

Working for Free: Applying Content Strategy to the Freemium Gaming Model

By: McNeal Maddox
Senior Strategist
www.siegelgale.com

+ “The trick,
of course, is
knowing which
content to offer
for free and
which to offer at
a premium.”

For more information
contact us:

New York
T 212 453 0400

Los Angeles
T 310 312 2200

San Francisco
T 415 284 9715

London
T +44 (0) 207 611 3800

Hamburg
T +49 (0) 40 369 07-602

Dubai
T +971 4 4258600

Shanghai
T +86 138 1630 9232

As casual gaming titles continue to proliferate, the “freemium” business model is rapidly gaining traction among game developers and publishers. *The Freemium Blog* defines “freemium” as a business model in which a company gives away a core product for free and generates revenue by selling premium products to a small percentage of users. In an interview with Charlie Rose, *Wired* magazine’s Chris Anderson elaborates, “If a small group of customers is willing to pay for premium content, that’s enough cash to support everyone.” In the digital world, consumers have shown that they are willing to make direct payments for the content they like, creating increased engagement for brands and a much more sustainable business model than advertising. The trick, of course, is knowing which content to offer for free and which to offer at a premium.

As the freemium business model matures, so will the strategies and best practices associated with monetizing content, making a comprehensive content strategy arguably as important as engineering the game itself. Developers and publishers that factor key criteria such as audience, the gaming context, and monetizable assets into their marketing and communications strategy can create a more engaging brand experience from the initial trial to an eventual purchase.

A look at recent developments in the freemium gaming model shows how content strategy can help developers and publishers master the marketplace.

Casual Gaming Is on the Rise

Farmville. Mobsters. Bejeweled. Casual games are a billion-dollar industry creating huge brand awareness in the pop culture consciousness. A recent PopCap Games study estimated the social gaming population at approximately 100 million in the US and UK alone. Out of 5,000 gamers studied, 95 percent reported playing games like these multiple times per week and, in the US, 68 percent of respondents reported playing daily.

Unlike console gaming, the casual gaming footprint extends across several platforms. Growth in mobile gaming on smartphones, and specifically the iPhone platform, has created a gaming gold rush as developers seek to monetize their games through mobile apps. Gaming market research firm DFC Intelligence projects the iPhone gaming industry to be worth \$2.8 billion by 2014, representing nearly a quarter of the portable games market.

With so many users, casual games have the potential to net huge profits for publishers and developers who can appeal to users’ interests. Gaming brands need to clearly, consistently, and continuously communicate their value to their most receptive audience to stand out from the competition. At the same time, developers and publishers need to ensure they are attracting and engaging high-value consumers with their games.

Content strategy offers a structured approach to connecting the gaming brand experience with target audiences in a compelling way. But what is content strategy?

Content Strategy Defined

Content strategy is a discipline with growing popularity among brands that take communication on the web seriously. The group wiki for content strategy practitioners on Google’s Knol site defines the discipline as “an emerging field of practice encompassing every aspect of content, including its design, development, analysis, presentation,

measurement, evaluation, production, management, and governance.” As part of the product development process, content strategy can ensure branded communications are designed to support larger business goals.

Top global brands like Facebook, eBay, and UPS now regularly employ content strategists, making content strategy an integral part of their strategic marketing plans. This kind of discipline, applied to game marketing, offers a way for developers and publishers to create content that enhances the brand experience and to develop exciting ways to connect with gamers.

Audience

An important first step in creating a content strategy to support a game’s marketing objectives is understanding which consumers to target with brand communications. Knowing which audiences to focus on and how to approach them can be the difference between standing out and fizzling out.

Content strategists can simplify complex market segmentation data by creating “personas” that represent key consumer groups—clarifying those that merit attention, determining what they value, and developing appropriate messaging for each persona.

While there are tons of segmentation criteria that can be used to develop personas, one of the most important in freemium gaming is price sensitivity. Identifying what content to price at a premium is hardly a shot in the dark. Freemium is not so new that winning formulas don’t exist. Gamers will pay for content that validates their core reasons for playing in the first place—whether that’s increased entertainment or a more personalized experience. A simplified understanding of the target audience, including what they value most from a game and their willingness to purchase, makes value-added upsells much easier in the freemium model.

Gaming Context

Although casual gaming rapidly expanded to mobile platforms, the category grew fastest on the Internet. If the Internet is responsible for making “free” a viable revenue model, then social media has been the catalyst for casual gaming growth. Game developers like Zynga and Playdom have used freemium gaming on social media sites as a revenue-generating machine for their brands. Sites such as Facebook and MySpace provide game developers and publishers three key components they need for their freemium strategies to pay in full: a global distribution channel, easy access to a ready supply of casual gamers, and the marketing platform needed to reach them.

No matter where the gaming experience lives, virtual goods, mini-games, avatars, and other gaming content with potential for premium pricing follow the same rules as web content. Once the content has been created, developers and publishers need to be as diligent about maintaining content as they were with creating it. As content strategy aficionado Kristina Halvorson elaborates: “Useful, usable content is a process, not a product.” That process should be kept in mind everywhere users experience the brand.

Developers should consider their brand messaging and governance plan in the context of the platforms where content is delivered to optimize their content at each brand “touch point”. This increases their ability to attract, engage, and retain users everywhere they experience the brand. For example, having a defined strategy for posts on a game’s

Facebook page and status updates for activity streams allows developers to advertise the game to entire networks of gamers. When gamers play for free, their status updates can be used as viral advertisements to their networks to encourage competition or raise awareness of new features. For gamers that have paid for premium content, distinction on exclusive leaderboards and icons that allow them to identify with the game (such as badges) increase engagement and recognition depending on how well they play the game that day. Or that hour. Or that minute.

With a trusted, consistent brand experience, users will be more likely to respond to offers for paid content and upgrade their experience. Ultimately, upsells must be perfectly aligned with the core value proposition. They should deliver significantly more of the value gamers expect through experience-enhancing perks like player achievements, exclusive virtual goods, and social connections. When brand voice and tone are part of game design and development, premium upsells can be as seamless during game play as advancing to the next level.

Monetization Strategies

Understanding the consumer audience and all the brand experience touch points enables developers to determine how to charge for high-value content, but there are several monetization strategies that can increase overall profitability. Although the freemium model has evolved to make up for shortcomings in online advertising, advertising can still be an important piece in the profit puzzle. In the case of online games, advertisers can work directly with developers to customize in-game content. The voice and tone of in-game advertising has to be considered just like any other game content. As part of a well-defined content strategy, in-game advertising can be contextual and unobtrusive while helping to reduce development costs.

The one-time purchase model is also worth considering, especially for casual games that do not involve multiple players over long periods of time. Users can receive a free trial version and send a direct payment for the full version. But the limitations with a one-time purchase are apparent in the name. It's just one payment, which makes the messaging considerations that much more important. Timing upsells and communication intervals with the appropriate brand message should be a key consideration in the content strategy.

Things get considerably more interesting for games that support micropayments or cost per action (CPA). Developers get numerous, ongoing opportunities not just to make money, but to reinforce the brand and value proposition. This is widely accepted as the best way to monetize social games, where the platforms themselves encourage frequent, continuous use. Once users are hooked, developers and publishers find it very easy to entice them into buying virtual goods that contribute to their game success.

Perhaps the trickiest of freemium monetization strategies, subscription streams have paid off handsomely for companies willing to invest in careful planning, testing, and gradual adjustment. Subscription streams often require the most governance and measurement as price sensitivity and continuous upsells to entice consumers become important factors. In this pricing model, users pay for the use of packaged virtual goods for a preset period of time or until goods run out. *VentureBeat* writer Dean Takahashi likens this to putting quarters into an arcade video game. If a company rolls out enough virtual goods over time, it can later bundle them to drive sales even further.

When to release bundles, what to bundle, and how to communicate new offerings to the right audience can all be determined with a thorough understanding of audience, context, and available content.

Conclusion

Content strategy has grown in parallel with the freemium business model as users' online interactions have become more sophisticated over time. Companies now have a disciplined way to ensure their online content stays fresh and engaging to deliver a more fulfilling brand experience. Applied to the casual gaming market, the lessons of content strategy can transform the daunting task of assigning value to a random set of goods into a manageable and rewarding process. Game developers that take the time to understand the needs of high-value audience segments, identify the contextual touch points that comprise the brand experience, and develop compelling ways to deliver content can simplify the decision making process around what, when, and how to upsell gamers on premium content. A strategic approach to planning and delivering casual gaming content—with consistency across touch points and the right pricing model—is the key for developers and publishers to turn freebies into financial gain.

Sources

Chen, Ada. (March 18, 2009). *The Different Dialects of Casual Game Monetization*. Message posted to www.adaachen.com.

Defining the Company and its Market(s) [PowerPoint slides]. [Cited in text as DCM]. (2009). Retrieved from www.docstoc.com.

Dredge, Stuart. (2009). *iPhone Casual Games: Lessons for Success [PowerPoint slides]*. Retrieved from www.slideshare.net.

Freemium. (n.d.) *In Freemium Blog*. Retrieved from www.freemium.org

How About Free? The Price Point That Is Turning Industries on Their Heads. (March 4, 2009). Retrieved from knowledge.wharton.upenn.edu.

Lovinger, Rachel. (March 26, 2007). *Content Strategy: The Philosophy of Data*. Retrieved from www.boxesandarrows.com.

MacIntyre, Jeffrey. (n.d.) *Content Strategy*. Retrieved from knol.google.com.

MacMillan, Douglass, Peter Burrows & Spencer E. Ante. (October 22, 2009). *Inside the App Economy*. Retrieved from www.businessweek.com.

New Survey Reveals Social Gaming Phenomenon in US & UK. (Press release, February 17, 2010). Retrieved from popcap.mediaroom.com.

Rose, Charlie. (Producer). (July 21, 2009) *Charlie Rose [Television broadcast]*. New York: PBS & www.charlierose.com.

Sherman, Aliza. (February 24, 2010). *8 Significant Developments in Social Media You Should Watch*. Retrieved from webworkerdaily.com.