Getting real revenue from virtual goods

- **Q&A**
  - thoughts on payment methods
    - **Matt Mihaly**
      - have as many as possible!
    - **David Perry**
      - agreed
      - especially for International audiences
      - steer people to most desirable payment method
        - e.g. offer credit card when they click on "pay on home phone"
    - **Adam Caplan**
      - all is best
      - but you can consider your demos to optimize the roll out schedule
        - CPA works well in SocNets
    - **Anu Shukla**
      - word of warning
        - watch out for overheads
          - management of payment processors
            - e.g. PayPal has no management for virtual good fraud
      - mobile is getting better also in USA
        - started internationally
        - rates are becoming more reasonable
  - how to price
    - **David Perry**
      - always go high
        - you can always discount
        - heavy analytics on existing games
    - **Anu Shukla**
      - watch out for inflation
        - test multiple price point, exchange rates for virtual currency
          - sometimes results can surprise you
    - **Matt Mihaly**
      - started with auctions in 1998
        - there were no comparables
      - agreed with Dave, go high first
  - CPA upselling, what happens after they've already taken 10 offers etc
    - **David Perry**
      - game industry has tried around 31 different ways of monetizing
        - available at dperry.org
      - there are a lot of ways, and you combine some of them
    - **Anu Shukla**
      - if you don't want to CPA, just pay using e.g. PayPal
      - have currently ~2000 offers, add 100-150 a day
      - don't expect customers to run out of offers
    - **Adam Caplan**
      - you can also buy e.g. T-Shirts from GAP and get OfferPal rewards
      - never had a user that would have run out of offers
      - CPA is becoming attractive for new advertisers
- **share your most interesting vgood story**
  - David Perry
    - Dance online
      - if you don't dance, your character gets fat
        - you can buy a slimming potion
        - there's also a fattening potion
      - how about charging cheaters to get out of jail
  - matt Mihaly
    - a customer paid $2000 to be a god
  - Adam Caplan
    - $800 in Friends for Sale game to get to the top of the game
  - Anu Shukla
    - the Saudi Arabian offer for $10 000 in Friends for Sale-like game
    - people send "lapdances" as gift to their friends
      - a baby making game
        - spend a lot of money to avoid labeled "a baby neglecter"
- **what's happening in five years?**
  - **David Perry**
    - Flash will be fully 3D
    - 100M players in one game, how did they do it?
  - **Matt Mihaly**
    - government regulation
      - taxes
        - cash payouts
        - currency conversions
  - **Adam Caplan**
    - investment bankers trading virtual currencies
    - derivate industries will emerge
  - **Anu Shukla**
    - will be much more global
    - mobile will be important
- **what's needed to open the customer's wallet?**
  - **David Perry**
    - met 'Japanese' leading dev Giant
      - extreme view
        - "make them game as horrible as they can so that money can fix it"
    - all of the retail/merchandising tricks needed
      - offer something for something
        - e.g. limited time offers
      - very low price
        - e.g. Giant has 5 cents payment to gamble
      - what's most valuable to you, offer it at an emotional moment
    - the first dollar out from the customer's pocket is the hardest
  - **Adam Caplan**
    - try before buy
      - use CPA before you have to take out your credit card
      - get used to pay without needing currency yet
    - offer it at around 5-8 minute mark for SocNet app
      - familiar with app, but not yet bored
  - **Matt Mihaly**
    - have a feature loan items to your friends safely for a limited time
      - creates demand for these items as you get to try them out
    - agreed on other panelist
  - **Anu Shukla**
    - engagement comes first (free playing)
    - then comes the competition of the game
      - nothing works as well as competition
      - you still need a level playing field
        - "you can't allow paying for instant wins"
    - virtual gifts apps can also work well
      - e.g. dating
        - "It's a show of appreciation"
- **metrics**
  - conversion to paying
    - **Adam Caplan**
      - 30-35 million monthly unique users among SocNet apps that use them
      - 12-15M would come to the SuperRewards offer page
      - 50% would click on one offer
      - 20-25% would then complete the offer
      - = 5% of users converted to paid
    - **Matt Mihaly**
      - can't me a binary distinction between paying & non-paying
        - somebody being 55 over 2 years is
    - **Anu Shukla**
      - dependings on game genre
      - e.g. engaging multiplayer game
        - could target even 50% conversion
      - e.g. a softer avatar based game
        - 5% conversion
      - the more sinks you have sinks for your virtual currency, the more you can encourage the transition
        - use free items to get people started, then promote them to pay for premium items
      - published a whitepaper with 20 tips to increase the paying rate
        - offered to share it if you get in contact with here
    - **David Perry**
      - 7M users
      - $70-75 lifetime value
      - $30-35 cost of acquisition
      - feel there is a lot of improvement room
      - moving to Flash
        - looking to Flash 11 for full 3D
      - a new game with 4GB client coming
        - that's just crazy
  - split of revenue source
    - **Matt Mihaly**
      - major customers vs. regular customers
      - very hard core game for niche audience
        - saw even $1000 item purchases
      - the more engaged you are, the more you are going to spend money
        - It's the same as real world hobbies (e.g. golf)
    - **David Perry**
      - Halo is a missed opportunity
        - MMO from Asia will spend up to $2000, no probs
        - setting the limit at $50 / game
      - we haven't yet seen what the limit is to purchase per game
        - e.g. GTA, Gears of War, Halo with microtransctions
    - **Adam Caplan**
      - seen people spend $500 a day on a virtual slot machine
        - no prizes, no major social recognition
      - agrees on David Perry's comments
    - **Anu Shukla**
      - Friend for Sale
        - didn't accept cash
        - somebody from Saudi Arabia wanted to spend $10 000 to buy everybody from his country =)
- **Panelists**
  - Adam Caplan, Super Rewards
    - President
    - monetizes vgoods thru CPA (e.g. surveys)
      - also payment processing
  - Matt Mihaly, Sparkplay Media
    - CEO & Creative director
    - ceo of Iron Realms from 1996-2008
      - text muds
      - pioneered Vgoods already in 1998
  - David Perry, Acclaim
    - co-founder, Chief Creative Officer
    - video game veteran
      - e.g. Shiny studios
      - 25 years
  - Anu Shukla, Offerpal Media
    - founder
    - previously CEO & founder of MyBuys
    - monetizes vgoods thru CPA (e.g. surveys)
  - Joel Brodie, Gamezebo
    - moderator
    - founder & CEO
    - Previously bizdev at Yahoo! Games
    - editorial site, community for casual games
- **vgood market stats**
  - **market size**
    - **Adam Caplan**
      - $150m market in social networks this year
      - $1.5-2bn primary market globally seems about right
        - secondary market perhaps $0.5-1bn
    - **David Perry**
      - did some industry survey and stopped counting at around 400 MMOs
        - this is gonna 10x in the future
      - free to play will come to video game consoles
        - soonish
    - **Anu Shukla**
      - looked at all apps on SocNets, 'k that use vgoods, monetization in those and came up with:
      - $2.5bn total availalbe market, $6bn by 2010
    - **Matt Mihaly**
      - agreed on the growth will be huge
  - **is there a virtual good bubble?**
    - **Anu Shukla**
      - so many people entering this space
      - virtual economies are doing well despite the economic downturn
      - engaged players make take up even 40-50 CPA offers a month
      - vgoods are skewed towards younger audience
        - they don't have jobs, so what's going to go wrong anyway?
      - there will be an impact of advertisement
        - even there CPA would still be better as it is measurable and you are paying for customer's actions (vs. display ads)
    - **Matt Mihaly**
      - there is no demand for virtual items, but demand for games
        - that translates into demand to vgoods to augment the experience
      - so your first focus is the great user experience / game
      - difference to last crash, is that consumer confidence dropped now
        - still vgood monetization seems to work
    - **David Perry**
      - people want choice
        - more items, more that & this
      - honest business model
        - you only get money if people play the game a lot and then decide to start buying
    - **Adam Caplan**
      - game industry as a whole is relatively counter-cyclical
        - just look at what EA's stock did during the last downturn (2002 and onwards)
      - Free to Play is even better as the individual purchases are smaller
  - **Demographics**
    - **David Perry**
      - is there a specific demograph/market, or many?
      - wanted to be a television network
        - you'd find something that appeals to you on their launch page
        - some of the games are then very very targeted for a particular demo
    - **Matt Mihaly**
      - it is about game's demographics
    - **Anu Shukla**
      - any demographic can be valuable
        - advertisers come with enough volume
      - CPA audience skews to young people and males
      - how to monetize international audiences
        - there are big SocNet audiences, but hard to monetize
          - need to find advertisers in those markets
    - **Adam Caplan**
      - as they support also payments, they have a broader demo
- **what's bigger? Games or SocNets?**
  - **David Perry**
    - is there a difference?
      - FB is a platform, iPhone is a platform ...
    - flash games e.g. Kongregate are quite basic often
      - they are not really thinking big at all
      - hard to find the good ones
      - will change as people invest into Flash games
      - around 30k portals around the world
        - they'd make money from the ads
        - give you distribution
        - you make money from microtransactions
    - augmenting Flash with served based computing
      - e.g. AI running on the server
  - **Matt Mihaly**
    - will be hard to distinguish between games and SocNets as they borrow features from each other
  - **Adam Caplan**
    - agreed
  - **Anu Shukla**
    - engaging games attempt almost always to take customers from SocNets to their own destination sites