



# Don't be afraid of incentivized ads!

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# Agenda

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- Who is Gree?
- Mobile Ad Industry
- Incentivized Ads
  - Retention
  - Monetization/Cannibalization
  - Conversion
- Best Practices

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**But first, who is GREE....?**

# GREE – A Global Gaming Powerhouse

## MILESTONES

2004

GREE Headquarters  
Tokyo, Japan

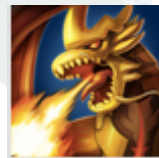
2011

GREE International, Inc.  
San Francisco, CA

2013

GREE Canada  
Vancouver, BC

## GAME STATS - 4 titles in top 50 grossing as of Feb. 2015\*



### Knights & Dragons (Publishing)

Reached Top 10 Grossing in 41 countries  
Top 100 Grossing in 22 countries



### Crime City (Studios)

Reached Top 10 Grossing in 140 countries  
Top 100 Grossing in 19 countries, over 3.5 years since launch

## QUICK FACTS

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Continents playing GREE games

1,800+

Employees Worldwide

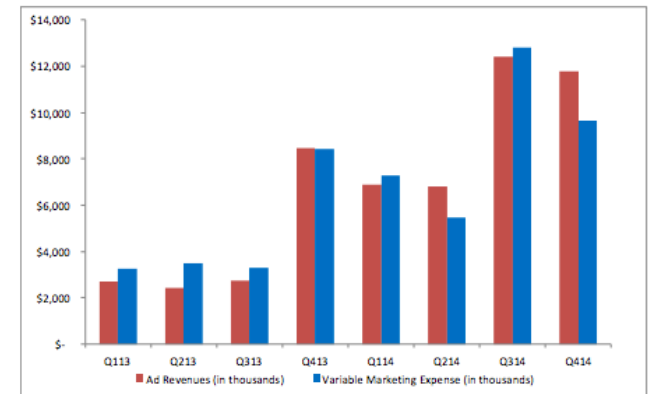
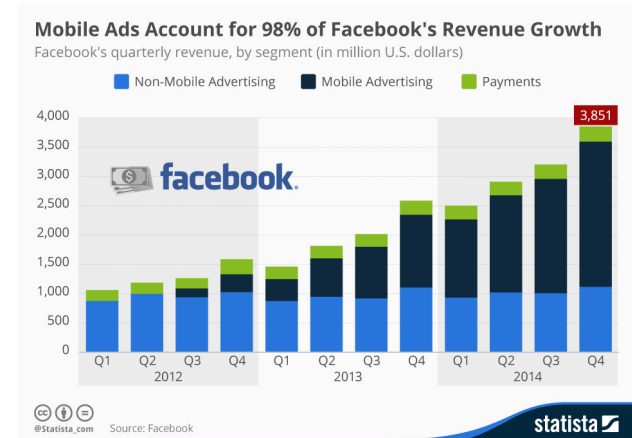
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Games made in North America

Source: \*App Annie

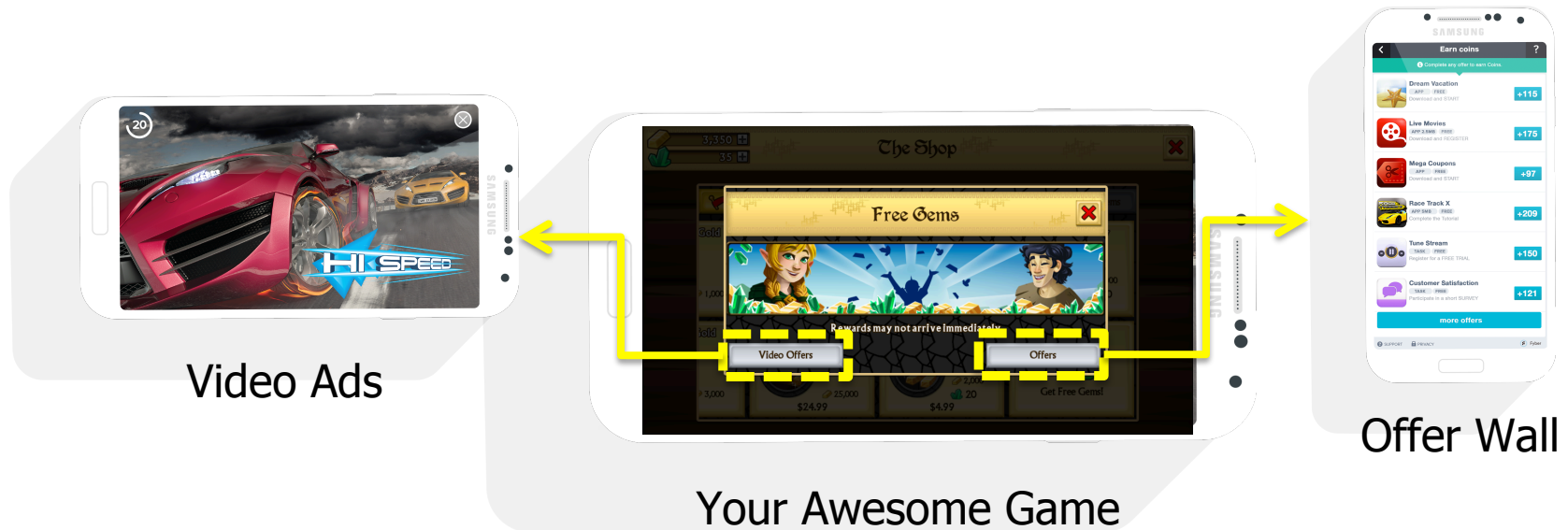
# Where is mobile advertisting going?

- Estimated mobile advertising spending to reach \$40 billion by 2017
- Mobile Ads account for 98% of Facebook's revenue growth
- 80% Ad Revenue CAGR for Glu mobile, reaching \$12M/quarter - 15% of Total Revenue
- CPI/eCPM will go up as big brands embrace mobile ads
- Multiple Acquisitions in 2014: Sponsorpay, Flurry, AdColony



Sources: Gartner Report 2014 <http://www.gartner.com/newsroom/id/2653121>  
Facebook Revenue Growth: <http://www.statista.com/chart/2496/facebook-revenue-by-segment/>  
Glu Earnings Report: <http://phx.corporate-ir.net/phoenix.zhtml?c=207033&p=irol-presentations>

# Incentivized Ads



## Key Questions

- How does it impact retention?
- How does it impact monetization?
- Any signs of cannibalization?
- What are the best practices?

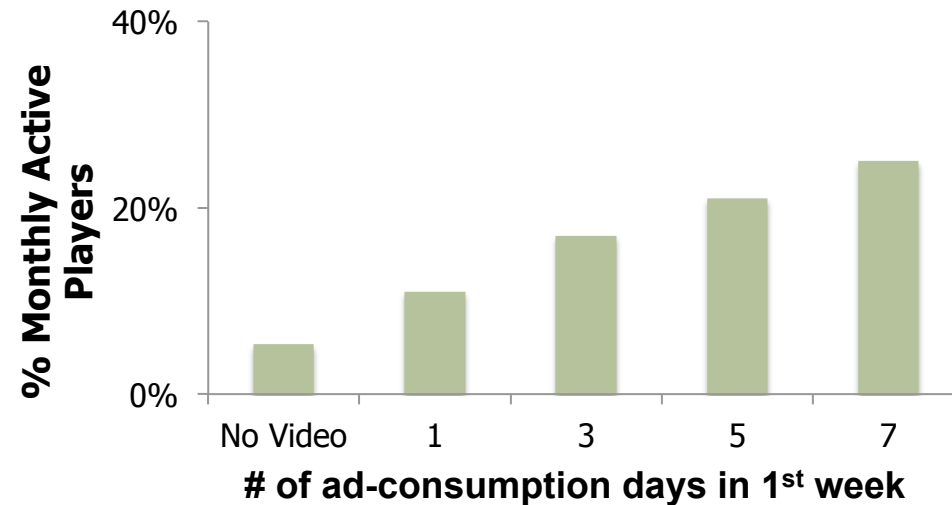
# Angry Neeson

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If Angry Neeson 52 watches an incentivized ad of Kate Upton, won't he get his revenge and switch to another strategy title?

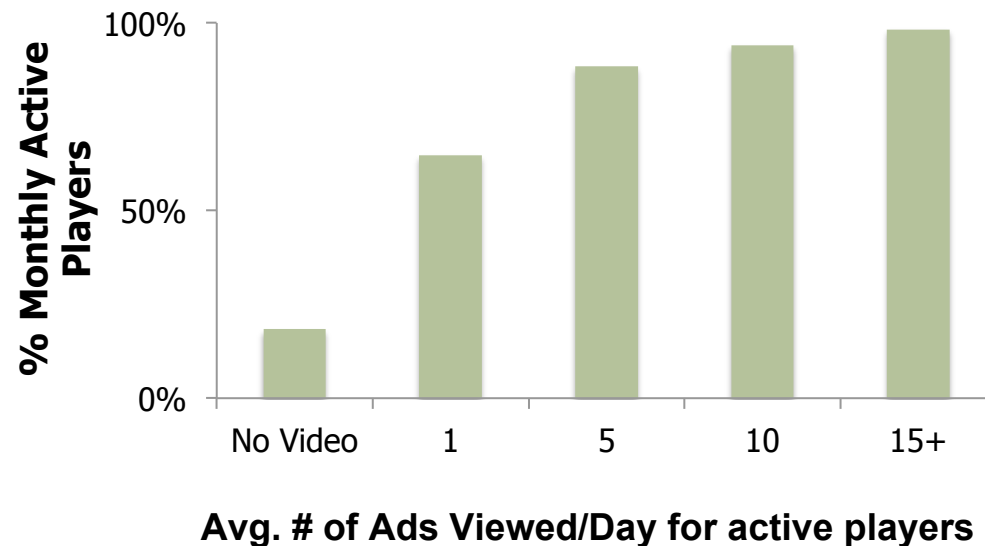


# Impact on Retention: Players are unlikely to quit playing due to incentivized ad-watching



- Frequency of ad consumption correlates well with long-term retention

## Engagement by Ad View

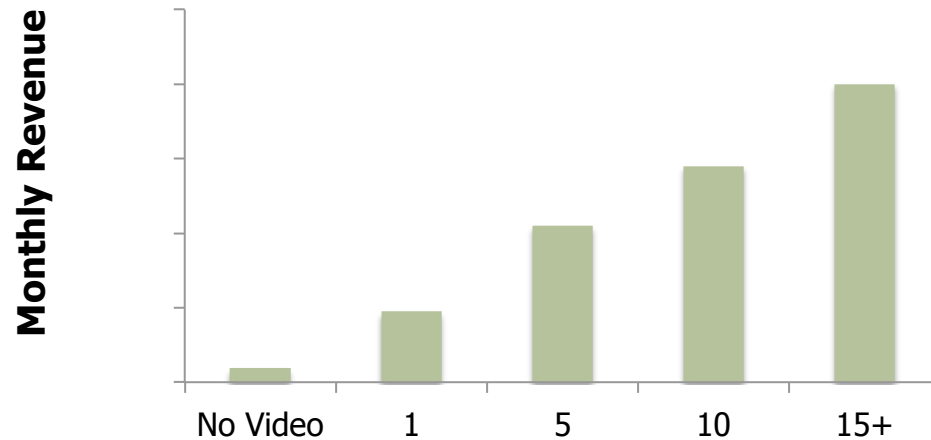


- Majority of heavy ad-watchers retains long term

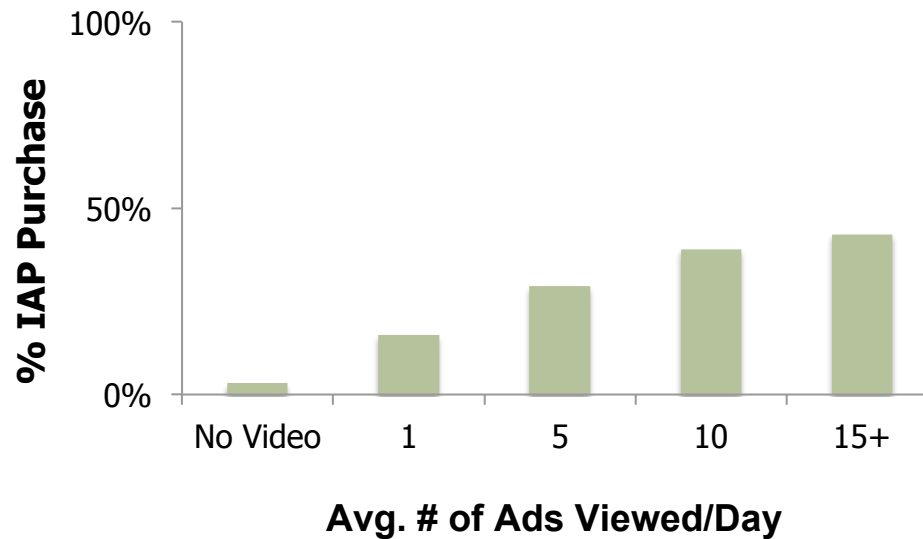


## Impact on Monetization: Ad consumption surprisingly correlates well with IAPs

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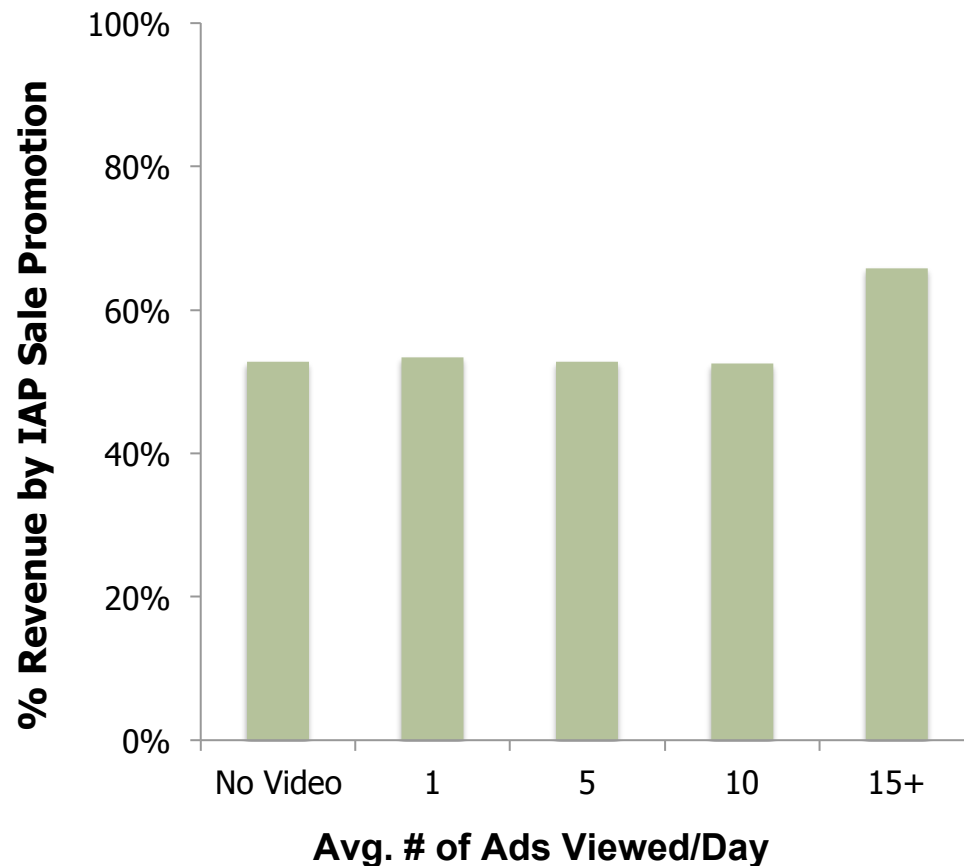
- Volume of ad consumption strongly correlates with IAP revenue



- Heavy ad-watchers are very likely to make IAP purchases

# Ad Watchers are Price Sensitive

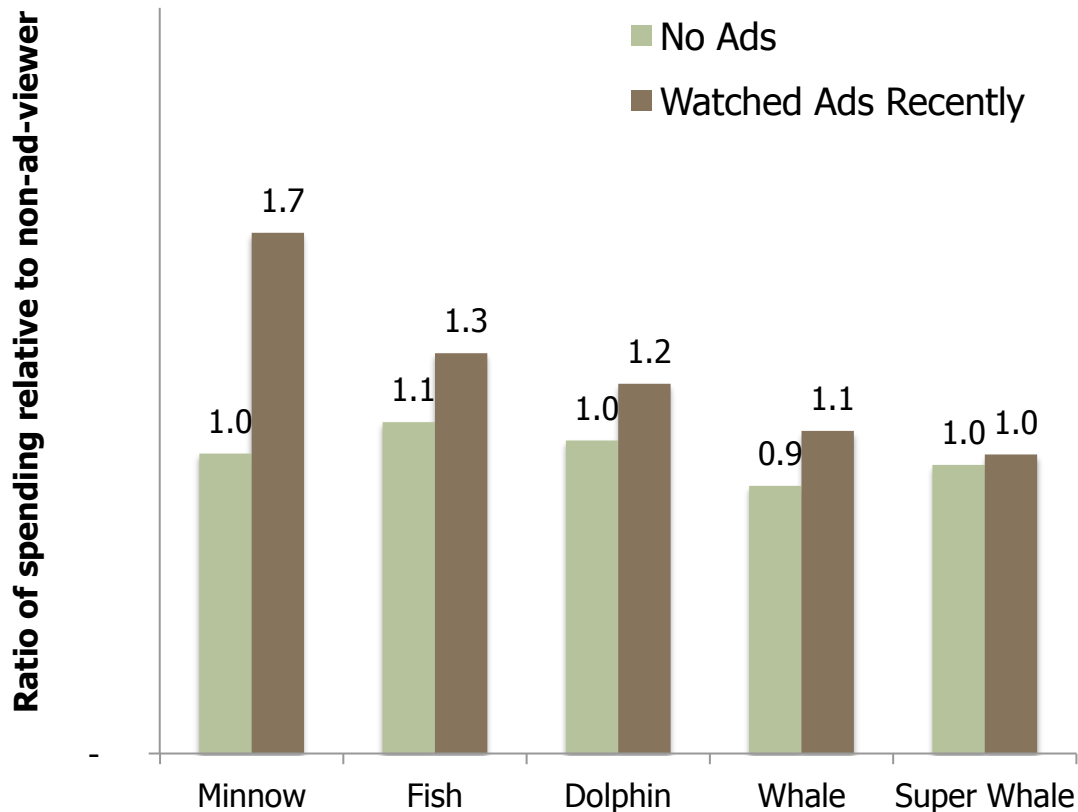
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- Heavy ad-watchers tend to be more price sensitive and prefer to wait for IAP promotions to spend
- Targeting ad-watchers with the right type of sales might lift LTV up

# No cannibalization of direct revenue was observed

## Spending Ratios by Spender Type



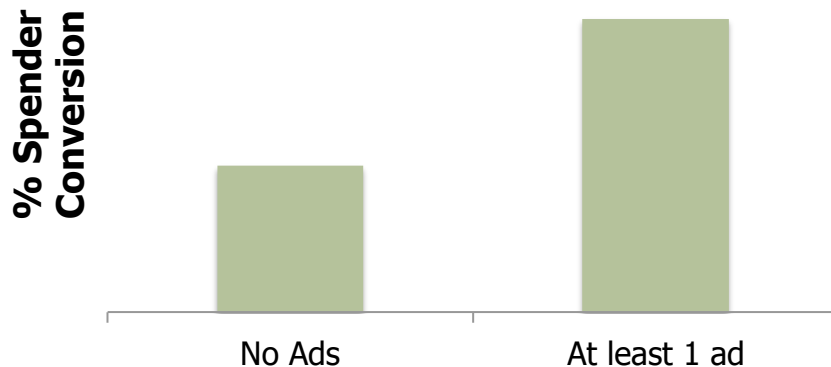
- Introduced a new ad partner significantly increasing the availability of video ads to players, hence increasing the number of viewable ads/earnable HC
- Spending per player went up for ad viewers relative to non-viewers for all spender groups after more ad inventory was available

Ratio of spending per active user for the 2 groups is “day-weighted”

# Higher Likelihood to convert into Spenders

A natural follow-up: Does performing ad viewing still predict spending after adjusting for other engagement metrics?

Variables
Cohort Age
Engagement metrics (i.e. # of logins, level etc.)
Social Activities
Core game loop activities ( # of PvP, PvE, Building, Research etc)



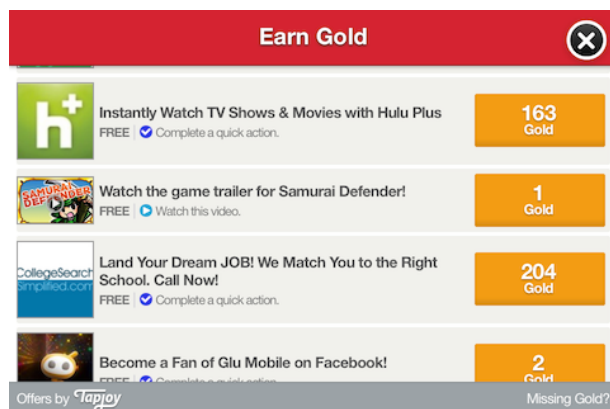
Note: Ratio of spending per active user for the 2 groups is both “day-weighted” and “revenue-weighted”

- Willingness to view ads/do offers is heavily influenced by the hidden variable “how much the player likes the game” so we need to control it
- Built logistic regression models for multiple games across different genres.
- **Players who interacted at least once with ad content are almost twice as likely to make an IAP purchase**

# Giving small amount of Hard Currency to players may boost retention and monetization



- Boom Beach includes mechanisms giving out small amounts of HC to
  - Decrease the psychological barrier into spending HC
  - Increase retention
- Experience from indirect revenue – players that do offers retain and monetize better, even after controlling for engagement.
  - Nothing special about offer experience; must be driven by currency reward.

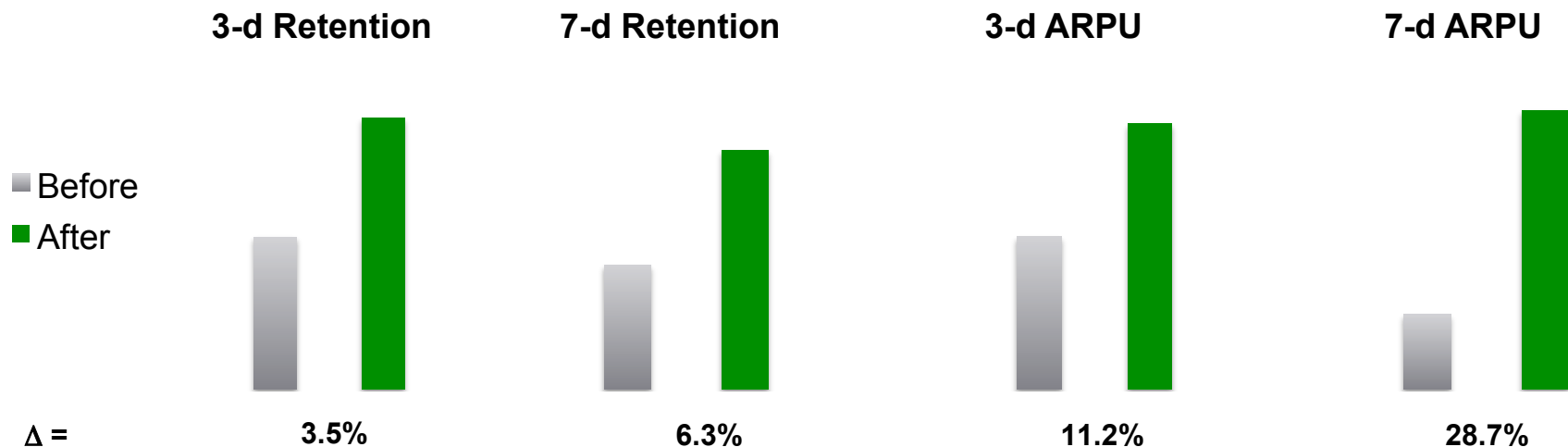


# As a proof of concept, we decided to experiment with the idea; the results were astonishing



- Game team boosted up the FB connection reward to **10x**
  - Allow early users to engage with wider range of game features
  - Bring in high quality users
  - Associate HC with the core game economy.

## Metrics for players who logged in at least once after tutorial



# Concluding remarks

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- Incentivized Ads do not negatively impact retention
- Incentivized Ads do not cannibalize direct revenue from IAPs. In fact, they tend to help with spender conversion when used appropriately
- Having additional HC available early on allows players to experience more of the core gameplay and view the currency as a normal part of gameplay; incentivized ads may be one way to offer HC

# Best Practices

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## Surfacing

- Persistent and animated ad icons draw more attention, thus may raise ad CTR and CVR.
- Interstitials and banner ads are disruptive to game play and steals from immersiveness
- IAP Store offers a convenient location to offer “Free Gems”

## Ad Inventory

- Highly engaged players with limited budgets are likely craving for Hard Currency; working with multiple video ads via mediation is highly recommended to meet the demand
- Product quality of Ad Network matters

## Currency Conversion

- Video ads do not pay much on eCPM basis. Try increasing the currency conversion rate in favor of video ads as high as **10x** and observe how players react

## Monetization

- $LTV > \$0$  is infinitely better than  $LTV = \$0$
- If cannibalization is real concern, heuristic filters like “No ads for the first 14 days” can provide a solution



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# Thank you!

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Special Thanks to  
Bysshe Easton  
Yang Hung  
John Tran

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# WE ARE HIRING!

