



ALL FUN AND GAMES

Hussam Hammo and MJ Fahmi (r) are rivals but see the value of friendly competition.



Got Game?

LEGIONS OF MOBILE-CLUTCHING ARAB YOUTH ARE MAKING SURE YOU NOTICE THE MENA ONLINE GAMING OPPORTUNITY

BY CHRISTINE GROVÉ

PHOTOGRAPHS BY LINDSEY LEGER



F YOU CAN CLAIM never to have potted around on *Candy Crush* while standing in line for coffee, totally engrossed, as the colorful little sweets fall and burst out on your iPhone screen, then you are one of very few.

Released on Facebook in 2012, the free-to-play puzzle game quickly became one of the most successful browser games in history. Later that year, the company released the game on iOS and Android, which sent its popularity into overdrive.

Tommy Palm, one of its four developers, was reported as saying that the first weekend numbers after the game's mobile release were over ten times greater than they had expected.

Peaking in 2014, with over 93 million people actively playing *Candy Crush Saga*, its parent company, King, reported revenues of over \$493 million over only a three-month period.

There were many users in the MENA region as well. Many who, probably given that Arabic is still the dominant language in the region, would have loved to have spent their dime and time on a *Sahaq Alhulwaa* (*Candy Crush* in Arabic).

But there is still a long way to go before we'll see a *Candy Crush*-sized offering in the region. As with all creative, knowledge-based fields in MENA, the industry has its challenges.

For one, there is a lack of locally produced content. The region is populated with a generation of too many consumers and not enough creators, and the imbalance can be attributed to a holistic cultural complacency.

Vincent Ghossoub, co-founder and CEO of Falafel Games, a Beirut-based developer of MMO games, stresses that you can't pinpoint just one culprit. "It's government, education, religion—or at least a perception of religion—you see how religious books heavily dominate the bookstores over anything else," he says.

"Then you have economic factors, where the people who financially have access to education typically have no motivation to create. Those that do have the motivation to create, don't have the financial means," he adds.



BEYOND THE LANGUAGE

These challenges have not stopped him, or his few counterparts from pushing through, however. In 2011, Ghossoub and his team at Falafel Games produced the world's first authentically Arabic massively-multiplayer online (MMO) game, *Knights of Glory*. The browser-based free-to-play game became an instant hit, and users were eager for more.

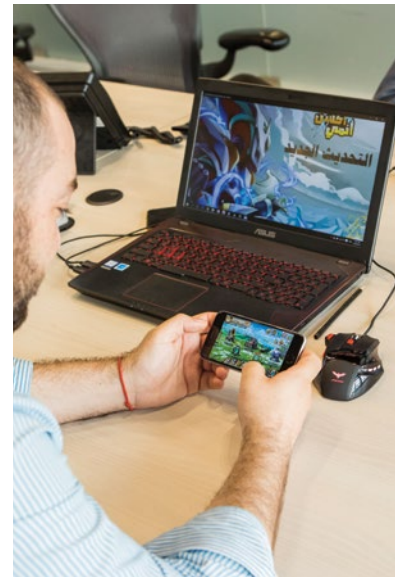
A couple of years later, as mobile platforms started bulldozing their way to dominance, Falafel Games had to adapt. "We had to become mobile-first, but we were still also strong on the web," he says.

They went on to create their second title, the region's first cross-platform game, another MMO, *War of Wars*. Both *Knights of Glory* and *War of Wars* are now the longest running, genuinely Arabic online games in the region.

However, with this dawn of mobile gaming, Falafel Games were faced with a new set of challenges, and soon, being able to successfully produce viable MMO games became what Ghossoub describes as a "bloodbath."

"Let's look at a Saudi user looking for a game during the era of the browser. He would go to Google.sa—the local search engine—and he'd look for *Ala'b* ('games' in Arabic). Here he'd find ten results of highly relevant games. Three of them would be half decent games, and one of them would be ours," Ghossoub says. "With the shift in dominance of the mobile platform, we now have global access to games. This same Saudi player now opens the App Store and sees 2,000 new games per week—from all over the world."

**"TODAY YOUR GAME
MUST BE WORLD-
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EVEN QUALIFY."**



CROSS PLATFORM

Falafel Games has undergone a few significant modifications in their business model. One successful shift was to provide cross-platform gaming from browser to mobile.



AHEAD OF THE GAME

For Vincent Ghossoub, co-founder and CEO at Falafel Games, innovation is the only constant as he moves to adapt to tech like AR and VR.



Before this shift, Falafel Games could claim that, yes, their games weren't better than say a *World of Warcraft*, but at least they were in Arabic.

"This approach today, as far as we are concerned, has no currency anymore," Ghossoub says. "Today, your game must be world-class first, and Arabic second, to even qualify."



EVERYONE'S GAME

Today, producing a world class MMO game can cost a few million dollars and can take up to a

year and a half to develop. So, Falafel Games had to shift its business model once again.

The company now has three levels of development. Their first is in-house innovation and development, which moves at its own pace.

The second is the collaboration with other production studios in the region, producing games while sharing financial risks and returns. And lastly, the company opts for publishing. Licensing and publishing games is a productive part of the business and is something that offers a steady flow of revenue.

Ghossoub insists that this is purely routine and that maintaining their Intellectual Property (IP) is still their number one priority, and continuous innovation is key to sustaining themselves on a global level in this fast-changing environment.

The market seems to agree with this sentiment as Falafel Games recently closed their Series A round of just over \$2.6 million, led by iSME (a World Bank fund), as well as existing investors, UAE's Middle East Venture Partners (MEVP).

"Just like back in 2011 when we were ahead in innovation by only doing Arabic games, now we're trying to take it one step further by focusing on next-generation games, which will involve live video streaming, and augmented reality," Ghossoub says.



BRINGING IT HOME

Licensing and publishing games may be scut work for Falafel, but it's a specialization that got Babil Games, a Jordan and Dubai-based online games publisher, its exit—a first for the region's gaming industry.

Launched in 2012, Babil Games comfortably positioned itself as the MENA region's specialty strategy and mid-core games publisher, identifying highly successful games from other regions and bringing them here to be reworked and released into the Arabic market.

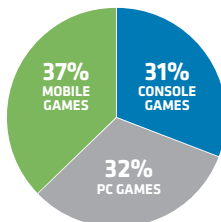
Shying away from the word "localization," Babil Founder MJ Fahmi stresses that it takes a lot more than

GOING MOBILE

Gaming is a global goldmine, and mobile is stoking the fire

GLOBAL GAMES MARKET
\$99.6 billion in 2016 and expected to hit over \$118 billion in 2019.

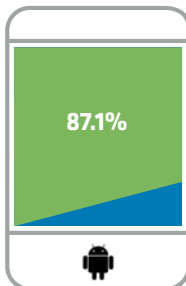
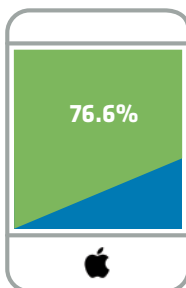
GLOBAL MOBILE GAMES MARKET SHARE



GLOBAL APP MARKET
Global app revenues reached \$44.8 billion in 2016 and will grow to \$80.6 billion by 2020.

MENA APP MARKET
Expected to grow to \$6.6 billion in 2020 at an annual rate of 42.6%. This is far above the global average, but from a relatively low base, as average spend per person and smartphone and internet penetration are still low.

GAME REVENUES BY DEVICE
2016 app revenues generated by games

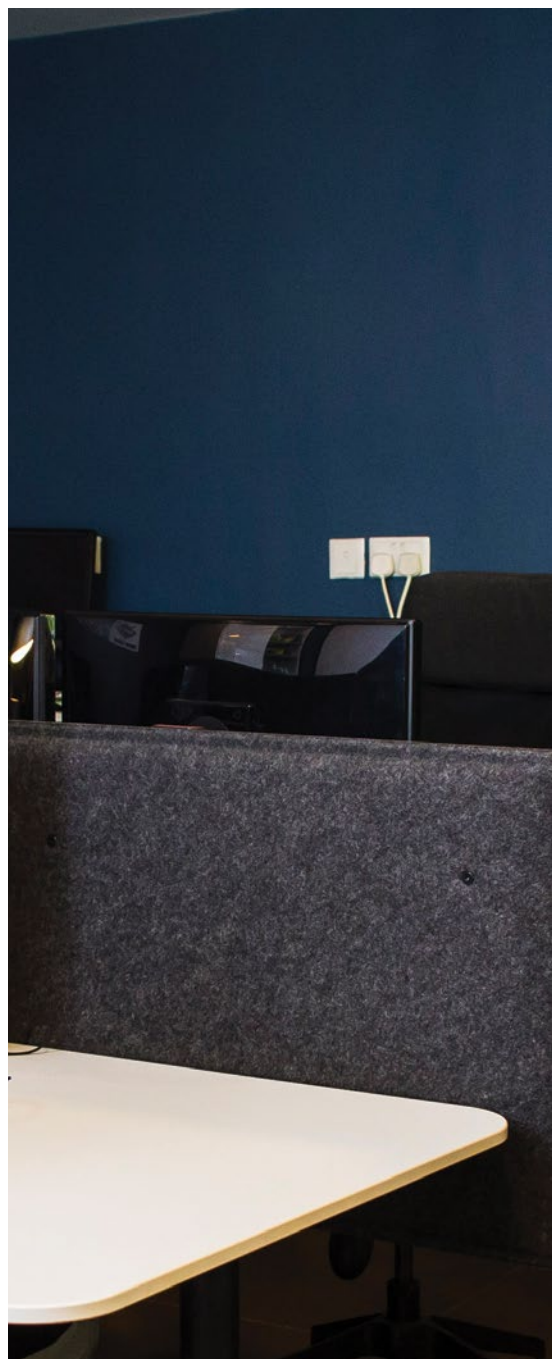


SOURCE: NEWZOO

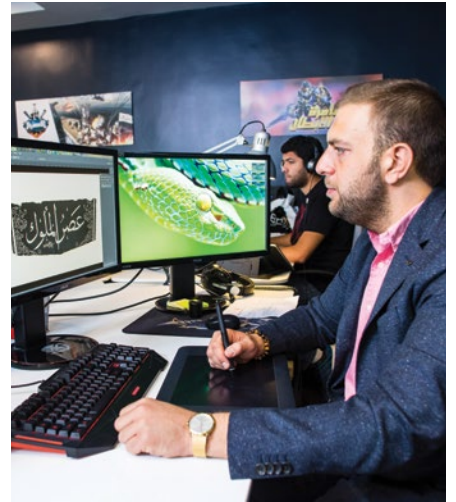
just translation to adapt an international game to suit the Arabic market.

"We don't call it localization. It's more acculturation," Fahmi says. "Our users want, not only their games but all digital content, to be relevant to their culture, to their lives, to their own stories...so they can relate to it."

For Fahmi, it's not just a case of adding some subtitles, like they do with other, rigid media, like film.



“USERS WANT THEIR GAMES TO BE RELEVANT TO THEIR CULTURE.”



A SUCCESSFUL STRATEGY

Babil Games focuses on only licencing and publishing games for the MENA region.



WELL-PLAYED

In December 2016, Babil Games became the first MENA gaming startup to make an exit. They were bought for an estimated \$17 million by Swedish gaming company, Stillfront. Its founder, MJ Fahmi, will stay on as CEO to continue growing the business in the region.

Gaming is a lot more flexible, in the sense that games can be taken apart, re-developed, and put back together again as a completely reworked and relevant entity.

“Imagine the movie *300*,” Fahmi muses. “We would take that kind of game and start breaking it up into several sections, replacing the characters with Arabic ones, add different audio, different voice overs, and adjust the colloquial language use. Even the user experience has to be reworked to be right-to-left instead of left-to-right.”

The success in this culturizing specialization caught the eye of the Stillfront Group, an independent Swedish creator, publisher, and distributor of digital games.

The group bought 100% of Babil Games’ shares last December for a total of \$17 million.

Babil’s founders and the team of 12 are still there, and continue their operations under the Stillfront umbrella, which also includes Bytro Labs in Germany, Coldwood Interactive in

Sweden, Power Challenge in the UK, Dorado Online Games in Malta, and Simutronics in the US.



THEY PLAYING?

The acquisition is a major shot in the arm for this often-ignored industry.

Despite the global gaming market placing itself at a whopping \$99.7 billion in 2016, with mobile growing to over a third of that, MENA investors have remained demure.

“Most investors in the region do not believe in this industry,” says Hussam Hammo, founder of Tamatem, the Jordan-based mobile games developer, and publisher.

“This is because it’s seen as a risky, hit-driven business. It’s very similar to the movie industry in certain aspects, and people are unsure how it’s monetized, but I believe that the market is now maturing.”

“I can’t say for certain why angels and VCs aren’t investing in the gaming industry here,” says Hubertus Thonhauser, an enthusiastic Swiss venture capitalist with a background in gaming, who is active in the MENA’s tech space, and one of Babil’s initial investors.

“Maybe they’re too comfortable. When you live in the Middle East, and you are in the angel space, and you look for opportunities, gaming is not the first thing that comes to mind.”

“There are many other options. The angel space in the MENA region is very small itself, and really only developing now. It’s a Catch 22 because there haven’t been many exits yet, and that’s why there aren’t so many angels, but things will change.”

Hammo, whose company has enjoyed tremendous success as a developer and publisher of competitive Arabic language games like the *Shake the Metal* series, points to a hurdle in the industry’s regional growth.

He reasons that not many people know or realize how gaming monetization works.

“Many people are confused when I tell them our games are free-to-play. They don’t understand how you can make money from that,” he sighs.

TOP 5 MENA GAME REVENUES BY COUNTRY

The Gulf countries are big spenders

SAUDI ARABIA \$ 647,424,000



IRAN \$ 431,917,000



UNITED ARAB EMIRATES \$ 281,611,000



EGYPT \$ 192,559,000



QATAR \$ 130,929,000



SOURCE: NEWZOO

In most cases, and specifically in the cases of Falafel, Babil, and Tamatem, games are based on the free-mium model. These mobile games are free to download and free to play, however, to advance to higher levels or to participate in virtual acquisitions, you can make in-app purchases—a revenue model that can complement or replace advertising revenue for gaming firms.



NOT A HOBBY

Someone who is very vocal about growing the industry is the founder and main man behind the DGC Games conference, Habib Chams. In its third year, the conference was held in Dubai for the first time ever, with two previous editions being held in Lebanon.

With the conference, Chams aims to continue bringing the big names in gaming to the region, not only for investment, but also for talent.

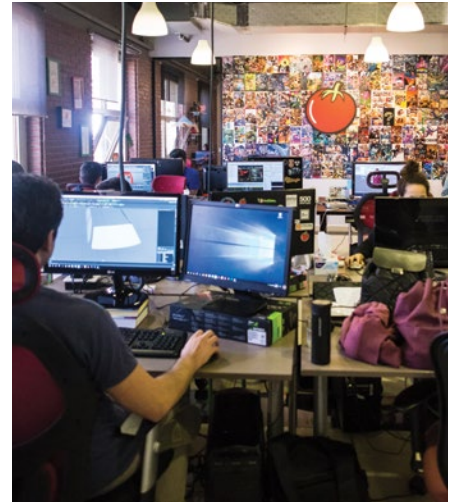
“It’s all coming here. The future is going to be pretty exciting,” he says. “Here you have a market that is making around \$3.5 million from games, and they are only at maybe 20% of the potential market.”

“And if you add to it North Africa, it will grow. We’re now starting to understand what it will take.”

According to Chams, understanding the exponentially profitable Arab gaming market is to understand that Arabs love competition and this extends to gaming.

“They like to be on the leaderboard—and to be on the leaderboard, some of these people are ready to spend a lot of money.”

“IT’S TIME FOR INVESTORS TO TAKE THE INDUSTRY MORE SERIOUSLY.”



IT'S ABOUT COMPETITION

Currently, it's the competitive, multiplayer games that are the big money makers in the region, and the genre Tamatem focuses on.



THE NEXT LEVEL

Tamatem has launched 40 different games, which have totalled around 40 million downloads. "We did a million dollars in revenue last year, and we are expecting to see more growth happening this year," says Hussam Hammo, founder and CEO.

The MENA market size is sitting at around \$700 million, and is expected to reach the \$1 billion mark by 2020 thanks largely to mobile gaming and the region's 100 million Arabic smartphone users.

Not surprisingly, Saudi Arabia tops the market in size, followed by Egypt.

However, per capita, it's the rest of the Gulf countries, namely, UAE, Kuwait, and Qatar, that are the big spenders, despite being small markets—fuelled by high rates of broadband and smartphone adoption, and disposable incomes.

These big spenders are known as whales, and according to game company owners in MENA, whales are what they're really after.

But all three countries are "a great place for testing" their games, he points out.

On the future of the regional gaming industry, all three founders believe that Babil Games' acquisition marks a turning point in the journey.

That it is helping to draw the gaze of not only local investors, but those sitting outside the region as well.

"I believe that it's one of the best things to happen in the region. It shows that this business model has been proven and it has the potential for exits," says Hammo.

"It's now time for regional investors to take this industry more seriously. That gaming is not just a hobby."

— CHRISTINE GROVÉ is a senior reporter at Inc. Arabia.