

WINNING STRATEGIES FOR
GAMES MONETIZATION



Introduction

The future of gaming monetization is bright. While forward-thinking game publishers and developers are already reaping the benefits of diversified revenue channels through new monetization methods, many have yet to go beyond in-app purchases.

Some developers may hold onto misconceptions like “People hate advertising” or “It just won’t work in my game.” Perhaps they feel that they have to choose between monetization and user experience to successfully compete.

The reality is that many developers and publishers are already building advertising experiences that complement the in-game experience, while maximizing revenue opportunities. Some have discovered that it’s possible to improve gamers’ perception of overall game quality with ads monetization.

In this whitepaper, we’ll share industry trends in game monetization and provide insight into how developers can creatively and sustainably monetize their games.

We'll also explore answers to the following questions:

- What is the state of the global gaming industry?
- How can game publishers/developers access new audiences by leveraging the tactics of media companies?
- Where are the greatest global opportunities for growth in the gaming industry?
- How do developers/publishers of different game segments balance incorporating in-app purchases and ads in their games?
- How is monetization evolving beyond the waterfall model?
- How do I maintain user experience by diversifying ads to continue serving relevant content to a diversified gamer audience?
- Which ad formats will help us maintain (or improve?!) the user experience while maximizing revenue streams?

Growth of the Gaming Industry

From niche activity to mass entertainment

The predictions of early mobile gaming skeptics couldn't have been farther from the current reality. Industry observers initially anticipated that the smartphone's small screen gaming experience meant "snack-sized games with a limited lifespan". Instead of limiting players' attention span while playing or decreasing consumer appetite for this new experience, mobile gaming has made it possible for a wider, more diverse audience to download, play, get hooked and eventually, open their wallets¹.

Gaming is For More Than Gamers

In the past ten years, gaming has gone from a niche activity to an accepted form of mass entertainment with broad appeal across age and gender. Even the term "gamers" has become obsolete. The stereotype of young and isolated gamers fails to encapsulate the variety of "game enthusiasts"—both male and female and old and young—for whom gaming now presents an entertaining, intellectually stimulating or relaxing pastime.

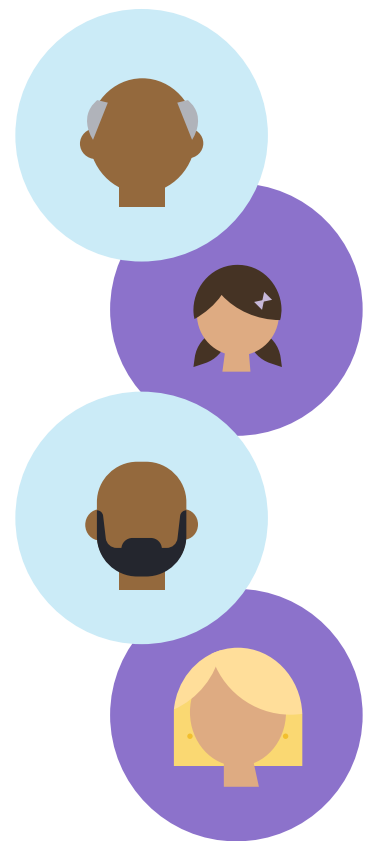
It's impossible to say whether the diversification of game enthusiasts has led to a proliferation of games that cater to a wider variety of interests and playing styles, or if it's the other way around.

Either way, games can no longer be narrowly defined but cater to a wide variety of interests and playing styles. From role-playing games to casual games and from lean-forward to sharing/streaming live, the range of games has become just as diverse as the audiences playing them. Online gaming videos, eSports, and virtual reality have demonstrated that modern gaming even goes beyond just "playing". New formats give enthusiasts many options for personalizing how they interact with games².

Industry Growth Factors

So why are more people playing more games, more frequently? Here are a few key factors that have laid the foundation for gaming industry growth:

- **Ubiquity of the smartphone lowers cost and time barriers.** The accessibility of smartphone technology has made it possible for people to whip out their mobile and play games on the subway, on their lunch break or while watching their kids in the park. For individuals who couldn't previously take time to sit down and play on a console or desktop, it's now possible to carve out a few minutes to play mobile games. Mobile gaming has also lowered the cost barriers for others who may not have the resources to invest in expensive hardware. While gaming still occurs on console, desktop, and tablet, the smartphones have become the number-one gaming device³.



¹ Source: "2017 Global Games Market Report: Trends, Insights and Projections Toward 2020" by Newzoo, 2017.

² Source: "Trends and Insights on Games and Interactive Media 2017" by Superdata Games & Interactive Media Intelligence, 2017.

³ Source: "Global Mobile Gamer Study" by TNS ~~050817~~ (Facebook IQ-commissioned online study of people ages 18+), Jun 2015–Mar 2016. The incidence sample is representative of gamers across all devices within the online population of BR, DE, ES, FR, ID, IN, KR, RU, TH, TR, UK and US. Surveyed mobile game spenders in BR and US include Facebook users only. Unless otherwise noted, data are on average across the markets.

- **Opening the App Store gave developers a new marketplace.** Apple's App Store launched in 2008, roughly a year after the first iPhone was released, providing a new way for developers to distribute apps to a wider audience. ~~Globally, Games as an app category has become bigger than the next four largest categories combined, with nearly 13.4 million downloads in Q1 and Q2 of last year⁴.~~
- **Growth and global alignment of the gaming community opens new doors for publishers.** Around the world, Asia-Pacific (APAC) and the Greater China Region (GCR) are the fastest growing gaming communities. The number of global game enthusiasts will grow to 4.5B gamers by 2020, over half of which will be mobile gamers (2.5B). Almost a third of global gamer growth will occur in APAC.

While localization and regulation continue to make it challenging for Western firms to succeed on Chinese soil, the market continues to demonstrate an interest in Western IP and franchises. And the global alignment of the gaming community—business models, platforms, franchises and companies—has given Chinese brands new confidence to export their successful games to the West.

With more demand for games, more ways to play and more gamers on a global scale, it should be no surprise that gaming revenue is growing, and in particular, mobile gaming revenue. In 2017, the global games market will generate \$108.9 billion, \$7.8 billion more than the previous year. Mobile gaming is now the largest segment and will generate 42% of all global game revenues in 2017.

WHAT FACTORS ARE CATALYZING MOBILE GAMES REVENUE GROWTH?

Time spent on gaming apps is increasing every day. According to Mediakix, the amount of time spent on mobile gaming apps increased from 32% of the total time on spent on smartphones in 2014 to 43% by the beginning of 2017⁵. More time spent means more opportunities to monetize.

Increasing flexibility in monetization methods like free-to-play, additional content and microtransactions—gives gamers the ability to buy only what suits their needs, instead of having to pay for things they don't want.

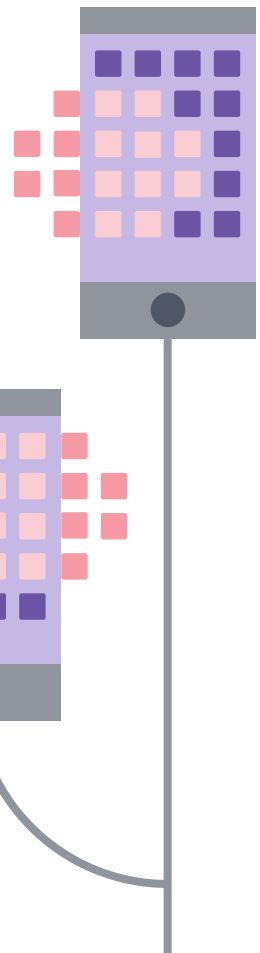
Developments in ad technology have also enabled publishers to increase the relevancy of ad content to better align with their unique target audience, increasing the propensity to buy and improving the overall game experience.

Evolution of mobile ad experience has also helped activate revenue growth in the gaming industry. From the early days of standard display ads, the in-game ad experience has changed dramatically and continues to develop with each new ad format. A greater variety of interstitial and native formats have given developers, and publishers of different game types more flexibility to integrate ads into gameplay and UX without disrupting or compromising the player experience.

⁴ Source: Sensor Tower, Localytics, and PocketGamer.biz via Statista.com and "Mobile Games Research" by 2CV (commissioned by Facebook Audience Network) qualitative research via focus groups and quantitative research from 6.2K interviews in EMEA, US and APAC, May 2017.

⁵ "The nine mobile gaming statistics that show the dominance of gaming apps" by Mediakix, May 2017.

Source unless other specified: "2017 Global Games Market Report: Trends, Insights and Projections Toward 2020" by Newzoo, 2017.



While revenue for PC segments is expected to drop slightly in the coming year, all those microtransactions seem to be adding up. And looking forward, gaming publishers and developers can continue to anticipate exponential growth. Mobile gaming will establish its standing as the most significant segment, responsible for 53% of the market with revenues of \$64.9 billion and browser PC games will continue to decline quickly, claiming just 3% of the market by 2020⁶.

Gaming is the New Media

Global digital advertising spend has officially eclipsed TV and shows no sign of slowing down. Set to become the most significant ad sector this year, digital advertising boasts a 40% share, compared to TV's 36%. For a relatively young channel, this is a staggering achievement. And within digital, gaming is one of the fastest growing advertising channels, set to expand 97% in five years between 2014 and 2019⁷.

With more eyeballs glued to games than ever before and more opportunities to monetize this audience through digital advertising, forward-looking gaming companies are re-imagining their strategic position in the broader entertainment industry.

While traditionally, gaming companies have relied almost entirely on direct consumer spending, many are revamping their monetization methods to leverage the unique opportunities afforded to them both as champions of interactive entertainment and as non-interactive video content creators. In many cases, transitioning to a more advertising-based model is transforming gaming companies into something akin to digital or broadcast media organizations.

Catalysts of Transformation

Traditional media is struggling to offer an interactive content experience, while gaming companies are wisely offering consumers a multiplicity of options to personalize and extend the experience beyond the playing the game itself.

Gaming companies, the original champions of interactive entertainment, are stimulating social, creative and sharing behavior through eSports, online gaming and other growing communities.

Game content viewers are leaving traditional media platforms behind and are watching live streaming gaming video content instead. A recent Superdata report found that viewership of gaming video content (including eSports) has outstripped the combined audiences of Netflix, HBO, Hulu and ESPN⁸.

Traditional publishers are embracing Games-as-a-Service. With big industry players like EA and Ubisoft now earning the majority of their money digitally—boxed game revenue is decreasing year-over-year at a rate of 1.3%⁹. And with the observable decline of the disc, the blockbuster launch is also on its way out.

⁶ Source: "2017 Global Games Market Report: Trends, Insights and Projections Toward 2020" by Newzoo, 2017.

⁷ Source: Wilkofsky Gruen Associates; McKinsey via Statista 2017, Mobile Games Research" by 2CV (commissioned by Facebook) qualitative research via focus groups and quantitative research from 6.2K interviews in EMEA, US and APAC, May 2017.

⁸ Source: "Trends and Insights on Games and Interactive Media 2017" by Superdata Games and Interactive Media Intelligence, 2017.

⁹ Source: "2017 Global Games Market Report: Trends, Insights and Projections Toward 2020" by Newzoo, 2017.

¹⁰ Source: "Trends and Insights on Games and Interactive Media 2017" by Superdata Games and Interactive Media Intelligence, 2017.

"42% of eSports fans don't play games, but 82% claim watching eSports make them feel like they are part of a community¹⁰."

Industry Perspectives on Games-as-a-Service

“Titles that have become global hits recently have tended to be offered via the ‘Games-as-a-Service’ model, and we believe this is going to be the mainstream model for gaming in the future.”

- **Square Enix**¹¹

“We are transforming our games from standalone offline products into service-based platforms where we can continually interact with and entertain our players.”

- **Yves Guillemot, CEO, Ubisoft**¹¹

“Games-as-a-Service are reshaping our industry, and EA is positioned to lead.”

- **Andrew Wilson, CEO, Electronic Arts**¹¹

How Can Gaming Companies Win as the “New Media”?

While the industry as a whole may be in robust health, game publishers are faced with new challenges: How to launch and sustain individual businesses in a highly competitive field? And what types of platforms are best suited to monetize Games as a Service?

EXTEND CUSTOMER ENGAGEMENT BEYOND THE LIFECYCLE OF THE GAME

It’s crucial to have the infrastructure in place to offer consumers a more customizable experience that extends beyond playing the game. Gaming companies should focus on the full customer lifecycle, from game discovery through to nurturing an engaged, loyal community. Creating opportunities for social sharing and interaction with other fans is key to building sustainable games and driving revenue through higher value players.

CONSIDER INVESTING IN GAMING VIDEO CONTENT (GVC)

As noted in SuperData’s 2017 report, publishers and advertisers who ignore the global GVC appetite will miss out on a serious business opportunity. Depending on the game type and target audience, it may be wise to consider creating game video content to diversify revenue streams through digital advertising.

As gaming companies are quickly learning how to monetize video content and its millions of viewers, they are uniquely poised to become masters of both interactive and non-interactive content and will be a veritable force to reckon with for legacy media companies.

FOCUS ON AUDIENCE ACQUISITION

Discovery remains the number one challenge for game marketers and the first step to building a community. Beta or soft-launch periods with actual gamers are now considered crucial to building a mobile gaming community and securing a smooth commercial launch. Audience analytics are playing a more significant role in successful monetization and are becoming increasingly important as the cost of user acquisition increases¹³.

BUILD A COMMUNITY

Mobile gaming revenue is becoming increasingly dependent on successfully building an engaged community and diversifying revenue sources. And so it’s crucial for game publishers to seek out partners who think holistically about all facets of the gaming business. Ideally, game publishers should work with a partner who can support them end-to-end to create a more sustainable monetization model, from growing their audience on mobile, to building engaged communities and enabling social sharing and interaction.

¹¹ Source: [Top Video Game Companies Won’t Stop Talking About ‘Games As A Service’](#), Kotaku, Jason Schreier, 2017

¹² Source: “Gaming Video Content & the New Essential Audience 2017” by Superdata, Games and Interactive Media Intelligence, 2017.

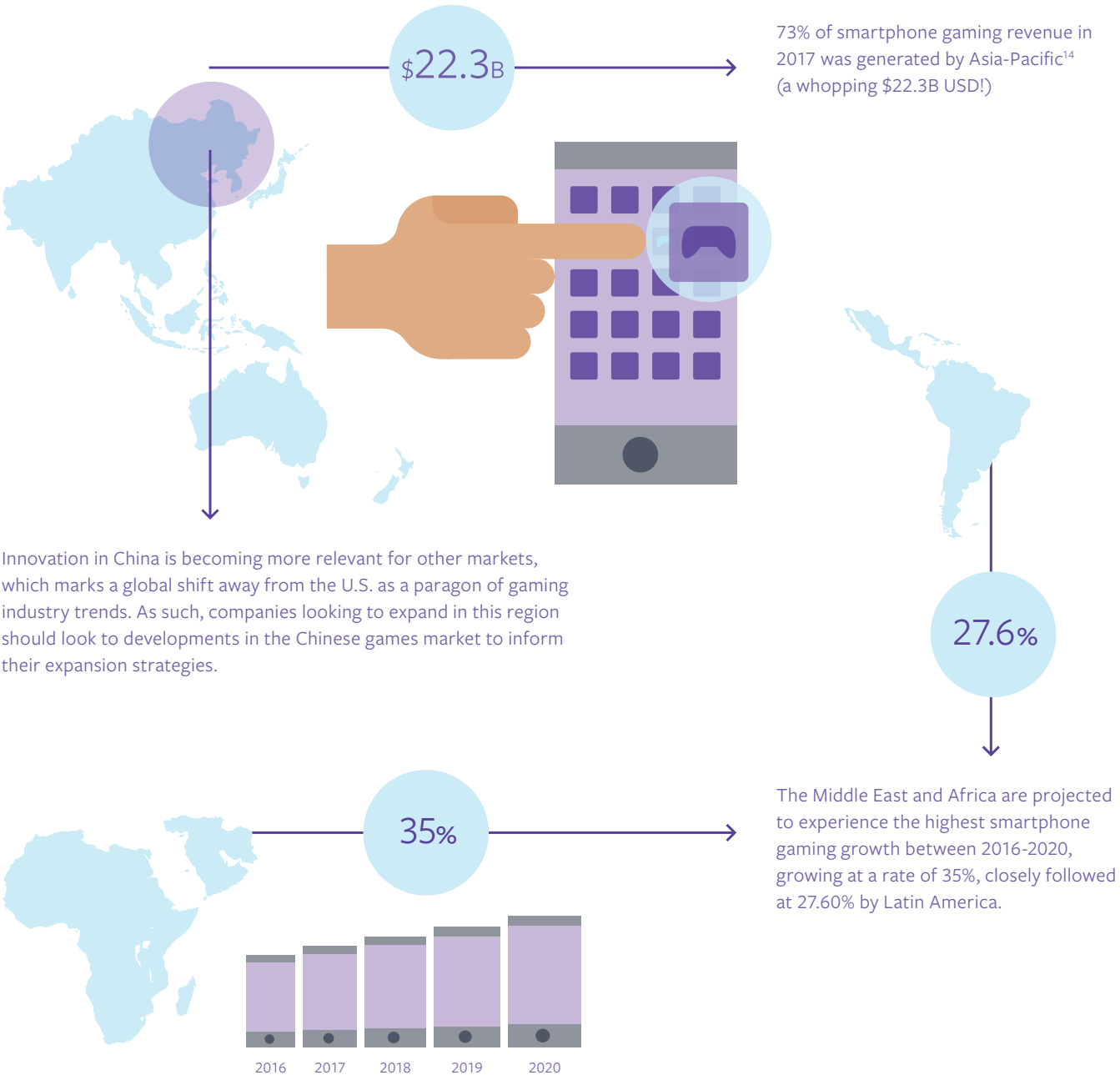
¹³ Source: “2017 Global Games Market Report: Trends, Insights and Projections Toward 2020” by Newzoo, 2017

“While the ‘why would anyone want to watch someone else play video games?’ sentiment continues to exist among those behind the curve, the smartest publishers, advertisers, and brands are recognizing that their consumers are now, simply put, watching videos of people playing games¹².”

Snapshot of the Mobile Gaming Economy

Identifying Untapped High Potential Markets & Segments

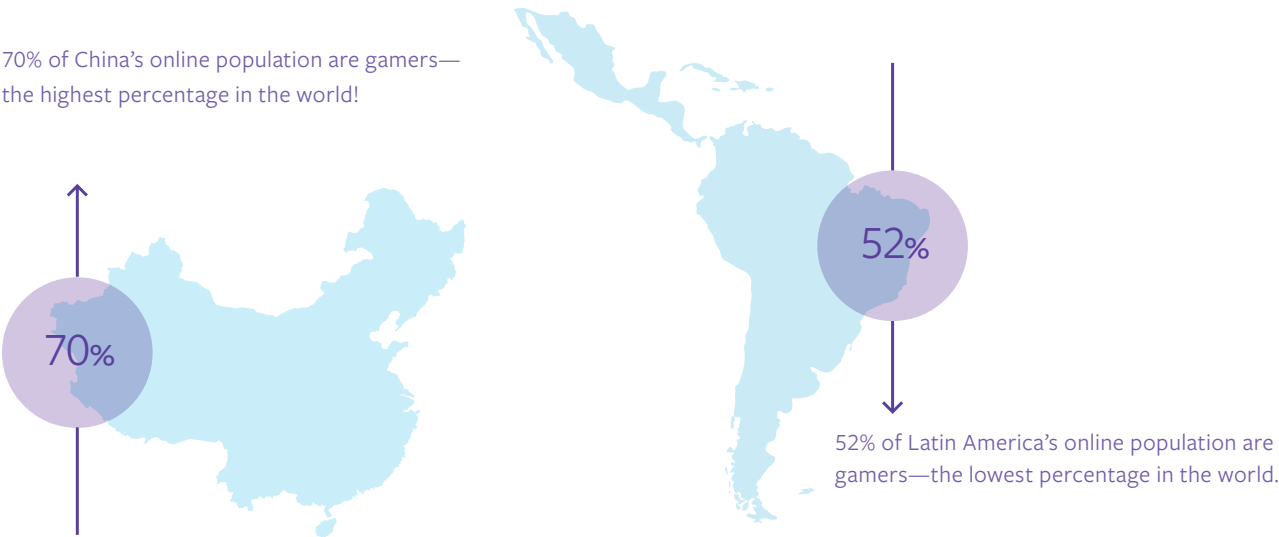
Looking to scale your game globally? Access more revenue through monetization?



Source unless other specified: "2017 Global Games Market Report: Trends, Insights and Projections Toward 2020" by Newzoo, 2017.

How much of the world’s online population are gamers?

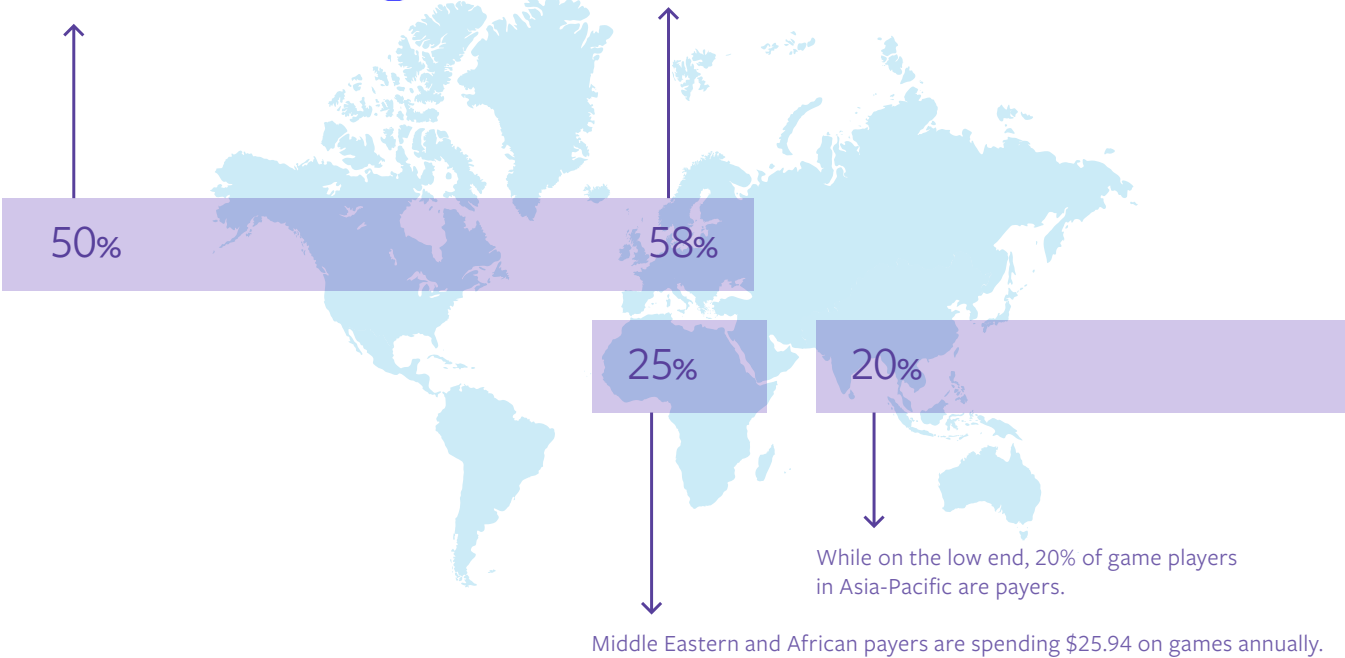
70% of China’s online population are gamers—the highest percentage in the world!



Which markets spend more (and less) on gaming?

50% of the annual game spend/player is attributable to North American gamers.

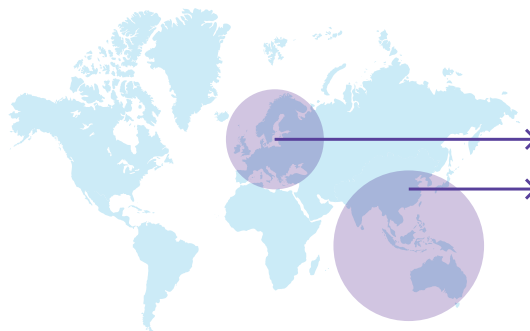
North America and Western Europe have the highest number of game payers to players—58%.
North American payers are spending \$256.10 on games annually.



Source unless other specified: “2017 Global Games Market Report: Trends, Insights and Projections Toward 2020” by Newzoo, 2017.

Game ads revenue is set to reach \$6.9B globally by 2019 (+97% from 2014).¹⁵

¹⁵Source: Wilkofsky Gruen Associates; McKinsey via Statista 2017



Emerging markets (EMEA and APAC) will account for almost 80% of global mobile app store downloads by 2020.¹⁶

¹⁶Source: App Annie Forecast Report Q2, 2016

Looking to anticipate segment growth?

- In 2017 mobile (smartphone and tablet games) was the largest and fastest growing segment and generated 42% of all global game revenues in 2017 (\$35.5B).
- By 2020, mobile is projected to claim 50% of the market.
- As players transition to mobile, browser PC game revenues will continue to decrease, claiming only 3% of the market in 2017.

Source unless other specified: "2017 Global Games Market Report: Trends, Insights and Projections Toward 2020" by Newzoo, 2017.

¹⁷ Source: "China Headquartered Game Publishers Level Up on the World Stage" by App Annie, Aug 2017.

¹⁸ Source: "Forecast Report Q2 2016" by App Annie, 2016

Seeking to anticipate genre preferences across countries?

China headquartered publishers have seen trends in game genre popularity in these top overseas markets:

- Strategy games account for over 50% of revenue share for United States and Germany (like Castle Clash, Lords Mobile).¹⁷
- Role-playing games account for about one-third of revenue share for Japan, Taiwan and South Korea (MU, Origin, Onmyoji).¹⁷
- Action games are the most popular in Taiwan, capturing 20% of the revenue share¹⁷

Aiming to optimize your distribution strategy?

- Google Play and third-party Android stores combined are projected to see 3X downloads in next five years, (\$249.7B).¹⁸
- iOS is projected to see the highest annual gross revenue by 2020: \$45.2 billion.¹⁸

Obstacles to Mobile Gaming Monetization

The Speed of Change

With the rapid evolution of games monetization, many developers and publishers are struggling to keep up as the industry's business models are changing. While relatively new to the gaming industry, the introduction of dozens of new digital technology-based industries over the last few decades has forced organizations to quickly grasp and leverage emerging new business models. For example, the consumer internet industry learned to monetize based on ad revenues from CPM and CPC models. Software products now operate on a Software-as-a-Service model. Cloud storage generates revenue through a pay-for-upgrade model.

The evolution of mobile gaming monetization was no different. Early on, developers had two options, and neither was easy to execute. They either could sell their game through an online app store or could work with a device carrier to have their game preloaded onto a mobile device. As it became easier to distribute mobile games through the app store and other channels though, competition grew, and developers were forced to gradually lower their prices until they had no choice but to offer games for free, thus giving birth to the free-to-play or "freemium" model.

Many gaming developers have adopted the freemium model which traditionally has generated revenue through in-app purchases. But it presents new challenges; namely, it's dependence on a small percentage of users to make in-app purchases. Acquiring large numbers of customers, few of whom would convert, is an expensive operating model.²⁰

At this point, it's becoming clear to many gaming developers that diversifying revenue sources on a freemium model is a more dependable strategy to drive the most revenue from the highest number of players. Still, some developers and publishers continue to hold onto some commonly held misconceptions, which has hindered them from considering the business opportunity offered by advertising.

Myth: Gamers Hate Ads

The second obstacle that publishers must overcome is the commonly held misconception that all gamers hate ads. But as a recent Mobile Games report²¹ discovered, the reality is that this audience has slightly more nuanced expectations. They understand and accept that a transaction is taking place and when faced with the decision of paying for a game or seeing advertising, gamers have indicated that ads are preferable.

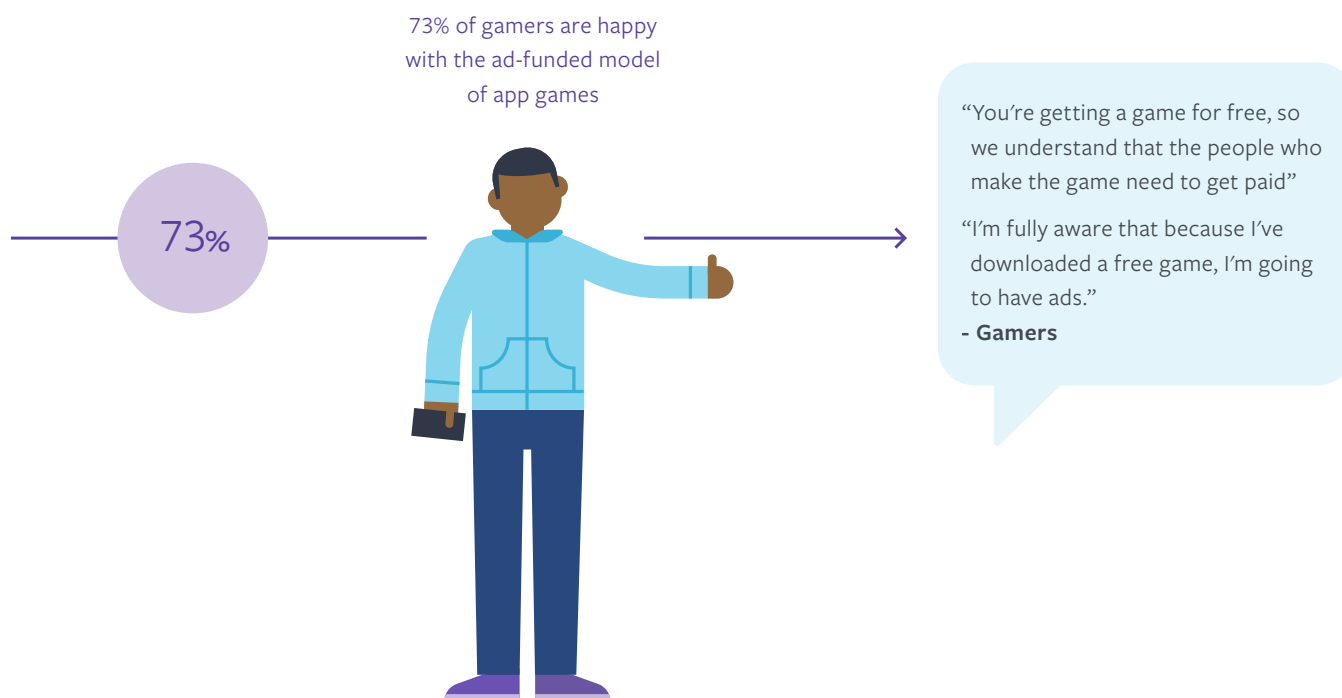
¹⁹ Source: "Evolution of Monetization and Business Models in Internet of Things (IoT)" by The Convergence Catalyst, Feb 2017.

²⁰ Source: "Mobile & Social Game Design: Monetization Methods and Mechanics" by Tim Fields and Brandon Cotton, 2014.

²¹ Source unless otherwise specified: "Mobile Games Research" by 2CV (commissioned by Facebook Audience Network) qualitative research via focus groups and quantitative research from 6.2K interviews in EMEA, US and APAC, May 2017.

"Each one of these (digital technology-based) industries, in their early stages suffered from apprehension and doubt on methodology of revenue generation and capacity and quantum of returns. All these are multi-billion dollar industries today, along with forever changing the way we live¹⁹"

- Jayanth Kolla,
Convergence Catalyst



73% of gamers are happy with the ad-funded model of app games

The fact that 73% of gamers are happy with the ad-funded model of app games demonstrates that ads are not an acceptable surprise—but rather an expectation. If gamers haven’t paid for an app, they understand that it’s likely to have to advertising in it. Digging deeper into the rationale behind this attitude, researchers clarified that:

- **Everyone is used to advertising:** Pre-roll advertising for video and audio services has helped accustom people to more engaging advertising online and in-app.
- **They’re not expecting developers to work for free:** Something for nothing is a nice idea, but gamers expect to pay in money, time or effort.
- **Advertising can be a positive for gamers:** This stems from a self-serving desire on the gamers’ behalf, they want to get more out of the games they enjoy. Gamers understand that with more revenue, developers can add more levels and features to enhance the game for their benefit.

For publishers who have been squeezing as much value as they possibly can from their existing monetization model, it’s time to consider new ways to drive revenue. For those who have already started advertising or are just investigating the opportunity, there are three key factors to consider:

- Optimizing Demand: Beyond Waterfall Mediation
- Accessing Top Dollar from Brand Advertisers
- Leveraging Ads to Improve the Player Experience

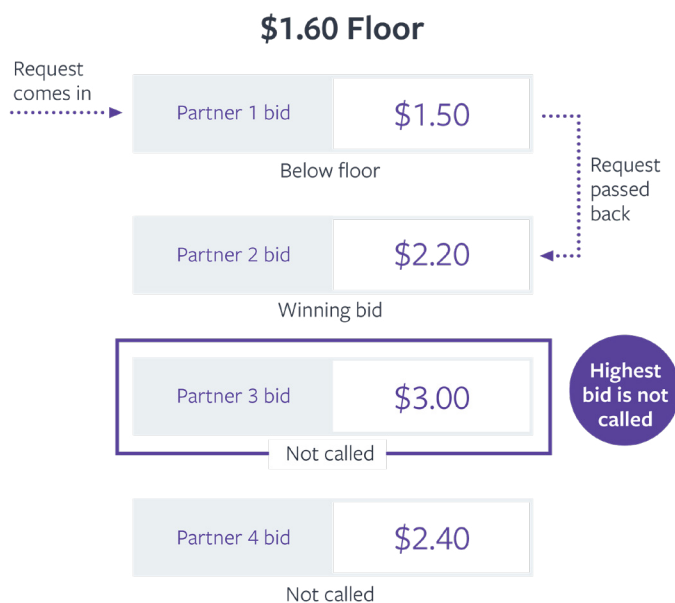
Source: “Mobile Games Research” by 2CV (commissioned by Facebook) qualitative research via focus groups in UK, Germany, US, and South Korea, quantitative research from 6,000 online interviews in UK, Germany, US, Japan, China, and South Korea, May 2017

Where are the Untapped Revenue Opportunities?

Optimize Demand: Beyond the Waterfall

The ad-tech that connects buyers and sellers is antiquated and outdated. Publishers or developers who are monetizing their game with ads (and using more than one ad network) are likely experiencing the challenges associated with waterfall mediation.

HOW WATERFALL MEDIATION WORKS



Waterfall mediation is the technology that calls on different ad networks in a daisy chain to try to make publishers the most money for each impression. Publishers rank each ad network based on historical average prices. These rankings may be changed manually or automatically based on historical performance after a period.

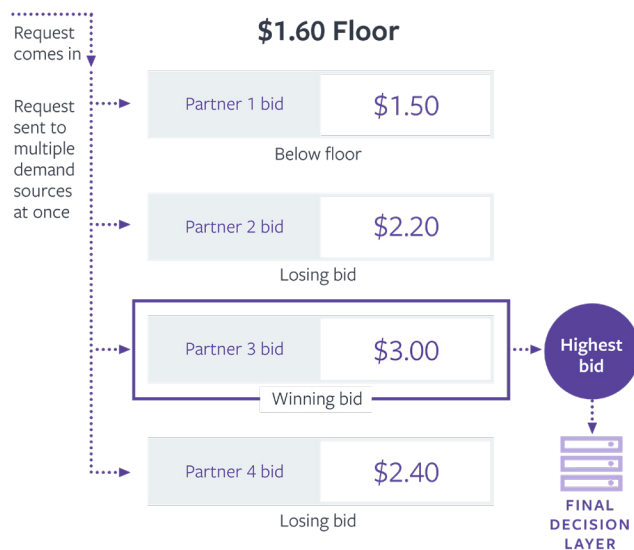
Using average historical prices means that often the demand source willing to pay the most for an impression never gets called. Additionally, because demand sources lower in the chain may only see a few successful impressions, the average prices can be skewed and highly volatile, leading to errors in ranking them.

Waterfalls can work. But, there are many disadvantages: complicated setup, costly maintenance, loss of revenue opportunity and inability to understand the true value of inventory.

“Eventually we see the standard waterfall becoming redundant, giving way to header bidding where networks compete for impressions in real time. The typical waterfall set up where impressions trickle down from one network to the next is theoretically quite inefficient.”

- **Julian Stocker,**
Co-founder, Poptacular

BIDDING IS THE FUTURE



As many game publishers are realizing, bidding is the future. Bidding enables publishers to establish an impartial and open auction over their ad inventory, by offering every ad opportunity to multiple sources at the same time. This increases both competition over a publishers' inventory, and yield. Accessing real-time bids and creative from demand sources means that game publishers can eliminate historical averages from their mediation stack, and prioritize winning bids based on real-time data.

BIDDING FAQS

Bidding has generated plenty of attention and has shaken up the status quo in mobile web. Publishers and developers are now looking closely at bidding as an option for their apps. Here are a few answers to questions about how it works.

How is Bidding different than Waterfall?

- **Waterfall:** Calls are made sequentially. Impressions are passed from one network to the next until it is sold.
- **Bidding:** Calls are made simultaneously. Impressions/inventory is sold to the highest bidder at scale.

How is Bidding changing programmatic advertising?

Bidding allows multiple demand sources to compete for a publisher's inventory, but does so in more transparent way where publishers can accept the highest offers for their inventory. Bidding also offers a more controlled environment. Instead of the 10-15 different "ad hops" that usually happen with waterfall across multiple RTB mediation platforms, bidding involves three main constituents: advertiser, demand sources and publisher.

"With header bidding, publishers are now in complete control."

- Susan Bidel,
Senior Analyst, Forrester

Source: Forrester Q&A How Header Bidding Empowers Publishers [Download the Report](#)

"The industry is already starting to head in a direction that moves away from the traditional waterfalls, but a lot still needs to change from both the publishers and ad networks sides. Ideally, in two years time we would like to be able to bring all the big exchanges/networks together, bidding in real time against each other."

- Diogo Branco,
Programmatic Specialist, Miniclip

What should publishers consider when selecting a bidding partner?

Publishers should make sure that their partners are truly impartial and unbiased, because there's no point in exchanging one biased and partial partner for another. Publishers should choose partners that can bring the maximum number of bidders for each impression so that competition is as fierce as possible while minimizing latency. And the best partners will filter for brand safety, to ensure a premium user experience. It's also important that the auction dynamics are defined and that all fees are identified and agreed upon in advance.

INTEGRATE WITH AUDIENCE NETWORK

Game publishers who choose to run app bidding with Audience Network benefit from real-time access to a massive pool of global Facebook demand and increased fill rate with reduced latency as biddable demand sources are called at the same time.

Here are the options:

- In-house – For publishers who have their own mediation technology, Audience Network provides a bidding endpoint to access demand in real time.
- Integrated Ad Servers – Audience Network bidding endpoints can be called by approved partners within the mediation stack on behalf of an integrated publisher.

For publishers who opt to continue using waterfall mediation, here's how we recommend integrating with Audience Network and using our CPM Targets tool.

Price Tools to Optimize Revenue

Today, price floors remain amongst the most popular price tools in the market. The downside is that they only deliver the minimum bid publishers are willing to accept, often missing potentially valuable bids that fall right below the price floor. These missed bids can help maximize revenue and yield.

Instead of using price tools that only aim to reach the minimum publishers are willing to accept, CPM Targets is a pricing tool that is built to help publishers reach the bid they truly want.

WHAT IS CPM TARGETS?

CPM Targets is a tool available through Audience Network, which was developed to help publishers maximize revenue through consistent CPM performance.

CPM Targets aims to deliver their desired target by accepting all bids above target and some bids below to deliver the desired CPMs, which ultimately helps maximize revenue and yield for every placement and offers more control in setting targets for each ad placement.

BENEFITS OF CPM TARGETS

CPM Targets helps provide several key benefits to publishers:

Better forecast ad revenue

The ability to set price targets specific to each placement and country enables more stable CPM performance helping publishers to better predict revenue across their app and site.

Implement country-specific targets with ease

Easily set up customized country, region and rest-of-world CPM Targets and apply these geographical segments to other apps and properties, saving valuable operational time.

Optimize waterfall more effectively

CPM Targets enables publishers to access demand from high-quality Facebook advertisers at various points in the waterfall, allowing for better management of demand sources and revenue optimization.

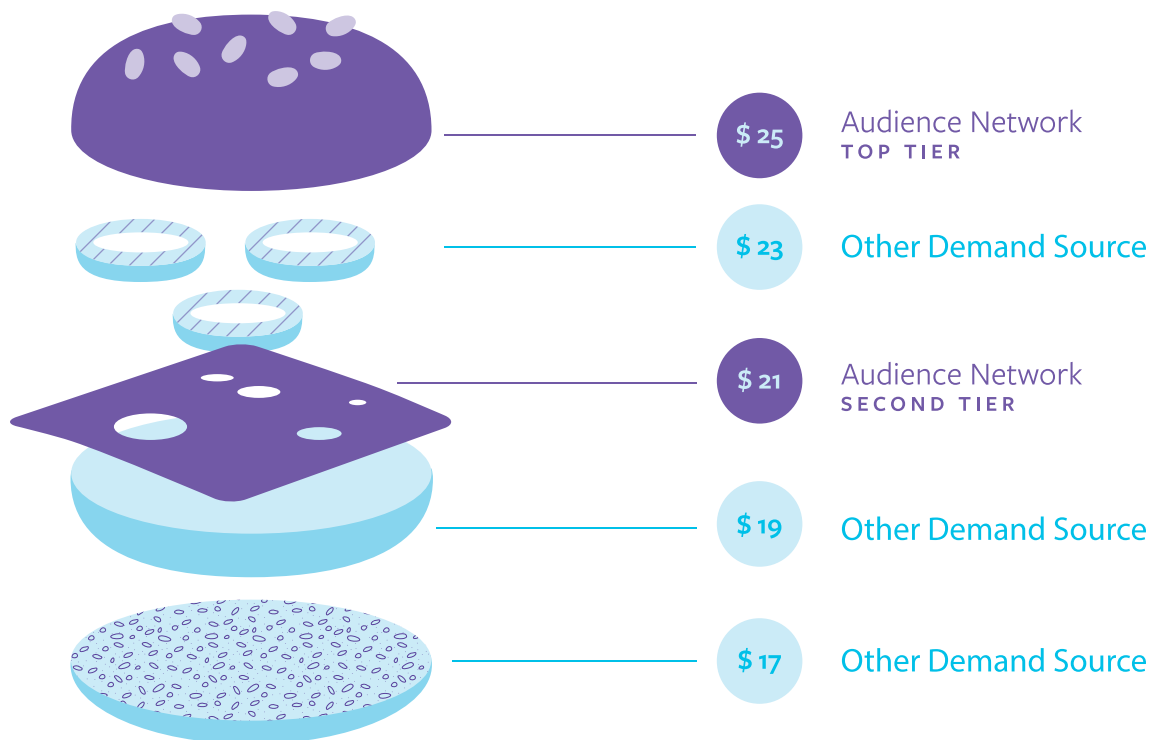
“By using CPM Targets, we doubled our daily revenue with Audience Network almost immediately. The ease of implementation and dedicated support from our partner team ensured that we were able to quickly set price targets for our key markets to maximize our earning potential from every ad impression.”

- Jarkko Paalanen,
Business Development Director,
Fingersoft

Optimize Demand with the Sandwich Model

To help developers and publishers take full advantage of the high-quality demand pool of global advertisers, CPM Targets provides the ability to position Audience Network at various points throughout the waterfall. Here's how to optimize access to Facebook's demand pool with the sandwich model:

1. Place Audience Network at the top of the waterfall to take full advantage of the bid spread and Facebook's pool of high-quality advertisers.
2. Add a second Audience Network placement and place it ~~at~~ from the middle demand source to capture more of Facebook's demand.
3. Track performance for each ad position by using a unique naming convention per ad space.
4. Experiment with country groups and the sandwich model to maximize revenue.



Learn more about getting started with CPM Targets by visiting our Help Center

<https://www.facebook.com/help/publisher/133212460594681>

Access Top Dollar from Brand Advertisers

There has never been a better time for publishers to monetize games through mobile advertising. The widespread popularity of smartphones and the increase of Top 500 brands looking to spend advertising dollars in the mobile space have contributed to this opportunity. Emerging technologies that allow ads to integrate seamlessly into the mobile experience have also played a role. With developments in targeting technology that pairs brand ads with players for whom they are most relevant, and more mediation alternatives, it's now possible more than ever for publishers to increase revenue, while maintaining strong user experience and ad engagement.

Over the past few years, however, publishers have been experiencing some obstacles which have made it challenging to access brand dollars:

- Slow adoption of programmatic advertising
- Demand limited to app install ads
- Lack of audience data for marketers
- Concerns around negative impact of ads on UX

“PREMIUM” INVENTORY NOW AVAILABLE THROUGH PROGRAMMATIC

Early on in the evolution of programmatic advertising (known as real-time bidding), many publishers were suspicious of adopting it, worried that their direct sales may take a hit. This slowed down the adoption of programmatic advertising, and as a result, marketers only had access to a fraction of inventory from publishers.

With new developments in header bidding technology, programmatic buyers can look at publisher inventory before direct orders. This means that not only is there more premium inventory is available to marketers, but they have gained full visibility into publishers' audiences and can drill down to reach specific segments. And the increase in competition for demand to reach highly coveted target audiences means more revenue for publishers²².

Drawing from a large pool of demand from global advertisers, Audience Network offers publishers access to ads from other gaming and non-gaming advertisers. This leads to more ad variety from brands that their audience cares about, resulting in greater engagement.

GOING BEYOND CPI

Some mobile game publishers who have already started combining advertising with IAP have likely built their business running app install ads from other gaming companies. While monetizing through cost-per-install has delivered great results for many publishers, neglecting to expand to brand advertising is leaving money on the table. That's why it's critical to partner with the right networks to get access to a diverse pool of global advertisers. Higher-quality ads from both gaming and non-gaming advertisers will result in increased CPMs, as every network competes for each impression.

²² Source: “The Beginner's Guide to Header Bidding” by AdProfs, 2017.

“Consistent CPM performance is a key priority for us. Since using CPM Targets we've witnessed greater stability in both CPMs and fill, which has helped bolster our monetization strategy. Further, the level of granularity in setting price targets specific to the countries that matter most to our business has been especially beneficial.”

- Marion Cherubin,
VP of Operations, BBM

MONETIZING WITHOUT COMPROMISING UX

Many mobile gaming publishers assume they have to choose between monetizing with ads or prioritizing user experience to successfully compete with their peers. But the reality is that most game enthusiasts understand and accept that advertising has become an integral part of the games they play. But in exchange for playing games for free, they request that ad content is relevant to their interests.

A recent mobile games study found that advertising can be a positive addition to a game when the following three elements are present:

Targeting: Ads need to be relevant. To minimize disruption to the user experience, they want to see ads for products, services and games they are interested in.

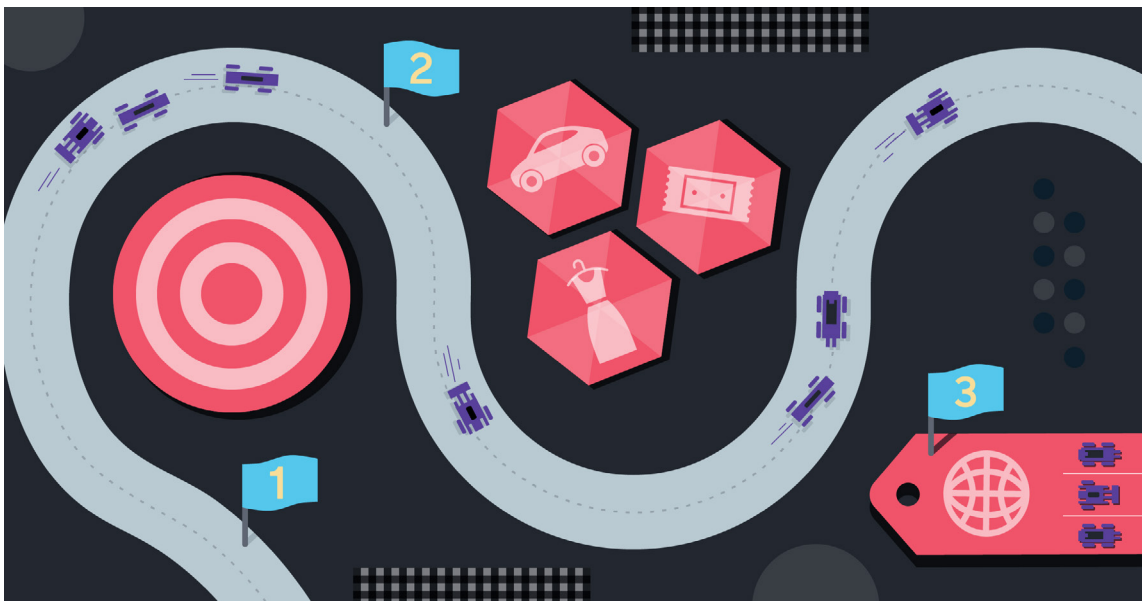
Variety: Seeing the same ad repeatedly is annoying, so it's important to ensure that there is a range of different ads for gamers to see.

Familiarity: Big brands add legitimacy. When gamers see familiar brands, it can lend credibility as it gives the impression that the game is popular enough to be courted by these leading companies. As gamers recognize these brands, this trust is conveyed to the games.

Powerful people-based targeting—like the functionality offered through Audience Network—makes it possible for publishers to match the right advertiser to the right person, ensuring minimum disruption in the gamer's journey and creating a more engaging ad experience.

“Gamers are more than 2X happier with the trade-off of advertising for a free game when the advertising feels relevant and are 3.5X more likely to buy/use the product that's being advertised when the ads are relevant to them.”

Source: “Mobile Games Research” by 2CV (commissioned by Facebook) qualitative research via focus groups in UK, Germany, US, and South Korea, quantitative research from 6,000 online interviews in UK, Germany, US, Japan, China, and South Korea, May 2017.



Monetize with Ads

Top Formats

Choosing which ad formats and identifying which flow type will best serve the game experience are both important for maximizing revenue for publishers. The following section will explore a variety of innovative ad formats that preserve the user experience while maximizing ad revenue.

Rewarded Video: Preferred by Gamers, Loved by Advertisers

Rewarded video has become one of the most effective and preferred ad formats, presumably because it gives players the opportunity to watch an ad in exchange for a reward within the game. Players like gaining additional benefits in the game without having to wait or pay and this reflects well on both the app and the advertiser.

OPEN THE DOOR TO MICROTRANSACTIONS

It has also been documented that gamers who see rewarded video are not only 23% more likely to buy the products advertised (compared to interstitial video) but also more likely to spend money on microtransactions within the game. This is great news for both advertisers and publishers²³.

REDUCE DEPENDENCY ON IN-APP PURCHASES

Leaving it up to a few whales to generate app revenue can put publishers in a precarious position. A mobile monetization report released by app testing firm Swrve found that only 2.2% of players spent any money at all²⁴, and 46% of the revenue came from the top 10% of those spenders.

For publishers who are looking to reduce dependencies on in-app purchase, rewarded video offers a compelling demand source. Accessing a more engaged audience with this format means less remnant inventory, longer interactions and ultimately, the possibility for greater CPMs.

Go Native: Naturally Integrate into the Game Experience

Publishers and developers who are focused on offering a more integrated experience should consider native ads, which can be highly customized to the game interface. Ad units—static display or video—are created by publishers and leverage metadata from Facebook's advertisers.

Since they are designed to match the game, native ads feel organic to the experience and are more likely to get noticed. A study conducted with IHS Research firm revealed that native ads are less likely to contribute to user churn and ad fatigue and can result in up to 3X better user retention²⁵.

²³ Source: "Mobile Games Research" by 2CV (commissioned by Facebook) qualitative research via focus groups in UK, Germany, US, and South Korea, quantitative research from 6,000 online interviews in UK, Germany, US, Japan, China, and South Korea, May 2017

²⁴ Source: "Only 2.2% of free-to-play users ever pay" - Report by Games Industry, April 2014.

²⁵ Source: "The Future of Mobile Advertising is Native" by IHS Research, commissioned by Facebook Audience Network, March 2016.

PRETTY SIMPLE DRIVES 20% INCREASE IN CPMs WITH REWARDED VIDEO

"We are excited to see Facebook getting involved in the rewarded videos areas! Audience Network benefits from a broad and diversified portfolio of advertisers combined with best in class targeting capabilities. This partnership is and will be a strong one!"

- **Hélène Gainand,**
Head of Yield Management and Ad Operations, Pretty Simple

ONE OF THE FASTEST GROWING AD FORMATS

Projected to continue growing at a rate of 71% over the next five years, more and more publishers are leveraging in-app native advertising to catalyze more engagement and higher CPMs. Indeed—the vast majority of impressions on Audience Network are native, and many publishers see a significant uplift in CPM compared to standard banner ads²⁶.

Gaming publishers see an 18% uplift in native CPM vs. standard banner ads²⁷.

CLIENT SPOTLIGHT: MAXIMIZING PLAYER LIFETIME VALUE

Game developer Pretty Simple—known for its popular Criminal Case game—was looking for a new kind of ad placement that could increase the lifetime value of its players, without impacting its best-in-class player experience.

The company was looking for efficient ways to monetize new ad units without lowering their per-player KPIs and turned to Audience Network for a solution.

Native ads are non-intrusive and highly customizable, which gave Pretty Simple the flexibility it was seeking to build ads that fit seamlessly into the game and increased player's lifetime value.

Interstitial Video: Engaging and Relevant Ads Across Devices

Interstitial video offers a full-screen video experience that triggers between levels in the game, in the moment of relaxation between two actions where the gamer can use the mental pause to interact with the media. The video experience has been recently enhanced for a sleek look, and to avoid latency.

SHAPE THE USER EXPERIENCE

Publishers can choose to customize this ad format to control the frequency of delivery within a placement and to deliver only in specific connection types. Additionally, users can choose to skip the ad shortly after it starts. This format also enables publishers to have access to a variety of ad formats, static and dynamic, like carousel and video.

CONNECT WITH A RICH VARIETY OF DEMAND

Choosing interstitial ads through Audience Network give publishers access a breadth of demand from global advertisers, for maximum monetization opportunities.

²⁶ Sources: Facebook Internal Audience Network Data, based on unique people globally who saw at least one ad impression between May 25 to June 23, 2016

²⁷ IHS Research, Audience Network commissioned, 2016

“Working with Audience Network has helped us ensure great user experience and boost our overall revenue. Compared to other advertising platforms, Audience Network’s native ads are customizable and high-targeted. With ongoing optimization of our ad experience, our user retention has grown by 5% and overall LTV has increased by 400%.”

- Qipeng Mei,
Product Director, Ufoto

“Monetizing our interstitial inventory with Audience Network’s autoplay video has provided access to high-quality content from a variety of well-known advertisers. This has directly resulted in increased revenue opportunities for us.”

- Svetlana Osipova,
Ads Ops Manager, Ximad

Winning Strategies for Monetization

Consider Monetization Early and Plan Ahead

Unfortunately, the majority of developers are not thinking about monetization or realizing the need for multiple revenue streams until long after they have started game development²⁸. And as such, several challenges could arise. While a handful of games may survive on microtransactions, most will need multiple revenue streams. Considerable retro-fitting efforts are often required when developers have built a game with one monetization method at launch and decide to add another later on. To avoid this situation, developers who are thinking about using advertising in a game should consider the following factors at the beginning of the process.

- **Economy:** Consider how an influx of rewarded advertising will have an impact on the in-game economy, mainly how it may affect competition with other players.
- **Progression:** Gating levels with rewarded advertising as an alternative to earned currency can speed up progression and push gamers through an experience faster. But it's important to consider the speed at which developers can add more levels to sustain player progression.
- **Clarity:** Differentiating native ads from game content is essential for gamers.

²⁸ "Mobile Games Research" by 2CV (commissioned by Facebook) qualitative research via focus groups in EMEA, North America, and APAC, quantitative research via 230 online interviews and 145 face to face interviews in UK, US, and South Korea, May 2017

Monetize by Game Type

How are other gaming publishers best leveraging these different ad formats to monetize different game types? Primary research conducted through interviews with game publishers revealed that depending on the game segment, various combinations of in-app purchases and ads—and even different ad formats—are more suitable to optimize user interaction.

For publishers or developers looking to revamp their game monetization strategy, these insights may provide a useful starting point.

INSIGHTS FROM A CASUAL GAME PUBLISHER

How do you balance in-app purchases vs ads?

"Due to the casual nature of our games, we don't tend to create IAP-heavy products. Instead, we focus more on strong distribution and ad-based monetization. This approach has worked very well for us in the past and continues to do so."

What type of ads fit the game experiences you are developing today?

"Rewarded video is the easiest to integrate into the core game loop. Users don't like to be distracted or interrupted during the 'flow' of a game, so an on-demand format like rewarded video is the perfect vehicle for an ad. If done right, it can also help boost IAP revenues."

- Igor Lautar, VP of Digital Sales, Outfit7

INSIGHTS FROM A PUZZLE AND PICTURE TRIVIA GAME PUBLISHER

How do you balance in-app purchases vs. ads?

We decided not to follow the trend of chasing paying players, and to instead make all features of the game accessible to anyone, funded by ads. Players of all brain sizes can play our games entirely free, in return for watching videos or using coins they can earn, players can get in-game hints and further content.

Thoughts on static vs video?

As game developers, we love making games, but this is only possible if those games can be run profitably. Naturally, we are attracted to the more efficient ways of monetizing our players, and video generally offers higher CPMs than static.

—Julian Stocker, Co-Founder, Poptacular

Drive Content and Ad Revenue with Flow Types

Every gaming app is different and choosing the right ad formats is only part of the picture. To create an optimal user experience, developers should also consider the player's mindset at the moment they see an ad. In addition to choosing the right ad formats, it's important to find the 'flow type' that best fits the game experience or stage of the game. Research has helped identify several different ways ad flow types can be built into the user experience of an app.



Discovery: A player is more inclined to give an ad their attention when they're in discovery mode; during activities that are not the primary focus of the app. For example, an ad could be integrated to appear when a player is looking at the notification tab. Since they are user-initiated, ad discovery placement can be especially effective for helping drive conversions.

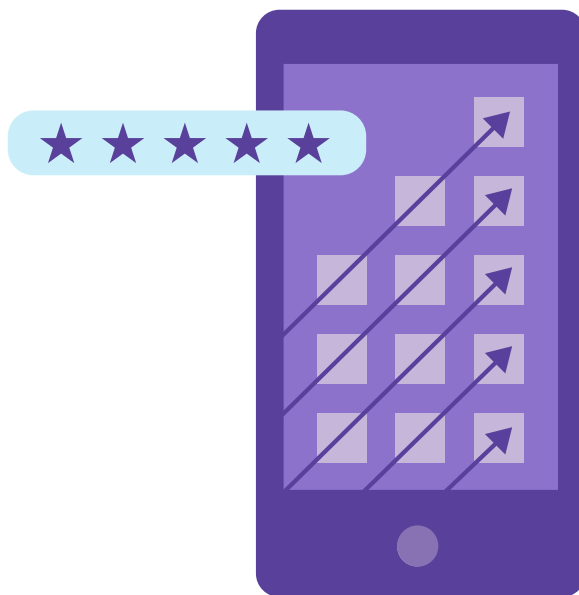


After Task: Natural breaks in ad engagement are another time when game players are more likely to pay attention to an ad. For example, showing an ad when a person has completed an action, such as cleaning the memory.

Give Players the Choice to Engage

Giving gamers a choice to engage with advertising (or not) is another way to optimize the user experience. The Mobile Games Research study found that giving game players this choice improves both the experience of the gamer and the outcomes for the advertiser. Some game designs lend themselves more naturally to particular ad types than others, but across genres, the report observed an uplift in user experience, driven by the use of ads that allow gamers more choice to engage.

Source unless otherwise specified: "Mobile Games Research" by 2CV (commissioned by Facebook) qualitative research via focus groups in UK, Germany, US, and South Korea, quantitative research from 6,000 online interviews in UK, Germany, US, Japan, China, and South Korea, May 2017



When giving the player the option to view the ad, 10-15% uplift in 5-star rating was observed across all types of games

Midcore/Hardcore

- Games with rewarded video generate +15% more 5-star ratings than games with less choice to engage.
- Games with native advertising generate +10% more 5-star ratings than games with less choice to engage.

Casual

- Games with rewarded video generate +11% more 5-star ratings than games with less choice to engage.

Empowering Publishers to Make Meaningful Connections

There's never been a better time for publishers and developers to drive revenue by creatively leveraging advertising through diverse monetization strategies. The mobile gaming industry has already experienced huge growth and success, but this is only the beginning. By leveraging newer ad types and stronger implementation practices, mobile games advertising can provide a sustainable ecosystem for everyone. Gamers get a better playing experience. Publishers maximize revenue. And advertisers get a strong new channel.

The key to successful monetization is working with a partner who can deliver a diverse pool of global demand, plus unique people-based targeting. This will result in the unparalleled ability for publishers to match the right advertiser to the right player through creative and engaging ad experiences, ensuring minimum disruption in the gamer's journey and maximum revenue growth.

Audience Network is driven by helping [build sustainable businesses](#) and creating value at scale—for publishers, for developers, for advertisers, and for people.



Facebook Audience Network helps publishers grow sustainable businesses by optimizing for consumer experience and advertiser value. By accessing demand from Facebook's network of advertisers, publishers are able to monetize inventory and increase revenue by delivering ads to real people across mobile apps, mobile web and video. Focused on positive user experience, Audience Network publishers take advantage of flexible formats and integrated ad experiences that lead to increased lifetime value.

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