



ASIA SPOTLIGHT REPORT

March 2020

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Indonesia is a dynamic market for digital games and esports, especially given its ever-increasing rate of internet and smartphone users. Its population size and demographics combined with a government that supports the development of gaming and esports let the country into a ripe position in the industry.

Population and statistics

As the fourth largest country in the world by population, Indonesia unsurprisingly also has the world's fourth largest number of internet users, with more than 171 million citizens connected to the internet. The country is also the home of more than 83 million smartphone users, 60% of its population is currently between 15-54 years old, and its GDP per capita (PPP) is \$14,800 (comparable to Egypt and Peru), all of which set the stage for the country to be both an important market for gaming and esports as well as a rising player in the industry.

Gamers, Game Developers, and Esports are gaining mainstream popularity

While gaming, including esports, was seen in mostly negative tones in the past, these past few years saw changes in the public perception toward the gaming industry and culture. With the rise of purchasing power and the advent of accessible internet, smartphones, and PCs to the mass market, digital gaming becomes a major past time especially for urban Indonesians. Twitter's 2019 survey of around 4,000 Indonesians found that 73% of Indonesian Twitter users play digital games, 86% of whom play from mobile devices, 45% from PCs, and 24% from consoles (67% of them play in more than one platforms). Gaming events and community gatherings have also seen a rise in popularity, with BEKRAF Game Prime's attendees kept increasing every year from 700 in 2016 to 23,000 in 2019. Moreover, non-endemic brands such as food and beverages giant Indofood and the Indonesian Railway Company (PT KAI) are sponsoring gaming and esports activities.

Local game developers also gained more attention in recent years with the international publication of several games including Agate Studio's *Valthirian Arc: Hero School Story*, Lentera Nusantara's *Ghost Parade*, and Toge Production's *Coffee Talk*, with the latter included in Steam's top 20 games for January 2020. Internet cafes in the country seem to see a revival by rebranding themselves from run-down sketchy establishments into clean and professional facilities that support esports activities through improved services, including better gaming PC and equipment as well as food.

In terms of the games played by Indonesian gamers, a quick glance of the most popular gaming platform, mobile, showed that the most popular mobile games genre is Action with more 20% of downloads and 43% of revenue. Esports games, which can be categorized as action and/or MOBA, such as Free Fire, Mobile Legends, PUBG Mobile are the top 3 most downloaded and most profitable games in the country. Moreover, Role Playing and Strategy games, played primarily by gamers who have high disposable income rather than by the mass market, only accounted for less than 8% of total downloads, yet have a 34% share of revenues because of the high spending in these games.

Exhibit 1: Popular mobile game genres in Indonesia in 2019 (Source: Sensor Tower)

Genre	Downloads	Revenue
Action	20.30%	43.60%
Casual	12.60%	5.10%
Arcade	10.80%	1.10%
Simulation	9.30%	1.80%
Educational	7.10%	0.10%
Racing	6.90%	0.60%
Puzzle	6.70%	1.40%
Sports	5.70%	3.20%
Strategy	4.10%	14.10%
Adventure	4.10%	2.20%
Role Playing	3.50%	20.60%
Music	2.20%	0.50%
Board	2.20%	0.50%
Word	1.50%	0%
Card	1.30%	1.60%
Casino	1.20%	3.60%
Trivia	0.50%	0%

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With regard to the developers and publishers of Indonesia's most popular mobile games, foreign developers and publishers still dominate the market, with only 1 game (TTS Pintar) developed by an Indonesian studio among the top 10 most downloaded mobile games in 2019.

Exhibit 2: Most downloaded mobile games in Indonesia in 2019 (Google Play Store and Apple App Store)

Game	Downloads	Revenue
Garena Free Fire	35,351,665	\$44,167,039
Mobile Legends: Bang Bang	30,853,543	\$14,021,718
PUBG Mobile	16,709,443	\$11,772,438
Subway Surfer	13,364,024	\$28,863
Ludo King	12,098,476	\$91,286
Stack Ball	11,073,814	\$3,551
Call of Duty Mobile	10,757,859	\$1,832,538
TTS Pintar	9,493,687	\$0
8 Ball Pool	9,354,661	\$1,416,644
My Talking Tom 2	9,055,592	\$25,663

Continuous government support

The government of Indonesia in general seems to be most interested and involved in gaming-related events, with high level officials including the Chief of Staff to the President, Minister of Communication and Informatics, and the head of the Creative Economy Agency recorded to attend gaming events and stating their support to the development of gaming and esports in Indonesia. Notable moves from the government in supporting the gaming industry are:

- Inclusion of gaming and app development as the top creative industries supported by the Ministry of Tourism and Creative Economy (formerly the Creative Economy Agency)
- State-owned Telkomsel joined the industry in 2013 via its gaming arm Dunia Games
- Brought esports as an exhibition sport in Asian Games 2018 in Jakarta
- Pushed for esports to be a medal sport in SEA Games 2019 in Manila
- Game development included in Law No. 24/2019 on Creative Economy. Through the law, local governments can contribute by providing incentives to the creative industries, including game developers. In addition, foreign investors are also incentivized to invest in the country as they can also directly cooperate with local governments.
- Ministry of Youth and Sports symposium on esports (2019)
- Integrating the Indonesian esports association into the National Olympic Committee
- Updating the Sports System Law to include esports
- Holding the annual Presidential Esports Cup

Challenges

While the country has seen a growing gaming and esports market as well as industry development, several issues do still exist. Local developers are relatively stagnant in their sales and growth. The government, which tracks the number of local game studios, stated that there are 15 “big” game studios (in the form of limited liability companies) and 135 small independent studios, which are quite few for a country of Indonesia’s size. However, those studios only represent a miniscule part in Indonesia’s gaming market. CEO of local game developer company Arsanesia, Adam Ardisasmita, stated that only 1% of the country’s spending for gaming went into local developers. Another issue that is also important to note is that, amidst all the hype and support, the government does not have a coherent policy in supporting local game developers to sell their games in foreign markets, with countries such as China notably known to meticulously filter foreign games to be sold in their country (only 1 Indonesian game was approved by the Chinese government since 2016).

There is also the issue of a confusing stakeholder landscape. There are a number of organizations claiming to represent the game industry and/or esports in the country and not all of them interact with each other. Apart from the previously mentioned IESPA, the country also has the Indonesian Games Association (AGI), Indonesian Video Games Sports Association (AVGI), Indonesian Esports Federation (FEI), and the Esports General Authority (PB Esports).

Lastly, not all parts of the Indonesian society see gaming and esports as a positive. Members of the older generations in Indonesia particularly still see the activity as negative or damaging. In 2019, the conservative province of Aceh’s *Ulema* (Islamic Scholar) Council issued a *fatwa* (decree) declaring PUBG as a forbidden game. There are also calls to limit children’s gaming time, a la China and South Korea, due to concerns of gaming addiction. Research conducted by the University of Indonesia in 2018 found that at least 14% of teens (junior and senior high school students) in Jakarta suffered from online gaming addiction, further raising concerns.

Overall, Indonesia is a rising powerhouse of the gaming market, both in terms of consumers and developers. The country has experienced a move towards a more positive attitude on gaming and esports, especially from the government. Challenges do still persist, however the future seems to be bright for the industry.