



TABLE OF CONTENT

▶ *Gaming Industry Analysis*

- ☐ Market Trends
- ☐ Pain Points
- ☐ Competitor Analysis

▶ *Platform Proposal*

- ☐ AI-Powered Game Creation System
- ☐ Cloud Online Gaming Platform
- ☐ Gaming Community
- ☐ Business Model

▶ *Marketing Strategy*

- ☐ Five Star Model

GAMING INDUSTRY ANALYSIS

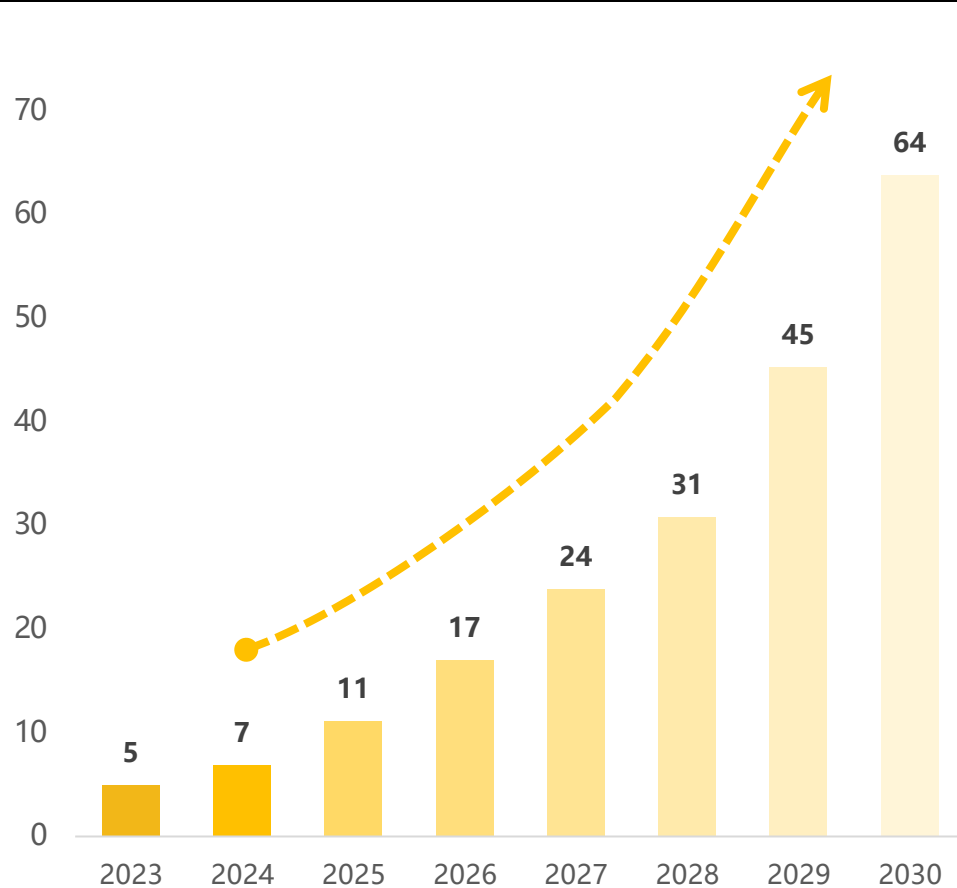
Market Trends



Gaming Industry Trends – Cloud Gaming

Driven by both supply and demand side factors, Cloud gaming is experiencing exponential growth

Cloud Gaming Market Size Estimation (\$ billions)



Source: Market US



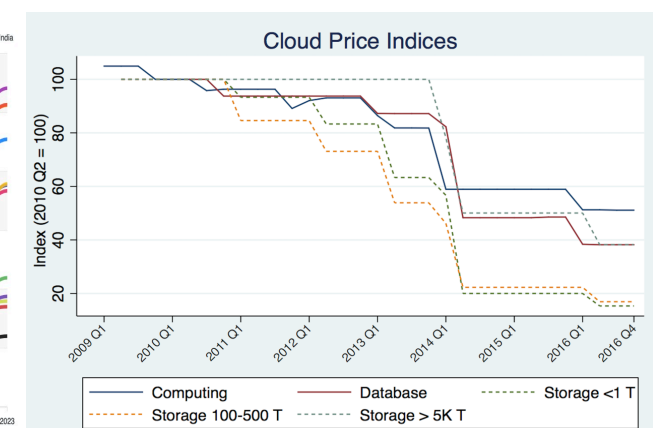
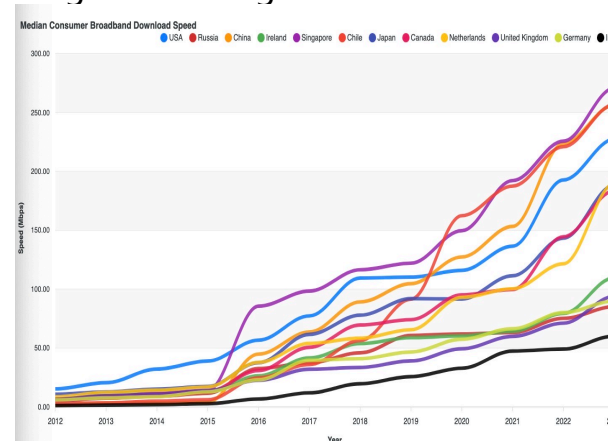
Demand Side Drivers

- **Convenience and Accessibility for Gamers:** the players can play games on the go without the need for local hardware
- **Affordability of Highly-Demanding Gaming:** cloud gaming allows a more affordable way without continually upgrading the hardware



Supply Side Drivers

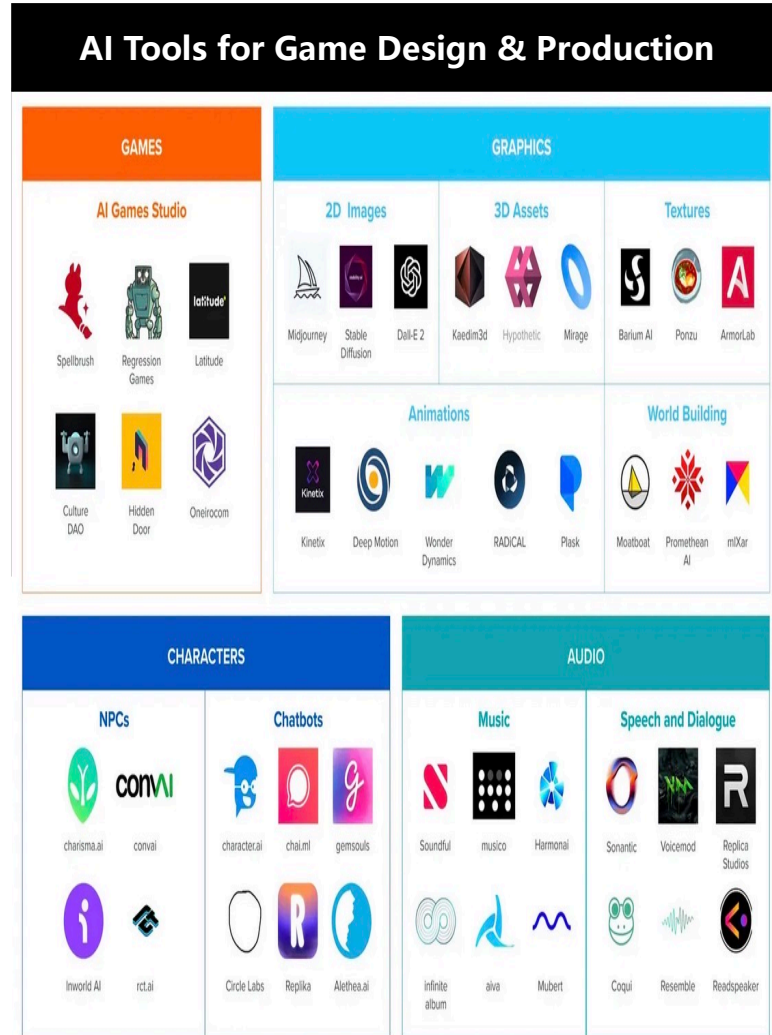
- **Cloud Infrastructure Advancement:** high-speed internet & powerful data centers enable seamless streaming of games
- **Cost Reduction of Cloud Service:** scalable and cost-effective cloud-based game hosting



Source: Slaksy, Derived form Byrne, Corrado, and Sichel 2017

Gaming Industry Trends – AI Technology

AI technology combined with *User-Generated-Content* platforms will revolutionize game creation



“ Many AI tools that game creators can utilize have emerged. AI tools will democratize the process of game creation by reducing the cost of production. Multiple platforms have integrated AI tools into their creation engine.

AI Tools Application in Game Production



Integration of AI into Gameplay

AIGC can seamlessly integrate into the core gameplay experience. This can incorporate user-generated levels, quests, and real-time conversations with NPC.



Mount & Blade game uses AI-generated dialogue in gameplay



Content Asset Generation

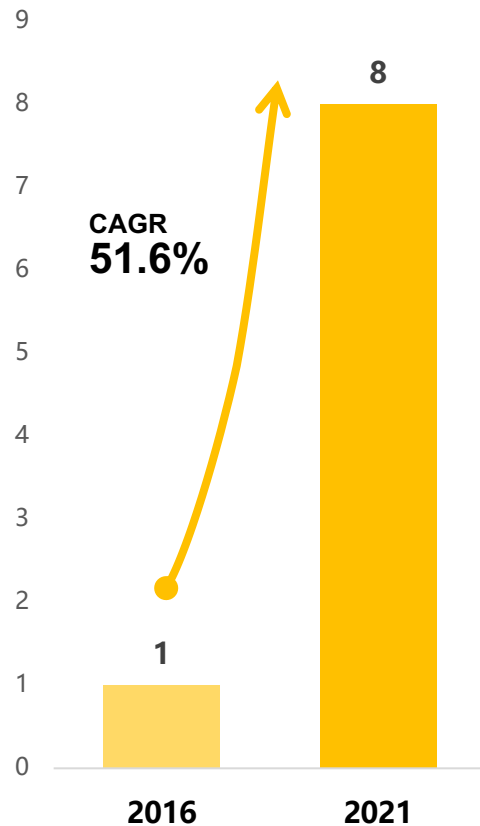
AIGC can provide intuitive and user-friendly tools for other game assets, such as 3D models, textures, music, or even entire game worlds . These tools are accessible to both novice and experienced users.

Source: a16z Games

Gaming Industry Trends – Indie Game Segment

Indie games' popularity among creators & gamers is fast catching up with that of AAA Games

Global Indie Games Market Size (\$ billions)

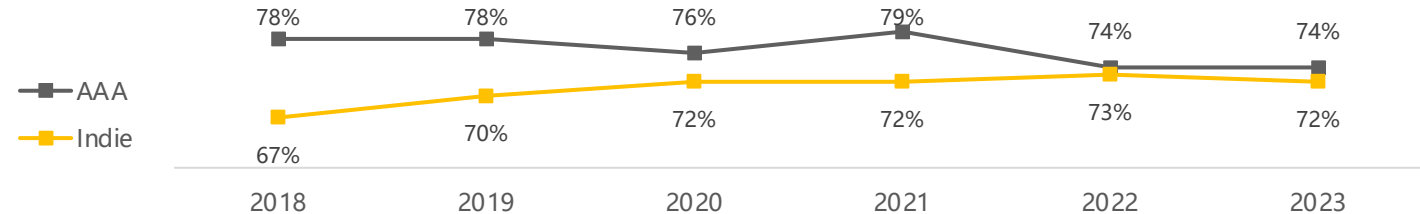


Source: WifiTalents



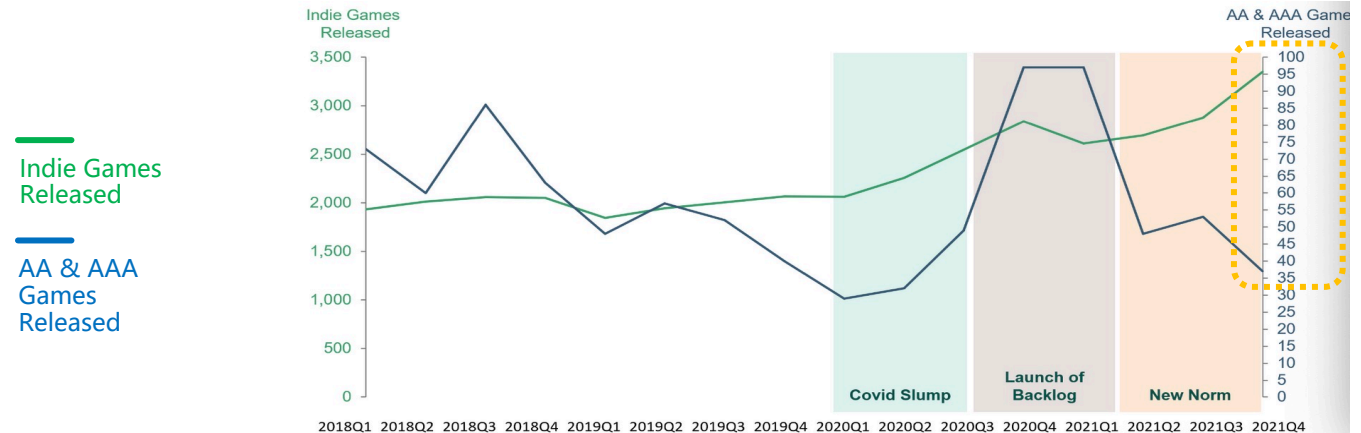
Game Ratings on Steam

By providing creative freedom, unique artistic style, lower cost, and free accessibility, Indie games have been able to become as popular as AAA games



Number of Games Published on Steam

There is a trend of declining AAA and booming Indie game releases. Indie games comprised **98%** of the total games and **30%** of revenue realized on Steam.



Source: VG Insight

Gaming Industry Trends – The Struggle of Indie Game Developers

Any publication of a profit-generating game in mainland China needs approval/license from the government; thus, most indie game developers turn to overseas platforms to publish games

Barriers for Applying License

Long Approval Timeline

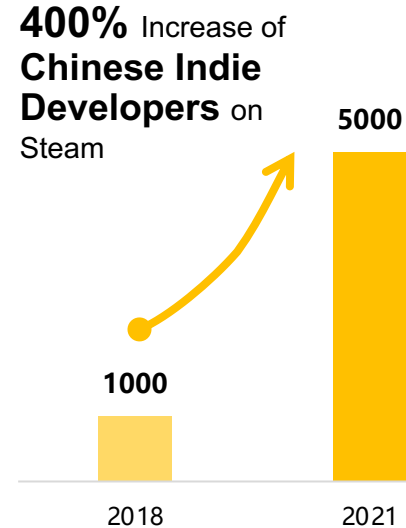
Up to 1-2 years

Strict Content Review

Review process extremely rigid

High Capital Cost

Related fees up to several millions of RMB



Chinese Top Indie Games on Steam

(sales ≥ 1 million copies)



Overseas Platforms' Publishing Roadmap

Overseas Platform

Select the Hit Games

Licensing & Publishing in China

Overseas platforms help to mitigate Chinese indie game developers' challenges under the current license system:

- Indie game developers do not have to spend upfront resources on licensing
- Revenue from the overseas platform help the indie developers' games survive in the early stage
- Resources and popularity gained from overseas platforms further helps during the domestic publication

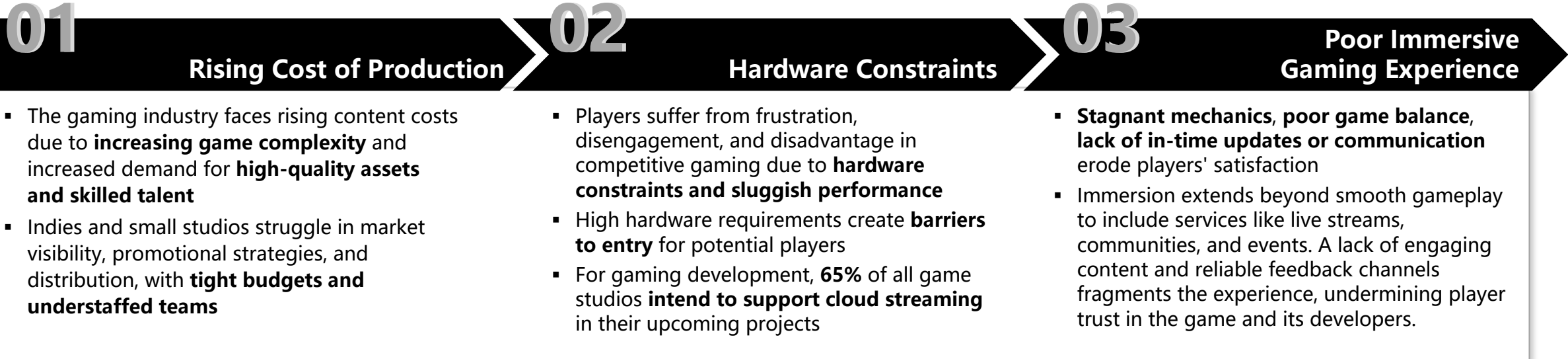
GAMING INDUSTRY ANALYSIS

Pain Points &
Competitor Analysis



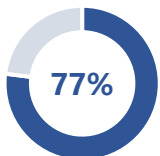
Pain Points

Creators face challenges of increasing cost of production; players get frustrated by poor immersive gaming experiences due to hardware constraints and mismatched expectations within the gaming community

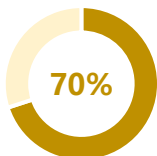


▣ Developers' Report

Base: 537 studios globally, 36% Small (1-49), 38% Medium (50-99), 25% Large (100+)



... thinks the **cost of game development is rising**



... indie game developers and small studios face **challenges with discoverability**

▣ Gamers' Quotes

From Interviews



“ Gaming is about **immersive experience** ... anything that is distracting will be regarded as unpleasant.
Yunhao.Z, Game Enthusiast

“ I really want to **share my opinions** about the games I love. The most important thing for me is the **reputation and credibility** of developers. It's **difficult to evaluate** them from social media until I spent hours on their games.
Leo.W, Game Enthusiast



“ I'd love to pay for new Indies games, especially those trendy ones on social media. But I get disappointed by **PAID trials** and now I hesitate to trust those studios.

Liz.Q, Game Enthusiast



Source: Capital & Griffin Gaming Partners 2023; Interviews with Gamers

Key Competitors

Major players in the market include platforms that specialize in game creation and playing experience



Interactive
Entertainment Company

- Unreal Engine, Game Stores, Online Services

Target Audience:
Individuals aged 10-30 years



Major focus on
18-34 age group



User-generated
Content (UGC) Platform

- Allow Users to Create; Cross-Platform Play

Target Audience:
Children and young adults



60% of users
under **16 years**



Digital Distribution
Platform for PC Gaming

- Publish & Manage
- Game Library
- Community Feature

Target Audience:
Diverse user base
(casual to hardcore)



Major portion aged
20-29 years



Comprehensive Gaming
Ecosystem

- Exclusive Titles
- Hardware Integration
- Social Features

Target Audience:
Diverse players
(casual to hardcore)



Majority falls within
18-35 years range



Premium Gaming
Platform

- Exclusive AAA Titles
- Hardware Integration
- Social Features

Target Audience:
Quality & narrative
driven players

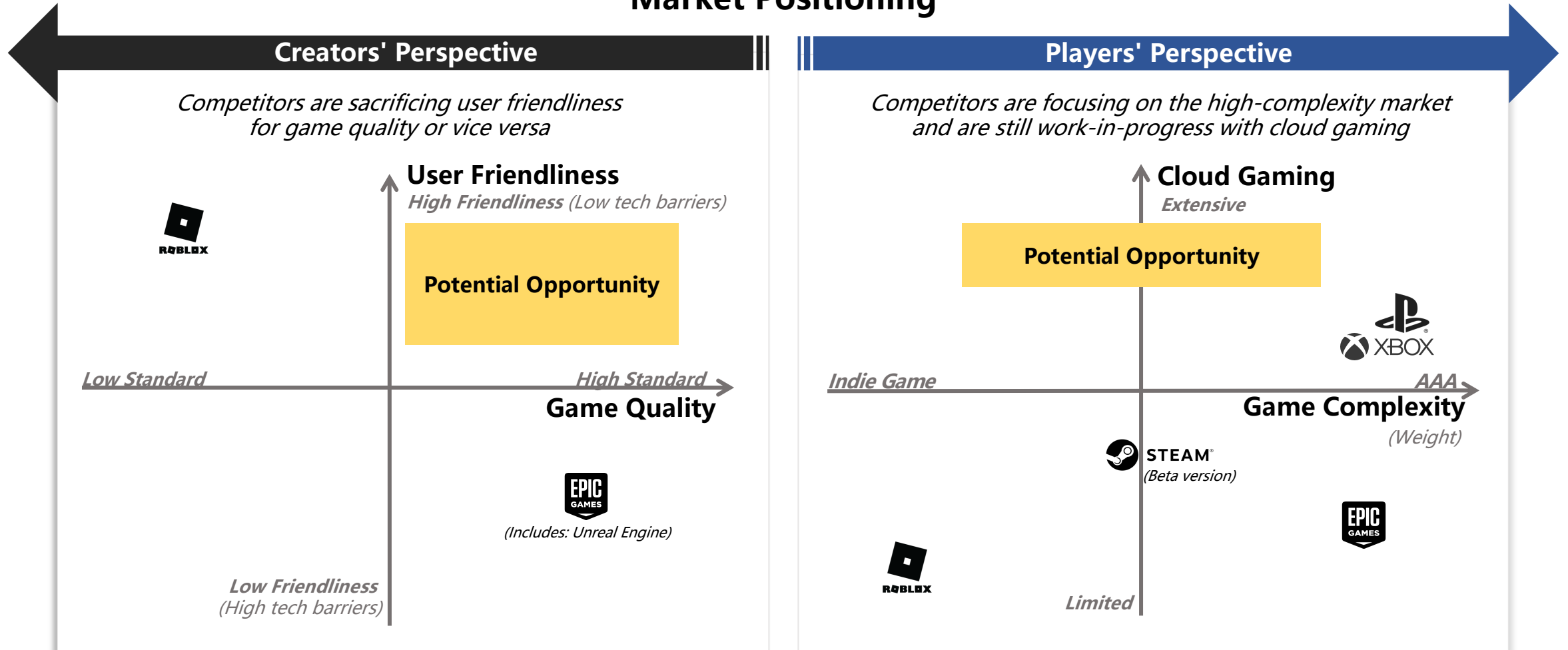


Major portion skews
towards **mid-20s to early-30s**

Competitor Analysis

Untapped market opportunities in creator and player-centric platforms that balance user-friendliness, game quality, and cloud gaming with varieties of complexity

Market Positioning



Gaming Industry Analysis

Pain Points

Rising Cost of Production

Hardware Constraints

Poor Immersive Gaming Experience

The pain points of game creators and players have driven and fueled the development of market trends

Market Trends

AI Technology

Cloud Gaming

Indie Game

With new trends & technology advancements, doors for new opportunities in the market have been opened

Market Opportunity

User-friendly High Game Quality Creation System

Online Cloud Gaming Platform

Platform Game Diversity

CloudArcade

Platform Proposal



CloudArcade Platform Overview

An online cloud gaming platform with an AIGC game creation system. The integrated platform consists of three main segments: AI-Powered Creation System, Online Game Platform, and Gaming Community

Key Features

AI-Powered Game Creation System

- AIGC Creation System generate 3D assets, modellings, and game mechanics with natural language
- AI-generated NPC generate characters with text prompt
- AI-generated Music/Soundtrack allows game music generation with AIGC tools

Online Cloud Gaming Platform

- Cloud Platform for users to play games from PC, mobile, console, VR/AR, and TV without worrying about device specs
- One-Stop Publisher benefits game creators from easier launch, promotion, and distribution of their works
- Tools for Operation provided by the platform equip creators with tools for operation

Gaming Community

- Virtual Realm, a virtual space to socialize and build up a personal base
- Live-streaming integrates an in-house game live-streaming platform as a promotion channel to increase user stickiness
- Gaming Forums connect game creators as well as game players by exchanging thoughts on games

Main Target Users

- Developers: Indie Game Developers, Small Studios, Novice
- Players: AA to Indie Game Players

AAA Game

AA Game

Indie Game

SONY

Cloud Arcade

Major Players

EPIC GAMES

STEAM

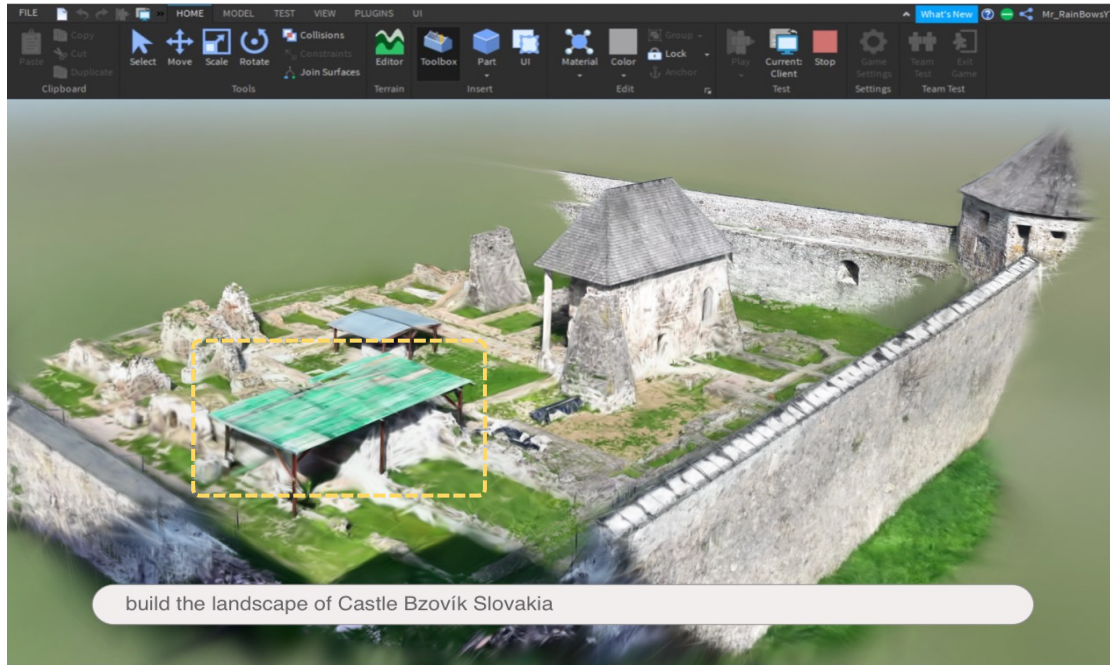
ROBLOX

Part 1: The AI-Powered Game Creation System

The AI-powered game creation system should be extremely easy to use with natural language. Entry-level users should be able to create their games without the need to learn about the tools for months

A. Create 3D Models from Text

- **Use Natural Language for Modelling:** Users can create 3D assets from text prompts using the Nerf AIGC technology. Entry-level users can adapt to it in a few minutes
- **Still Editable with Modelling Tools:** The assets created with text prompt are also editable with 3D modelling tools

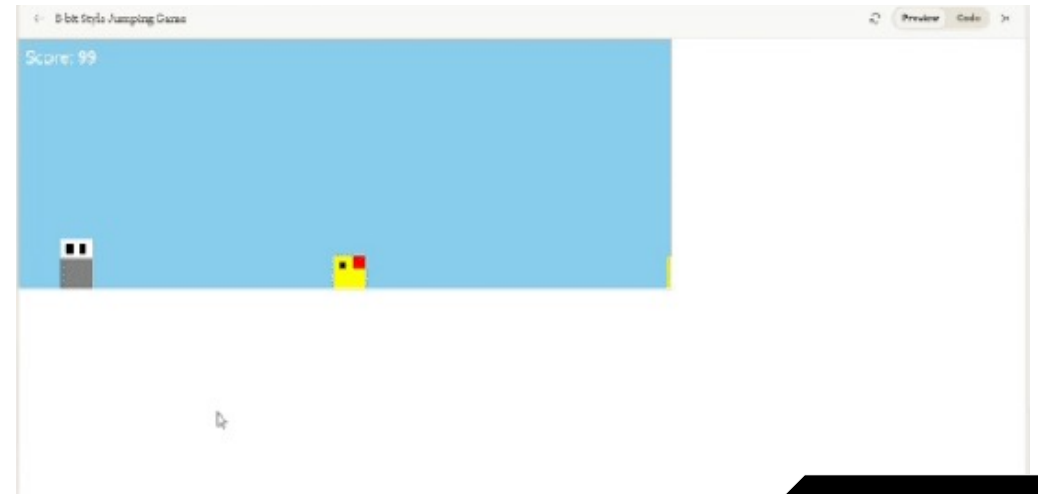


Demo from LUMA AI

B. AI-Generated Game Mechanics

- **Use Natural Language to Build Game Mechanics:** the rules, interaction and limitations of games can also be created using natural language with AIGC technology

Prompt: help me create a side-scrolling jumping game. The controllable main character is an 8-bit little person. The obstacles that need to be jumped over are different chickens continuously coming towards the player. The background is a blue sky. I jump each time I press the spacebar



Demo from Claude 3.5 Artifact

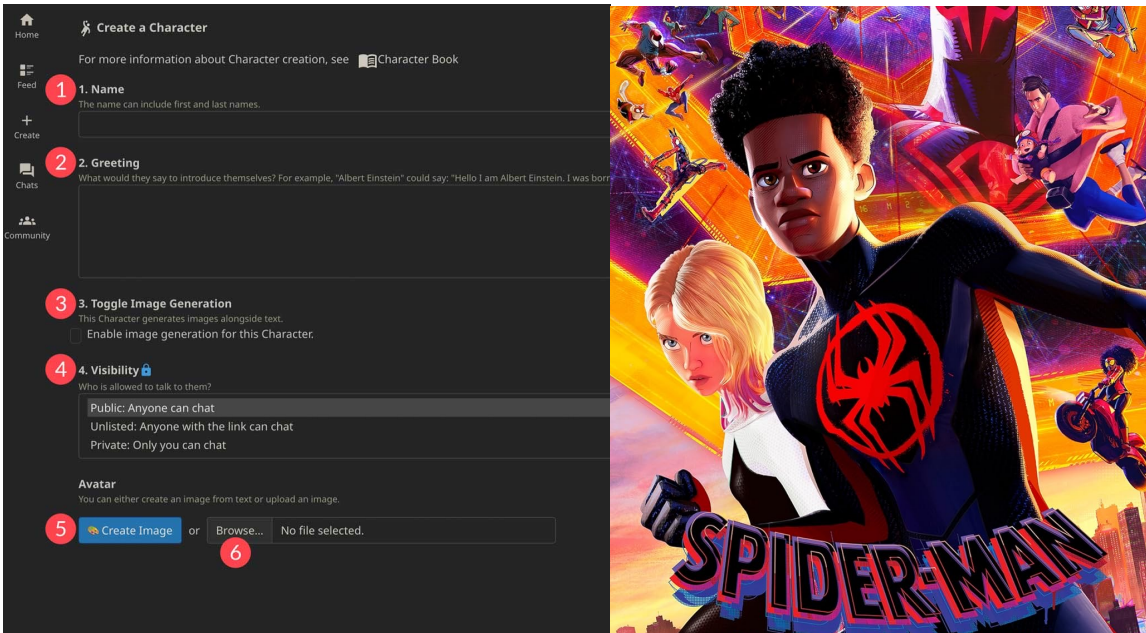
Pain Points #1
Rising Cost of Production

Part 1: The AI-Powered Game Creation System

The character and music should also be AIGC. Creators can take advantage of SONY movie and music IP

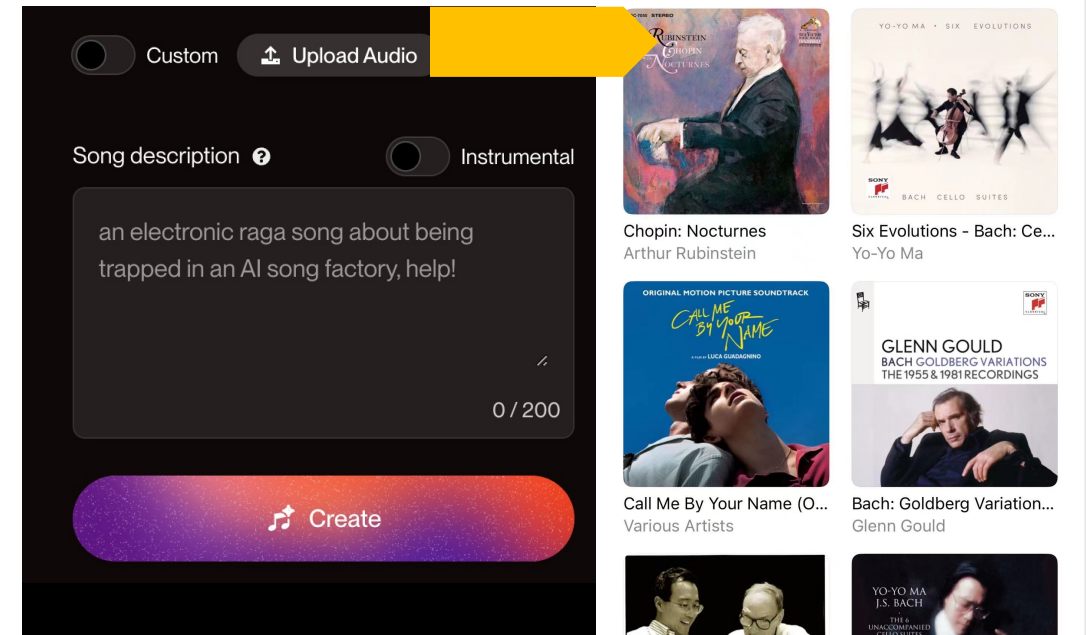
C. NPC Character AI Generation

- **Use Prompt to Generate Gaming Characters:** While the appearance of NPC could be generated using the AI modelling system, the personality of NPC can also be set by natural language prompt
- **Application to Use SONY IP:** Users may also use SONY IP to create characters, however, the personality is preset and would SONY's approval to protect the IP



D. Sound Effect/Music AI-Powered Generation

- **Generate Sound Effect with Natural Language:** creators may generate gaming sound effects with a text prompt
- **Application to Use SONY's Music:** creators may also take advantage of SONY's music for their games with approval



Part 2: Cloud Gaming Platform – Homepage

The online gaming platform leverages cloud architecture, allowing users to access it from any device

1 » Game Homepage

A **game store** for players to browse and explore a wide range of games, from Indie games to AA title games

Players may **purchase** games using the tokens they own or **subscribe** to plans

3 » The Community

Designed to increase user stickiness and retention rate:

- **Virtual Realm:** a virtual space where users can customize their virtual home, hold events, and interact with SONY IP characters!
- **Live-Streaming:** a place for users to watch game live-streaming and for live-streamer to create their channel
- **Forums:** a place for users to share and discuss game-related topics

2 » One-Stop Publisher

- Allow creators to publish and distribute games on the platform
- Provide tools to assist developers in managing and operating the game

1

CloudArcade Games

3

Virtual Realm

Live-streaming

Forums



2



Users could go to AI Creation System from web homepage

New and Upcoming Games

Now available

Coming soon



Pain Points #2
Hardware Constraints

Part 2: Cloud Gaming Platform – One Stop Publisher

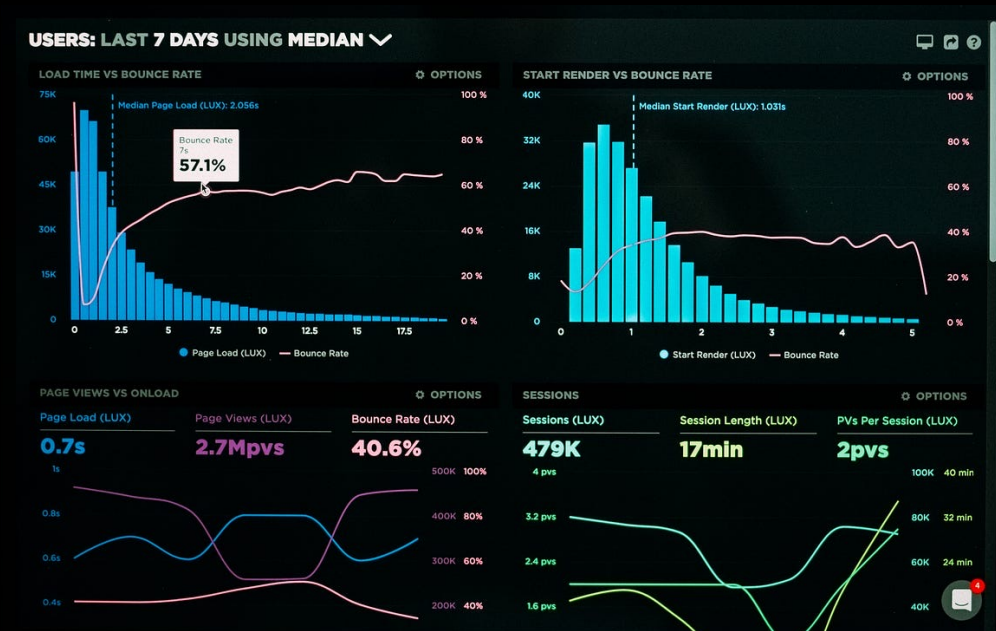
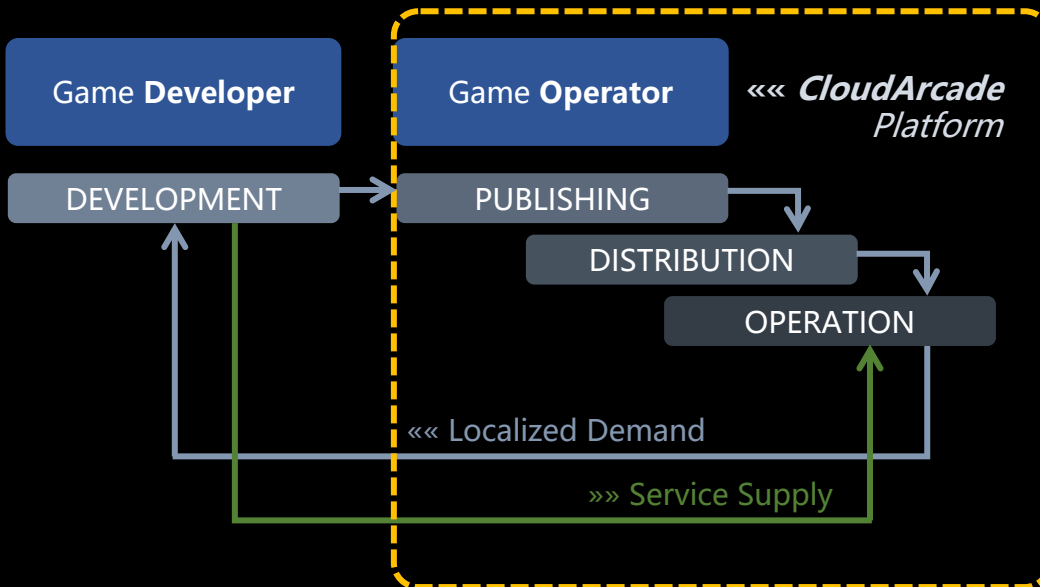
After publishing, creators can use the information on their profile page to manage their games with the after-sale support provided

2.1 » Publishing & Distribution Support

- **One-Stop Publishing Process:** the platform functions as a game operator, allowing creators to publish works easily on the platform with natural traffic
- **Marketing Tools to Promote Games:** marketing tools available to help achieve better traffic (with tokens)

2.2 » Operation Support

- **Tools for Data Analysis:** visualization & analysis of the operational data of published games, including the DAU, MAU, retention rate, churn rate, paid users, ARPU etc.,
- **Analysis of Players' Comments:** the dashboard also provides semantic analysis of feedback from players



Part 3: Community – Virtual Realm

Players can establish their own space in the Virtual Realm, where they may interact with SONY IPs

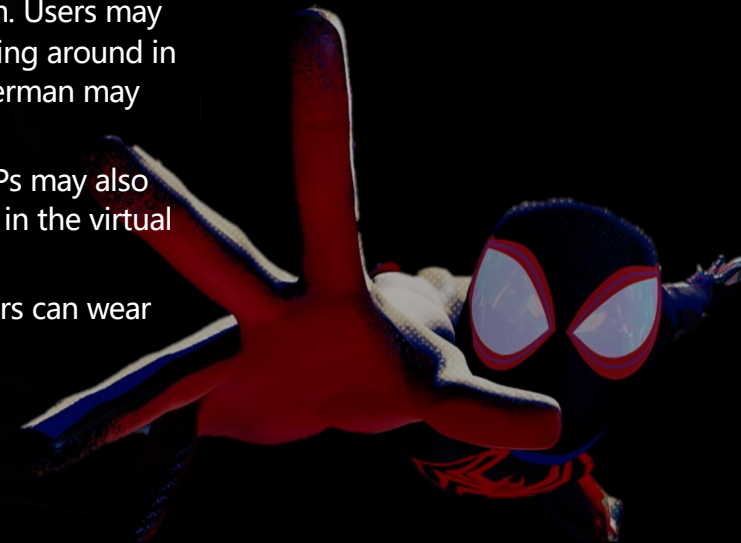


A. My Virtual Space

- **Create My Virtual Base with AI Tools:** Each user can build their virtual base in the CloudArcade platform with an AI creation system
- **Socializing with Friends:** Users can visit their friends' virtual base and hang out together in the Virtual Realm
- **Transformable to Games:** One's virtual realm can be used as the basis of game creation

B. Interaction with SONY IPs

- **SONY IP's Virtual Base:** SONY IP would also have their base in the Virtual Realm. Users may interact with them, talking or hanging around in their area. The virtual base of Spiderman may look like the city in the movie.
- **Seasonal Events-Holding:** SONY IPs may also hold events (for example concerts) in the virtual realm to interact with fans
- **Incorporating VR Experience:** Users can wear VR to experience the virtual realm



Part 3: Community – Live-Streaming & Forums

Game live-streaming and forums to maintain user engagement and facilitate communication among users

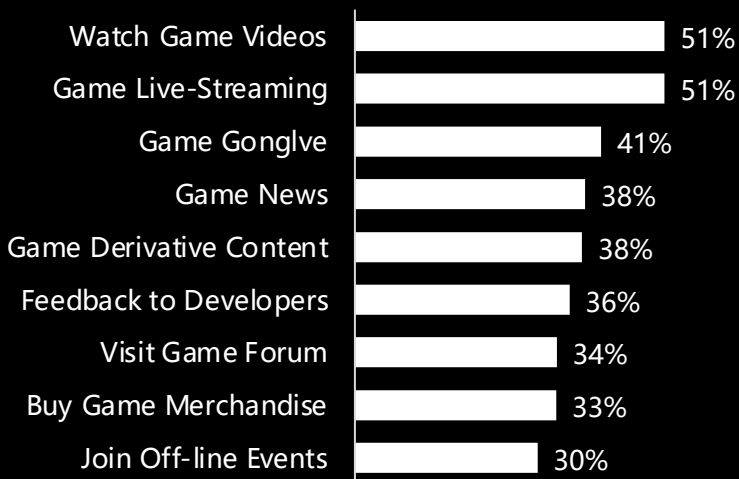
Game Live-Streaming

- **In-House Live-Streaming and Forums for User Retention:** according to iResearch reports, game live-streaming is one the most popular activities among game players, therefore the platform could build a live-streaming module to increase user retention rate
- **CloudArcade as Infrastructure:** offers streaming tools for creators to live-streaming games in the platform, achieving less latency or stutter

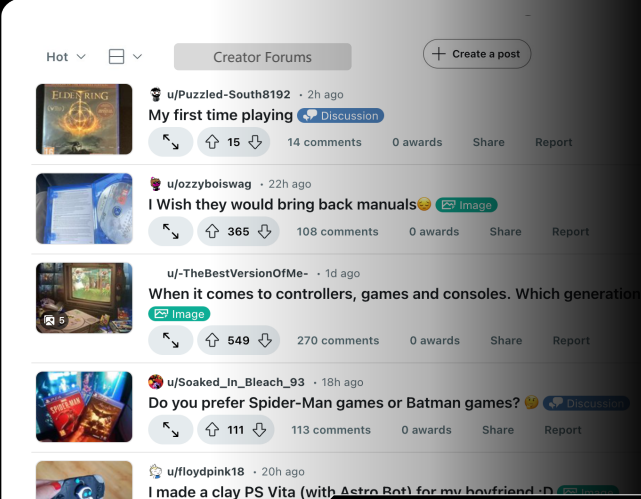
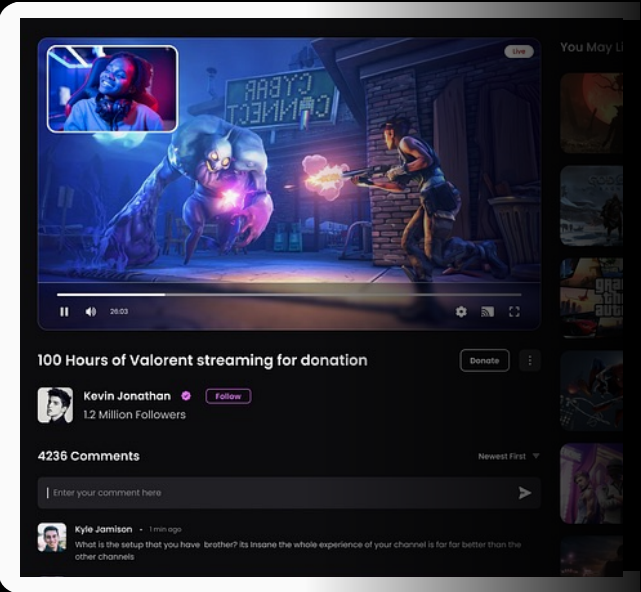
Forums

- **Forums to Share Thoughts:** users could share game guide, team up, and give feedback to developers in the CloudArcade forums
- **Signature for Identity:** each user would have batches indicating their levels and achievements; developers may choose to reveal their identity or not
- **Developer Section:** developers would have access to a developer-specific section, where they can communicate with each other and coordinate

2021 Mobile Game Users' Other Game Related Behaviors



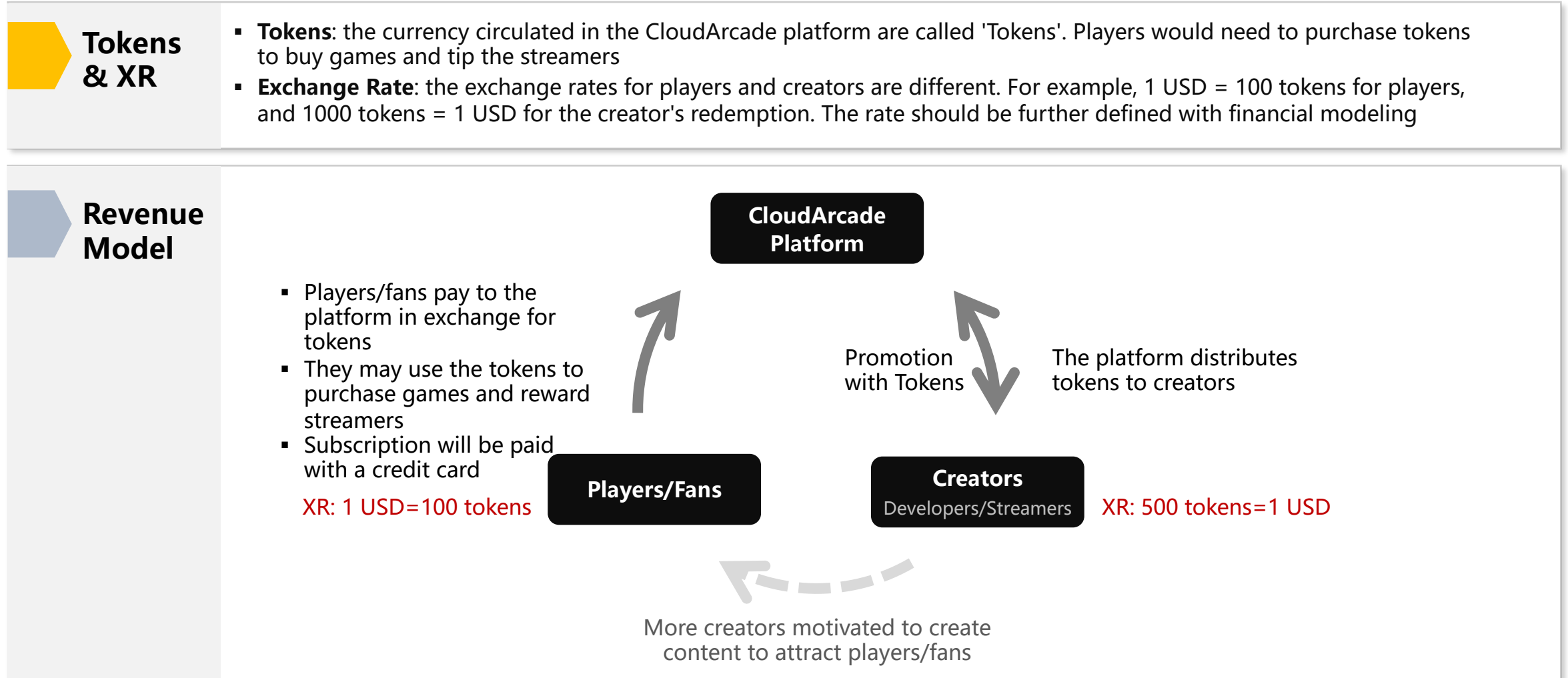
Source: iResearch



Pain Points #3
Poor Immersive Experience

Business Model

CloudArcade's main revenue stream comes from in-game purchases, rewards from live-streaming viewers and subscriptions to plans



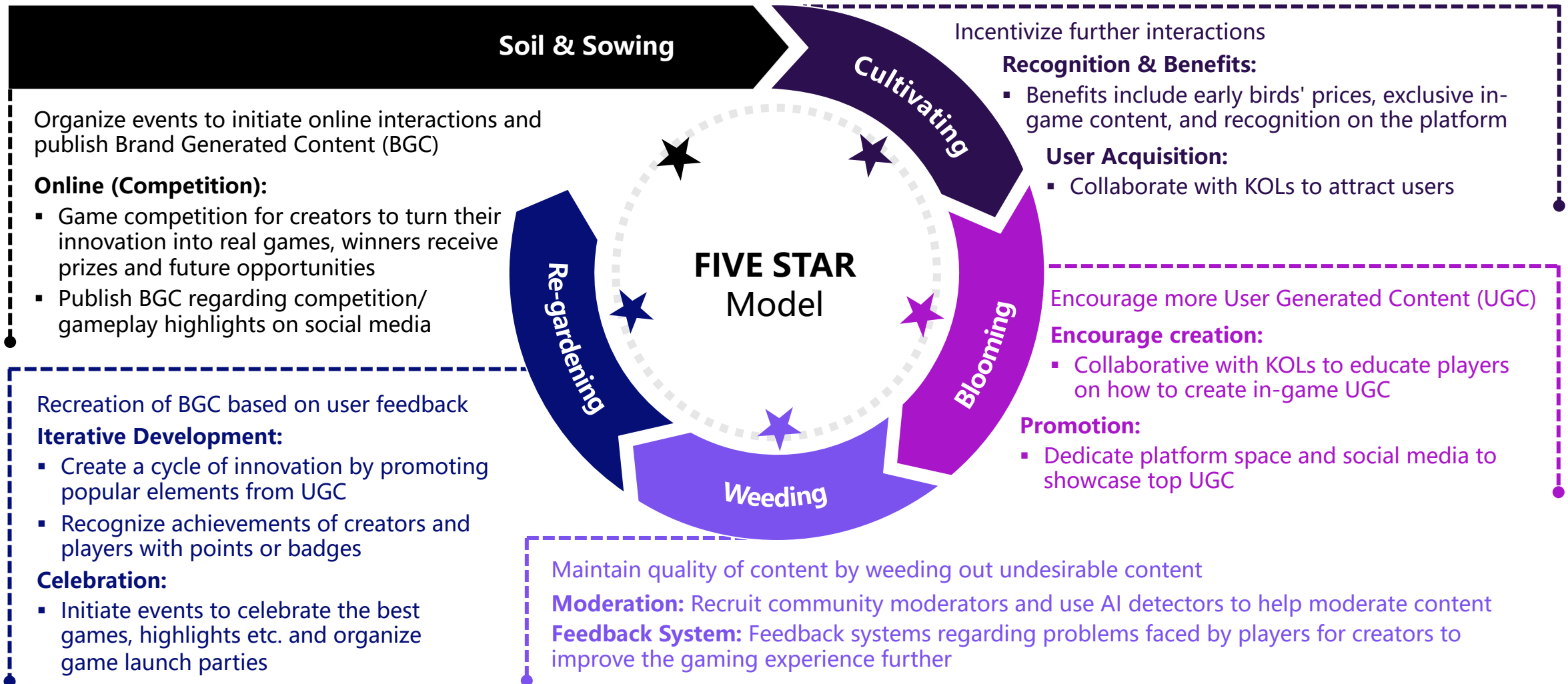
MARKETING STRATEGY

For CloudArcade



Marketing Strategy

Enhance user engagement through iterative content creation, collaboration with influencers, and effective moderation to ensure a high-quality gaming experience





CloudArcade

Project Overview

Based on insights gleaned from the gaming industry's overarching trends and the challenges faced by its participants, we recommend SONY to develop an integrated online gaming platform. This platform should encompass an AI-driven game creation system, a cloud gaming platform, and a vibrant gaming community. In addition, we have outlined the Marketing strategy for the platform.

Gaming Industry Analysis

01 OVERALL TREND

- ▣ **Increasing Trends**
 - Cloud Gaming
 - AI Technology
 - Indie Game Segment

02 PAIN POINTS

For Gaming Industry Participants

- ▣ **Key Pain Points**
 - Rising Cost in Production
 - Hardware Constraints & Sluggish Performance
 - Poor Immersive Gaming Experience

03 COMPETITORS

Creation & Playing Platforms

- ▣ **Competitor Analysis**
 - Market Positioning
 - Market Opportunities

Platform Proposal

03 SONY CLOUDARCADE

An Integrated Online Gaming Platform

- ▣ **The AI-Powered Game Creation System**
 - AIGC Creation System
 - AI-Generated NPC, Music/Soundtrack

- ▣ **The Cloud Online Gaming Platform**
 - Cloud Platform
 - One-Stop Publisher
 - Tools for Operation

- ▣ **The Gaming Community**
 - Virtual Realm
 - Live-Streaming
 - Gaming Forums

Business Model & Strategy

04 BUSINESS MODEL & MARKET STRATEGY

Value Generation Model & Promotion Plan of CloudArcade

- ▣ **Business Model**
 - Tokens
 - Revenue Generation Cycle
- ▣ **Marketing Strategy**
 - Five Star Model

SONY

SONY is a registered trademark of Sony Corporation.

Names of Sony products and services are the registered trademarks and/or trademarks of Sony Corporation or its Group companies.

Other company names and product names are registered trademarks and/or trademarks of the respective companies.