

**Metrics for Virtual Goods businesses**

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**intro & terms**

some key terms explained e.g. LTV = life time value  
 rooms, items, trophies etc  
 soft currency = earned with gameplay  
 hard currency = bought with real money  
 third currency = earned by content creators when content is sold for hard currency  
 roughly 4 M\$ revenue  
 started in 2005  
 male/female 50/50  
 wide age range (7-70 year olds)  
 Puzzle Pirates  
 see flickr photo of slide <http://bit.ly/3toqUT>  
 key metrics  
 conversion rates vary a lot of depending of the source of the user  
 top 10% of paying customers generate 50% of revenue

**what factors drive LTV**

games are rare as they make money from end customers directly so you can actually buy traffic.  
 see flickr photo of slide <http://bit.ly/XOX2>  
 the key figure to understand  
 ad networks plenty of sources diversify  
 user requirements are crucial  
 installs may drop conversion from 20% to low single digits  
 flash trumps java hands down  
 90% of people lost in Puzzle Pirates (Java)  
 almost none lost in Whirled (Flash)  
 audience/theme: horizontal vs vertical  
 horizontal (e.g. a socnet) works fine  
 vertical (niche) challenges in finding in audience, buying ads, scaling  
 funnel design must be testing all the time A/B & multivariate  
 all steps  
 gotta have it, especially for Facebook games  
 potential to really drive down your cost / acquisition  
 viral marketing not just growth, focus on retention otherwise your newly acquired customer's LTV might really low  
 A/B testing pretty much the most important thing  
 test your hypotheses  
 funnel understand this and optimize it  
 profit = LTV - cost/acquisition

**customer retention metrics**

sample dashboard <http://bit.ly/16WOK>  
 if your LTV > cost/acquisition, just go and buy traffic  
 puzzle pirates CPA campaigns in march looks like the traffic wasn't really worth anything  
 e.g. \$4 CPA led to \$1 LTV  
 have weekly figures for all metrics  
 http://bit.ly/11Haa  
 how fast do customers drop off  
 http://bit.ly/12WpG  
 at Whirled haven't done a lot to prompt retention e.g. missing notifications  
 retention track day-by-day basis  
 how many times do they come back  
 revisit rates factors that drive it  
 product depth crucial need to have it  
 community social ties get you back there  
 http://bit.ly/P9C9  
 conversion / retention <http://bit.ly/aIE3>

**Q&A**

<http://bit.ly/virtual-goods-ltv> sample model of virtual goods LTV  
 people who are searching for you (in some way) will convert a lot better  
 use google adwords for search  
 search vs. display  
 typically own built tools  
 lots of data, hard engineering problem  
 analytics tools  
 SoMetrics  
 developer analytics facebook specific  
 Cotigent??

**billing payment breakdown**

<http://bit.ly/85HP>  
 some figures are obfuscated due to confidentiality agreements  
 SMS  
 Target card strategic  
 use somebody else's infrastructure  
 TwoFish  
 FatFoogoo  
 PlaySpan  
 GlobalCollect  
 if you go for kids & want lots of small payments  
 must have prepaid card  
 credit cards older people with big onetime payments  
 otherwise problems with credit card companies always do a refund fraud  
<http://bit.ly/vVKw>  
 e.g. fax in signatures verify big purchases

**whirled metrics**

overview  
 Whirled three currencies  
 aggressive repricing needed  
 money booking unclear  
 has item decay  
 Puzzle Pirates as no money payout, book the money as it comes in  
 no liabilities  
 players value their time at 25 cents / hour  
 spending / earning  
<http://bit.ly/npcD>  
 at first gave out too much money out  
 changed this try to balance the in and out flows  
 creators / purchases  
<http://bit.ly/L7U4>  
 item listings by type  
<http://bit.ly/LI0F>  
 item purchases by type  
<http://bit.ly/180BJ>  
 by money spent  
 avatars, furniture & toys  
 item purchase metrics  
<http://bit.ly/c0mw>  
 shows low end and high end products all earn well  
 total coins spent  
 purchases vs sales  
<http://bit.ly/TT8H>  
 puzzle pirates  
 e.g. "captain's badge" privilege items coin shop purchase  
 Item sales distribution  
<http://bit.ly/wrEq>  
 different view on the same data as in previous slide  
 mostly vanity items 160-170 k\$ a month in product sales