Social Gaming Market To Surpass $1 Billion

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Revenues up 27.7% this year

The rapid rise in popularity of social networking sites as a venue for casual gaming since Zynga released FarmVille in June 2009 will make social gaming a billion-dollar business this year, eMarketer estimates.

Nearly 62 million US internet users, or 27% of the online audience, will play at least one game on a social network monthly this year, up from 53 million in 2010. Their numbers will continue to grow and, along with them, money spent on virtual goods, lead-generation offers and advertising.

â€œForecasts of audience and revenue growth present an opportunity for marketers to promote their brands through social games,â€• said Paul Verna, author of the forthcoming eMarketer report â€œSocial Gaming: Marketers Make Their Moves.â€• â€œImplementations include branded virtual goods, custom games, virtual environments within existing games and lead-generation offers. Some campaigns even combine virtual and real-world items, expanding the gaming experience beyond social networks like Facebook and Myspace.â€•

Revenues from virtual goods made up the majority of social gaming revenues in the past, and they will continue to bring in the biggest share of dollars through 2012.

Ad spending will grow more quickly; in 2011, marketers will spend $192 million to advertise on social games, nearly a 60% increase over 2010. eMarketer forecasts a further rise of 41% in ad spending next year.

Rapid growth in ad spending will help its share of total revenues grow from 14.1% in 2010 to 20.5% in 2012, when it will surpass lead-generation offers as a source of developer revenues.

Such offers have been a powerful force in the social gaming market but are losing favor as marketers use games for more branding-oriented efforts. Virtual goods will hold steadily onto a share of about 60% of the market.

â€œEven though fewer than 6% of US social gamers spend money on virtual items, these avid players will produce revenues of $653 million in the US alone this year,â€• Verna said.

â€œThis is the largest segment of the social gaming economy, and one that marketers are increasingly turning to as a branding vehicle. We expect to see more branded virtual goods as social gaming matures over the next two years.â€•

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