Amazon Luna is a strong cloud gaming proposition that may provide partnership opportunities for operators

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Martin Scott and Giulio Sinibaldi

Amazon launched 'early access' to its cloud gaming service, Amazon Luna, in September 2020.[1] Cloud gaming fits with Amazon's strengths, assets and capabilities, but it is not the only company that is looking to gain market share in this sector. This article analyses how Amazon's proposition will appeal to consumers and may also provide an opportunity to partner with operators.

Amazon is using its existing cloud assets to diversify its consumer proposition

Amazon Luna is initially only available in the USA and has an introductory price of USD5.99 per month. There are 72 games in the current catalogue. The service works across multiple devices such as PCs, Fire TV and the Apple ecosystem, and general Android support is 'coming soon'. Amazon's move focuses on the small but rapidly growing cloud gaming segment, which we expect to be worth USD14.5 billion by 2024.[2]

Cloud gaming is a good fit for Amazon because it has control over key assets that will enable it to secure a competitive advantage: multinational distributed server infrastructure (AWS), the most popular social media and video streaming service for gamers (Twitch) and a video streaming platform (Prime Video) that is tied to arguably the world's most successful e-commerce portal (Amazon.com).

The cloud gaming market is becoming more competitive, but Amazon Luna is well-positioned to succeed

The cloud gaming market is becoming increasingly crowded. Services are available from providers with a regional focus (such as Shadow, Playkey and Vortex), traditional gaming players (such as Sony's PlayStation NOW and Tencent's START) and hyperscalers (such as Stadia (Google) and Microsoft xCloud). Some telecoms operators (such as Deutsche Telekom, Orange and Chunghwa Telecom) have also launched own-branded cloud gaming services, while others (including Vodafone) are bundling third-party propositions with fixed broadband and 5G services.

Amazon Luna's opening proposition is appealing, particularly when compared to Stadia,[3] which is the most directly comparable service.

1 Amazon Luna (2020): https://www.amazon.com/luna/landing-page.

2 For more information, see Analysys Mason's *The cloud-gaming opportunity for operators.*

3 For more information, see Analysys Mason's *Google plans to use its Stadia cloud-gaming service to gain a central position in the digital gaming value chain.*

- Amazon Luna is cheap (USD5.99 per month). It is cheaper than Stadia, which has tiers priced at USD7.99 and USD9.99 per month. Luna's dedicated games controller currently retails at USD49.99, which is USD30 cheaper than Stadia's controller.

- It has a strong device proposition. Amazon and Google both have a strong device portfolio; most importantly, they both offer dongles for TV sets (the TV set is still a cornerstone of the high-end gaming market). Amazon claims that its cloud-connected controller can reduce latency by 17–30ms relative to other supported input devices; this will appeal to existing gamers. The USD5.99 price point also means that subscribers can play on two devices simultaneously without incurring prohibitively high costs.

- It has reasonable launch partnerships for content. Amazon has announced that Ubisoft and Remedy Entertainment are launch partners; several other players in the space have also launched with two big partners. Stadia launched with Ubisoft and Bethesda, for example.

- Its software solution appears to be superior to Google's. Luna will be hosted on Windows virtual machines (VMs), whereas Stadia relies on Linux. The use of Windows lowers the barriers to entry for content providers and allows users to enjoy a full multi-player experience. Publishers and developers, who mainly build their games for Windows machines, do not need to adapt their code to work on the system. Luna users will be able to play against most other users because most online gamers use a Windows-powered platform. Conversely, those that play on Stadia, due to its Linux architecture, are not necessarily able to play with those playing a Windows-based instance of the game.

Amazon engages in subscription media and has the retail platform through which to promote and sell its service. Its established e-sports platform, Twitch, is a logical partner for cloud gaming: it is well-positioned to launch and scale cloud gaming services, arguably better positioned than Google, who has fewer existing subscription customers. YouTube is also not as well-established as an e-sports destination as Twitch.

Amazon's retail strategy will appeal to consumers, but may also provide an opportunity for operator partnerships

Amazon pursues a platform-based strategy for many of its services: it provides the service, distribution and infrastructure to enable the retail of other companies' content assets. This approach has worked well, for example, its Prime Video service offers 'Channels'; these are separate subscription packages that are available within the main subscription. Amazon has indicated that it will take a similar approach with Luna and is offering Ubisoft's content as a channel at launch.

This approach may hold more appeal for consumers than Google's pricing strategy for Stadia, which requires users to subscribe to a particular service tier and then to buy access to individual titles. It will particularly engage gamers who do not wish to remain locked into buying titles on the platform. Conversely, Amazon's subscription model may be less appealing for large games publishers because they may generate less revenue per title on Luna than they might on Stadia.

Operators may treat Luna much as they treated Amazon Channels: it could be seen as a strong challenger to their own-branded cloud gaming services, or it could be a possible route for collaboration (much like how operators have partnered with Amazon to bundle Prime Video). Indeed, cloud gaming requires high-performance connectivity and may therefore work well in bundles with fibre or 5G broadband. It is less likely that Amazon will engage with operators' own IaaS solutions for cloud gaming than other service providers, given that its own infrastructure is so well-established. Nevertheless, some operators (for example, KDDI, SK Telecom and Verizon) are working with AWS to develop edge applications and services, so further partnerships

(beyond simple retail partnerships) related to 5G and cloud gaming are likely to exist between Amazon and operators.