere between nine, 10 months to 36 months. So those communities are not permanent. But they are always changing and evolving. Always meeting new people. So it's very interesting. Very attractive for most people.

It also makes a lot of people who would not naturally communicate more comfortable, because you can hide behind an avatar or a character or something like that and experiment with the socialization before you reveal yourself, if you want later.

So it provides a good buffer in this sometimes scary world we live with for people to do experiment. And we talk about acquiring skills. Socializing is nothing else than a skill.

JACOBS: Very true.

STAES-POLET: And having several steps where people can be comfortable where it's an entertaining environment, et cetera, will bring a lot of people who were withdrawn or were not actively looking for socialization out.

ALARILLA: We were talking about community. Another aspect of it which we see in a lot of these online games is that you know people help each other out. It's like when you're a newbie, which is what they call someone who is new to the game, it's easy for you to find people who will help you out in forums.

Nowadays, there's some games which actually have Wikis, so they're using this open source tool in order to in effect build, you have the gaming encyclopedia. You have people volunteering, contributing, okay, so this is really, this is what this monster is like.

It's not coming from the company but the users themselves are building this pool of knowledge so in the same manner, you know, we say that with Linux you can get the best customer support because you have all these thousands of volunteers willing to help you out.

It's the same thing, the community that gaming has developed They're sharing their knowledge. They're sharing their interest. And that really, you know, makes you feel welcome in any of these worlds, the virtual worlds that are becoming so much a part of our real one.

STAES-POLET: It's really only the beginning. And I think a lot of people have not opened their eyes to the potential of this environment, because if you just listened to what Joey described, you can imagine that scientific, social researchers and all of those people would have an amazing opportunity here...

...not only to observe behavior in this new network environment, but also to experiment with things and try online social actions and see how people react to it and have a very good idea of what could happen in reality instead of before you create a new policy, apply this policy in a game and see what the people's reaction will be.

And the reaction will be, because those games, a lot of those games are developed in a real parallel world, it would be a very good test bed to verify those policies. I'm thinking about the Sim game, where you have to build your own cities. Well, urban development is big policy issue.

I bet quite a few politicians around the world, around Asia could learn quite a bit from going into [Sim City] and interacting and see what people have done all those things.

ALARILLA: There actually is, some business schools are using capitalism too, these simulation games.

JACOBS: This is a game?

ALARILLA: Yes, it's a financial game that your goal is build your business and it provides.... Simulation allows you to really experiment. You can learn for yourself not just be spoon-fed by a lecturer, by a professor.

At the same time some developers, real estate developers are actually using [Sim City], like you were saying, in order to, I mean city planning. That's something that you can really experiment with in games.

And in the same manner that we have flight simulators being used before you fly an actual airplane, commercial airlines. I see the day when games will really be recognized as very important training tools in different industries, in different professions.

STAES-POLET: We should get every single politicians to actually...

[LAUGHTER]

...spend one year in virtual parliament before they...

[LAUGHTER]

...before they can serve...

JACOBS: Make your mistakes online.

[LAUGHTER]

STAES-POLET: Let me test you. You know, before our president get elected they should go be a president online for a year or two. So they know what they really do.

JACOBS: So in the industry today, there are a few heavyweights that we see, people such as Sony, IBM, Microsoft. Generally speaking, though, is it an industry that's dominated by heavyweights or is there still a lot of scope for two guys in a garage to get up and do something amazing?

STAES-POLET: I think in the creative space there's still a lot of, creativity possible in a small team can do a lot of difference. And you see a lot of small companies that have come from nothing three or four years ago leech on this market and are now...have now grown, you know, passed any expectation.

The largest game portal in China is called [Shandah], started with a million bucks four years ago. They're now a multi-billion dollar company with over 100 million subscribers. And permanently four million [concurrently] online.

ALARILLA: And he's the second richest guy, the owner is the second richest guy in China.

[LAUGHTER]

JACOBS: And how old is he?

STAES-POLET: The guy is 32 years old, and he's the second richest businessman in China.

Now, what's interesting is that if you look at the numbers of Shandah talking 100 million subscribers you can look around the world how many telcos have that size. Very, very few can command such a number of subscribers.

Now, companies like [Shandah] are now looking at this and saying listen I started this with online game and I have now 100 million eyeballs, I have 100 million people who communicate and pay me money every month.

What else can I do with them than just game? And so they are going into the telco services, providing voice, because they need voice for the game. Providing video because they need video for the game. Providing e-commerce and all of those things. So there's growth on that side.

I think the industry in Asia is very different than the industry in the U.S. and Europe. In Asia, it's the console game didn't take off as much. So it is still an online business, which is portals and game being played there and relationship being built over a long time.

And in the U.S. and Europe, it's still very much traditional entertainment model where you sell a CD with games on it, and they're being played on a console. So you sell the actual console and you sell [rapidity sales] of software like you would do with music and videos, et cetera.

It is now merging back together and you've seen a lot of those console games being connected to the Net. And that brings a lot of smaller company in, the next generation console though will likely create some consolidation in the industry, because the investment required to develop a game will be much higher. We're talking about anywhere between 10 and 30, 40 million to develop a single game.

JACOBS: That's as much as a Hollywood movie.

STAES-POLET: Exactly. And so therefore you're likely to see a similar concentration that you've seen in the music industry and the film industry, because those kind of budgets, the time it takes to develop a game which is anywhere between 10 and 30 months, people will need to be able to make those kind of investments. And in a garage, it's a bit hard to invest for three years and \$20 million. So this is where the challenges are.

On the other hand, if you look at pure online game, like it's developed in Asia, there's a lot of scope for that because you just need a few programming skills. You can use your network to acquire different pieces of content and assemble your game.

JACOBS: So we're saying that online game has a real potential for change in many dimensions of our lives and in fact is a real reflection of the lives that we're living as individuals today. Joey Alarilla, Quentin Staes-Polet, thank you for discuss us with us the future of online games.

ALARILLA: Thank you, Nick.

STAES-POLET: Thank you.



[END OF SEGMENT]