8-15-1997

Marketing Strategies for Online Entertainment: A Snapshot of Computer Game Networks

Misha W. Vaughan
Indiana University, milwalke@indiana.edu

Marketing Strategies for Online Entertainment: A Snapshot of Computer Game Networks

Misha W. Vaughan
School of Library and Information Science
Indiana University
4313 East Third Street
Bloomington, IN 47401
P/F: (812) 337-1719
milwalke@indiana.edu

Abstract

Online entertainment is projected to be a billion dollar industry by the year 2000 (I/PRO, 1996b). Today, however, only a few companies are willing to risk investing in online entertainment. Computer game networks, an infant industry, are one of the rare group of companies taking that risk. Their success depends in large part on how well they market their products and services to their target audience. They are currently targeting Rogers' (1995) Innovators (hard core gamers) primarily with pull technologies. However, financial success will depend on a) targeting the next segment of adopters, Early Adopters, who will be more oriented toward traditional push technologies, and b) retaining innovators by applying new marketing (and product) paradigms.

Online entertainment

The market forecasts for electronic or online entertainment paint a rosy picture. In 1996, this industry was worth an estimated $85 million, in 1997 $194 million, in 1998 $420 million, in 1999 $733 million, and in the year 2000 $1,250 million (I/PRO, 1996b). This high dollar industry has included such experiments as web-based magazines (e.g. Salon), web-based soap operas (e.g. The Spot), and America Online's events such as meet-a-celebrity. The defining characteristics of all these attempts is that they offer content designed for and delivered via the Internet, the world wide web, or a proprietary network and are targeted for leisure time consumption. There is certainly a diverse field of players getting into online entertainment, however, the biggest trend is currently computer games being played online.

Online gaming takes many forms ranging from off-the-shelf CD-ROMs with an Internet component, to online-only games, to multiplayer gaming, to shared virtual worlds. The big players in online gaming are known as game networks and they include: TEN (Total Entertainment Network), MPath Interactive, Adventure OnLine Gaming, DWANGO, Engage, MPG-Net, The Palace, and X-Band (www.gamepen.com/yellowpages/online/networks.html).

Gaming networks are going after a lucrative market whose consumer is Internet savvy and possessed of substantial disposable incomeóthe hard core gamer. To attract this clientele, gaming networks are using a variety of promotional techniques that are almost exclusively Internet-based and "pull" oriented. At the same time, due to this market's high pay-off potential, plenty of well-financed competitors are looking to stake their claim as THE Internet gaming network. Because this group of hard core gamers can only be sliced so thin, gaming networks will have to move to additional market segments to keep their player numbers high enough to sustain any business model ó be it advertising, sponsorship, or subscription.

Who are these users and how are they being reached

Current estimates of Internet and Web use suggest that about 28.8 million people (16 years and older) have access to the Internet (Hoffman, Kalsbeek, & Novak, 1996). A FIND/SVP study found that 27% of Internet users are recreational consumers (as reported on www.cyberatlas.com, 1996). Using the above number of

Internet and Web users, this would estimate the number of entertainment users to be around 7.7 million. While entertainment seekers are not conceptually synonymous with game players, there is enough overlap to make it a useful index. Next, using Rogers' (1995) categories of adopters, one can project what market segments (roughly) have been reached by online entertainment.

Rogers' (1995) divides a population into five groups of adopters based on their innovativeness. By order of adoption they are: Innovators (2.5%), Early Adopters (13.5%), Early Majority (34%), Late Majority (34%), and Laggards (16%). Assuming about 7.7 million users are accessing the Internet and the Web for entertainment, and the adult US population is around 200 million, this would suggest that about 3% of the adult population is interested in online entertainment. This percentage becomes even smaller when considering that not all users interested in online entertainment will also be interested in online gaming.

Even using the liberal estimate of 3%, one can see that online gaming is still an infant industry. This percentage suggests that online game players are composed largely of Innovators, the first 2.5% of the population. In addition, gaming networks appear to be pursuing Innovators exclusively in their marketing strategies. To understand the marketing strategy used by gaming networks, it is important to understand the nature, characteristics, and habits of their target audience.

Rogers states that Innovators are venturesome. They are interested in new ideas, are more cosmopolitan, have higher incomes, are capable of dealing with complex technical knowledge, and can cope with a high degree of uncertainty. Early adopters in general may be younger, will have more years of formal education, are more likely to be literate, will have higher social status, will have a greater degree of upward social mobility, and posses a higher income.

The demographic data from Mpath backs up this claim (www.mpath.com/advertising/mplayer-demograhics.html). They describe their average user as: white, male, age 18-35 (56%), household income $75K+ (29%) and $50K+ (51%). Fifty-four percent of players spend at least 15 hours online per week, 80% access Mplayer from home, and a typical system includes a Pentium 133, sound card, microphone, speakers, 15" monitor, and of course a modem. Players purchase an average of 13 games per year, plus a variety of computer equipment, accessories, and publications. These demographics are consistent with Rogers' predictions about the socioeconomic characteristics of Innovators ó technically savvy, younger, wealthier, and white collar.

Gaming networks are reaching these groups of Innovators through communication channels and via communication styles unique to this group of hard core gamers. Not surprisingly, the Internet and the Web are the primary means of communication. Specifically, game networks will: post announcements and gaming information in selected newsgroups, put press releases on their web sites, maintain internal email lists to be used for announcements, contribute to external email lists for announcements, develop their own web sites, take out banner ads on gaming related web sites, acquire links from gaming-related web sites, sponsor gaming-related web sites packed with reviews and gaming information, offer free downloadable versions of their games, participate in newsgroups regarding gaming questions, respond to email inquiries regarding gaming questions. These strategies are consistent with the general make-up of the hard core gamer. Rogers argues these users will be more technically literate, derive pleasure from mastering the technology or innovation, and will actively seek out new information.

In addition, gaming networks also use highly targeted traditional promotion techniques. They release press releases to computer gaming magazines, exhibit in computer gaming conferences, offer products up for review by computer gaming magazines, compete for industry awards, take out print advertisements in computer gaming magazines, provide demo versions of games for free on CD-ROMs packaged with gaming magazines, and of course hope for old-fashioned word-of-mouth advertising among this group of users.

In sum, gaming networks rely largely on pull-oriented strategies with a much smaller focus on push-oriented strategies (Wired, 1997). Pull marketing requires that the user must make the effort to go to the information, such as with company web sites, game newsgroups, downloading software, looking over gaming reviews, and soliciting advice from friends. This approach is consistent with this groups general psychographic profile, that is, they habitually search for and seek out new ideas and innovations. In addition this strategy builds on the usage habits of hard core gamersóthese people already spend a lot of time online.

New users

In order to profit in this rapidly growing industry, game networks will have to move beyond this small group of Innovators. They will need to gather a critical mass of adopters ó the point at which enough individuals have adopted so that the innovation's further rate of adoption becomes self-sustaining (Rogers, 1995). This critical mass is likely to occur once they have tapped into the next population segment, Early Adopters.

Early Adopters are more locally oriented, more integrated into a local social system, are likely to be opinion leaders, serve as role models concerning innovations, and make successful, discrete use of new ideas (Rogers, 1995). According to Rogers' demographic predictions, they may not differ in age, will have a little less income, a little less education, and be a little more concerned with the benefits and disadvantages of using this technology. These people will also spend less time online using the Internet and surfing the web. The marketing strategy for this group will have to change to meet their socioeconomic, demographic, and psychographic profile. Because these users may be online but much less technically savvy, the techniques will have to be more traditional and more push-oriented (Wired, 1997).

Internet marketing, push-oriented tools likely to be effective with this group are simple to sign-up on email lists (using a forms interface), and advertising which is broadcast to the consumer such as Pointcast. Traditional marketing, push-oriented tools include: print ads and reviews in broader circulation magazines which are oriented to the less sophisticated computer user, the Macworlds and the PCWorlds as opposed to UNIXrUS; direct mail of CDs or disks into potential consumers homes such as America Online's now ubiquitous disks; phone solicitation of the gaming service; and personal selling of the gaming network at the point-of-purchase.

Future challenges

In order to retain the critical group of hard core gamers, game networks will need to innovate by keeping their content and/or technology fresh. The latest trends in gaming, multiplayer gaming (competitive and cooperative) and graphical multi-user environments (e.g. The Palace), are in the right direction. They tap into earlier adopters' characteristics of having more social participation, being more connected in their social system, and having greater exposure to interpersonal channels.

To market in this environment, Hoffman and Novak (1996) suggest a new paradigm that focuses on the consumer-environment relationship. They argue that:

The new model underlying marketing communications in a hypermedia [environment] like the Web is a many-to-many mediated communications model in which consumers can interact with the medium, firms can provide content to the medium, and in the most radical departure from traditional marketing environments, consumers can provide commercially-oriented content to the medium.

Despite all the bells and whistles gaming networks can provide, ultimately they would do well to remember the lessons learned from cable TV. "Technology alone does not a communications revolution make. Economics trumps technology every time. People must be offered things they want at prices they are willing to pay" (p. 10, Gomery, 1994).

References

Gomery, D. "In search of the cybermarket," *Washington Quarterly* , Summer 1994, p. 9-17.

Hoffman, D. L., Kalsbeek, W. D., and Novak, T. P. "Internet and web use in the United States: Baselines for commercial development", July 9, 1996, URL: http://www2000.ogsm.vanderbilt.edu/papers/internet_demos_july9_1996.html.

Hoffman, D. L. & Novak, T. P. "A new paradigm for electronic commerce," February 19, 1996, URL: http://www2000.ogsm.vanderbilt.edu/novak/new.marketing.paradigm.html.

I/PRO CyberAtlas."Demographics," 1996a, URL: http://www.cyberatlas.com/demographics.html.

I/PRO CyberAtlas."Electronic Commerce," 1996b, URL:http://www.cyberatlas.com/emoney.html

Rogers, E. M. *Diffusion of Innovations* (4th edition), Free Press, New York, 1995.

Staff. "Push! Kiss your browser goodbye: The radical future of media beyond the web."*Wired* (5:3), 1997, p. 1, 14-25.