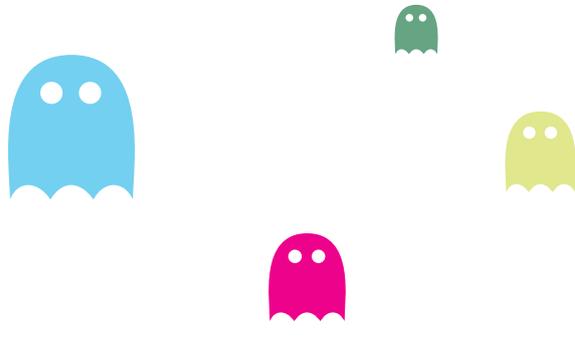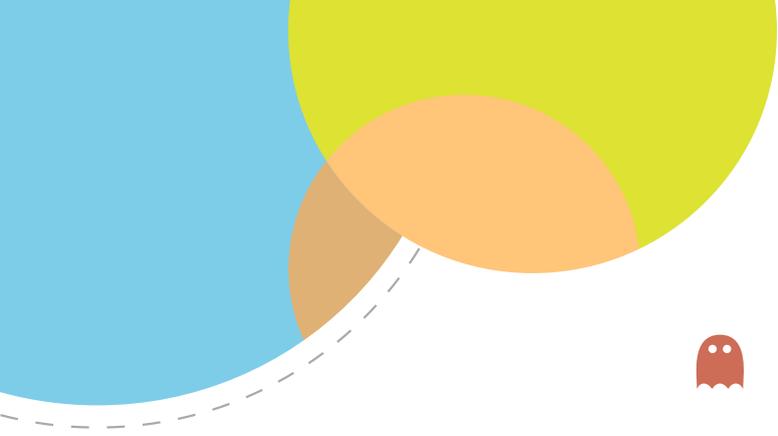# GAMING ON FACEBOOK

Understand it, and profit from it !

1.OVERVIEW - Gaming on Facebook
200 million potential gamers, 3.6$ billion market in 2012

Facebook has over **400 million users per month**, out of which **200 million** logon every day for sessions lasting around **55** minutes each. **Nearly 75% of these are playing one form of social games** in **a market that reached nearly 1 billion $ in 2009** and **will reach 3.6$ billion in 2012**.

This creates a **huge market for social games**, which is currently in its inception phase. If the increase rate of social sites is now rather moderate, more and more of the current customers are starting to consume social games, thus injecting money into a system that offers them an excellent platform for finding and playing games with their friends. Also, advergaming on these platforms starts to gain traction, meaning that brands that dare to use social platforms are getting a bigger ROI from their advertising and marketing investments than from traditional media.

Social platforms also develop tools and systems to provide better and easier access to developers. For example, Facebook's popular Platform and Connect development tools are already integrated into the main consoles, including DS, 360 and PS3, and are driving a huge mass audience online, **over 70% of the Facebook audience per month**, to play games supported by the social networking site.
Therefore, being present on this market not only is something to desire, but is an opportunity that you shouldn't miss.

And some companies didn't miss it. Each month, **82 million** people are playing Farmville, **25 million people** are playing Zynga's Texas Hold-Em Poker on Facebook, **25 million** are playing Mafia Wars, **24 million** are breeding fish in Happy Aquarium, and the market is just developing.

Current market is estimated to reach near **1 billion USD for 2010**, and it's set to reach **3.6 billion** USD until 2012. If until recently the monetization of social media was a thing to discuss, now the vast availability of payment methods leads to a fast growth.

Social Gaming Market: 2008 - 2010 (Millions)
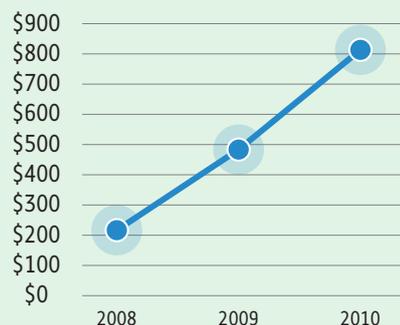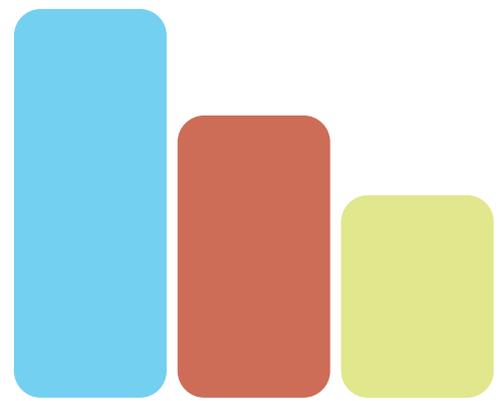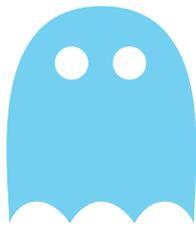
2.MARKET LEADERS - Zynga, Rock you, EA
Zynga: 247mil, Rock You: 72mil, EA: 54mil, Crowdstar: 48mil.

Market leaders in the gaming apps are **Zynga**, with **247** million people accessing monthly their games, **Rock You!** with **72** million, **Electronic Arts** with **54** million and **CrowdStar** with **48** million. The market is also open to applications, some of which are monetized.

Zynga
Founded by Mark Pincus, Michael Luxton and Eric Schiermeyer, Zynga started developing games since 2007, focusing on "making fun and social games for people to play with their friends". Zynga provides a platform of games built to be played in a social context, from casino games to role playing games. These can be found on most social networks and on the iPhone. Facebook is their main platform.

Zynga is monetized through credit card payments and through partner businesses. Most of Zynga's games are requiring 'energy' to advance or to play. Usually a player will want to replenish his 'energy' faster, and thus will buy credits in order to do so. Credits can be bought through direct payments with credit card of PayPal, from within the game ($5 gives you 21 game credits), or from buying prepaid cards at nearly 13.000 stores across the US. They can also be gained when accepting offers or services from Zynga's partners.

Zynga successfully raised $180 million in December 2009, and its revenue for 2009 is expected to be around $300 million, with a 30% increase in 2010. Zynga employs 800 people and company value is estimated at $3 billion.

RockYou!
Launched in November 2005, RockYou! is the third largest apps developer on Facebook (after Zynga and Facebook itself), and while it gains most of its money from the Rock You Ads platform offering cross-platform video distribution, custom application integration and advanced analytics, it also gains importance as a game developer on Facebook.

The revenue model of RockYou! is based on advertising. The social media company serves ads on its applications. For the same, it operates the largest social media ad network, RockYou Ads, which ropes in advertisers and get ads from them. The company reportedly serves about 15 billion ad impressions on its applications hosted on Facebook.com. It secured $117 million in funding
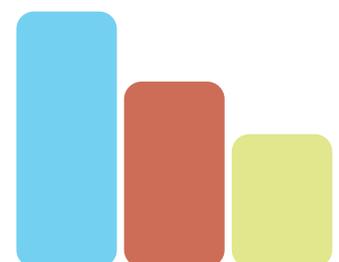
in five rounds until November 2009. Estimated revenue for 2010: $50-60 million – up to $100 million in their most optimist estimate.

Electronic Arts
EA Games doesn't need too much presentation, being a video games behemoth that started entertaining people since 1982. It's presence on Facebook through direct titles and through acquisitions is a proof that social gaming is huge business.

EA has acquired the social gaming company Playfish for a deal that could be worth up to $400 million, in November 2009. EA will pay $275 million in cash and $25 million in equity for the company. In addition, if Playfish achieves certain "performance milestones", the price tag could go up to a full $400 million. The company is responsible for some of the most popular games on Facebook, MySpace, and the iPhone, including Pet Society, Restaurant City, Hotel City and Country Story.
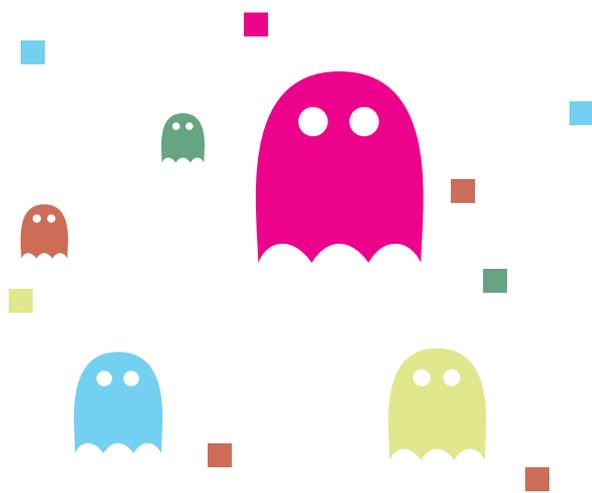
Crowdstar
Crowdstar was founded by Suren Markosian in the summer of 2008 with funding from YouWeb, the incubator run by entrepreneur and angel investor Peter Relan, who serves as chairman. Tseng joined the California-based company a couple of months later; he is essentially a co-founder, but without a formal title.

With more than 51 million active users and apps like Happy Aquarium, Happy Island and Happy Pets, Crowdstar is drawing attention from the big players not only because of its rapid success, but also for its business model. They develop games as a service, using their 100 employees' creativity in order to launch a game every six weeks. This brought them very fast to the top of Facebook's app developers, showing that speed is one of the main success vectors on Facebook.

Playdom
Playdom is a game company that is better known for its games on MySpace, where it practically rules with its Mob Wars game (14 million players). With more than 38 million monthly active game users on Facebook, Playdom managed to become the fastest-rising social games company in the top 5. They got a round A investment of $43 million on a $260 million company valuation in November 2009, and they're prone to become at least #3 in the Facebook gaming world if they continue their current dynamic.

Their current strategy includes buying smaller firms in order to rapidly expand their games portfolio. They also strive to become bigger on Facebook.
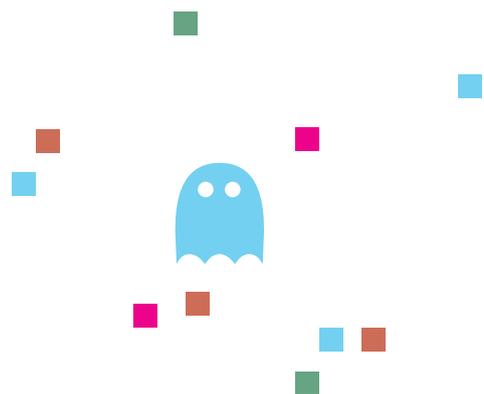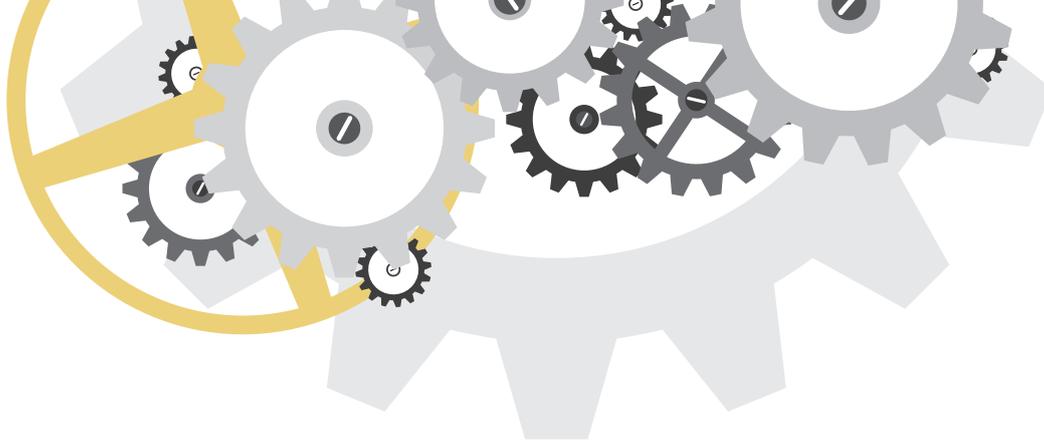
3.FACEBOOK GAMES - Main Points
Facebook games are selling day after day after day

• Facebook games are designed for broad appeal and are simple to access - within a few clicks you can be in the game having a fun experience; this in turn can bring in **thousands of players in a matter of days**.

• Facebook games are **web-based services**; therefore developers can add to a game after launch and react to feedback. Instant and continuous feedback from users is allowing developers to adapt very fast and to develop new applications in 6-months cycles.

• **Facebook games are selling day after day after day to an increasing mass of players willing to pay small sums of money in order to be entertained.**

• Facebook games are played between friends, focusing on competition and **social interaction**.

• People are **willing to pay** for content they value when it is made extremely easy for them to do so, and Facebook is doing just this through a **large variety of paying platforms**. Facebook will slowly enforce its own currency: **credits**.

• Money comes from **selling in-game virtual goods** for real currency, but also from **partners' offers**. Game currency can be offered when the user buys an item or service from a partner (credit cards, energy drinks, car insurance, signing up for a paid service, taking an IQ test that costs money to see the extended results etc.) . About **70% of total revenue** from these applications comes from **lead** generation, not direct payments, according to sources in the market.

• Three companies control most of the lead generation offers: TrialPay (appears to have the most legitimate offers), Offerpal and SuperRewards.

4.HOW A FACEBOOK GAME WORKS
Games don't require a long learning curve, neither are very complex

• Games require a very **fast registering process**, usually through one single click.

• Games don't require a long learning curve, neither are very complex. Usually they require only **15-20 minutes per day from players**, the main attractiveness factor being competitiveness, not gaming skills.

• You can play them for free, but in order to advance significantly you will be **lured to pay small amounts of money**.

• The **points** concept is where the revenue part comes in for most games. You can get special benefits like virtual items or a boost in productivity, using **web payment services** like PayPal or **mobile payment services** like Zong, and a variety of others. Or you can earn them. The fastest way you earn favor points is through **taking offer-based advertising** — essentially coupons, contests, surveys, software downloads and many other options.

• Buying (and sometimes selling) virtual goods is a main **part of a social game**, fueling not only the virtual economy but also the developers' pockets.

• Usually games are **not restricted to time**; you can develop continuously your pet, your village or mob empire, without being constrained by time restrictions. However, you are constantly induced to buy your way through the game in order to achieve a better status and receive bragging rights in front of your friends.

• A game usually holds enough interest for a couple of years. Therefore the business model is **to monetize it fast**, from the inception phase.

• The **social component of these games is most important**. People can request help, can partnership or can brag about their achievements to friends in their social network. **The socially competitive spirit is what underlies every successful game on Facebook**. Apps and games having only an informative or entertainment value are not so successful.
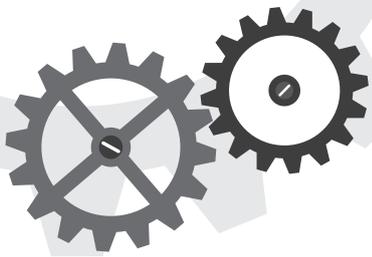
• Also, the main engine behind a game final success is the **viral component** that allows it to grow without a huge and costly promotional campaign. This doesn't mean that developing games for Facebook is cheap. It is rather much more efficient, ROI wise.

• Developers **constantly come with new items to buy**, with new environments or challenges that keep people's interest in the game. These are the main factors behind the games' profitability, because people are more inclined to buy new virtual things than keeping on buying the same items.

• Virtual Good Buyers are increasing and are **becoming** more and more **accustomed to buy online** every month.

• If what you're looking for is direct revenue, then if only a percentage of the number of players starting to buy virtual goods paying an average of a couple of dollars per month, **the game can cover its initial investment in just several months**.
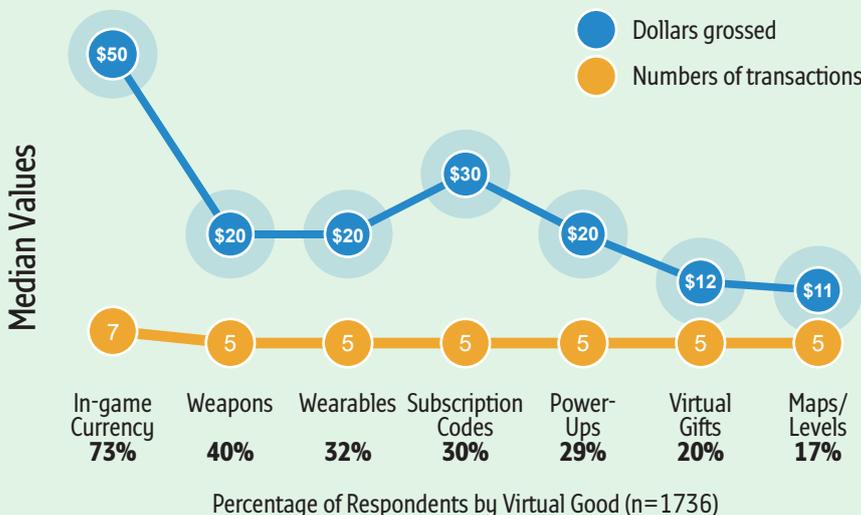
• Taking into account an example with 100.000 players, out of which 20% are buying virtual goods at an average of 4$ per month, such a game can bring 80.000$ per month after only 4-5 months on Facebook.
A modestly-successful game on Facebook involving 300.000 monthly active users (out of 200.000.000 potential) will bring in an average of **240.000$ per month**.

• Developing successful applications or games for Facebook is, however, not for everyone. For each of the top 100 apps and games that make real money, there are 10.000 of apps that don't even cover the developing costs. Therefore, starting the development process for an app or a game on Facebook **requires specific marketing know-how, from entities specialized in new media**.

Virtual Good Buyers
Transactions & Spend by Virtual Good

Legend:
- Dollars grossed
- Numbers of transactions

Median Values

$50, $20, $20, $30, $20, $12, $11

7, 5, 5, 5, 5, 5, 5

| In-game Currency 73% | Weapons 40% | Wearables 32% | Subscription Codes 30% | Power-Ups 29% | Virtual Gifts 20% | Maps/ Levels 17% |

Percentage of Respondents by Virtual Good (n=1736)

• 3 out of 4 virtual goods buyers purchased in-game currency in the last 12 months and spent $50 (median).

• Subscription Codes have the second-highest median expenditure ($30) but represent a disproportionately small percentage (30%).

• The median number of transactions is higher for in-game currency (7) than any other type of virtual good (5).

5.FACEBOOK GAMES MARKET - 3.6 BILLION
Facebook games market will reach 3.6 billion by 2012

According to BusinessWeek, Facebook games market will reach 3.6 billion by 2012, with games like "FarmVille" and "Café World" having Silicon Valley startups racing to create new ways to pay for virtual goods. U.S. only virtual-goods sales will almost double to $1.6 billion this year and reach $3.6 billion in three years.

The most important thing is, though, that Facebook offers a platform in which a developer has practically all the monetizing tools he needs in order to benefit from his application or game from the beginning.

Facebook will enforce its own currency, credits, keeping 30% of all the revenue starting in the last part of 2010. This will mean less revenue for the bigger players in the short time, but in the long time this will help Facebook's economy by keeping inflation in check and offering a clean and balanced start to any company willing to develop social games or applications.

Therefore, even if social games cannot be restricted to Facebook, this platform is becoming more and more attractive to developers. This is the place to be, and this will be reflected in the huge share of the $15 billion market that will exist in the 2015 horizon. Also, its rapid interconnection with the outer websites will keep Facebook safely above any competitor for the next three years – an entire age in Internet terms.

The growth of virtual goods revenue will continue to decline, but the amount of virtual goods being bought by spending real money, and especially the sums each individual is willing to pay will continue to rise. We can end up with 500 million people spending at least $30 in virtual goods by 2015. The future looks bright, but you have to know how to profit from this market.

U.S. Virtual Goods Revenue Estimates
(2007-2013E)

	2008	2009E	2010E	2011E	2012E	2013E
Revenue ($m)	$265	$621	$1,087	$1,547	$2,019	$2,462
Y/Y Growth		134%	75%	42%	31%	22%

6.FACEBOOK - Advertising & Advergaming
## Viral campaigns on Facebook can bring you much more audience

Depending on the target audience, you can advertise with as low as 0.15$ per click on Facebook (if you target the Romanian public), or as low as 0.50$ per click (if you target the US public). Depending on the campaign and targeting selections, costs may raise even to 1-3$ per click.

Viral campaigns started on Facebook can bring you much more audience than paying for advertising, therefore starting a game on Facebook is easier than starting a game in a classic environment.

Therefore, developing a game for Facebook will take advantage of the relative **low costs for advertising the game in the first place**, while leveraging the social tools and environment Facebook already offers. This means that more resources will be used in developing the game rather than advertising it.

Also, **revenue will come to get in from day one**, through the online payments systems, if you want to develop it for direct profit.

Another way to advertise on Facebook takes into account the power of the social network. It's better to establish a fan page for your product or brand that will include an interactive application or game, and then promote it through the people that really have a positive feedback towards it. It will be easier and more efficient then to expand the promoting campaign using fans' profiles that recommend you than buying display advertising.
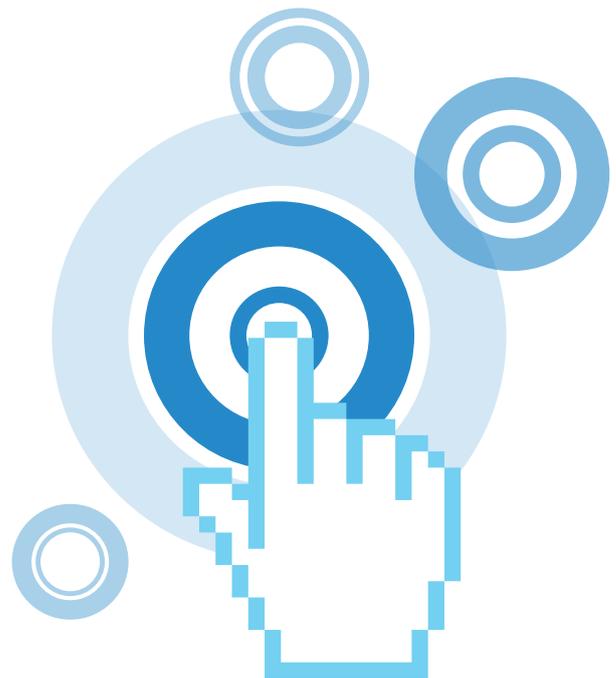
7. Advertising through facebook games
A moderately successful Facebook game can reach 100.000 players

A new and moderately successful game on Facebook can easily reach 100.000 players after just a couple of months of playing, if it leverages all the tools and features Facebook already offers. If you're looking about brand awareness or sales support, then the rates of response are still much higher than those of the classic advertising processes.

Brand loyalty
You can enhance brand loyalty through advergames that make a connection between your brand and your customers. Either involving them in the production process (they make their own beer factory for example, or their own chocolate shop etc) in a sim game, either through quizzes that are related to your brand or to your industry (sky is the limit: you can quiz people about clothes, but also about the benefits of bio products, and so on).

Getting leads
Making a simple Facebook application that serves a common need for Facebook users can get you many new customers. For example a leasing calculator or a used-car value calculator can provide leads and new customers for the importer or dealer that developed that application.

Driving traffic
Simple advergames or quizzes are excellent ways for driving traffic to your campaign website, when you have special offers and promotions. Instead of using banners and other display advertising, you can develop a widget in which the user can answer to a question and get an amusing answer (and the link to your website), or can play a simple game related to your promotion. Users can be enticed to go to your campaign website, but you can also chose to use a fan page for your product/brand using only Facebook as a platform.

Promoting specific products
Finally, promoting specific products can bring the most of the social power of Facebook. Creating an app or a game that allows customers to vote for the real-life products will enable you not only to increase sales, but also to have instant and relevant feedback about your line of products – from thousands and thousands of customers. All you have to do is to set up a fan page on Facebook for your brand, create an app or a game that involves your products, and then go viral and promote this to the neighborhood. Easy to do it in writing, harder to do it in practice, but with amazing results.

8. Conclusion

There is more to write about Facebook games and advergaming, but the purpose of this document is to make a brief review of the current market state. As a conclusion: keep in mind the 'fun' factor, the 'social' factor and the 'targeting' factor. They are all very powerful vectors for those who want to succeed in creating games or apps for Facebook.

And the more fun, social and targeted a game or an app is, the more successful it is. In this regard, getting in touch with a new-media specialized agency is the best way to start.

Get in touch with us by completing the form below or by sending us an email at **office@mbdragan.com**

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Company

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Department

Country

Position

Message

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