KONGREGATE

Maximizing Monetization

Casual Connect SF 2013

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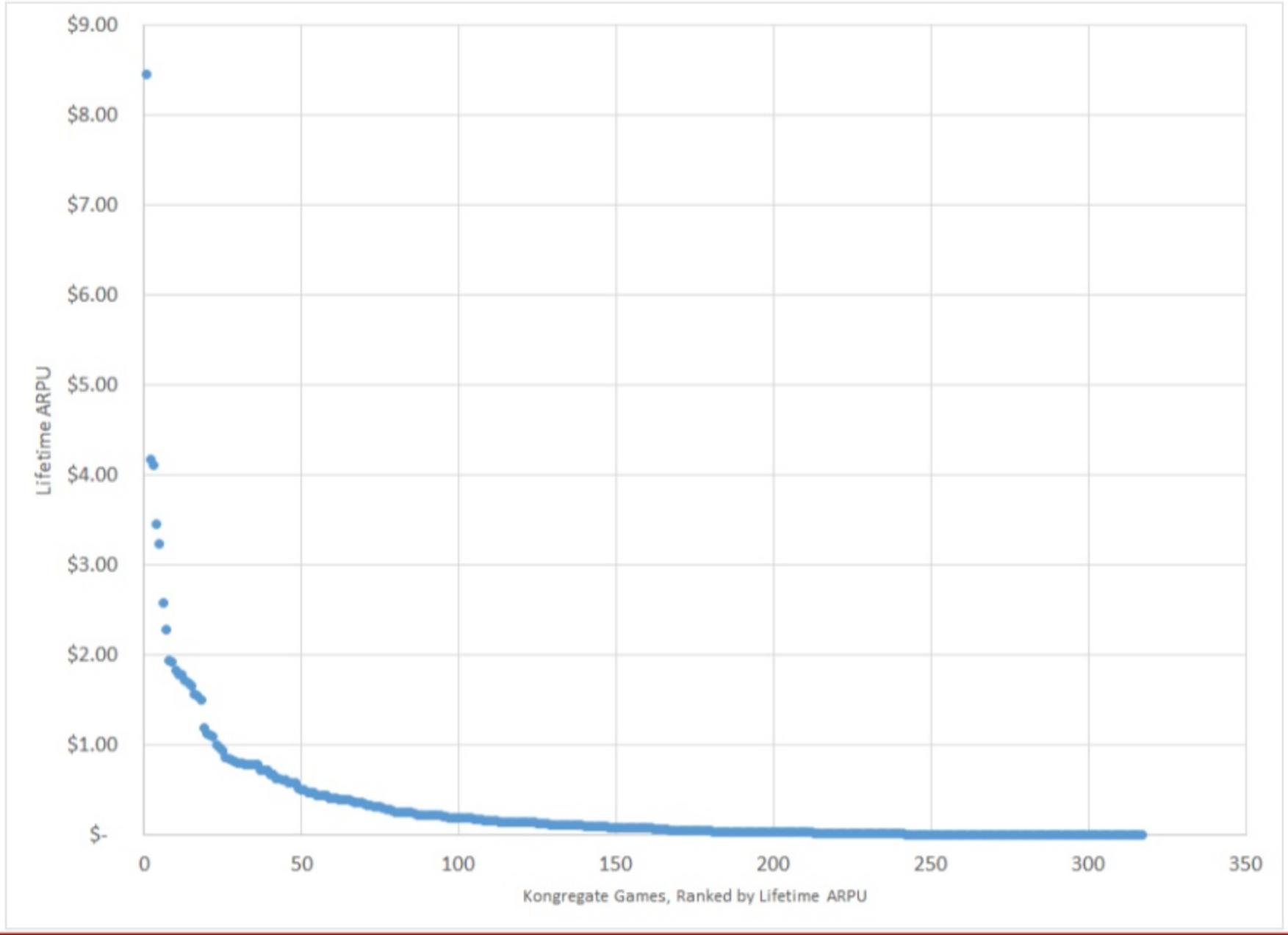
A little Kong background

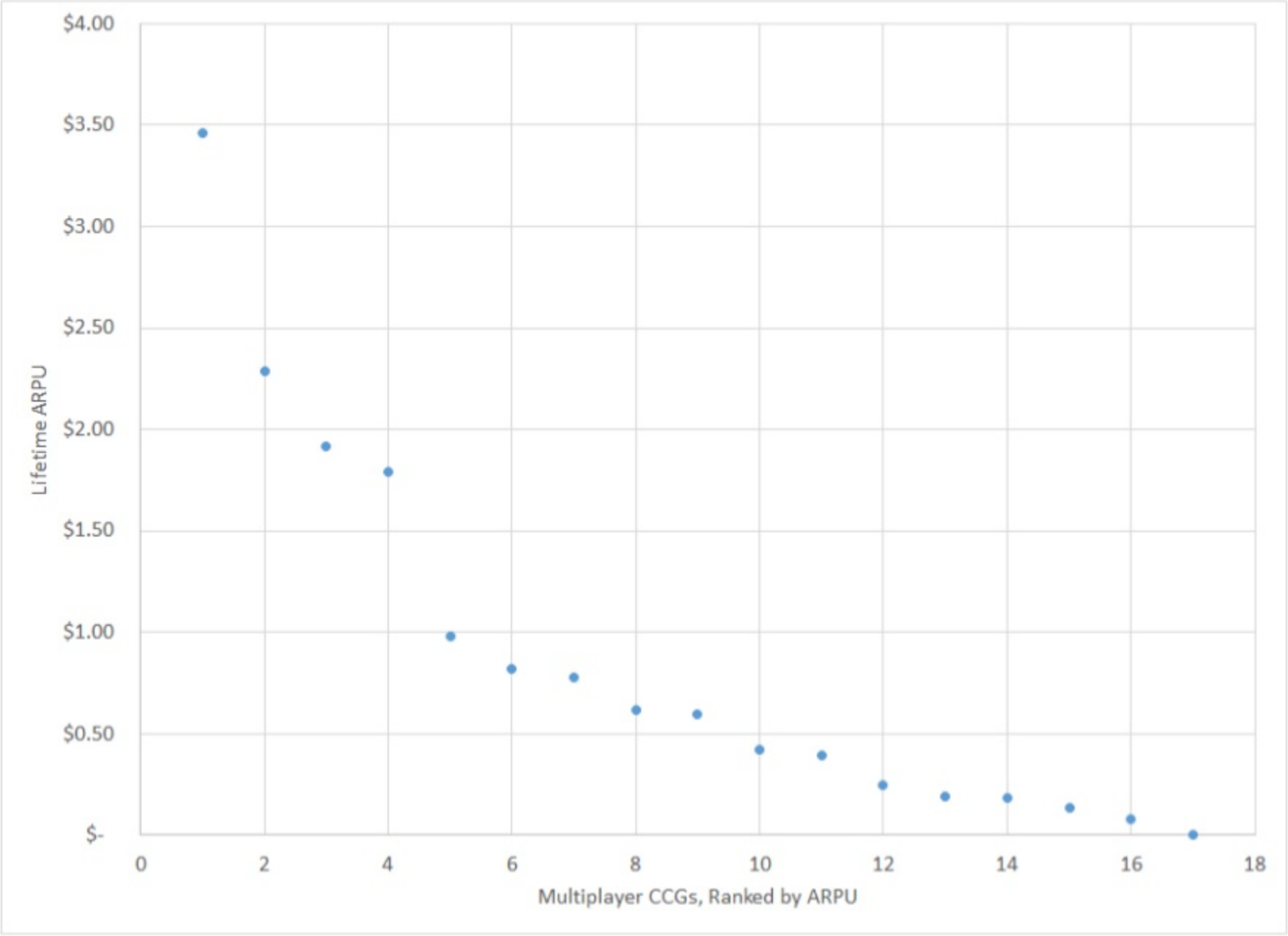
- Open platform for free browser-based games
  - Flash, Unity, HTML5, Java, etc.
- 15M monthly uniques, core gamers
- ~300 games selling virtual goods
- Revenue from ads (15%) & virtual goods (85%)
- Now a mobile publisher of free-to-play games, first titles launching globally August 2013

Some of Kongregate's Existing Developer Partners

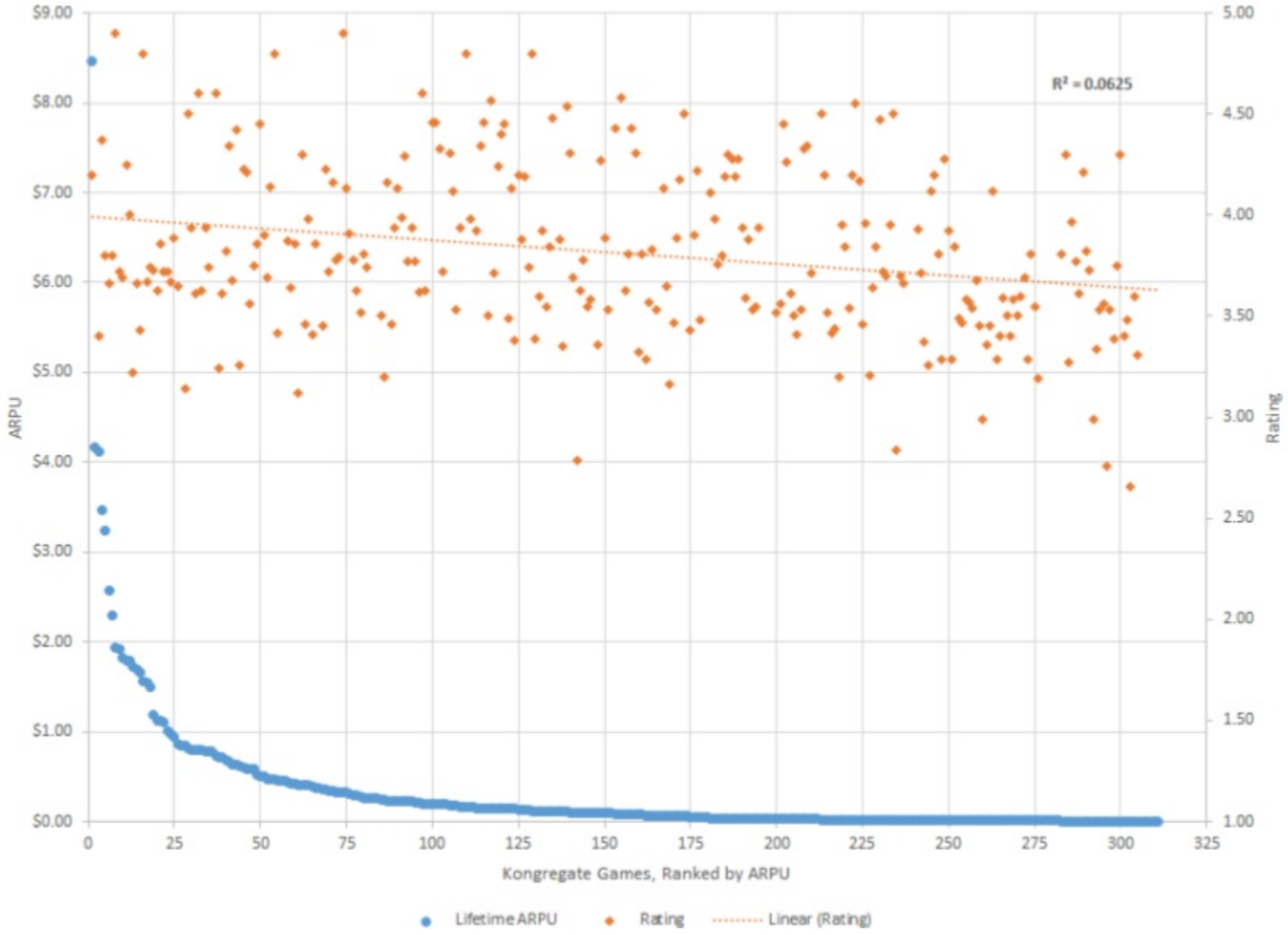
Monetization is exponential



It’s not just genre

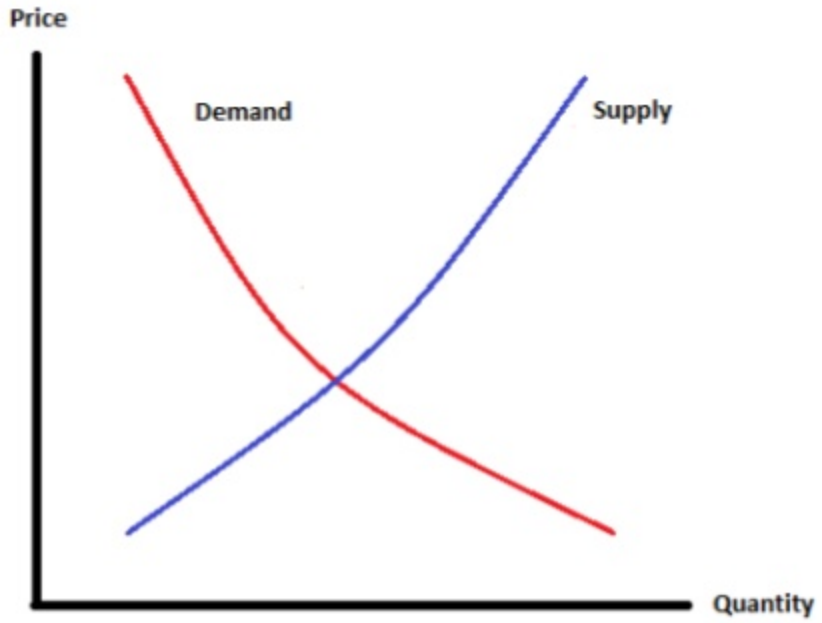


It’s not just quality



So what gives?

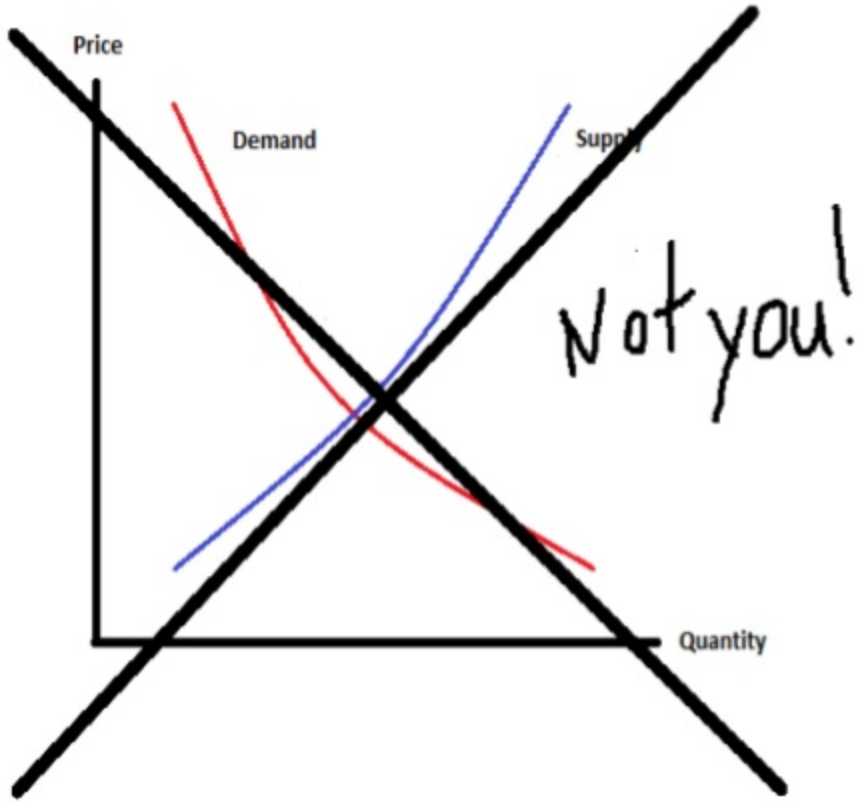
Econ 101



In perfect competition the market price is set where demand & supply are equal.

Real life example: the stock market

Imperfect Competition



Perfect competition assumes that goods are homogenous, i.e. that there's no difference buying from one supplier or another.

But nobody can sell a good that's useful in your game but you.

(Ignoring gold farmers)

Your game is a monopoly

But I'm surrounded by competition!

Yes, and the competition for player ATTENTION got so fierce that it dropped the game price to free.

The market for in-game goods is separate: players are not price-shopping packages of gold in two different games and deciding which to buy.

Since players can leave your game/market for goods freely your monopoly is (very) insecure.

What it does mean, though, is that you look internally to your game to set prices, not externally.

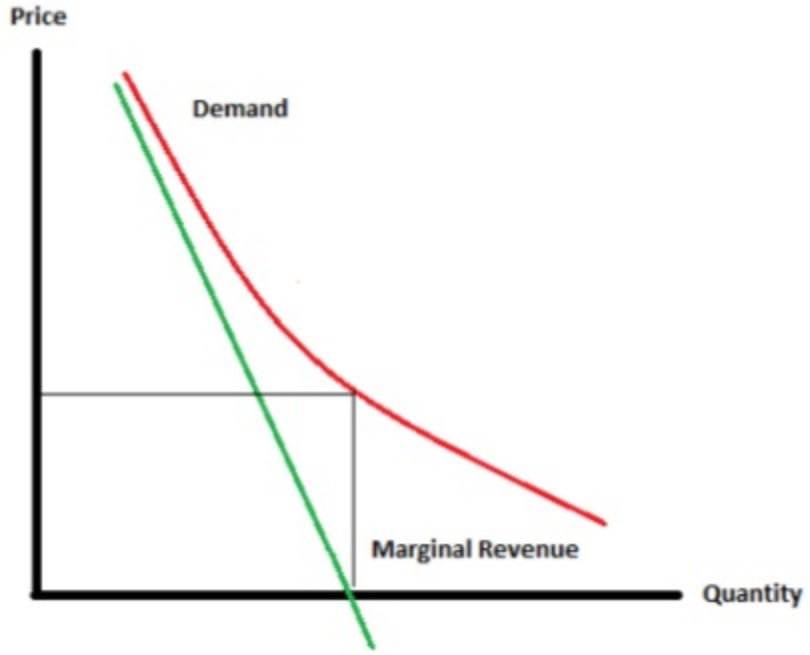
Monopoly Revenue Maximization

Monopolies can set the price freely, deciding whether to sell fewer units at a higher price or more at a lower price.

Marginal revenue is the change in total revenue from a change in price.

Example: 5 units at $5 = $25
7 units at $4 = $28
Marginal Revenue = $3

Total revenue is maximized where marginal revenue = $0



Uh, how do I figure out where MR=$0?

In an econ class the professor would give you a formula and you'd calculate a derivative.

In the real world you need to deduce it from trial & error: set a price, change it and see what happens

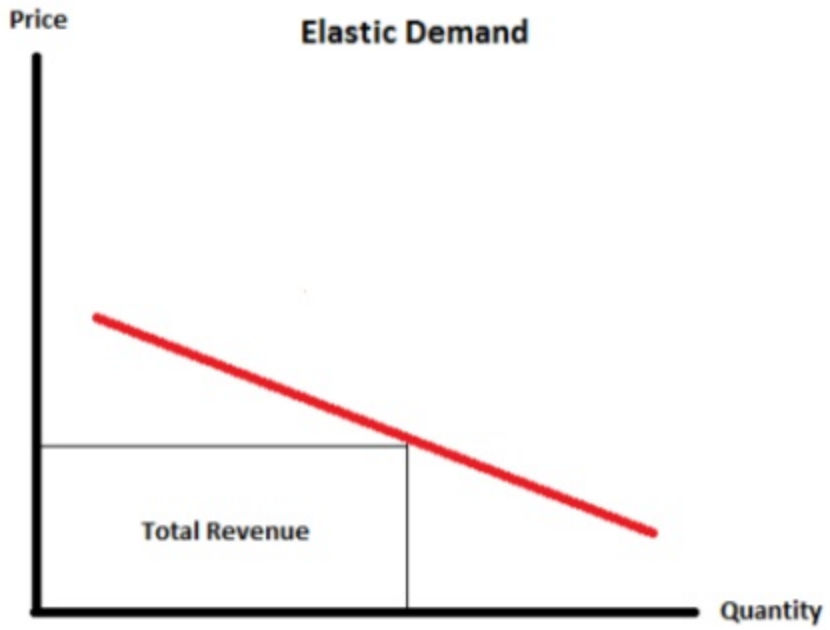
It's all about elasticity

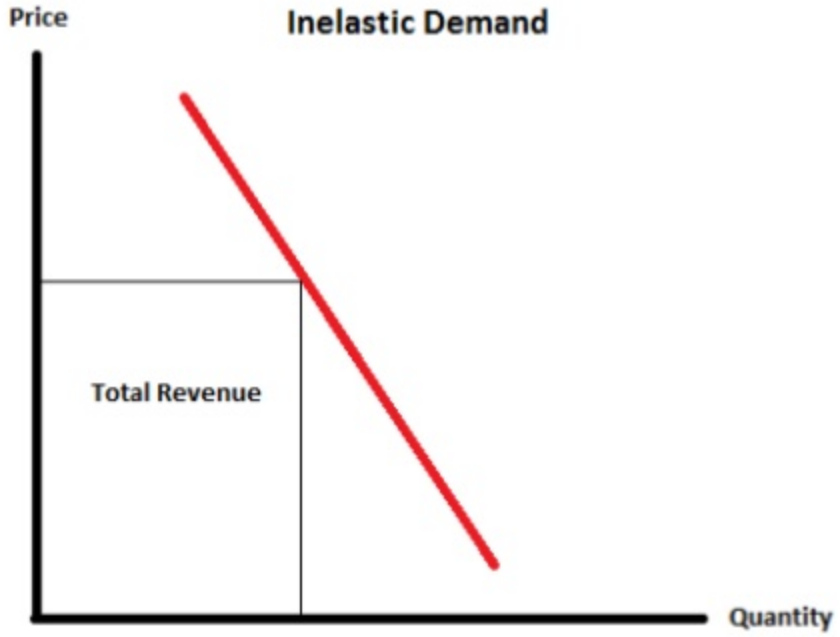
When a good is elastic, quantity decreases rapidly with a price increase and total revenue drops.

When a good is inelastic, quantity decreases slightly with a price increase but not enough to compensate for the change in price and total revenue increases.

Gasoline is a classic example of an inelastic good.

Now in graphs!





Area of the box = total revenue

So which are virtual goods?

Mostly inelastic.

Bloons Tower Defense 4 vs 5

Immensely popular series by Ninjakiwi, BTD4 introduced virtual goods and was the first big single-player success. Sold 20 items ranging from $0.30 - $10

BTD5 launched last year, selling nearly 40 items from $0.60 - $100 – on average 70% higher on comparable items.

Results: 92% increase in ARPPU, -1% decrease in conversion, +88% ARPU

Player freakout? Nope. Rating is slightly higher, revenue much higher than BTD4

Mind the drop

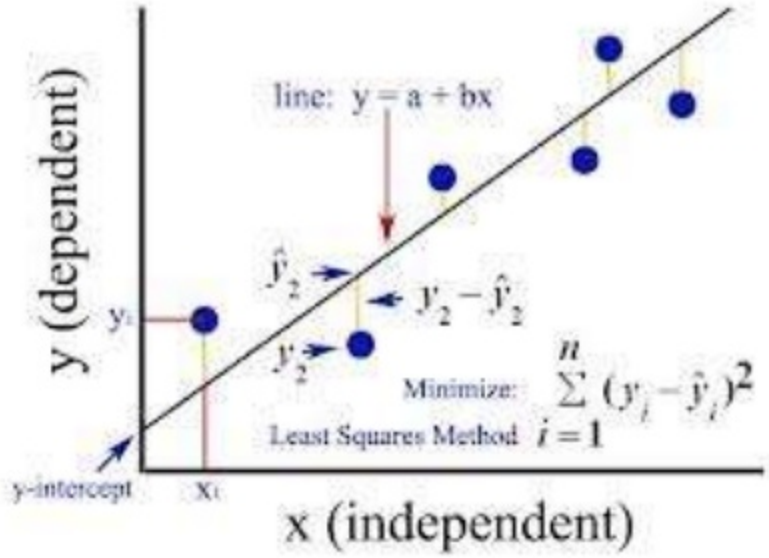
Skyshard Heroes is a competitive kingdom-builder with a steampunk theme from Synapse games.

They A/B tested dropping the price of their heroes 40% on cohorts of new users, expecting that it would help conversion.

Results: +21% in conversion but -25% in total revenue

Quick Math Break

Linear regression is a standard statistical method for modeling the relationship of two variables.



The trendline through a scatterplot is the predicted value of variable y given that value for x – the farther the points are from the line, the less predictive x is of y. That error is measured with by the R^2 value, where 0 is no relationship and 1 is perfect correlation.