

Should I Pay or Should I Go?

Consumer Attitudes on F2P and
Alternative Payments



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13
NEXT

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The Research



- Research was performed in conjunction with Frank N. Magid Associates and PlaySpan Inc.
- Three separate gamer surveys focused on three distinct areas:
 - Gaming and alternative payments
 - Video game business models
 - Freemium (aka F2P) and virtual goods on consoles
- Americans 13-54 surveyed and asked about gaming habits.
- Broad consumer data allowed us to learn more about our current and potential users.



- Using a highly qualified sample provider, Research Now, Magid surveyed a representative sample by gender, age (13-54 years old) and ethnic background. A screening question (Which platform do you own and use regularly for gaming?) was used to identify current gamers. Those who did not select at least one of the platforms screened out.
- The overall incidence (the chance of finding a gamer) of the most recent study was 81%, up from 75% in the previous research. The incidence of gamers is highest among 13-54 men (96%) and lowest among 45-54 women (67%)
- Among gamers, 52% are men and 48% are women.

Notes: Unless otherwise stated all data showed was sourced from this survey. Any references to specific game titles are used solely for representing the consumer provided information and does not imply product endorsement

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Gamers exist in all demographic groups, but are slightly more likely to be young, 13-34 years old males.

	Demos	U.S. Population	Total Contacts (N=743)	Gamers (N=601)	Non- Gamers (N=115)
		%	%	%	%
Males	13-17	6	6	7	1
	18-24	9	8	9	6
	25-34	12	12	14	3
	35-44	11	11	12	11
	45-54	12	12	10	22
Females	13-17	6	6	6	3
	18-24	8	8	8	7
	25-34	12	12	12	9
	35-44	11	11	11	15
	45-54	13	14	11	24
Race	White	64	64	62	77
	Hispanic	16	17	18	10
	Black	12	11	12	4
	Asian	5	5	5	3
	Other	3	3	3	5

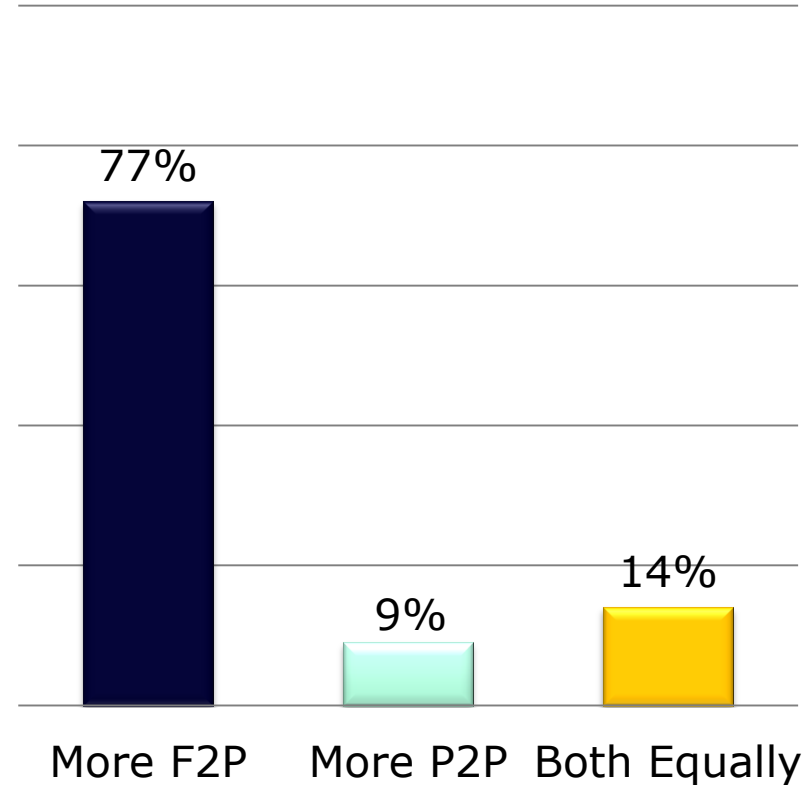


Where Do We Stand Now?



- The market is shifting away from pay-to-play (P2P) games and toward a F2P model.
- Data shows that **110 million** Americans prefer playing F2P games over P2P or subscription games.
- \$3 billion: U.S. virtual goods market this year.
- More than 8 in 10 consumers are gamers.

“Do you generally play more F2P games or more P2P games?”





Gamer Sentiment Toward Alternative Payments



- What are alternative payments?
 - Payment methods using options other than debit or credit card
 - E.g. prepaid closed loop cards and vouchers, bank transfer, virtual currency, mobile
- Why alternative payments?
 - For gamers: better control over spending, privacy, financial security
 - For game developers: Country / Regional localized options, user choice / preference help increase conversions and ability to pay



Gamer Sentiment Toward Alternative Payments



“How do you rate your experience with purchasing virtual goods or other gaming options? (For the following payment methods).”

■ 5 Excellent ■ 4 ■ 3 ■ 2 ■ 1 Poor ■ DK/NS

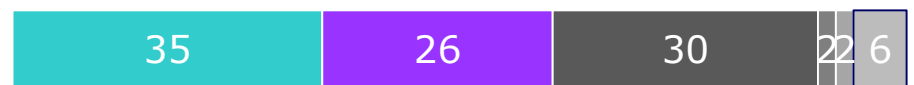
Through a game specific card like a Blizzard World of Warcraft card you can buy at a...



Through a service such as PayPal or similar (N=117)



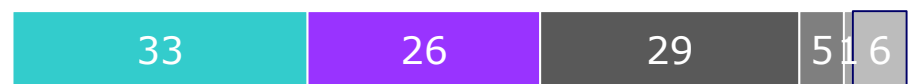
Electronic transfer from your personal bank account (N=54)



Through a personal credit, prepaid or debit card that can be used on anything (N=183)



Through in-game credits, often called soft currency (N=113)



Through a relative's or friend's credit, prepaid or debit card that can be used on anything...



Through a mobile phone SMS or smartphone payment app (N=43)



0% 20% 40% 60% 80% 100%



Trends as we move Toward F2P



Strong gender differences in favorite genres, and favorite platforms



Youth and male gamers driving F2P spending



F2P growing on consoles, and factoring in purchasing decisions

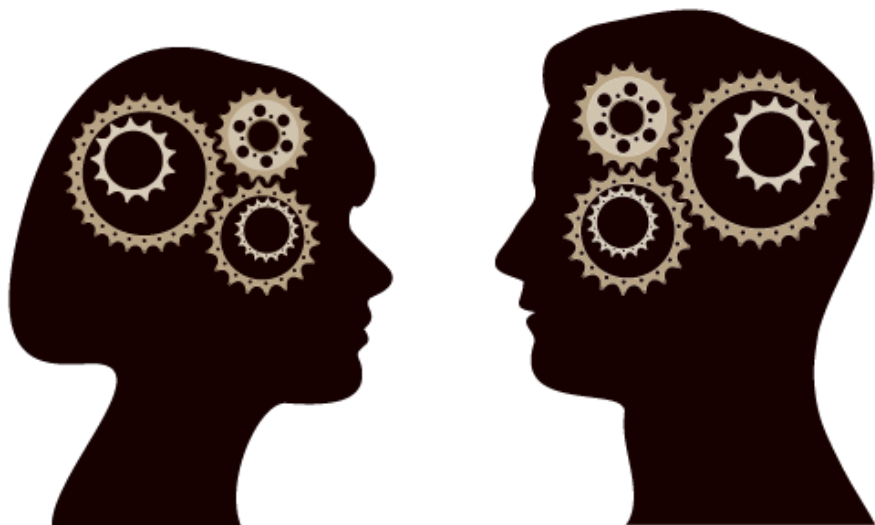
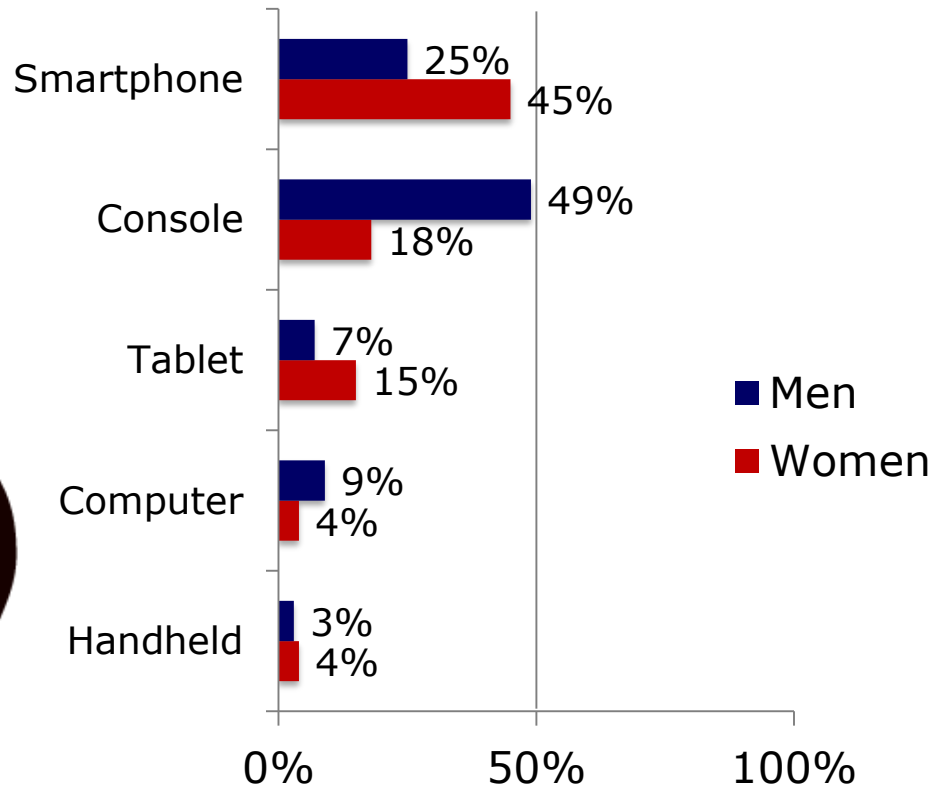


Know Your Audience: Gender Differences



- Consoles strongly preferred among men, women lean toward mobile.

“What platform do you play most often?”





Gender Differences Across Genres



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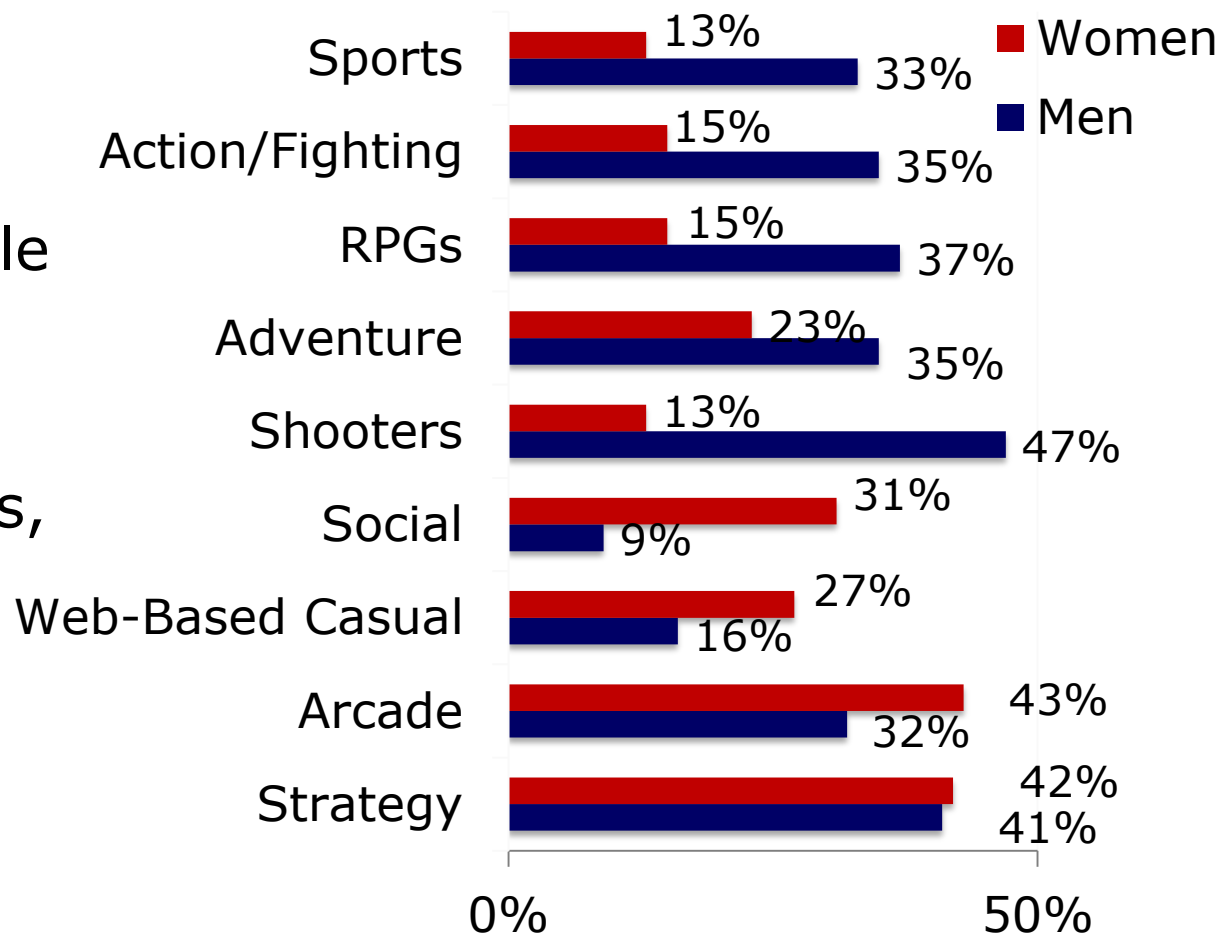
Most-played genres
by gender

Both: Strategy

Women: Arcade-style
games, web-based
casual, social games

Men: Shooters, RPGs,
Action/Fighting,
Sports, Adventure

**"Which of the following
genres do you play?"**



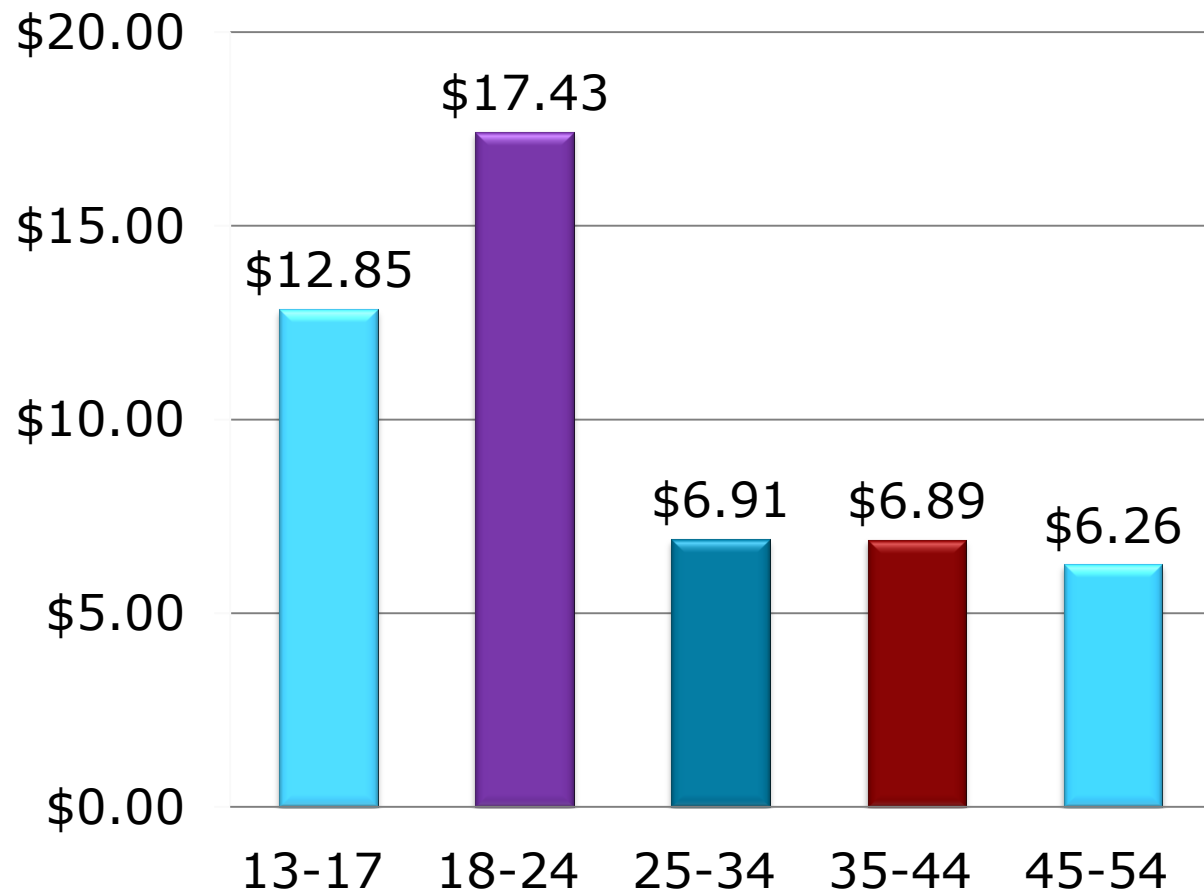


F2P Spending Trends

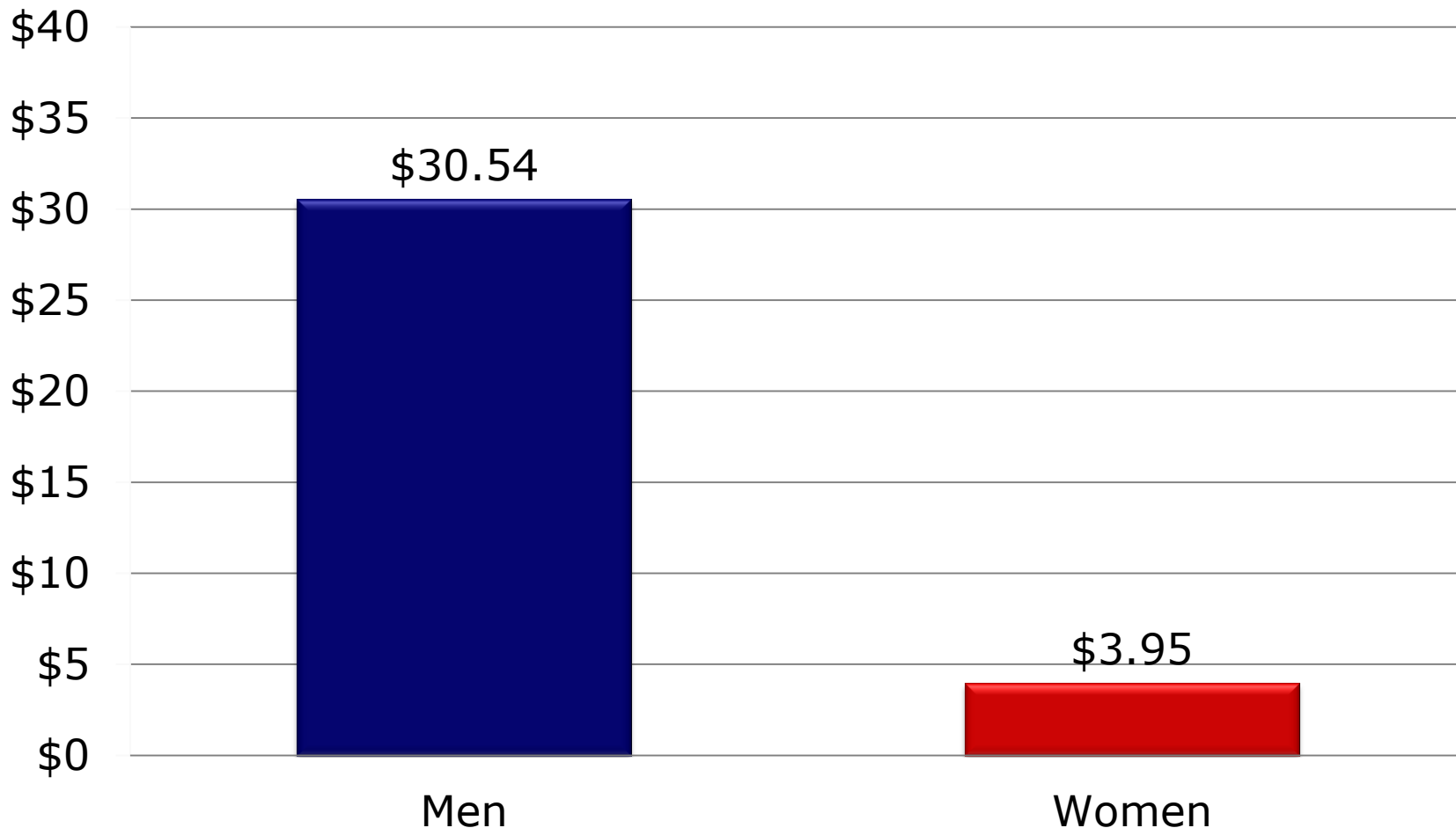


- Gamers 24 and under are the biggest spenders
- Men lead on F2P spending

"How much did you spend on F2P games last month?"



Men and Women 18-24: "How much did you spend on F2P games last month?"





Trends in Virtual Goods Purchases



- 35% of gamers have purchased a virtual good
- Most Popular Virtual Goods Purchases:
 - New content (levels, maps)
 - Virtual currency
 - Usable in-game items
- Virtual gifting a big opportunity



Even Consoles Going F2P



- Consoles are joining the F2P revolution
- Data shows a strong desire among console gamers for more F2P options
- F2P titles that have come to consoles this year or will soon:

PlayStation 4: *DC Universe Online, Blacklight: Retribution, PlanetSide 2, Warframe, War Thunder*

Xbox 360: *Ascend: Hand of Kul, World of Tanks*

Xbox One: *Killer Instinct, Project Spark*





Challenges & Opportunities for F2P



- Currently, relatively low monthly ARPU
 - \$9.15 for F2P vs. \$28.86 for P2P
- 46% of F2P players pay nothing.
- Quality perception among P2P players.
- “Pay-to-Win” perception among competitive players of hardcore games (Call of Duty, StarCraft)

P2P Players: The gaming experience is better on P2P games



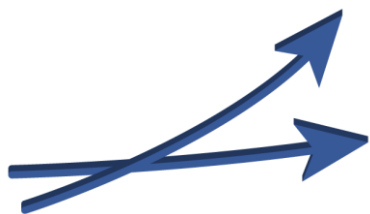
F2P Players: F2P games are as good as P2P games



■ Strongly agree ■ Agree ■ Neutral ■ Disagree ■ Strongly disagree



Where are we Headed?



- F2P will overtake P2P in annual revenue when average spend on F2P games increases from \$9 to \$17.
- Gamers, and games, less dependent on a single platform (strong consumer desire for connected platforms and devices).
 - 46% of console gamers said they'd be more likely to play a game with friends if they could across platforms and devices.
- F2P is a massive opportunity that extends beyond games.
 - F2P casts the widest net and lowers the barrier to entry, luring gamers interested in other types of digital content (video, music, etc.)

Thank You!

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