

Finding Life for Game Monetization Beyond the Megahit

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GAME DEVELOPERS CONFERENCE[™] NEXT

FEATURING APP DEVELOPERS CONFERENCE[™]

LOS ANGELES CONVENTION CENTER · LOS ANGELES, CA

NOVEMBER 3-4, 2014

Who is RockYou?

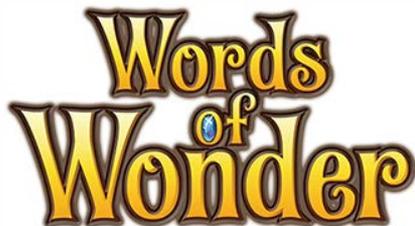
The RockYou logo, featuring the word "rockyou" in a lowercase, sans-serif font. "rock" is in a light blue color and "you" is in a dark grey color.

Who we were:

Top Facebook app and game developer

Who we have become:

Game operator and world's largest in-game video ad platform for premium brands



The Current State of Gaming

Goal:
Build a game and
HOPE for a hit





The Upsell

Roughly 98.5% of F2P users will never spend a dime.

\$1 for a shot of espresso with your coffee?
Sure, why not?



\$1 towards a game I've enjoyed for hours and hours?
Hell no!





Intangibles

Television pay-per-view faces similar user reluctance to purchase.

Why should I pay \$5 for 2 hours of entertainment, when I can find something for free?

The same user has no qualms about dropping \$5 at the bar for a beer they will enjoy for about 1/5 that time.





Make it Feel Natural

Does making in-app purchases feel natural to the player?

- Walk them through it
- Show them how painless it is
- Let them experience the benefit right away
- Create a core loop that brings them back into the purchase flow

The \$300,000,000 Button

A famous study in UI design discovered that removing the registration funnel from an e-commerce site resulted in an increase of \$300,000,000 per year.



The designers had no idea they were losing so many would-be purchasers.

The \$300,000,000 Button

Lesson learned:

Players have not spent hours upon hours working on the app. Do not assume they know their way around as well as you think they should.



Track every step of the funnel. Bring focus groups and watch how frustrated your team gets watching them fumble around your beautiful UI.

Start with a Bang!





Get to the Fun!

“Start with a bang” is a term used in Hollywood about the need to hook viewers right from the opening frames.

Many movies start with a climatic scene that does not provide a resolution until much deeper into the film.

The same idea should be applied for F2P games.



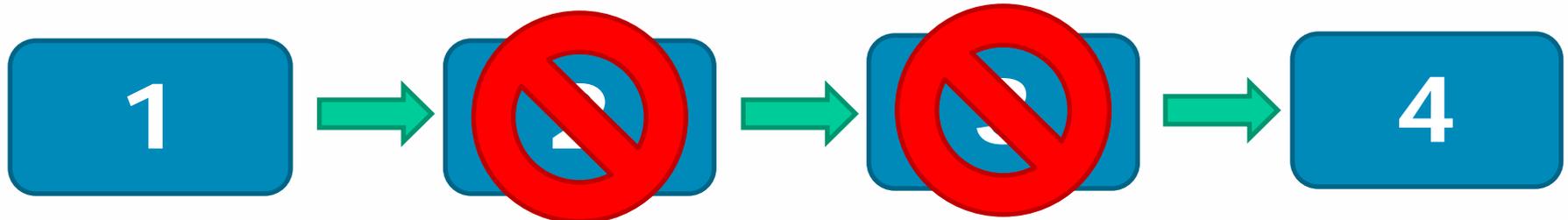
Eliminate Steps

The best tutorial is no tutorial or a tutorial that doesn't feel like a tutorial.

If your game requires a lengthy tutorial:

- consider spreading out game features over time.
- reevaluate your UI design.

Every step it takes before a player can actually purchase a digital good, are steps where you are losing revenue.



Surviving Success

The game industry's biggest problem:
surviving success.



What do you do after your game becomes a
hit?



Big Hit, Big Challenges

Challenges:

- Growing community support costs
- Need for constant content updates
- Consumer expectation for follow-up/sequels
- Monetizing loyal players that stick around
- Etc.

... and these problems grow worse over time.

Reality

Even the huge hits eventually taper, whether mobile, online or console:



All time US ranking for Candy Crush Saga (FREE), via App Annie



Games Are Highly Valuable After Their Apex



	Zoo	Bingo	Gardens
Launch Date	June 2009	June 2011	April 2011
DAU	100k	30k	100k
ARPPDAU	\$.10	\$.30	\$.16





How Do We Extend A Game's Life Cycle?

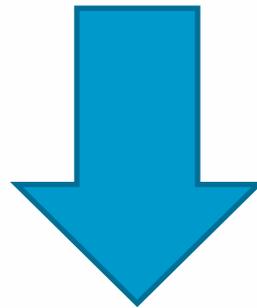
**Stabilize
DAU Post Ad
Spend**



**Finely Tune
Ad
Monetization**



**Efficiencies
in Low Cost
Production**



**Result: Extend Game Tail, Revitalize
Monetization,
Drive Cash Flow**

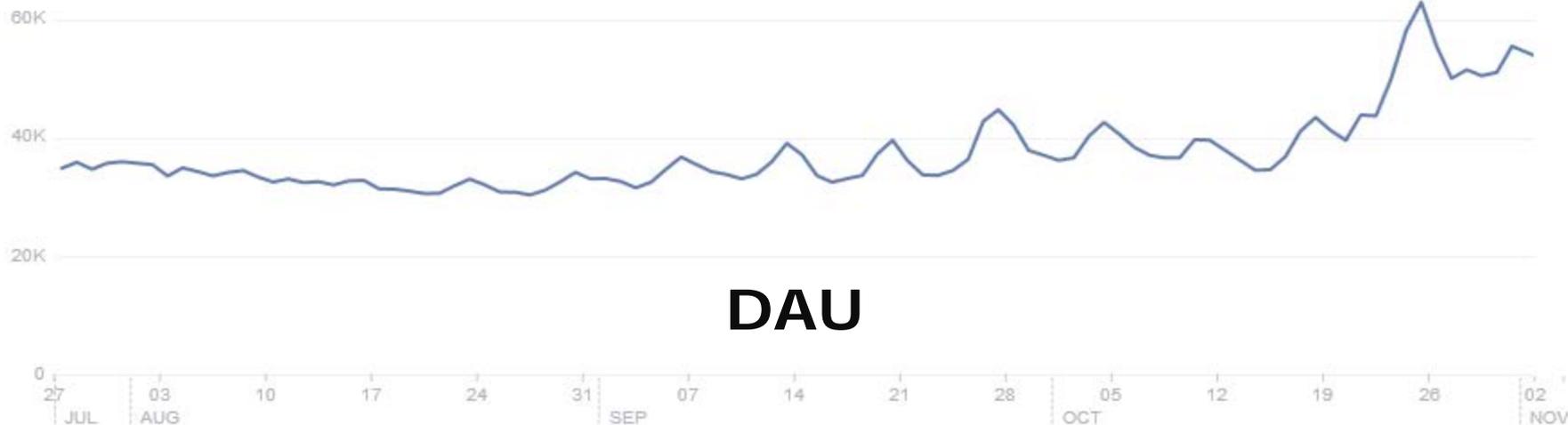


Case Study: Zombie Lane

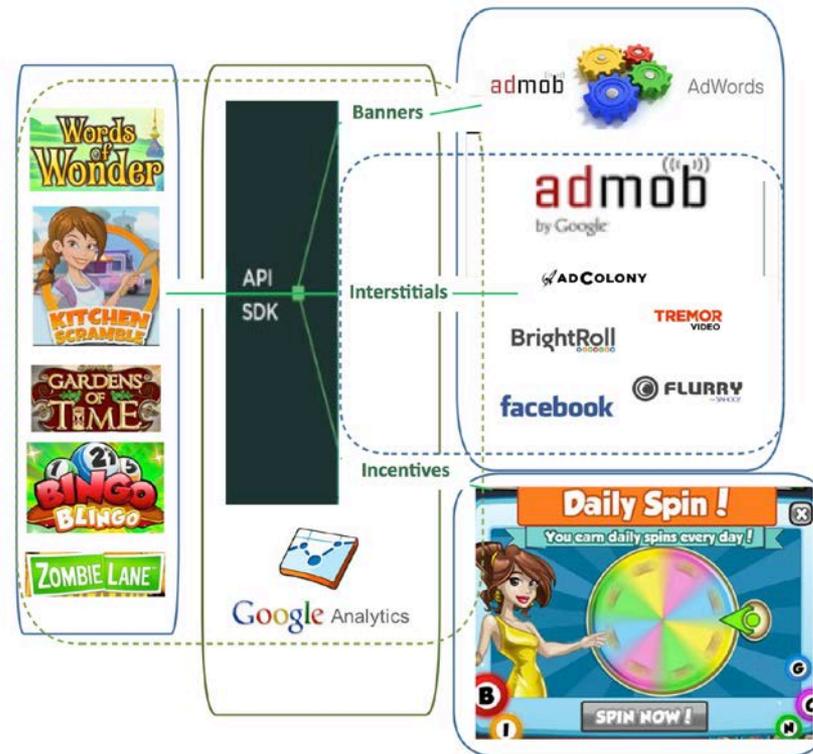


- Development moved to Bangalore studio
- Special events, content releases driving increased sharing, user requests and DG revenue
- DAU climbing steadily
- US ad impressions averaging \$8.50-\$10 cpm and climbing with 85% - 90% fill

Monthly Active Users Weekly Active Users Daily Active Users



As more and more of our revenue comes from mobile...



We're applying our approach to our mobile games.

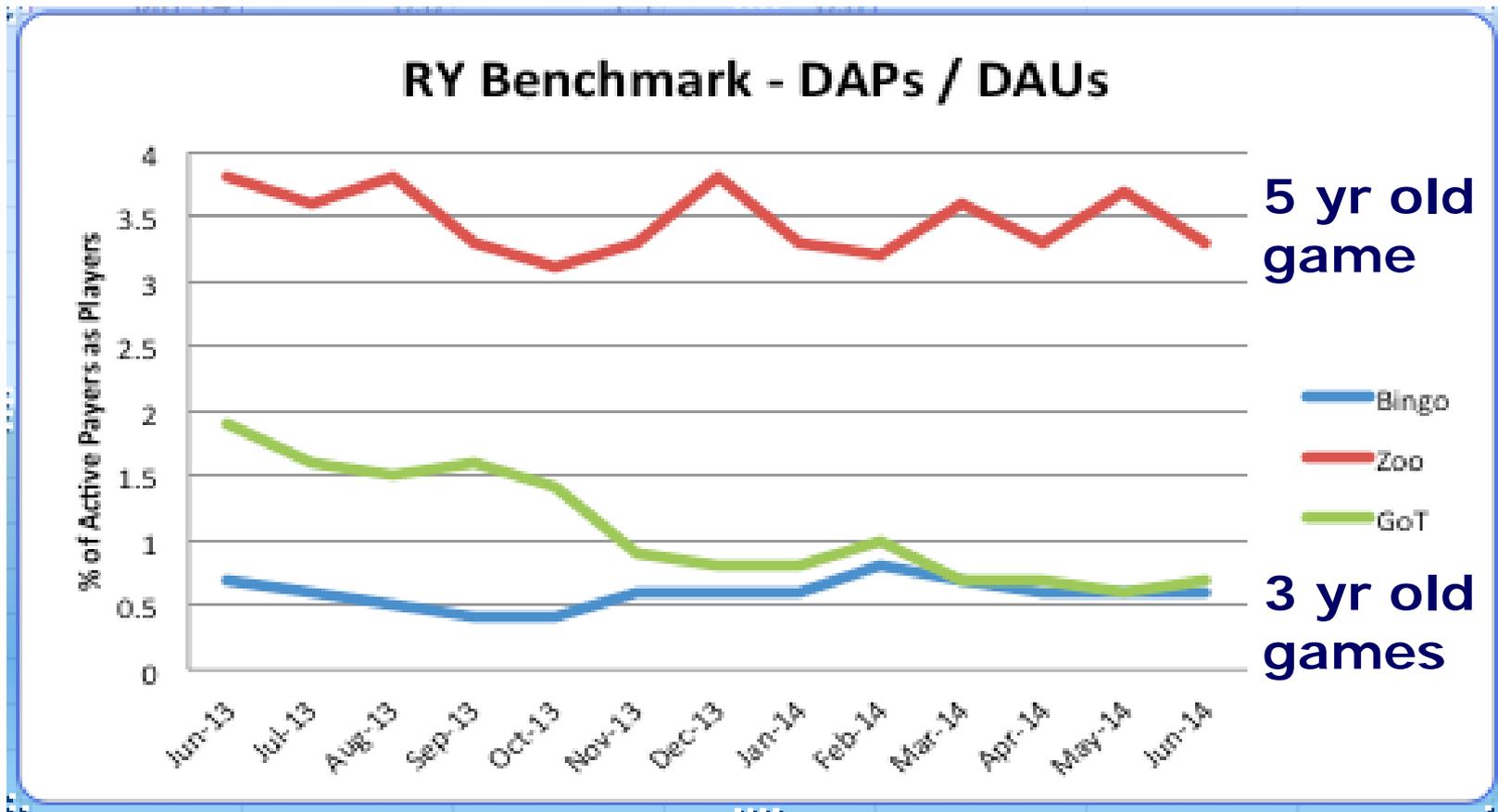
Admob plus mediation networks are driving high rpms.



We've been averaging \$15-\$20 net rpm for our gameload interstitials in the US.

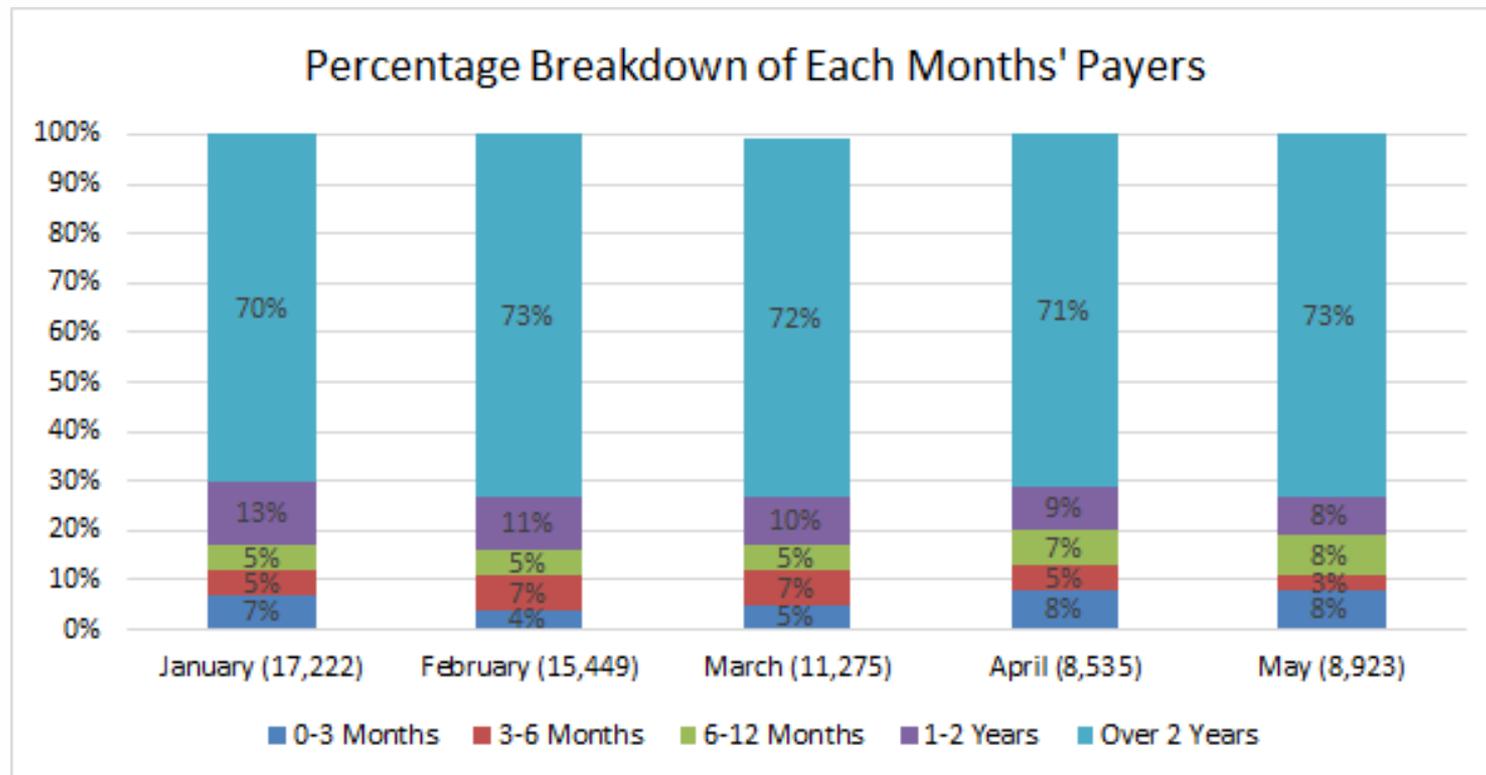
Rule # 1: Stabilize DAU and Payers

Titles >2 years old decay at 2-3% per month



Rule # 1: Stabilize DAU and Payers

Earliest Paying Players Stay The Longest!





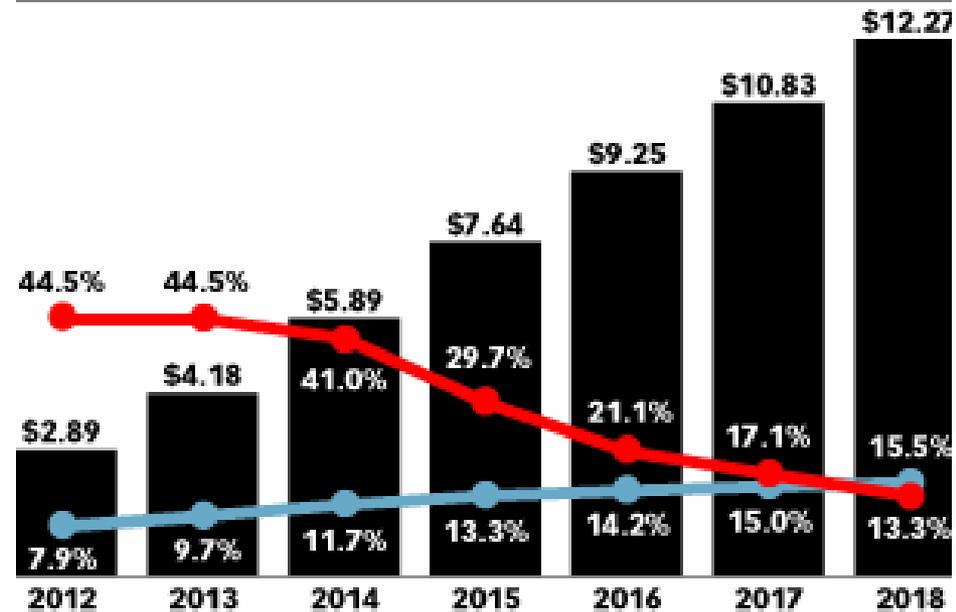
Rule # 2: Secrets of Ad Monetization

Be Part of A Growing Market

90% of RockYou video revenue is programmatic

\$ Digital Video Ad Spending, 2012-2018

Billions, % change and % of total digital ad spending



Digital video ad spending

% change ■ % of total digital ad spending

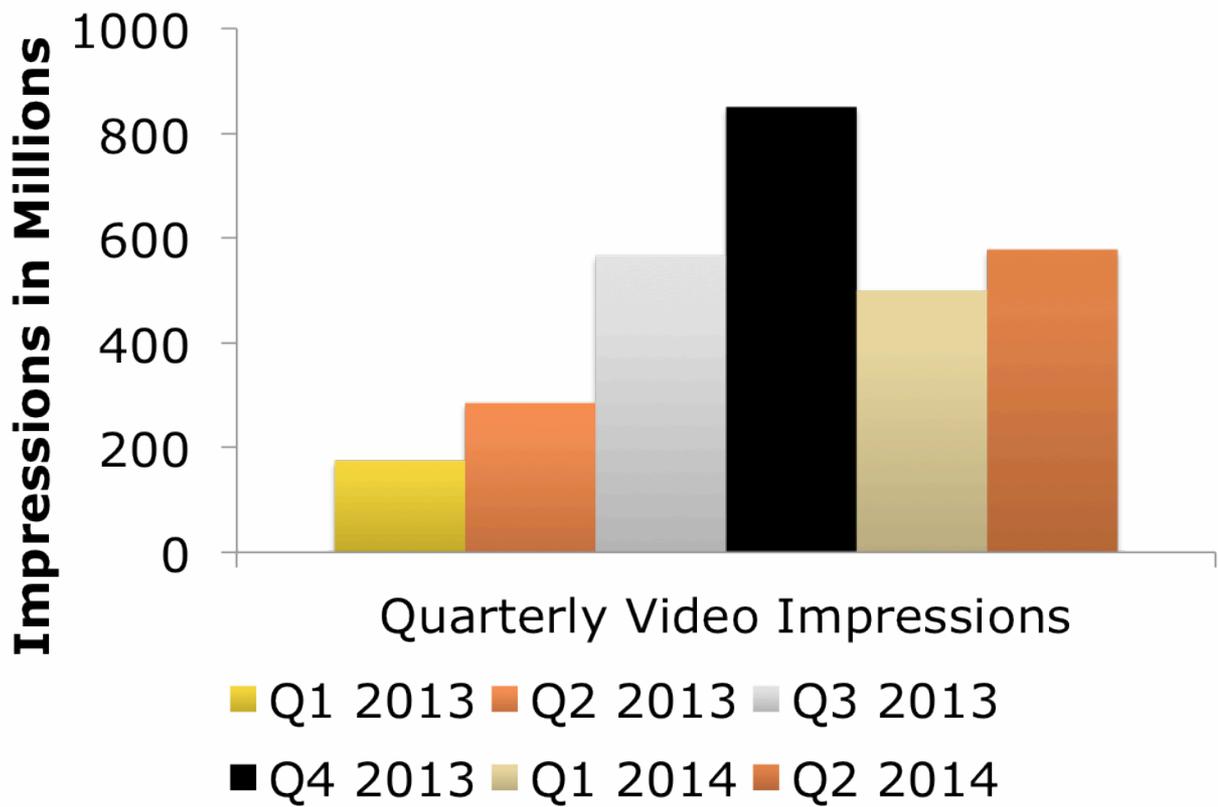
Note: includes advertising that appears on desktop and laptop computer, as well as mobile phones and tablets; includes in-banner, in-stream (such as pre-roll and overlays) and in-text (ads delivered when users mouse-over relevant words)

Source: eMarketer, March 2014



Rule # 2: Secrets of Ad Monetization

Manage Impressions/DAU



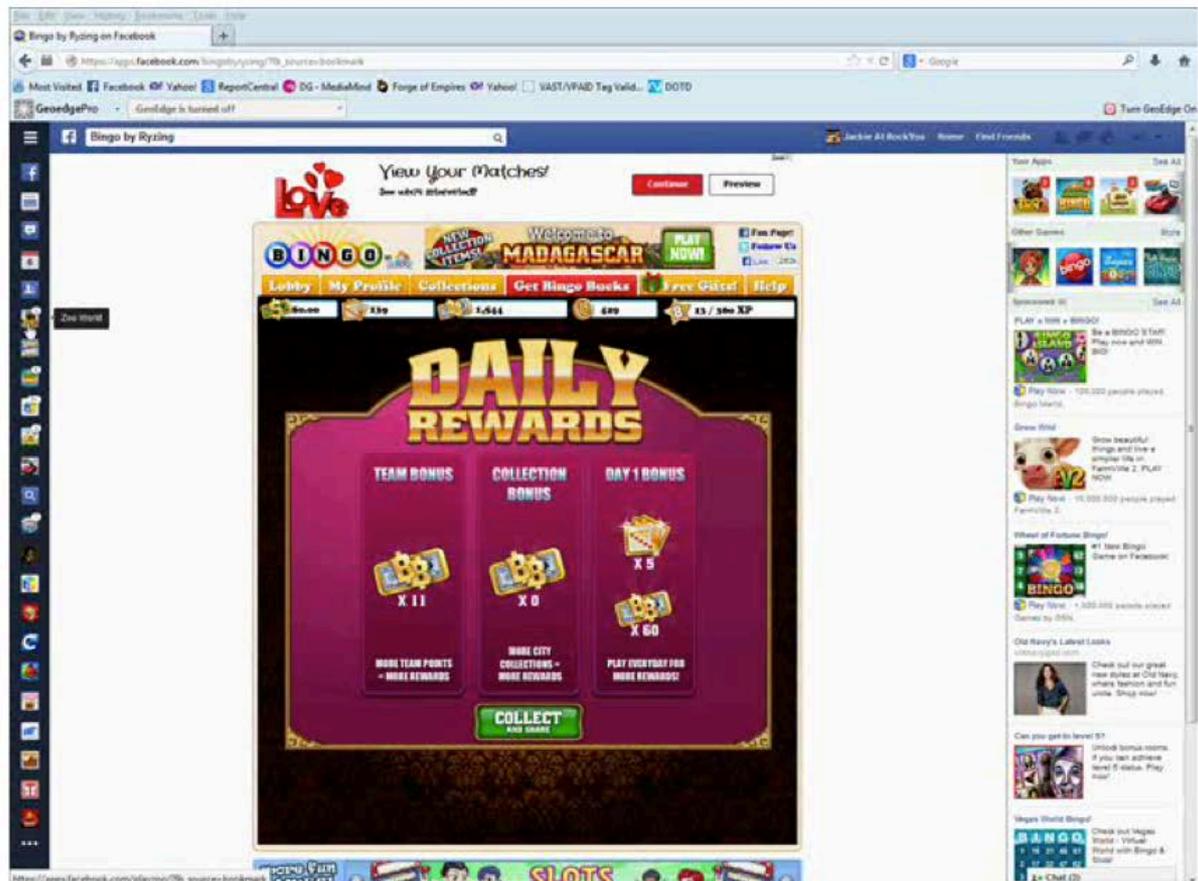
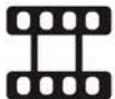
- 5x' d video impressions delivered from Q1 to Q4 2013
- YoY growth
 - Q1: 2.9x
 - Q2: 2.0x

Rule # 2: Secrets of Ad Monetization

Video Performance

Pre-roll & mid-roll placements

- Ads shown before game or at natural breaks in gameplay.
- 70+% Completion Rate
- .5-1% CTR



Rule # 2: Secrets of Ad Monetization

Video Performance

Incentive video ad placements

- Ads shown in exchange for virtual goods and incentives.
- 85+% Completion Rate
- 1+% CTR



*Source: comScore & Nielsen brand studies



Rule # 2: Secrets of Ad Monetization

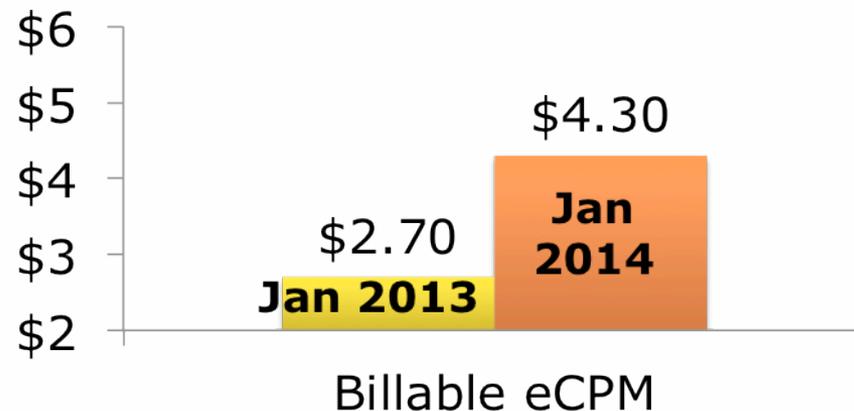
Drive Premium/Direct Video Demand

Strong Month: Jun 2013 v. Jun 2014



118% eCPM growth

Weak Month: Jan 2013 v. Jan 2014

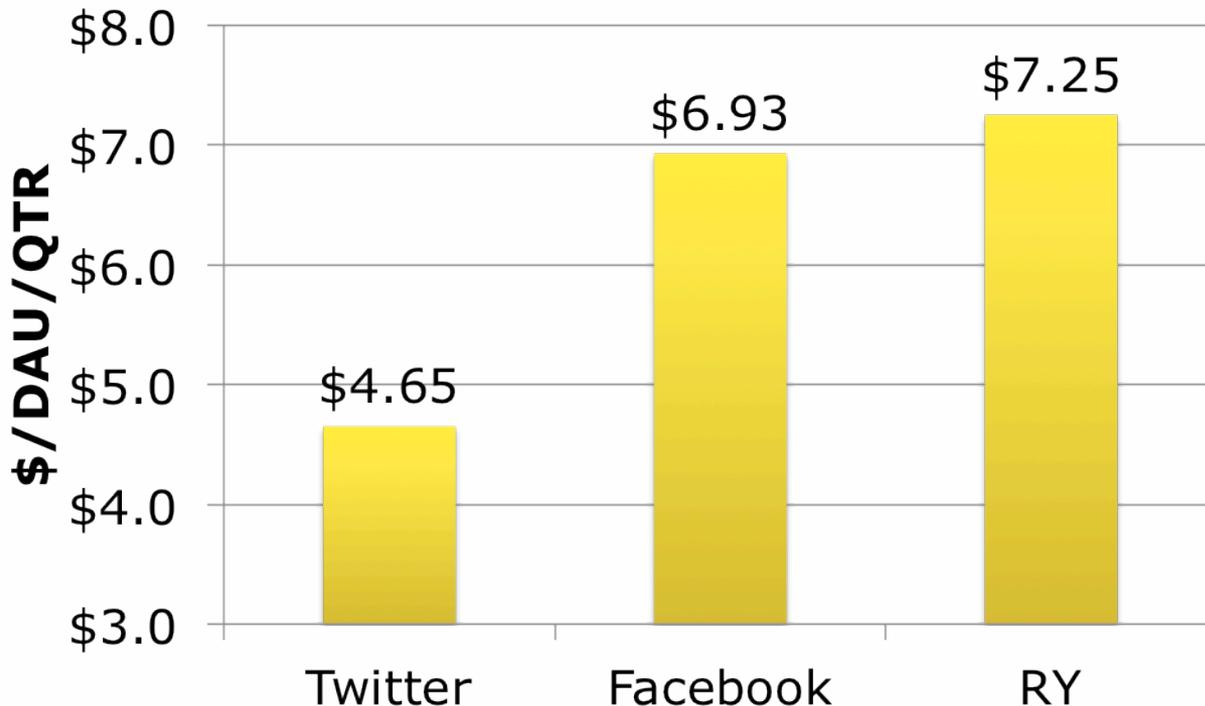


59% eCPM growth

Rule # 2: Secrets of Ad Monetization

Result is World-Class Ad Monetization

Q1 US Ad ARPU



RockYou O&O Ad monetization/DAU competitive with top social media properties



Rule # 3: Low-Cost Production

Continue Investment in games

- Resource games to ensure player stability
- Build new features
- Evaluate economies
- Make content pipelines more efficient
- Invest in community management for long term players

Offshoring/ Synergies

- Acquired an Indian studio in Bangalore
- Allows for full resourcing of titles to extend the lifetime of the game



Rule # 3: Low-Cost Production

Identify low cost items that sell well

Customization and upgrades over complex and expensive features and content

\$\$\$\$



2 hours of design work
0 art
0 code

\$

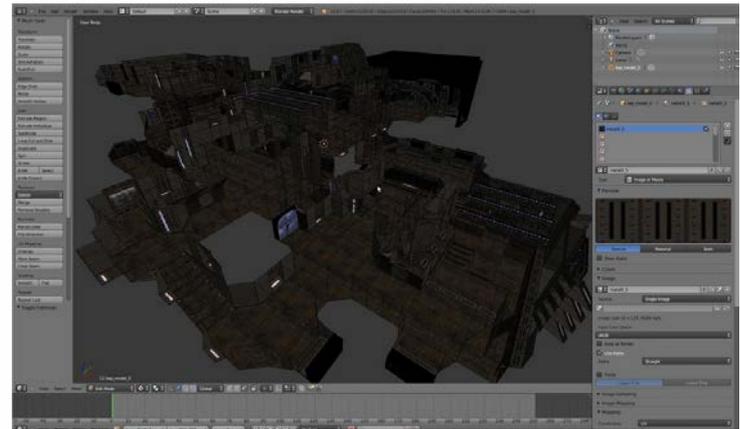


Cost of 3D model
4 hours of design work
4+ hours art – scaling & rendering
2+ hours of Flash work

Rule # 3: Low-Cost Production

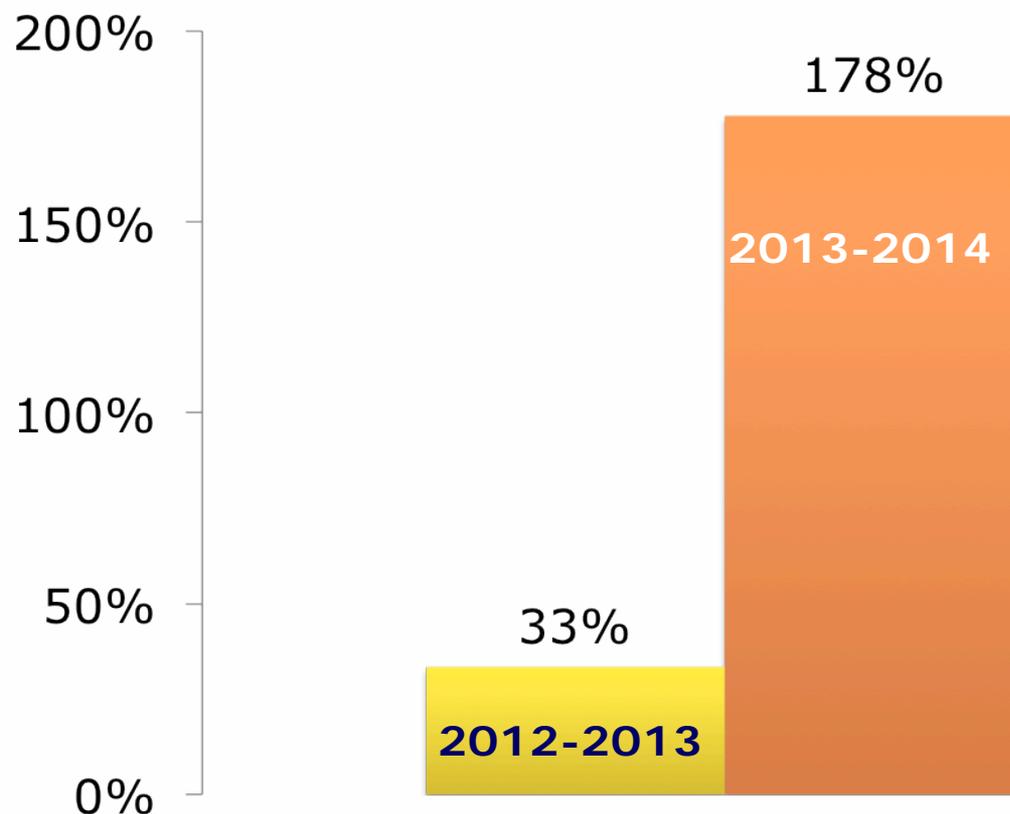
Provide the players tools to create content

When possible, provide players with the tools that will allow them to create or modify their own content and share with the community.



A Model Emerges When Rules Followed

Revenue Growth Year over Year



Ry will exit 2014 on a 100M run rate

Ry has a 20-25% EBITDA margin

1 Billion impressions per month across our entire network

Q & A

Questions?

Contact: scott.mcclellan@rockyou.com

We're Hiring!

rockyou.com/about/careers/



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