



# The State of Play 2025

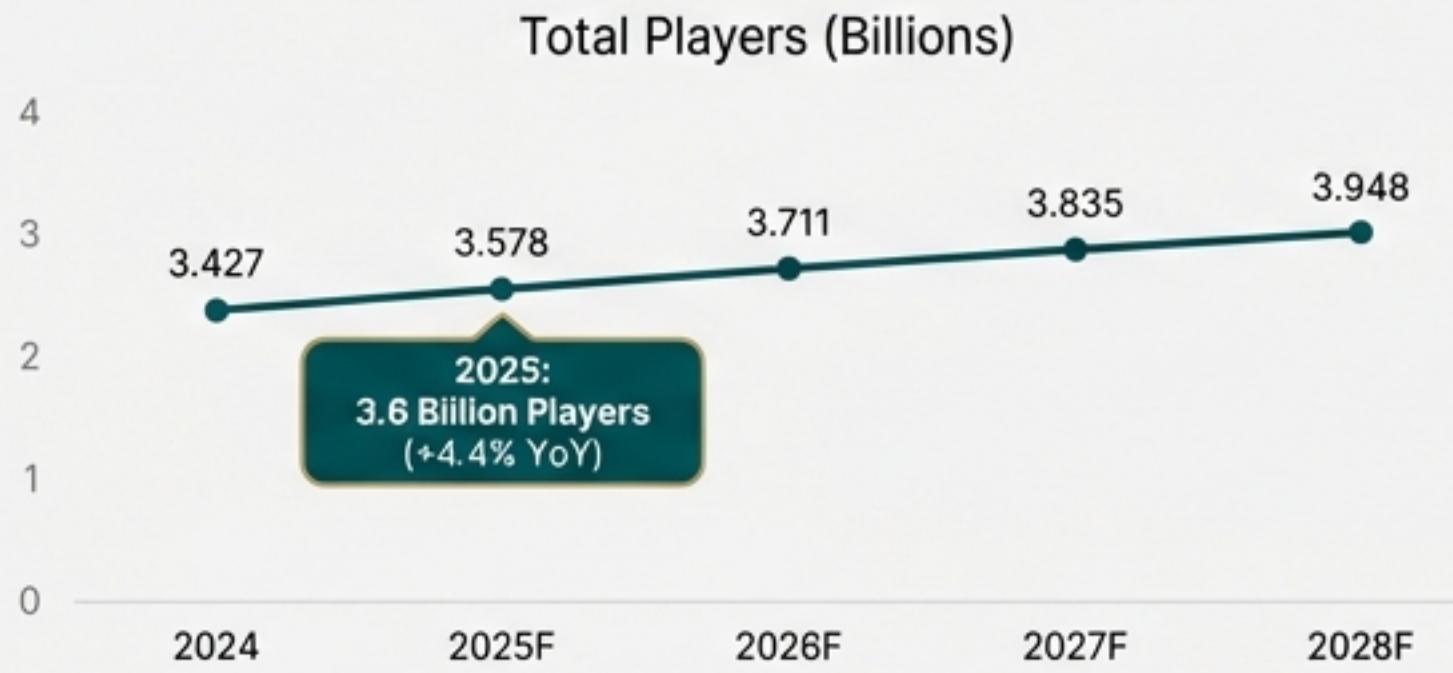
An analysis of the global games market, from platform dominance to the new economics of production.

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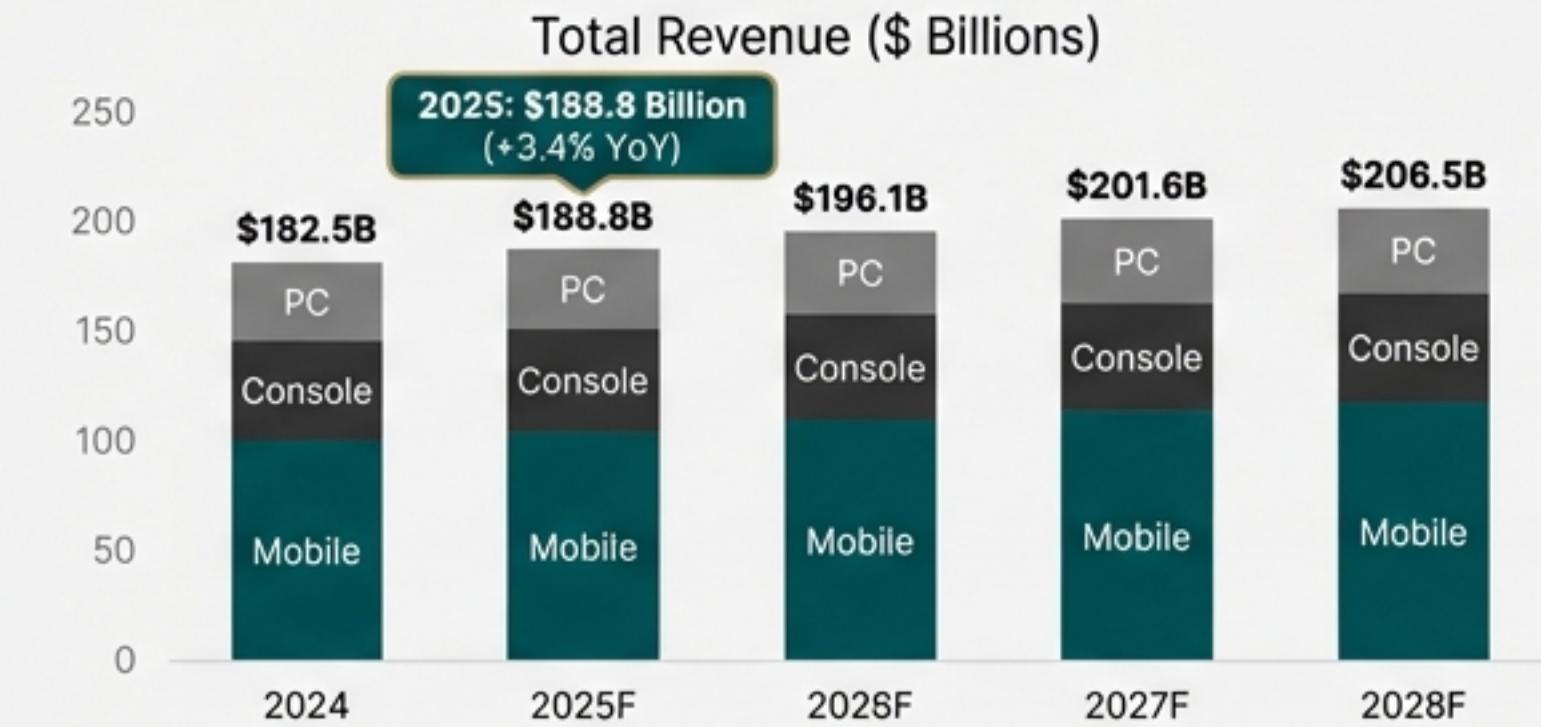
# The Global Games Market Reaches \$188.8 Billion, Driven by a Player Base of 3.6 Billion

In 2025, the market shows **resilient, moderate growth**. The player base continues to expand, particularly in emerging regions, but the focus is shifting from pure acquisition to **retention and monetization** as player growth (+4.9%) outpaces overall player growth (+4.4%).

## Players Global Player Forecast



## Revenue Global Revenue Forecast



## Player Breakdown by Platform (2025)

- 3.0 Billion** players (+4.5% YoY) - *83% of all players*
- 936 Million** players (+3.1% YoY) - *26% of all players*
- 645 Million** players (+2.5% YoY) - *18% of all players*

## Revenue Breakdown by Platform (2025)

- Mobile:** \$103.0 Billion (+2.9% YoY) - *55% of total revenue*
- Console:** \$45.9 Billion (+5.5% YoY) - *24% of total revenue*
- PC:** \$39.9 Billion (+2.5% YoY) - *21% of total revenue*

# The Platform Battleground

In the mature PC market, the fight for dominance is not just about user acquisition—it's about the power of an ecosystem versus the appeal of disruptive economics.



# Steam's Dominance is a Story of Engagement, Not Just User Count

Metric	Steam	Epic Games Store	Insight
PC Market Share (Revenue)	<b>~74%</b>	~3% (3 <sup>rd</sup> Party)	Steam's ecosystem commands three-quarters of the market spend.
Peak Concurrent Users	<b>40.27 Million (Mar 2025)</b>	37.2 Million (Heavily Fortnite-driven)	Steam shows broader platform engagement beyond a single anchor title.
Monthly Active Users	<b>132 Million</b>	67.2 Million	Steam's active user base is nearly double, indicating deeper, more consistent engagement.
Third-Party Revenue (2024)	<b>\$8-10 Billion</b>	\$255 Million	The most critical metric: Steam's monetized ecosystem for developers is ~35x larger.
Game Library Size	<b>&gt;50,000</b>	~4,000	Steam's vast catalog creates a powerful network effect and content moat.

## Epic's User Acquisition Engine

- 295 Million registered PC users by 2024.
- Strategy: Driven by weekly free games, distributing billions of dollars worth of content since 2018.
- The Challenge: Converting free game claimers into paying customers remains the fundamental obstacle to capturing meaningful revenue share.

# The 97/3 Reality: Why Ecosystem Trumps a Better Revenue Split

## Epic's Offer: Developer-First Economics

- **88/12** revenue split.
- **100%** revenue share on the first \$1M (from June 2025).

Insight: "The most developer-friendly model in mainstream PC distribution."

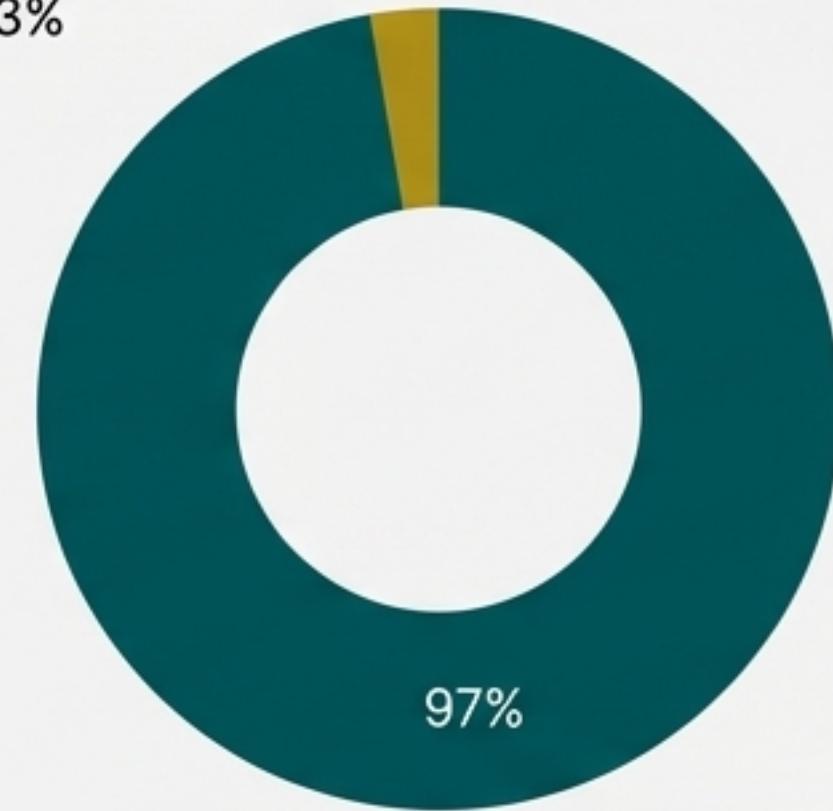
## Steam's Model: Ecosystem Lock-In

- Standard **70/30** revenue split.

Insight: "Publishers must weigh [Epic's split] against Steam's superior discoverability, larger user base, and established purchasing patterns that often result in higher gross sales despite the larger platform cut."

Epic Games Store: \$255 Million

3%



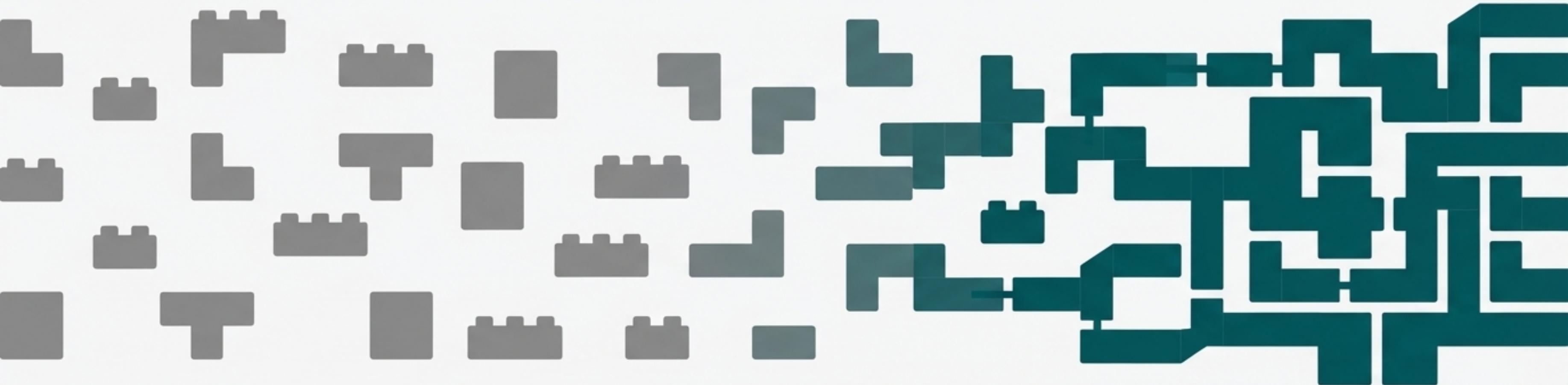
Steam: \$8-10 Billion

Third-Party Game Sales Market Share, 2024

Steam's network effects—community features, marketplace transactions (over \$800M in 2024), and years of user library investment—create substantial switching costs that a superior revenue split alone cannot overcome.

# The Business Model Evolution

In the hyper-competitive mobile market, the line between casual and core is blurring. Success is now defined by a sophisticated evolution from ad-driven acquisition to hybrid monetization models that build long-term value.



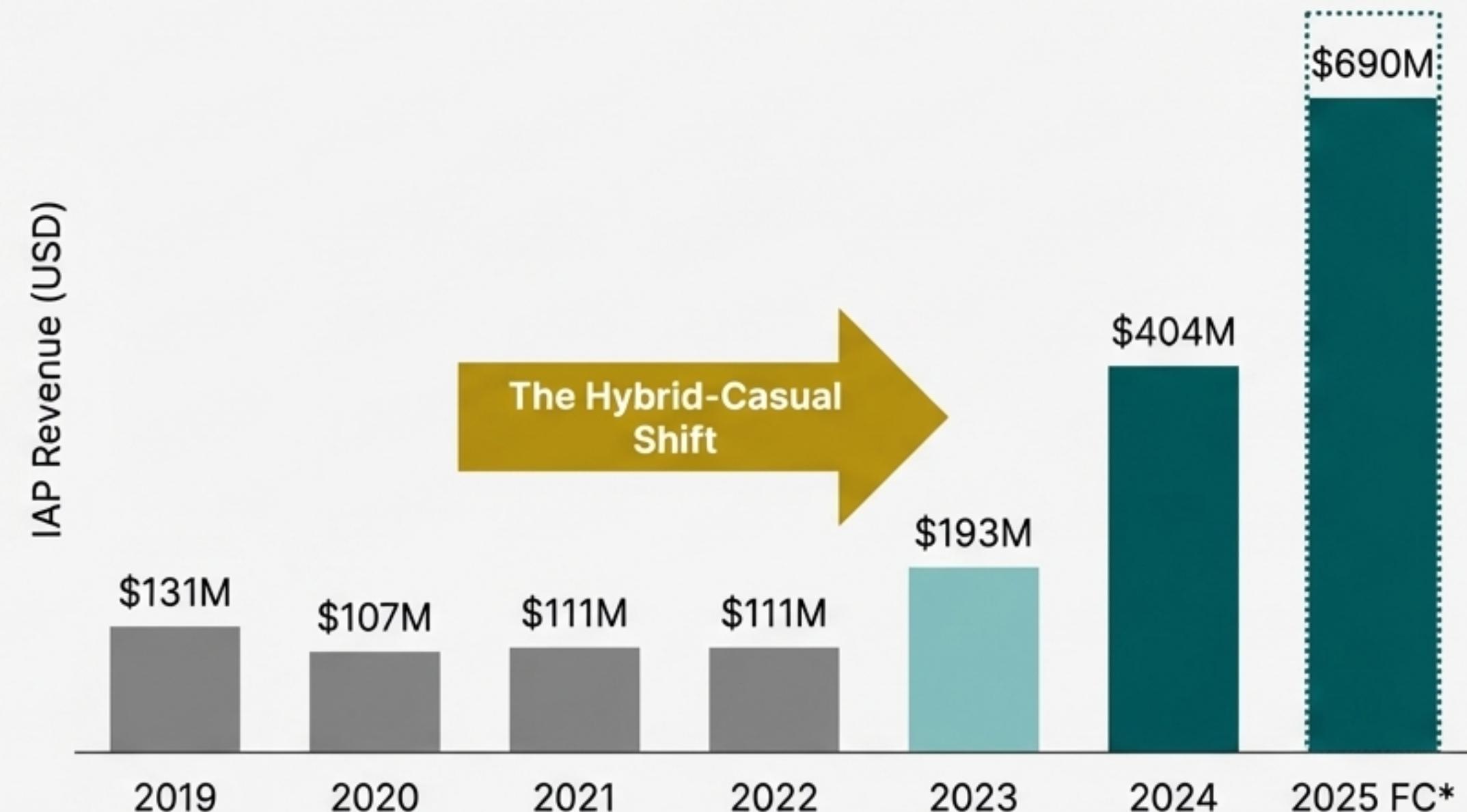
# The Hypercasual Gold Rush: IAP Revenue is on Track to Surge by Over 600% Since 2022

## From Ad-Driven to Hybrid:

'2022 and 2023 saw the introduction of the phrase hybrid-casual, with more hypercasual publishers focusing on revenue diversification in a turbulent UA landscape, which saw CPIs rising and privacy depreciation.'

**Key Driver:** The model is shifting to retain players for 60-90 days, not just minutes, boosting both retention and Lifetime Value (LTV) to offset higher user acquisition costs.

## Annual Hypercasual IAP Revenue (Top 100 Games)



# Case Study: How Voodoo's *Mob Control* Nailed the Hybrid-Casual Pivot to a \$200M Annual Run-Rate

## The Strategic Pivot

“After years of pioneering hyper-casual, the company...set its sights on making casual mobile games with deeper metas.”

- Voodoo internal case study.

### The Model

- Combine a simple, addictive hypercasual core loop (tower defense) with long-term meta-progression (upgrades, events, clans).



### The Result

- Strong retention (~15% D7) and a revenue run-rate surpassing \$200M.

## The Monetization Engine

- A balanced mix of rewarded video ads, targeted IAPs, and strategic interstitial ads.

### Rewarded Videos

Offer clear **in-game advantages** (power-ups, currency boosts) for voluntary ad engagement.



### Data-Driven UA

- Produced **300-500 distinct ad creatives per week**.
- Focused on profitability, achieving **~160% ROAS** against a 4-month target.

## The Engagement Loop

- Live Service Elements: IP tie-ins (e.g., Transformers crossover), clan features, and PvP modes keep the experience fresh.



### Core Mechanic Evolution

Revamped the **tower-building mechanic** to reduce monotony, boosting LTV by ~20%.



# The Mobile Gaming Equation: Profitability Hinges on Balancing CPI, Retention, and LTV

## Cost Per Install (CPI)

The cost to acquire a new user through advertising.

**Key Insight:** "CPI is arguably the king metric... user acquisition cost must be extraordinarily low."

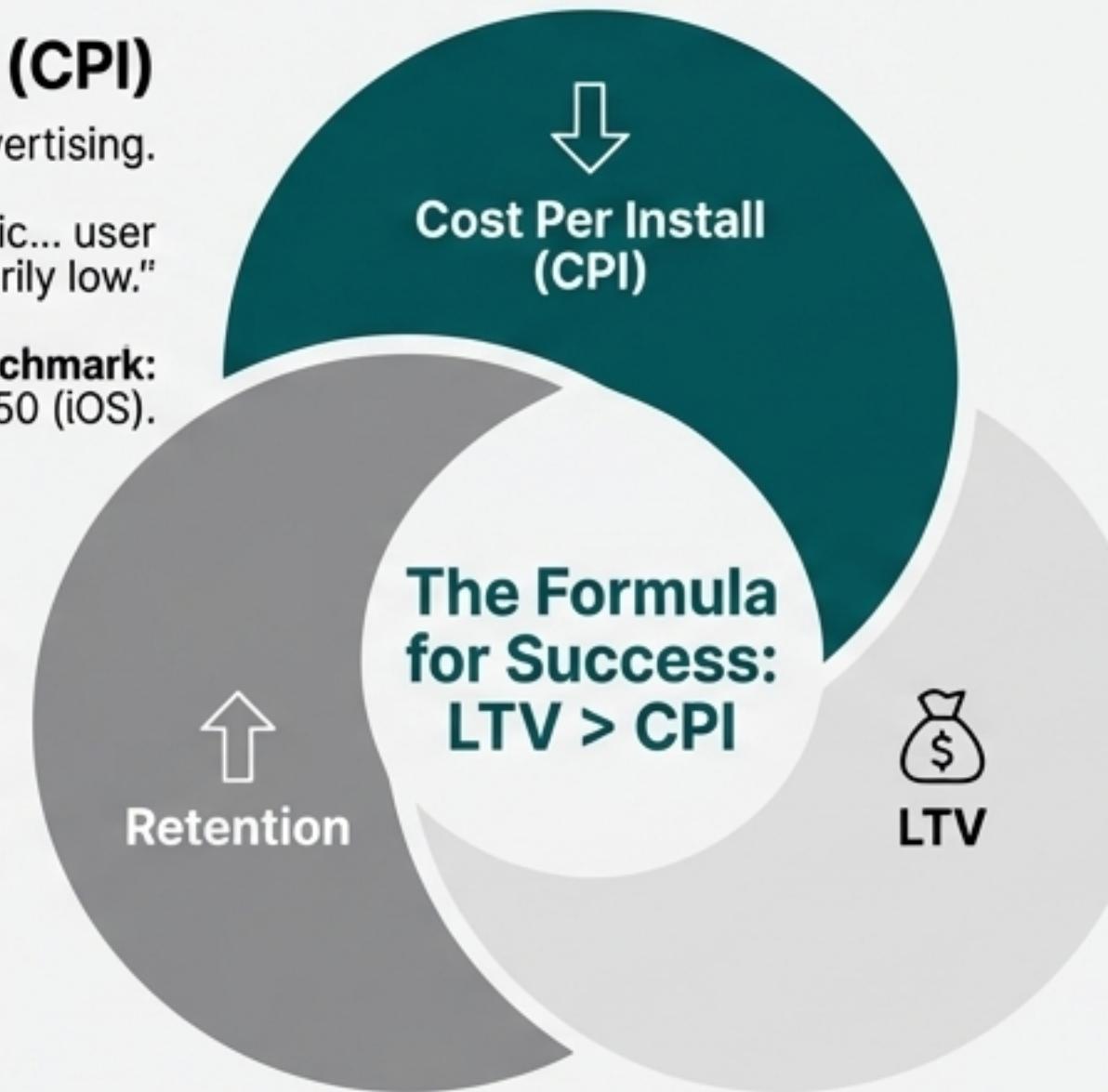
**2025 Benchmark:**  
Average CPI is ~\$1.50 (Android) and ~\$2.50 (iOS).

## Retention

**Definition:** The percentage of users who return after install.

**Key insight:** Strong retention is the foundation for monetization. It signals habit formation.

**Benchmark:**  
D1: ~40% is promising.  
D7: <10-15% for pure hypercasual.



## Lifetime Value (LTV)

**Definition:** The total revenue a user generates (from ads and IAP).

**Key insight:** For a game to be profitable, LTV must be greater than CPI.

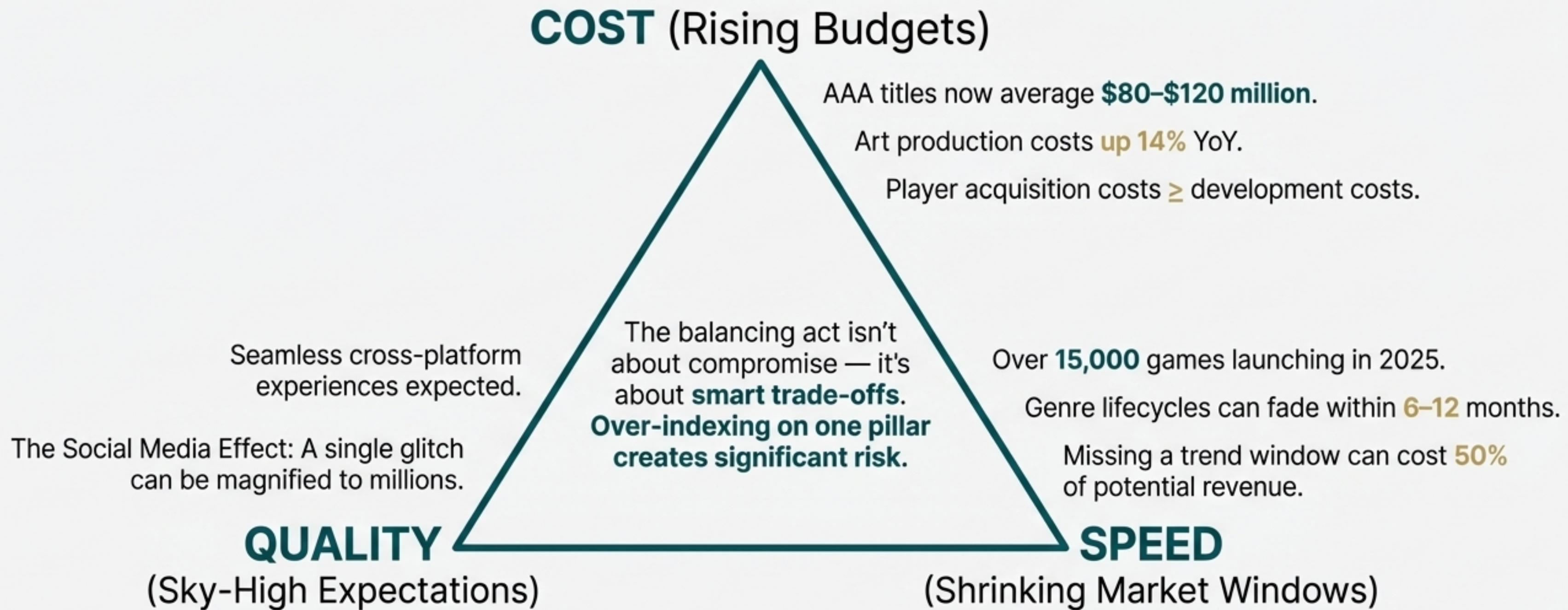
"Success in hypercasual is a simple equation – can you acquire users cheaply enough (low CPI) and keep them engaged long enough (decent retention) to earn more from them in ad revenue than you spent?"

# The Forces of Production

Beneath the platform wars and business model shifts, two fundamental forces are redefining how all games are made, measured, and monetized: the immutable economics of development and the disruptive power of artificial intelligence.

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# The Developer's Dilemma: Balancing the Iron Triangle of Cost, Quality, and Speed



# AI is No Longer an Experiment: It is a Production-Ready Force for Efficiency and Creation

Nearly **1 in 5 new games on Steam** in 2025 used generative AI.  
**90% of developers** now use AI in their workflows.



## Accelerating Asset Creation

### The Impact:

AI tools are reducing asset production time by up to **40%** and lowering art budgets by **15-20%**.

### Example: Tencent's Hunyuan-Game:

Renders sketches in ~1 second, increasing production speed by **~300%**. Features text-to-3D generation and direct exports to Unreal and Unity.



## Optimizing Monetization & Operations

### The Impact:

AI is a primary driver of revenue in adjacent services.

### Example: Unity's AI-Powered Ad Platform:

Exceeded Q2 expectations using AI for ad targeting and creative optimization.

### Example: NetEase:

Publicly tied record Q2 revenue directly to AI integration.



## Democratizing Development ("Vibe Coding")

### The Impact:

No-code AI tools are collapsing the barrier to entry for non-developers.

### Example: Gambo.ai:

Users build playable games from a single text prompt, with AI generating characters, maps, music, and built-in ads.

# The Next Frontier: World Models and On-Device AI Promise a Future of Real-Time Generation and Zero Latency

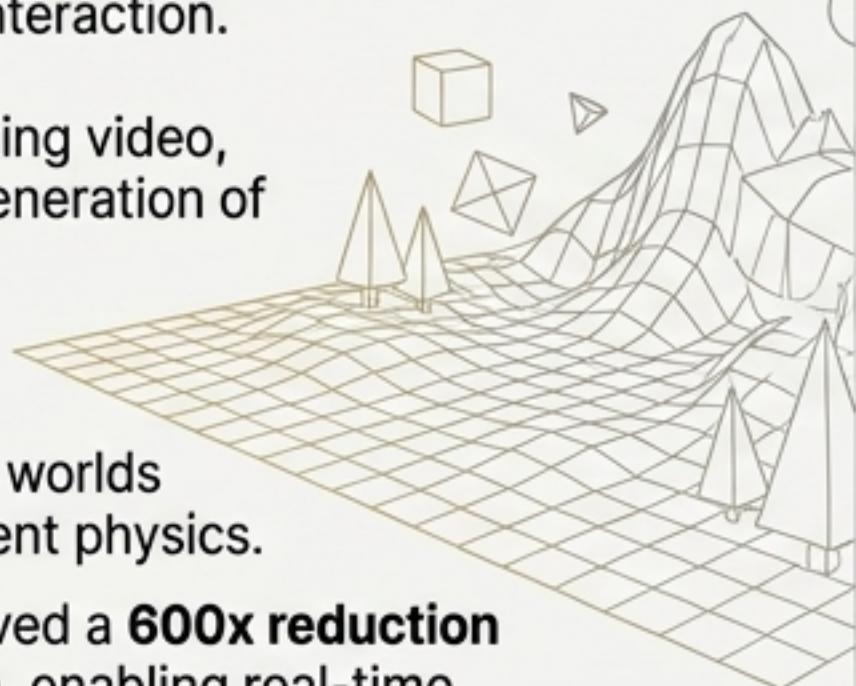
## World Models - Understanding Space

**The Shift:** Moving beyond predicting the next word (LLMs) to understanding physical space and interaction.

**The Technology:** AI learns by watching video, not just reading text, enabling the generation of entire interactive 3D worlds.

### Key Advances:

- **Google's Genie 3:** Generates 3D worlds from text at 24 FPS with consistent physics.
- **Efficiency Gains:** Lucid v1 achieved a **600x reduction** in video frame data compression, enabling real-time generation on a consumer GPU.



“Elon Musk's xAI joins the race to build 'world models' to power video games, planning to release a 'great AI-generated game' before the end of 2026.”

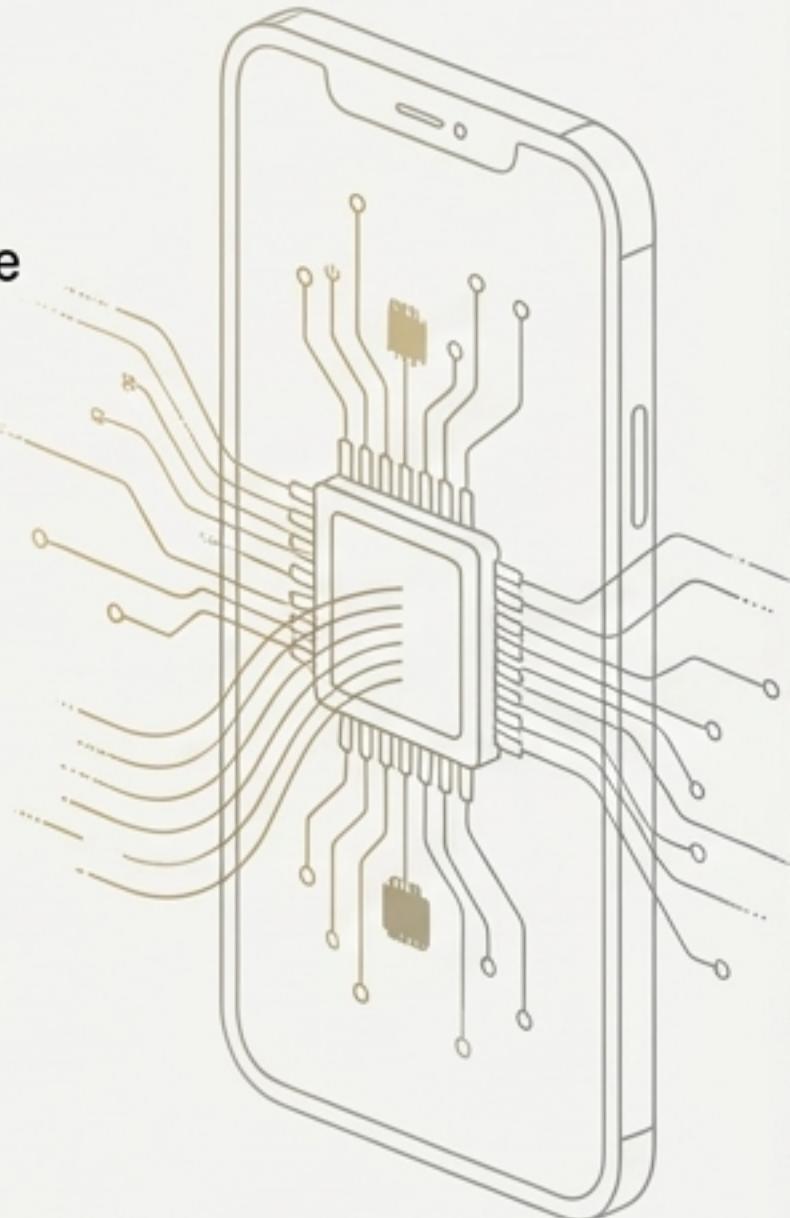
## Local LLMs - On-Device Power

**The Problem Solved:** Eliminates cloud latency, recurring API costs, and data privacy concerns.

**The Application:** Enables real-time, offline NPC dialogue, adaptive difficulty, and dynamic voiceovers.

### Production-Ready Examples:

- **Verbal Verdict\* (Steam):** Shipped with a local LLM stack driving its core interrogation gameplay.
- **NeuTTS Air:** A 748M parameter text-to-speech model that runs on a mid-range CPU with 200ms latency, cloning voices from just 3-15 seconds of audio.



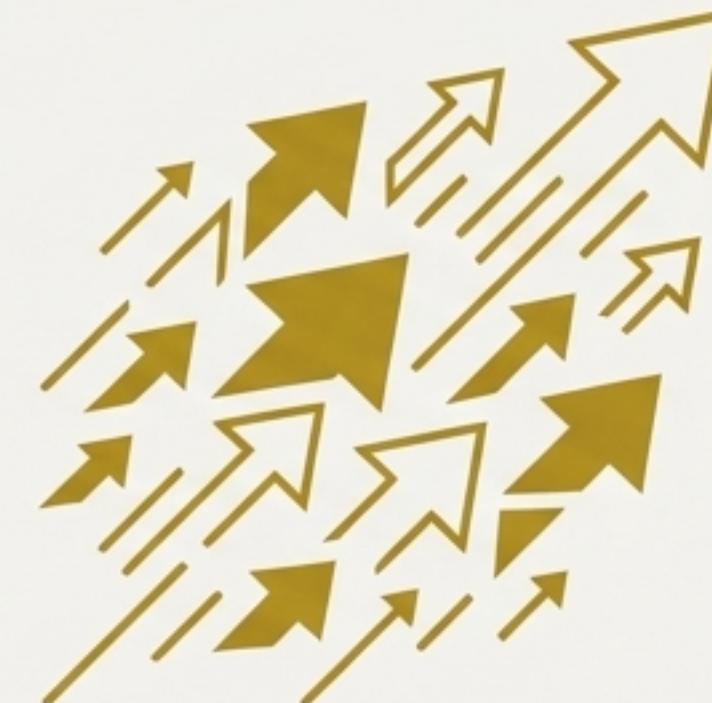
# The New Competitive Landscape is Defined by the Tension Between Ecosystem and Efficiency



## Force 1 - The Gravity of the Ecosystem

**Summary:** Incumbent platforms like Steam and established console ecosystems leverage powerful network effects, community lock-in, and vast content libraries.

**The Takeaway:** In mature markets, superior reach and established user behavior often outweigh disruptive economic models. Market dominance is defended by the depth of the ecosystem.



## Force 2 - The Velocity of Efficiency

**Summary:** New business models (hybrid-casual) and production technologies (AI) are creating radical new efficiencies in cost, speed, and monetization.

**The Takeaway:** This allows smaller, more agile players to punch above their weight, collapsing development barriers and capturing market trends with unprecedented speed.

The studios that will win in 2025 and beyond will be those that master this dynamic: leveraging the scale of existing platforms while aggressively adopting new efficiencies in how they create, monetize, and deliver games to a global audience. The biggest opportunities are just coming into focus.