

LIVE GAMER

Taking Virtual Economies to the Next Level

Monetization Track, Casual Connect 2010

COMPANY OVERVIEW



live gamer

TOTAL COMMERCE SOLUTION

- *BEST IN CLASS TECHNOLOGY, EASY INTEGRATION*
- *WORLD CLASS MANAGEMENT & SUPPORT*
- *POWERING MICROTRANSACTIONS SINCE 2001*
- *82 CLIENTS LEVERAGE TOTAL COMMERCE SOLUTION*
- *146 LIVE PROJECTS*
- *80M+ USERS SUPPORTED IN 23 COUNTRIES*
- *OFFICES IN NEW YORK, PALO ALTO, SEOUL*

What Are We Talking About

Virtual goods are one of the most important monetization strategies for game developers today.

In this presentation, Bill goes in depth on the metrics, measurements, and merchandising secrets that developers and executives alike need to understand and master in order to run a successful virtual economy.

Agenda

- **Metrics and Measurements**
- Merchandising

Principle #1: Don't Panic



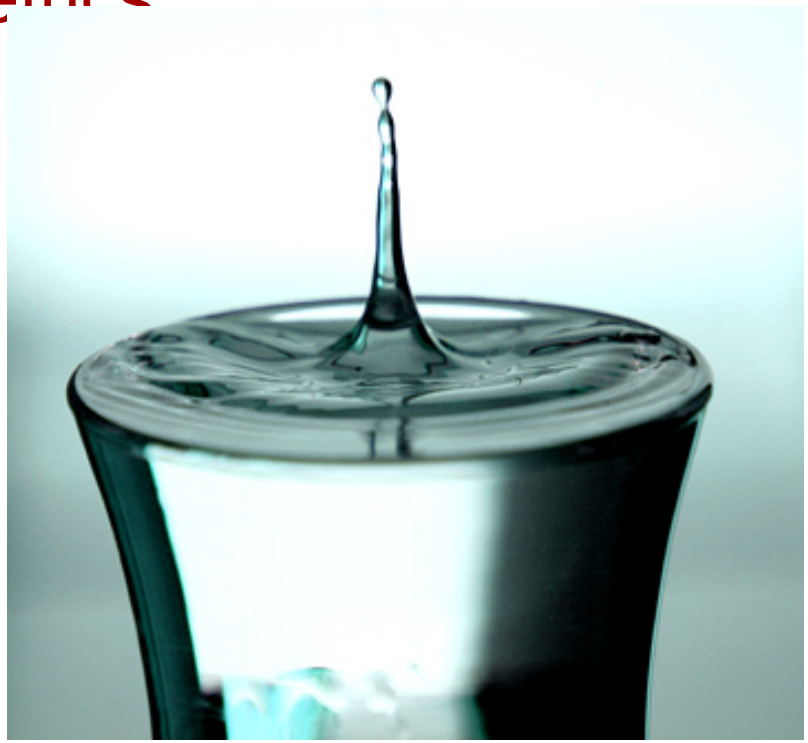
- It's a beast
- Tons of information out there
    - Mostly anecdotal
    - What works for other people might not work for you
- A typical implementation has a lot of data.
- Key thing is to not be afraid and to focus on things you understand

Principle #2: ARPU Mostly Useless



- Come from telcos
- Gives you a score
- Doesn't tell you what to fix
- Isn't incremental
- Applies to the brethren as well (ARPPU, ARPAU, AMPU, …)

Principle #3: Use Process Metrics



One day, Bill was interviewing a junior systems administration candidate. “What was your uptime at your previous company?” he asked.

After much thought, the candidate said “I don’t know. I think it was pretty good.”

Later, Bill was speaking to Greg, his VP of Engineering. “What was going on there? How could he be responsible for an SLA, or even be a person in an organization with an SLA, and not know his uptime?”

“That’s the number **you** want, “ Greg replied. “It is not the number he lives with. He watches CPU utilization, IO wait on disks, latencies and ping times. Those things, he knows. SLA is a summary for business, contracts, and management. But it’s not day-to-day running of things.”

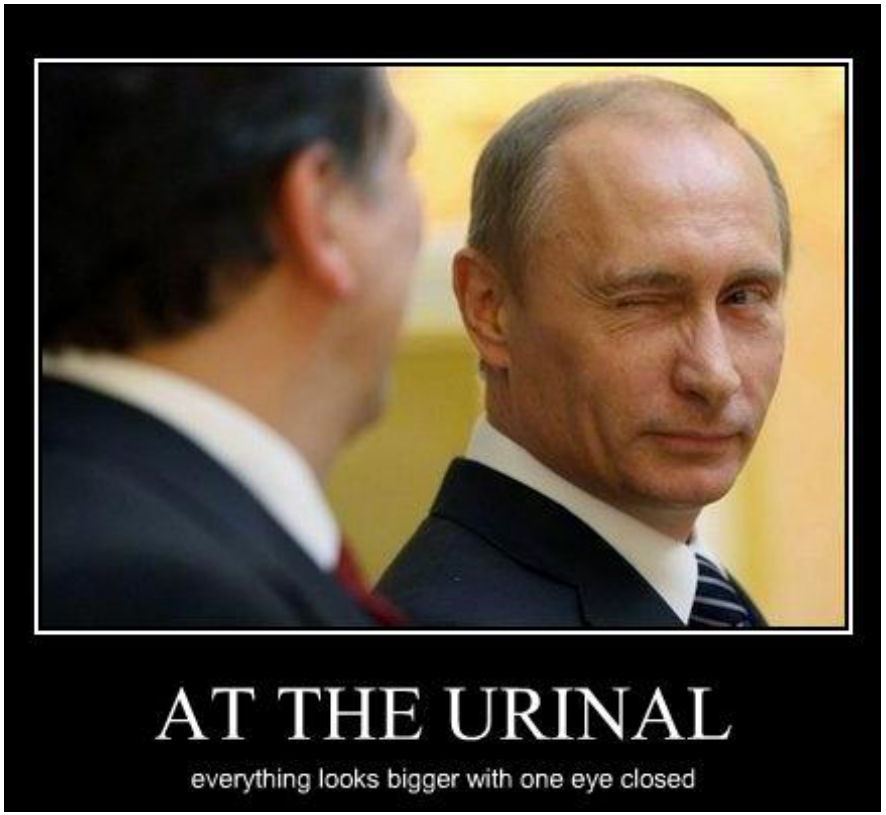
And Bill was enlightened.

Principle #4: Expect to Tune

- You release a game
  - Then you change it
    - Then you change it more
      - .....
- Why would your economy be different?
- You need metrics that help you tune your economy



Principle #5: Don't Compare



- ~~How am I doing compared to those other guys?~~
- Conversion percentages are all over the map
  - 2% for social in the US
  - 12% for MMO in Korea
- ARPUs are all over the map too
- Market is evolving
- Based on
  - Country
  - Demographic
  - Application Type
  - Degree of socialness
  - Genre
  - Specific application

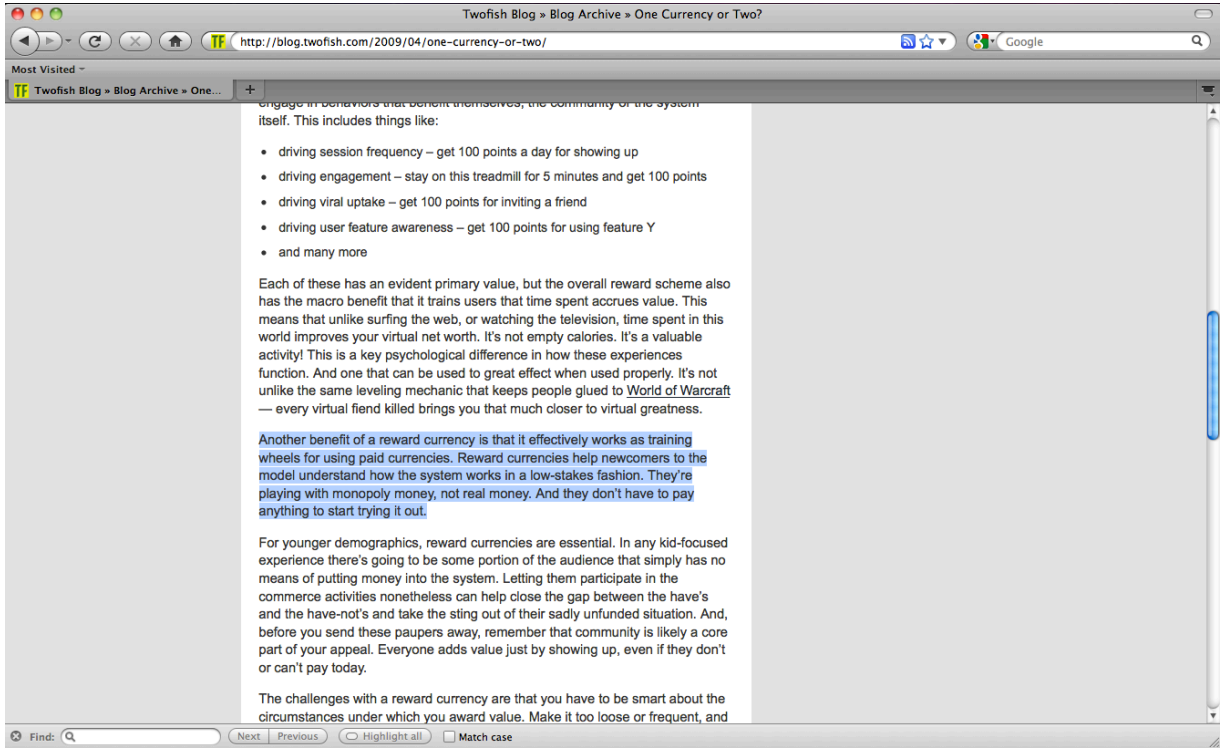
Principle #6: Ask Measurable Questions



- ~~"Should I use one currency or two?"~~
- "Will using two currencies lead to greater engagement?"
- "Will using two currencies lead to greater monetization?"
- "Will using two currencies increase the total lifetime value of the user?"

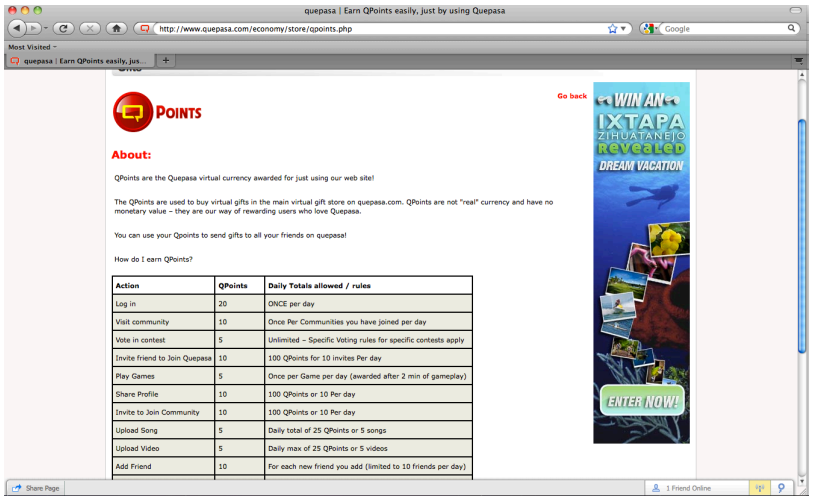
Principle #7: Be Very Skeptical

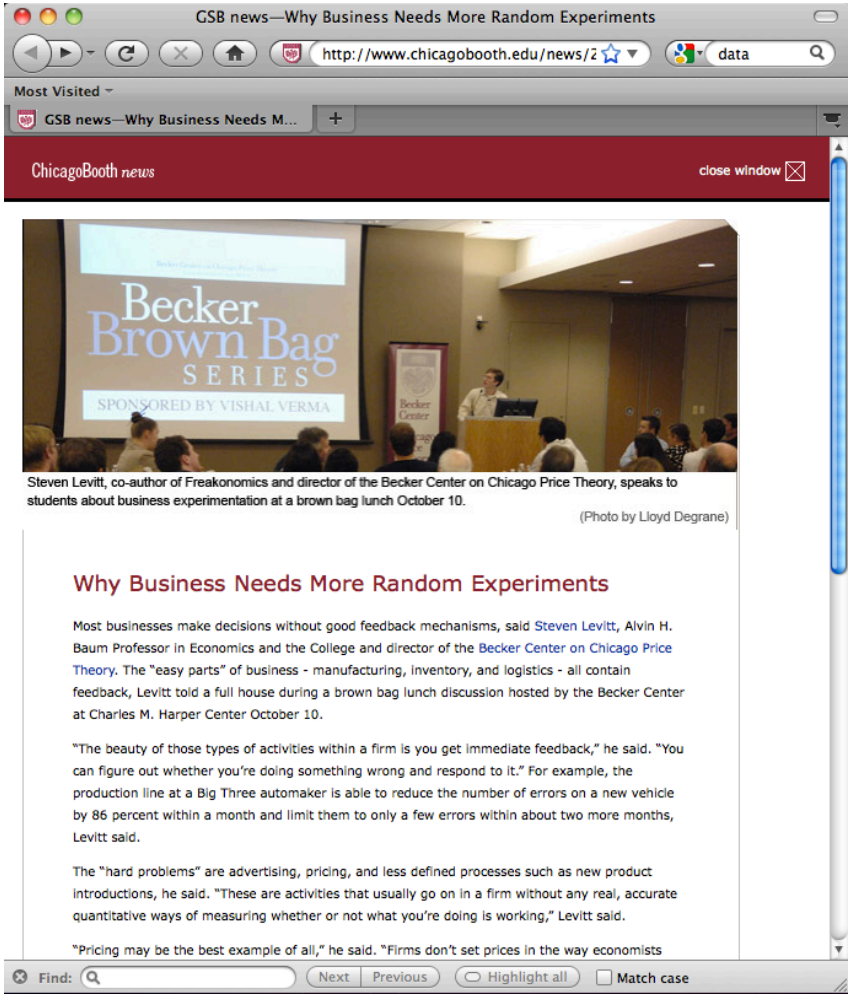
- People need to be trained in how to shop?



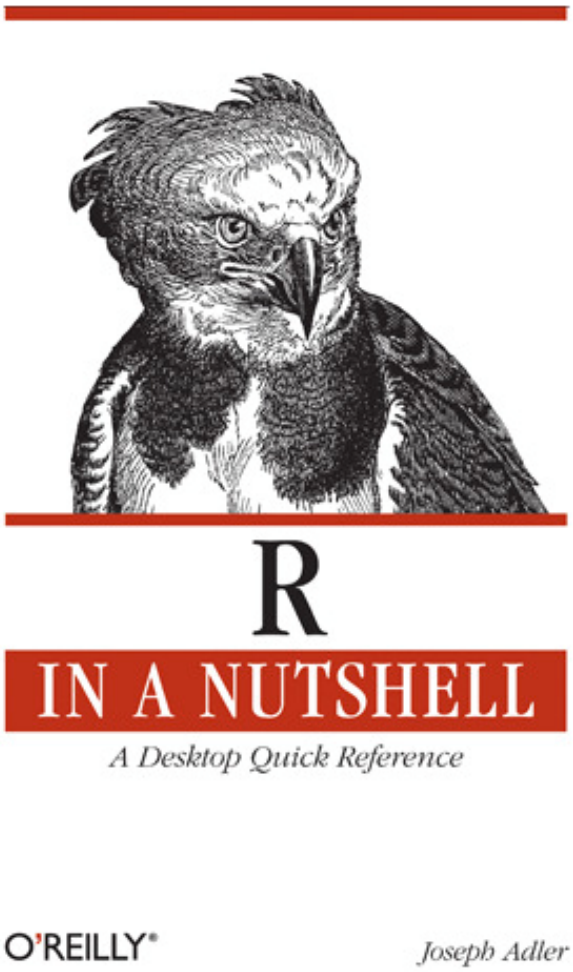
- Really?
- Really really?
- No, really?

Principle #8: Experiment





Principle #9: Reporting is Not Analysis



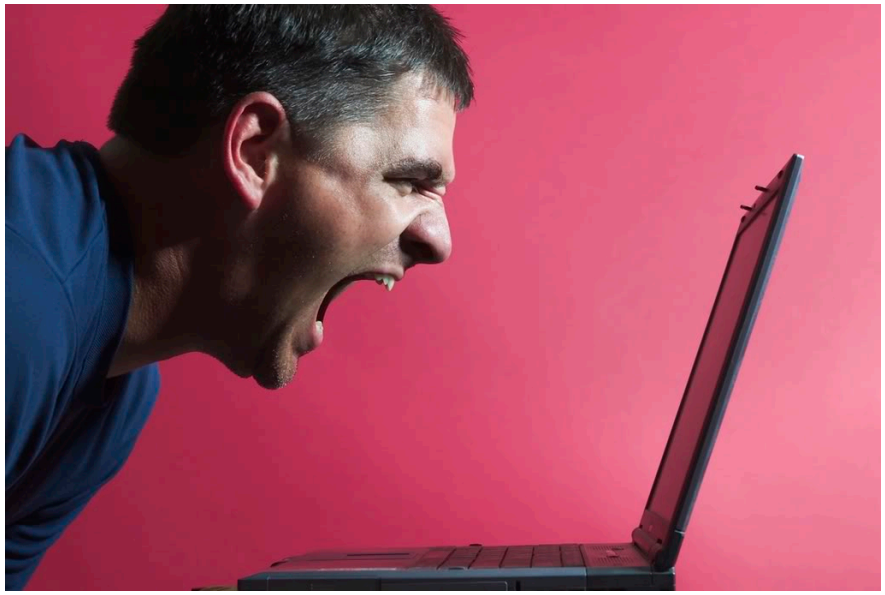
- People are not moments in time
- People are time series
- Good reporting does a lot.
- But … at the end of the day, you're going to have to grapple with the raw data

Principle #10: Data Comes From Many Places



- Transactional measurements
- Click streams
- Platform measurements
- Virality measurements

Principle #11: Don’t Over React



- You’ll have lots of data. But you need to think of it as time-series data, not snapshot data.

- You’re looking to maximize expected lifetime value of the user.

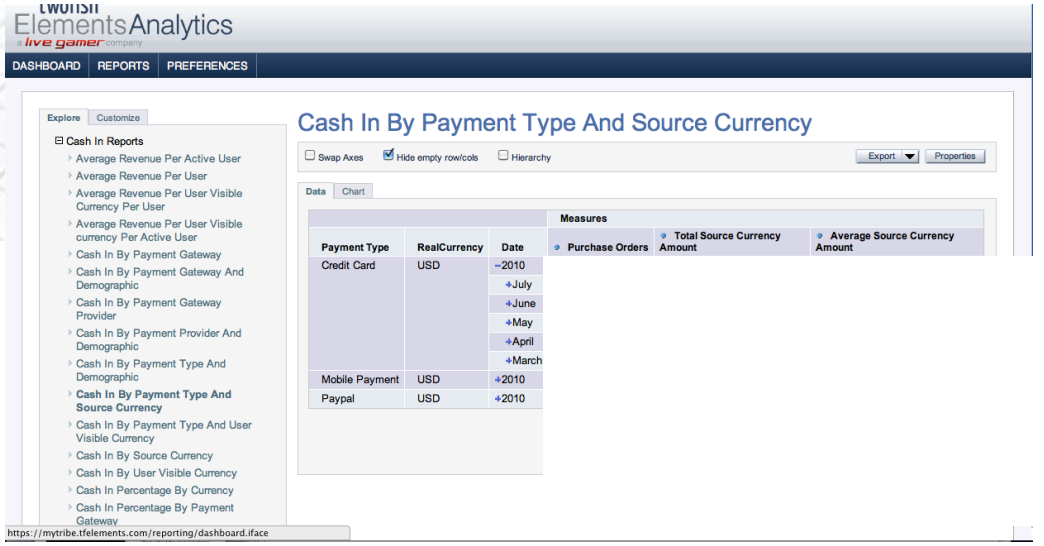
- If you double prices, and double short-term revenue but quadruple churn, you’ve probably made a mistake .

- Be aware that data has to be interpreted.

Principle #12: Measure Everything



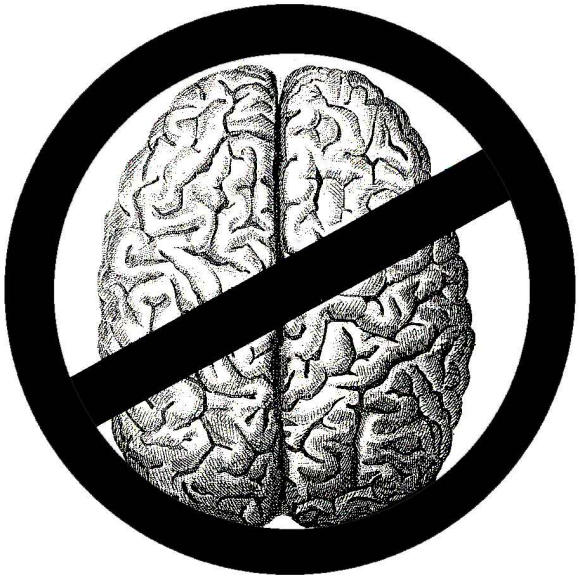
How else will you know what works?



Agenda

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- **Merchandising**

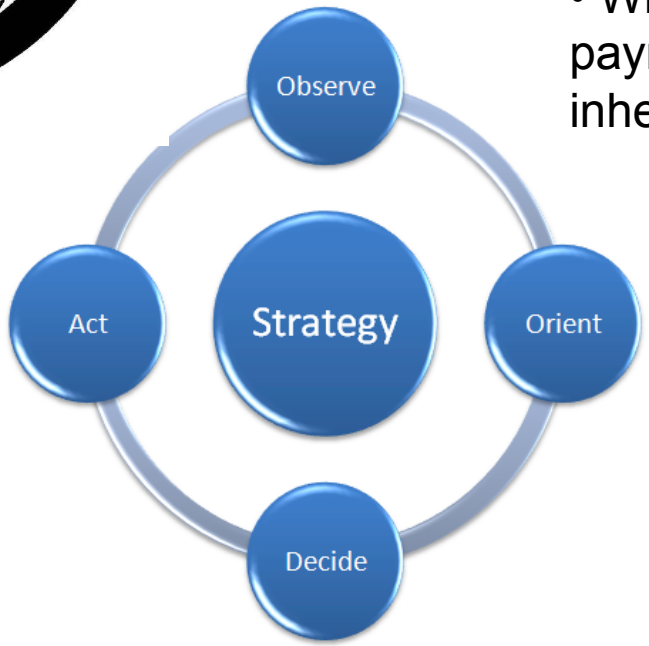
Principle #1: Don't Think Too Much



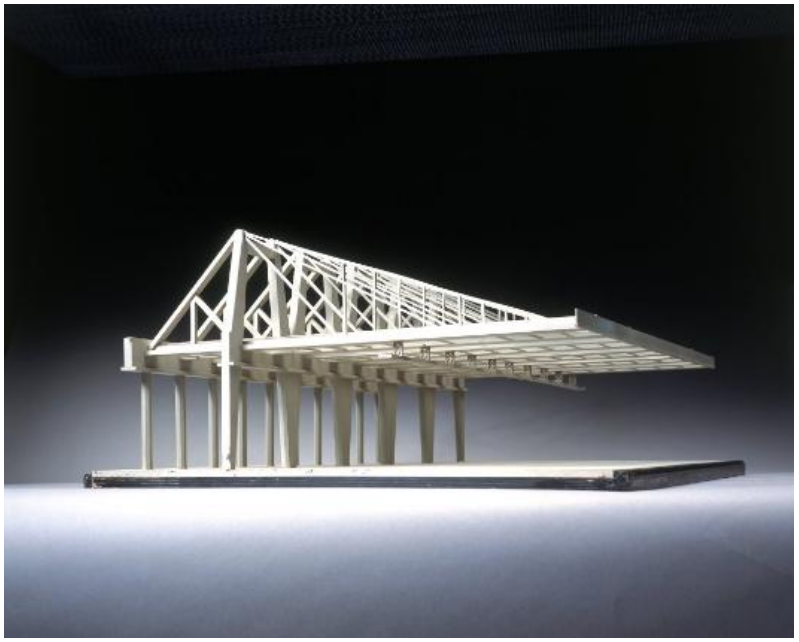
- If you spend months before launch worrying about pricing, you're wasting your time

- Most pricing and bundling decisions are going to be revised over time.

- What promotions and what payment methods work is inherently empirical



Principle #2: Go Slow on Deep Analysis



- Don’t worry about price optimization for a while.

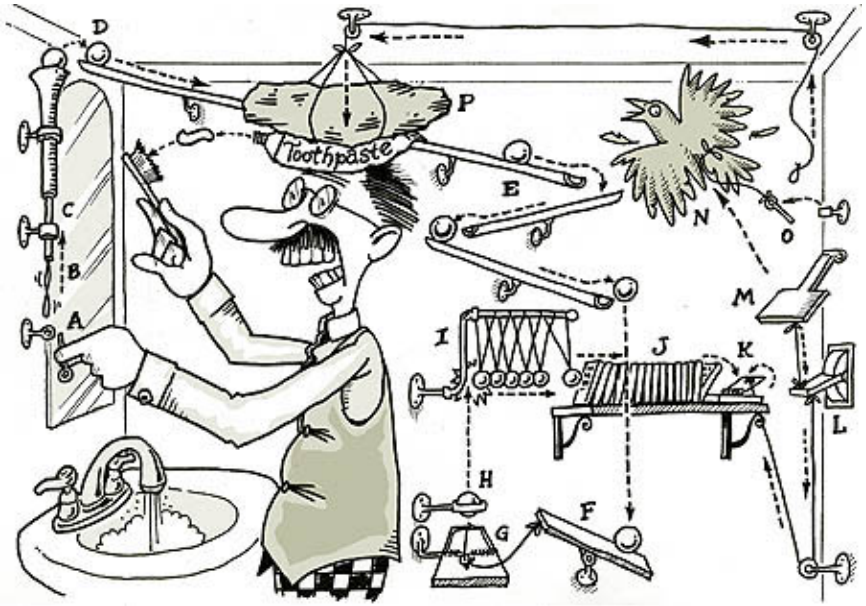
- Worry about the user experience (read: “can they find the store”) and about embedding commerce into the fabric of your game.

    - Once people are in the habit of buying, people are in the habit of buying.

    - Build in multiple points of commerce

- Make sure you have an empirical framework in place.

Principle #3: Make It Easy



- The end-user experience can be overwhelming
  - How do I find the storefront?
- Bundles make shopping easier.
- Sometimes you're Amazon.
- Sometimes you're a soda machine.
- Contextually suggest things to people.

Principle #4: Use Virtual Currencies



- Real Money → Virtual Currency → Virtual Goods
- Lots of strong psychological reasoning here
  - Larger piles of money
  - People don't take it as seriously
- You can give away virtual currency (cf: slide on training users)

Principle #5: Use Loyalty Currency



- Tons of information about this out there.
- Key points:
    - Rewards the users
    - Trains the users to buy stuff
    - Nice gifting vector for social behaviors
- Separate the currencies
    - Fraud vector issue
    - Cannibalization issue

Principle #6: Reward Good Behavior



- Give away loyalty currency
    - •Make sure it's being spent (training users)
- Loyalty currency is free to manufacture, but valued by the user
    - Give it away!
    - Buy 500 gold coins today and receive 10% off your next purchase in the weapons store

Principle #7: Recommend Stuff



- What do people buy?
  - Either they already know what they need
  - Or they've seen something they desire
  - Or you recommend it to them.
- Recommendations don't have to occur in storefronts.
- The technology that generates the recommendations isn't that important.

Principle #8: Train Users



- Free gold for joining
    - Or letting people “owe” the game
- Suggesting purchases
- When someone creates an account and plays for the first time, are they away of purchases ?
- Tie commerce to the game
    - “Now that you’re a level 10 wizard, save 30% on potions at …”
    - Part of breaking the money mindset

Principle #9: Control Inventory



- Stuff has to go away
- Consumables are part of this
- Secondary exchanges are part of this
- Pawn shops (the world buys things back for a discount) are part of this
- Trade-in offers are a key part of this
    - Remove inventory
    - Monetize
    - Fit into promotions strategy.

Principle #10: Customize Storefronts



- Club Penguin does a great job of this

- The big generic store of all stuff is great for power users who know what they want to buy.

    - And for people who enjoy spending time browsing storefronts.

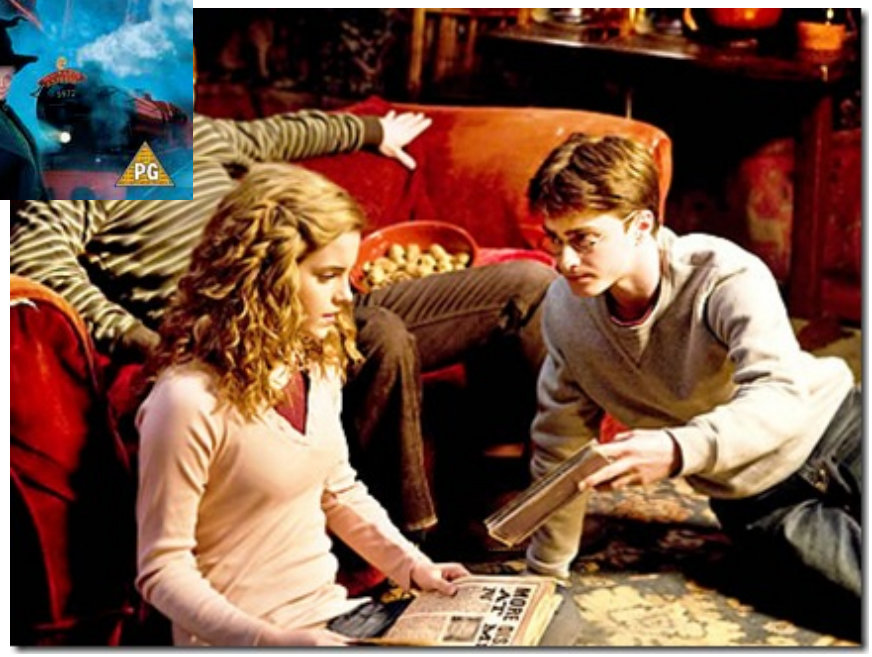
- Everyone else gets lost

Principle #11: Treat People Differently



- Level 1 versus Level 10
- Mage versus Fighter

Why are they seeing the same goods and inventory ?



Principle #12: Localize Money



- In important markets, offer people the financial instruments they're comfortable with
- Most games are:
  - Credit cards, Paypal, Mobile
  - USD, EUR
- This leaves money on the table
- Not just a question of "supporting" more
  - You need to default to the right thing.

Principle #13: Offer Discounts



- Buy One, Get One Free is the most popular promotion mechanism out there
- Second is “X% off when you spend > Y”
- Two levers:
  - Item prices
  - Currency prices
- Currency discounting is underutilized
  - Buy 500 diamonds, get 250 free
  - Helps with training people to spend
- Personalize, or at least cohortize, discounts