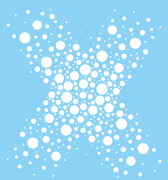# Video game marketing: breaking the stalemate

Strategies for video-game brands to overcome the limits on reaching their audience efficiently and at scale

XAXIS

A different approach to video game marketing

In 2015 the global video game industry grew by 8.5%, to a value of $99.6 billion. To put that in context, in the same year the movie industry earned just $38 billion[2]. Games aren't just for geeks any more, they're bigger than Hollywood. For advertisers, this is a massive opportunity. To be relevant, we need to work collaboratively with game publishers to help the industry adapt to a changing market. The number of games being released is growing explosively. For instance, in 2016, the number of games released for Windows increased by 43%. For Xbox, the increase was 7%, for PlayStation 6%, and for Mac 13%. For iOS, more than 600 games were released every day[3]. In such a crowded market, how can games publishers cut through and reach their audience?

At Xaxis, we partner with our sister agencies in GroupM to help them and their gaming-publisher clients take a new approach to games marketing. By unlocking the value in the data they already have, publishers can scale their audiences to address a greater number of potential customers, across a broader range of sites, throughout the entire sales journey. They can do it in a way that generates valuable insights into their audience, which can then be used to inform and optimise the full spectrum of marketing activities.

In this whitepaper, we outline how game publishers can do this and the benefits they can expect to see. Gaming is a very exciting industry and we're extremely pleased to share our insights in this whitepaper. We hope you find it useful.

John Wittesaele

President, Xaxis EMEA

The challenge: a crowded, cross-channel market

The explosive growth in demand for games and the corresponding growth in the size of the industry, is great news for the games publishers. But it's making life complicated for their marketing departments. With so many games being released, through so many different channels, it's often a struggle to identify the right audience for a specific game. Once you've selected your ideal customer group, it's an even steeper challenge to rise above the background noise to get your release the attention it needs.

This is particularly true in a multi-device, multi-channel environment. Not only do gaming publishers need to get their release a greater share of attention than its competitors; they need to make sure they are reaching exactly the right audience, with the right message, at the right point in the customer journey. Many publishers still struggle with cross-device audience identification and with reading the buying signals well enough to know which device to target and when.
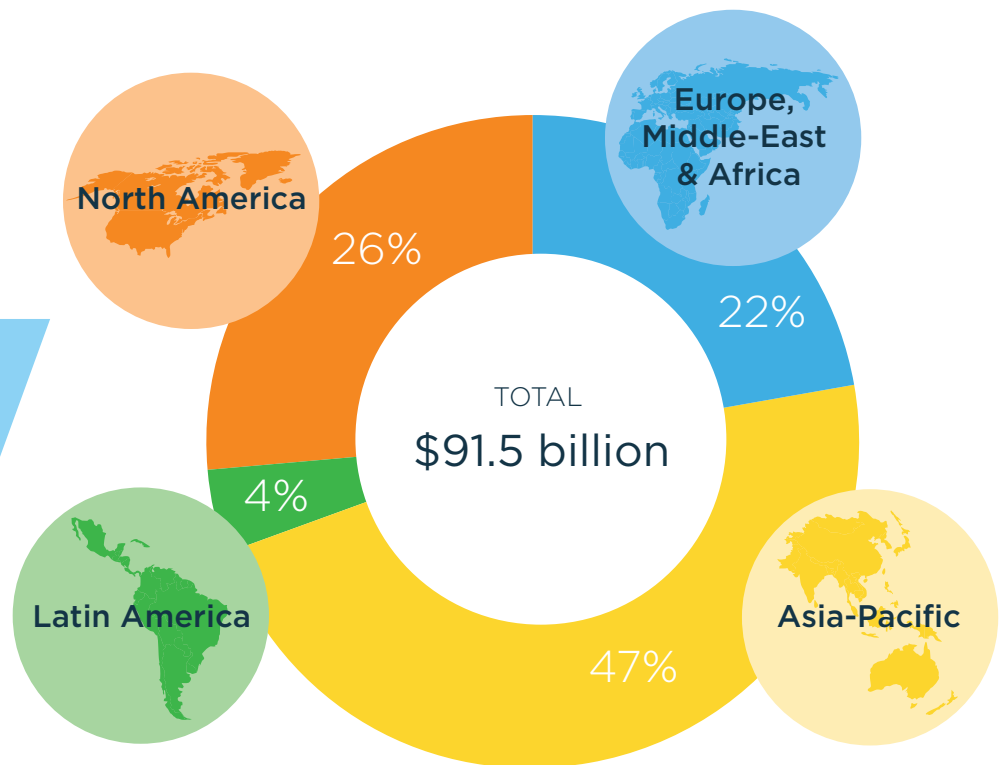
> " More games than ever are being released each week on PC, digital console and mobile. But awareness and spend are relatively stable, finite amounts at this point. So, the challenge of cutting through the noise and generating awareness is increasingly important for teams without an established audience. "
>
> *Phil Elliott, Director of Community & Indie Development at Square Enix.*

"The market is definitely more crowded than ever before," says Joe Martin, a writer and content consultant who has worked for many of the industry's studios and specialist game press, including Nintendo, Preliminary Games, Future Publishing and Custom PC Magazine. "This is down to two main reasons: first the greater accessibility of tools and resources for making games, second the fact that digital distribution has enabled independent developers to compete on a more level playing field than ever with the major studios."

Phil Elliot, Director of Community & Indie Development at Square Enix, agrees. "More games than ever are being released each week on PC, digital console and mobile. But awareness and spend are relatively stable, finite amounts at this point. So, the challenge of cutting through the noise and generating awareness is increasingly important for teams without an established audience."

The global games market 2017

North America

Europe, Middle-East & Africa

26%

22%

TOTAL
$91.5 billion

4%

47%

Latin America

Asia-Pacific

Current State Of Market

The big established publishers (AAAs) and the indies (smaller and more independent publishers) each face their own unique challenges. The industry giants increasingly find themselves faced vwith development costs of around $50 million per game. A really big release, such as Grand Theft Auto V or Tom Clancy's The Division can cost up to $200 million. Making back that kind of budget instantly puts pressure on the marketing team.
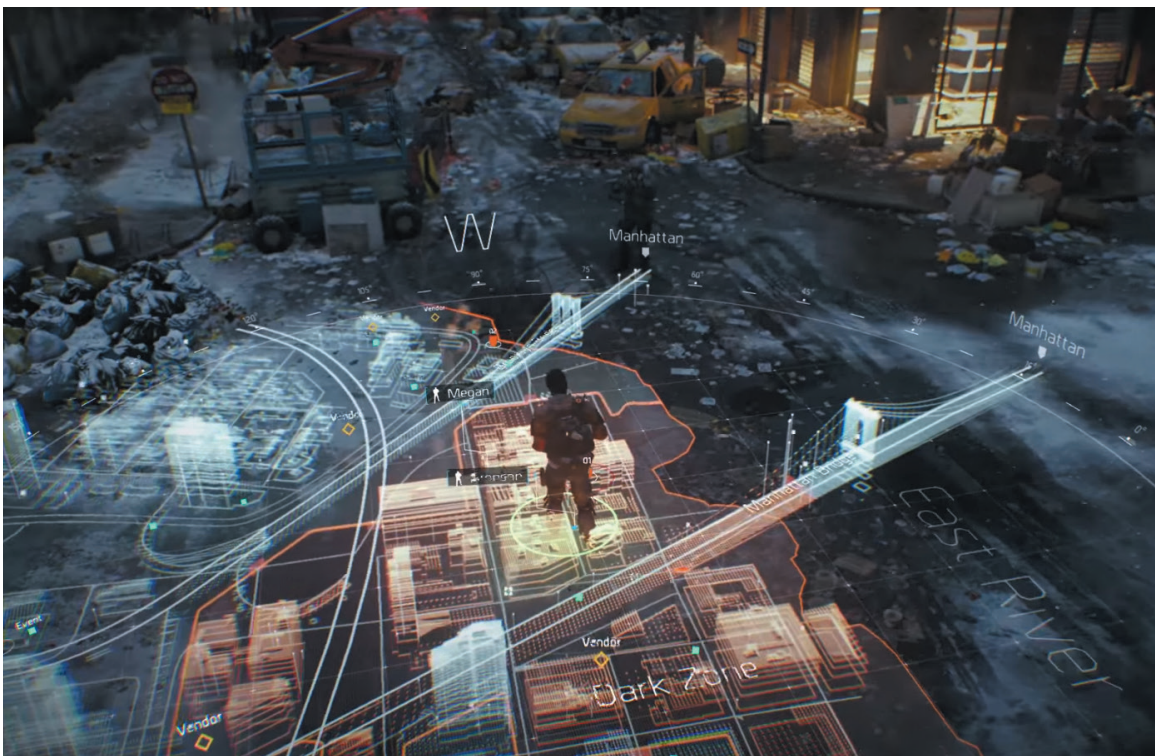

Released in April 2016, Tom Clancy's The Division was one of the big-budget releases which initially struggled to find mass acceptance.

Unfortunately, it's been a rocky year or two for big-budget games. Big titles such as Watch Dogs 2 and Titanfall 2 didn't sell as well as their developers had hoped. With so much happening in the market, it's been hard for the big titles (no matter how good their actual gameplay) to escape the impression that gamers have "been there and done that".

Indie games, on the other hand, often have a limited marketing budget. The studios developing them have been innovative in using traditional lead-generation and permission-marketing techniques. Nevertheless, it's often difficult for them to differentiate themselves from the many other games released at the same time.

With the rapid decline in the importance of high-street retail as a channel and the rise of digital downloads, it's more important than ever for both indies and AAAs to be able to effectively find and address the right audience for each games release.

Global video game ad spend
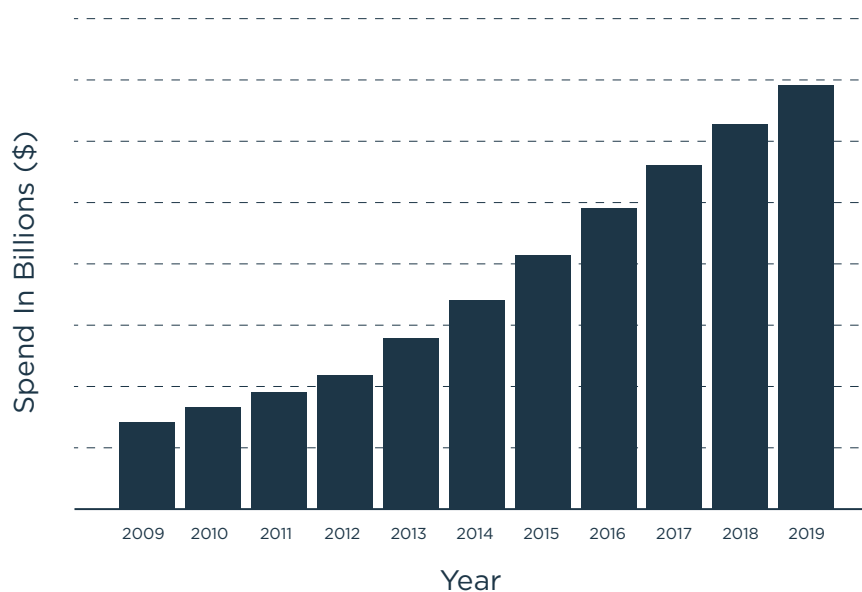
Source: https://www.statista.com/statistics/238140/global-video-games-advertising-revenue

Games marketing in a multi-device age

Gamers are more diverse than ever. According to the 2016 Entertainment Software Association survey of US gamers, 41% of gamers are women whose average age is 44[5]. However, this statistic masks some important distinctions. Men make up the greater proportion of PC and console gamers, but women, according to a recent study, make up 63% of mobile gamers. In some mobile-game categories, that rises to 70%[6].

Men make up the greater proportion of **PC and console** gamers

Women make up **63%** of mobile gamers

As before, this presents games publishers with opportunities, specifically the chance to broaden out into new markets and demographics. However, there are also challenges, the most obvious of which is how to address new demographics; how to understand these new users' habits, preferences and online behaviours. This is made even more complex, by the need to address these users across a range of devices, platforms, and media.

As part of its work in defining an audience, Xaxis creates an anonymous single identifier for each consumer in an advertiser's defined audience. The user's behaviour and interactions with the brand and a given campaign, can be viewed, conversions attributed and future behaviour predicted. Using this method, Xaxis can help effectively engage with tightly defined, and constantly refined, audience segments, across all platforms, channels, and media.

Video-game marketing is ready for innovation

Gaming marketers have not been slow to adapt to challenges. An important tactic, has been the increasing use of influencers. Influencers are usually the owners of popular Twitch and YouTube channels, are often teenagers themselves who command huge audiences among the relevant demographics. The rise of influencer marketing is hardly surprising: according to Google, 90% of gamers watch a YouTube gaming channel at least once a week and 64% will download a game after seeing it on YouTube[7].

90% of gamers watch a YouTube gaming channel at least once a week and **64%** will download a game after seeing it on YouTube[7].

"Games marketing has evolved" says Phil Elliot. "Where banner ads were once prevalent, as games media influence has made way for social networks and content creators on YouTube and Twitch, marketing investments have also become more diverse."

But there are downsides. Relying heavily on influencers can limit your ability to gather data about your audience. The influencer themselves owns the relationship with his or her viewers and most content platforms restrict the type and quantity of data which advertisers can gather. Many games publishers also take an old-school approach to media buying and continue to purchase inventory by site, prioritising publishers with gaming content, rather than by audience profiles. This guarantees relevance but is expensive. Relying solely on media buying through insertion orders limits the scale and reach of the campaign and the opportunities for re-engaging with consumers. Based on Xaxis' experience working with GroupM agencies and their clients from the games industry, we believe there's a better way.

" Games marketing has evolved. Where banner ads were once prevalent, as games media influence has made way for social networks and content creators... marketing investments have also become more diverse. "

Phil Elliot, Games writer & content consultant for Nintendo, Preliminary Games, Future Publishing & Custom PC Magazine.

How major games publishers can work their data harder

In 2016, Xaxis worked with a leading games publisher on one of the year's biggest releases. The publisher was about to launch a major new instalment in an existing franchise but was concerned that it would meet the same lukewarm audience reaction as many other 2016 games. In a combined effort, Xaxis ensured that didn't happen. To be a success, the launch video campaign had to achieve a video completion rate (VCR) of 75% with a 30-second pre-roll ad.

We quickly recognised the game franchise had a very large and active online community. Profiling and using the gamer-community's online habits could act as a guide to identifying the most relevant audiences for the next release. With 9 weeks to launch, the first plan of action was to carefully measure the online habits of over 2 million users of the brand's customers across six markets to construct the most relevant audience for the launch video.

The findings were very interesting. For instance, we discovered that the average British and Italian gamer was younger than their Spanish counterpart. Youngest of all however — somewhat counterintuitively given the country's ageing population — was the German audience, 65% of which was under 35. As well as games, UK users were interested in, among other things, sports and pets, whereas the Italians preferred cars and technology, and the Spanish hobbies and travel.

Spanish users are more interested in **travel and hobbies**

UK users are more likely to be interested in **sports and pets**

Italian users are more interested in **cars and technology**

German users were found to be the **youngest**

Next, Xaxis used a range of sub-segments from the gaming community to seed its proprietary algorithm. As well as being based on the typical criteria — age, geography, and online behaviour, for instance — these sub-segments were built around specific and unique characteristics of the gaming-enthusiast audience.

For example, in the UK 41% of the general target demographic — men under the age of 25 — were technology enthusiasts. But for our gaming audience, this rose to 54%. Technology enthusiasts were an important target audience, an insight that allowed us to build a more effective and cost-efficient media plan than would otherwise have been the case.

In this way, Xaxis identified three key sub-segments across all markets — techies, sports fans, and hobbyists. This enabled the campaign team to build a suite of much larger and highly relevant look-alike audiences to promote the release of the new game across all markets, broadening the brand's reach, the scale of its audience, and its ability to address potential customers across the entire sales journey.

Another important insight gained during the initial measurement phase, was an understanding of device usage among the target audience. Xaxis profiled device usage not only by market, but also against the benchmark for each market. This showed, for example, that the target audience in Germany was more likely than the average German to consume content on a mobile device, rather than a desktop.

Using this information, we were able to contribute to a more effective plan which included cross-channel content creation and targeting for each market. We were able to create, engage with and see the relevant audience's journey across devices and channels, increasing the effectiveness of the campaign.

With a detailed insight profile for each segment, the campaign had a much wider reach, making it possible to purchase inventory on a far broader range of sites. This not only opened up a wealth of opportunities to re-engage, it also meant that the campaign was more cost efficient than would have been possible if activity had been concentrated on just premium gaming sites. Moreover, we are continuously optimising the audience — within the original parameters set by the profiling — to target those who viewed the video most often.

Campaign results

VCR PERCENTAGE (%)

Average VCR	~66
Campaign KPI	~74
Xaxis result KPI	~85
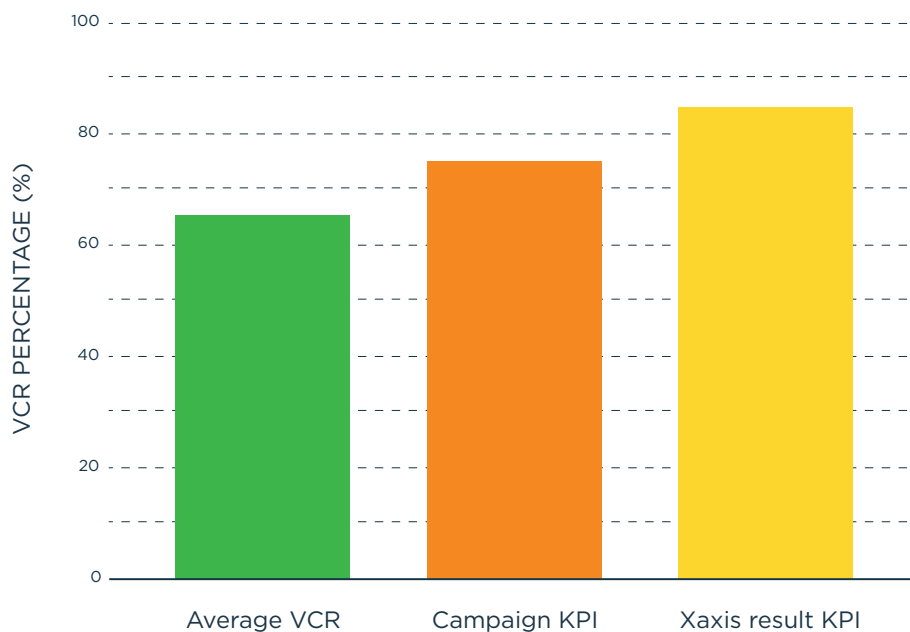
The campaign reached 25.9 million users, chosen because we identified them as being the most likely to be interested in the new instalment. Engaging with this most relevant audience resulted in very high video completion rates. Not only did the campaign outperform the average VCR for gaming (approximately 65%), but it also outperformed the ambitious 75% VCR target in all major European markets — obtaining a final average VCR of 84%.

With the gaming industry in flux, the game publishers are working hard to innovate their way to a new marketing model. A data-led approach that works across channels and devices has the potential to greatly increase the industry's marketing reach, its ability to target its audience and the effectiveness of online, cross-device campaigns. Insights gained in this type of media-buying operation can be used to inform all other aspects of the campaign, whether content marketing, influencer marketing or PR.

How indie game publishers can win the marketing game

But what about indie developers? They often don't have as close a relationship with their gamers, making it more difficult to identify their target audience, and also obtain the desired seed data to build scaled look-alike audiences for programmatic media targeting. Their campaigns are also often run on smaller budgets. "Without luck or a significant, influential benefactor (such as a well-known social media star, for example), unknown teams with their own, original IP, are very likely to struggle without a marketing partner of some kind", explains Phil Elliot.

Here a different approach is required, a strategy that we have successfully used with some of its non-gaming clients. In 2016, the Rwandan survivors' charity SURF asked Xaxis for help promoting its online jewellery shop. SURF had a relatively small number of website visitors to seed audience targeting with, and also only a small media budget. To overcome these limitations, the campaign team created a range of creative unit samples which it tested with online focus groups. Using the insights from these focus groups, it was possible to predict where SURF's most relevant audiences might come from.

To scale the campaign, the team plugged these focus-group insights directly into the Xaxis data management platform (DMP) and created a range of SURF specific look-alike audiences. Two creative themes were also tested with the focus group, so that when the campaign went live Xaxis could serve each audience segment with the content they found most engaging. Based on the most relevant data signals, the creative was continually refined throughout the course of the campaign. By the end of the campaign, there were 1,664 variations of the creative — where there had originally been only two.
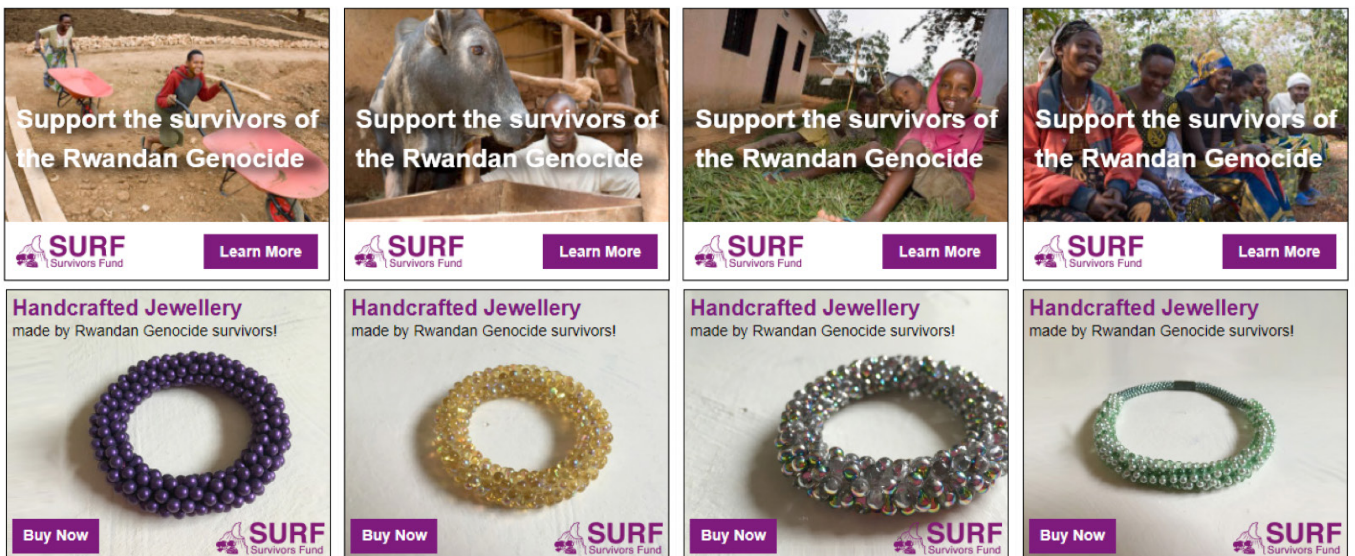

Example images from Xaxis run SURF campaign

The approach was cost-effective and exceeded SURF's goals. Brand awareness among the target audience increased by 66%. Consumers who saw our ads were 29% more likely to donate and 33% more likely to make a purchase.

A similar approach — defining and scaling an audience by developing and testing hypotheses and then refining creative based on relevant data signals — could be made to work as well for indie games publishers who have a limited budget and seed data.

Campaign results using Xaxis dynamic creative powered by predictive audience

Brand awareness increase by **66%**
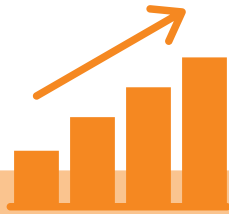
29% more likely to donate
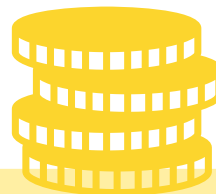
33% more likely to make a purchase

The opportunity also exists to build scaled audiences by innovatively combining data from different sources. Working with multiple FMCG clients, we have successfully used multiple sources of data from survey companies such as Kantar TGI and then further refined the data to reach the most relevant audience possible. There is every reason to think this approach can also be successfully replicated for indie gaming publishers.

The gaming community online is served by a rich ecosystem of publisher, media, and independent sites and forums. The streaming service Twitch, used by gamers to live-share gameplay, has 9.7 million daily active users[8]. Gaming related content also accounts for 80% of the top-trending topics on YouTube[9]. And taken together, the top-10 gaming websites, excluding Twitch and YouTube, have 98 million unique monthly users[10].

20% other topics
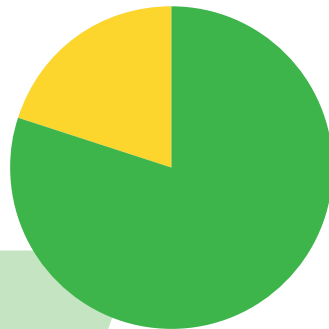
80% of the top-trending topics on YouTube are gaming related

The size and diversity of the gaming online ecosystem is matched by the level of interaction between gamers and their favourite brands and publishers. This gives indie game publishers that want to gain insights into their target audience using surveys and behavioural learning, a wealth of potential partners to choose from.

"My main recommendation for small to mid-size developers and publishers," says Joe Martin, "would be to identify the specific community they are trying to reach and define it in as much detail as possible. Use this information to plan your PR and community strategies, even just at a broad level. Who are you going to be talking to? Where are they? How can you involve them? These are essential questions."

> **"My main recommendation [for developers and publishers] …would be to identify the specific community they are trying to reach and define it in as much detail as possible. Use this to plan your PR and community strategies…"**
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> *Joe Martin, writer & content consultant for clients such as Nintendo, Preliminary Games, Future Publishing & Custom PC Magazine.*

An exciting time for the games industry

Price Waterhouse Cooper estimates that the games industry will grow by 5% annually through to 2020. There is no reason to suppose growth will slow thereafter. The gaming community is larger, more diverse, and more affluent than ever before. While this diversity, along with the shift from brick-and-mortar to online retail, has presented some challenges to the industry, it's also a source of massive opportunity.

The shift to data-led marketing, using AI to optimise and refine campaigns in real time, is part of the answer to dealing with these changes. To find out more about how we could help make this approach work for you and for your games releases, email us at **xaxemeamarketing@xaxis.com**

About us

Xaxis is the world's largest programmatic audience company that connects advertisers to audiences across all addressable channels. Through the expert use of proprietary data and advertising technology along with unparalleled media relationships, Xaxis delivers results for over 3,000 clients in 47 markets across North America, Europe, Asia Pacific, Latin America and the Middle East. Advertisers working with Xaxis achieve exceptionally high return on advertising spend through the company's proprietary media products, as well as through its specialist companies, Light Reaction, plista and Triad Retail Media.

For more information, visit www.xaxis.com

Appendix

[1].   2016 Global Games Market Report: An Overview of Trends & Insights, Newzoo Games, June 2016.

[2].   Global 2015 Box Office: Revenue Hits Record $38 Billion-Plus, Pamela McClintock, The Hollywood Reporter.

[3].   Pocket Gamer App Store Metrics.

[4].   Essential Facts About the Computer and Video Game Industry 2016 Sales, Demographic And Usage Data, Entertainment Software Association (ESA), April 2016.

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[7].   The Rise of Avid Mobile Gamers on YouTube, Google, March 2016.

[8].   Twitch By Numbers. https://www twitch.tv/p/about.

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[10].   Top 15 Most Popular Video Game Websites | March 2017. eBiz MBA.

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