# Virtual Goods and Social Networks

- **Q&A**
  - user experience at the point of purchase
    - **Andrew Trader**
      - for YoVille, the amount of options is important
        - e.g. 100 different sunglasses
    - **Sherin Peshivar**
      - community & social ties key to tipping people into buying
    - **John Hwang**
      - your real world car affects the virtual car for set of users strongly
        - buying a virtual lamborghini can be really satisfying if you are driving a Chevrolet in the real world
  - pros & cons on using $$$ vs. points/credits
    - **John Hwang**
      - using points/credits makes it easier to spend
        - you are not thinking "this virtual spoiler costs 5 bucks!"
  - secondary markets on Facebook
    - **David King**
      - why hasn't it exploded on FB like it does on Virtual Worlds
      - FB platform is still early
        - will happen
          - players have same motivations like in VWs
    - **Andrew Trader**
      - C2C transactions don't always generate direct revenues for the developer
      - but adds to the community, enforces social ties etc
      - users will start working on creating their own items
  - customer retention
    - **David King**
      - improve the app
        - features, fun, content
      - customer retention >> customer acquisition
- **Panelists**
  - John Hwang, RockYou
    - Director of Products
      - Automotive vertical
    - creator of Speed Racing
      - competition & self-expression (pimping the car up)
  - Andrew Trader, Zynga
    - EVP bizdev, co-founder
    - ~25 applications on 5 SocNets
    - nexon's maple story did $36 million in vgoods sales in year 2007
      - believe that if niche product can do this, then there is definitely potential
  - David King, (lil) Green Patch
    - Founder
    - green-themed game
      - donates part of proceeds to preserving rainforests
  - Shervin Pishevar, Social Gaming Network
    - Ceo & Co-Founder
    - 130M virtual good/gift transactions
    - recently acquired TopFriends
    - more games around item sales model coming
    - first iPhone just released
  - Mark Wallace, Wello Horld
    - Founder & CEO
    - previously a journalist covering virtual worlds
    - quotes market estimates that place the market at $1,5-2 bn
      - *unclear if this is primary, secondary, both?*
      - panelists agree on the scale
- **what's the market like**
  - **Shervin Pishevar**
    - demographics are very wide
      - teens, moms etc
    - free to play
      - ARPU is quite good
        - most item-based games on FB/MySpace are profitable
      - should do well in this economic climate
        - smaller payments
      - need to continue to invest to keep the game fresh
        - e.g. adding new content, hosting events (e.g. pirate's day)
  - **Andrew Trader**
    - early days for micropayments on SocNets
    - items need to be valuable for players
      - YoVille
        - demographics mirror FB's overall demos
          - 50/50 male/female
          - 1/3 international
        - 250k daily users
        - 4-5 k$ / day
          - CPM
          - virtual good trades
    - 3-5% paying customer sounds very high
    - users will go extreme lengths to exploit
      - e.g. building your own bots to exploit certain behaviour
  - **David King**
    - HotOrNot pioneered vgoods by selling virtual flowers that you give somebody
    - there is a business to be built here
    - very small % of users pay
    - ARPU across all users is in the pennies
  - **John Hwang**
    - vgoods not yet in mainstream in US
      - but very close to getting there
      - more accepted in some foreign countries
    - game needs to be fair regardless if you are buying or not
      - speed racer has local (friends) and global leaderboards
      - to be good, still need to work your way in the game
    - transactions valued at $3-4 happening all the time
      - e.g. catching up to your friends, if you started the game later than you friends
    - vgoods currently 30-40% of revenues
      - rest is advertising
    - economy will come with fraud
    - 3-5% paying customers sounds feasible
    - 10% of users start to buy currency, 10% of that actually purchase
    - ARPU $20-30 / 1000 daily active users
      - has seen other apps with $75-200 / 1000 DAU
- **Vgoods on SocNet vs. on a standalone setting**
  - **John Hwang**
    - SocNet's user base continues to grow --> impacts directly Speed Racing's user growth
    - new content drives new users, but not as much as the growth of SocNets
  - **Andrew Trader**
    - disadvantages to SocNet
      - you don't control your users
      - you can utilize info, but harder to fight fraud & cheating
        - SocNets should provide the payment processing as an alternative for existing methods
  - **Shervin Pishevar**
    - thinks people need to start investigating standalone sites
      - allows far much more features, different types of content --> drive engagement
      - Facebook Connect supports this!
- **lessons learned**
  - **Andrew Trader**
    - YoVille: it's about self-expression
      - led to sharing the app with their friends
      - Habbo style events organized by users
        - e.g. beauty pageants
          - the vgoods created to support this didn't work out
            - be careful to remain authentic
    - barriers to entry are raising quickly
      - production quality going up
        - complexity
          - depth of content
  - **David King**
    - still thinks the market is open for new entrants
      - this is just the first round
    - FB platform now encourages higher quality products
      - compared to spammy products of the past
    - bar will keep raising & apps evolving
  - **John Hwang**
    - FB's changes have been for good
      - prevents apps abusing it
    - the market is open, but growth is no longer 2x / day like it was in early
    - MySpace took on board FB platform learnings when they launched
  - **Shervin Peshivar**
    - market not closed, but not as open as it used to be
    - games that don't rely on production quality can still be done by individuals
      - e.g. MobWars
- **what's needed from SocNets?**
  - **Shervin Peshivar**
    - Payment system #1 priority
      - would make it similar to iPhone AppStore impulse buys
    - discovery process could be improved
      - users to find better, engaging content recommendations from friends
        - e.g.
          - a games channel
  - **John Hwang**
    - Payment system #1 priority
      - would make it similar to iPhone AppStore impulse buys
      - would welcome more control over users
      - users don't want to create another account for payments
  - **Andrew Trader**
    - Payment system #1 priority
      - Fraud is a big deal
      - lots of costs in customer service etc
- **external impacts on app design?**
  - **David King**
    - monetization depends always on what kind of app you have
      - relates Google Adwords to virtual goods
      - lil Green Patch very different to YoVille
  - **Andrew Trader**
    - fantastic social device
      - iPhone
        - not all potential is unlocked yet
          - contacts, GPS
      - use real world merchandising as basis on how to merchandise in YoVille
  - **Shervin Peshivar**
    - did real world fluffFriends toys
      - reverse of WebKinz
    - iPhone
      - looking forward to FB Connect on iPhone
        - to add more social functionality
      - first game had 2M downloads
- **user lifecycle**
  - **David King**
    - first a light weight experience, but deeper as you go
      - a bit like treadmill
      - if you visit once a week, there is going to be something new for your
      - sees lot of continued engagement
  - **Andrew Trader**
    - user-to-user trading really powerful for building community
      - makes the market more liquid
      - gives raise to rare items
        - e.g. seasonal items will appreciate over time
  - **Shervin Peshivar**
    - find your core community & focus on them
      - fluffFriends has multiple currencies and rare items that appreciate
      - keep them happy
        - understand what they want
        - give them new content