

KABAM COLLIDER 2015

Targeted Strategies for Pricing Optimization

Team Bing Bang

Alexander Jones

Aditya Mishra

Stephanie Snipes

Hi! We're Team Bing Bang.

We are Master's Candidates at the UC Berkeley School of Information, applying our holistic curriculum to create a well-rounded proposal.



Alexander Jones

Behavioral Economics

Brought expertise in product design and behavioral economics to our strategies.



Aditya Mishra

Pricing Strategy

Honed game industry knowledge at EA this past summer.



Stephanie Snipes

User Research

Applied UX / UI specialties playing Contest of Champions & mining user input.

Executive Summary

Approach

Looked across a game's lifecycle: conversion, retention & churn

Findings

- Missed opportunities across geographies
- Experiments underway in the industry
- Market consolidation at the top

Recommendations

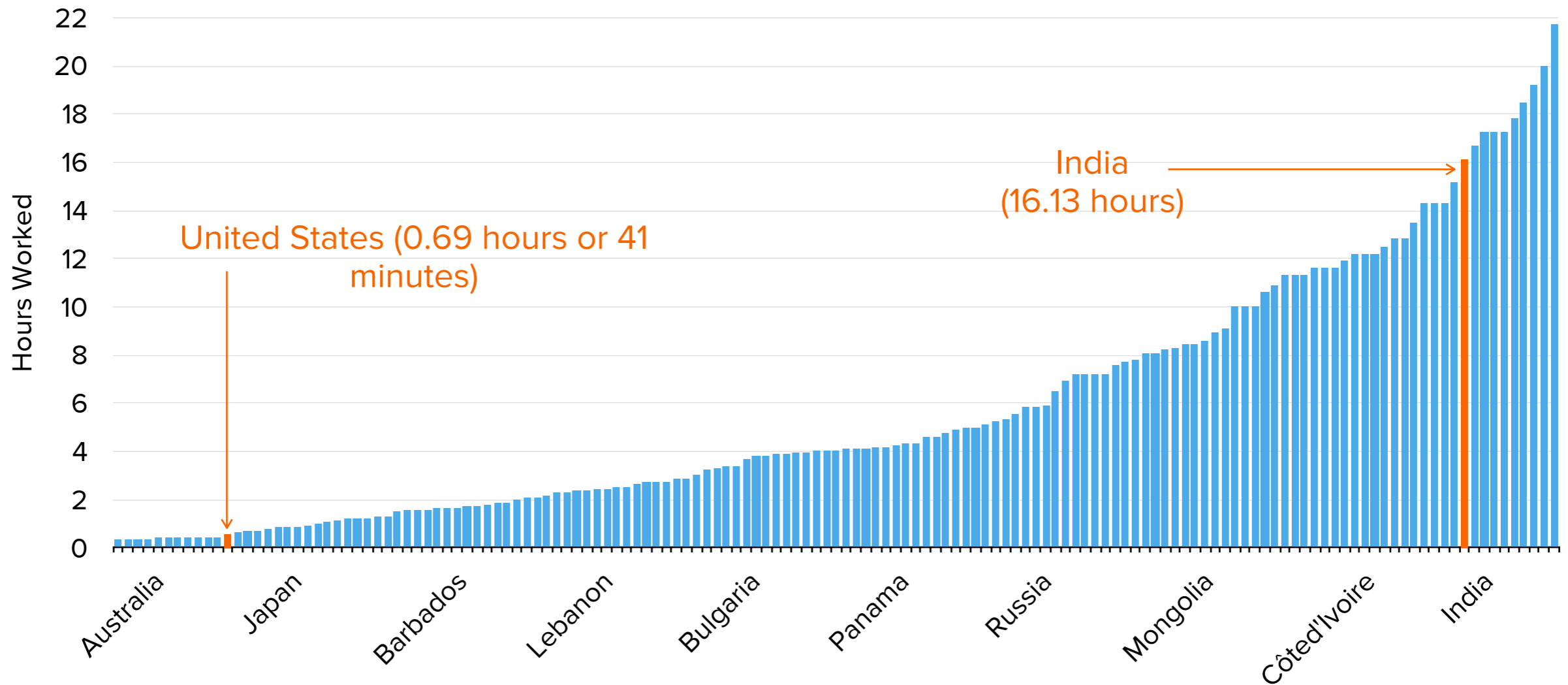
- Set an attractive price strategy that does not paywall players
 - Use Big Mac index as initial model
 - Targeted promotional discounts to model demand elasticity
- Plan long term franchise durability
 - Encourage community play and retain players



Creating a Dynamic Pricing Index

The Need for Strategic Pricing

Hours Worked on Minimum Wage to Earn 175 Kabam Credits



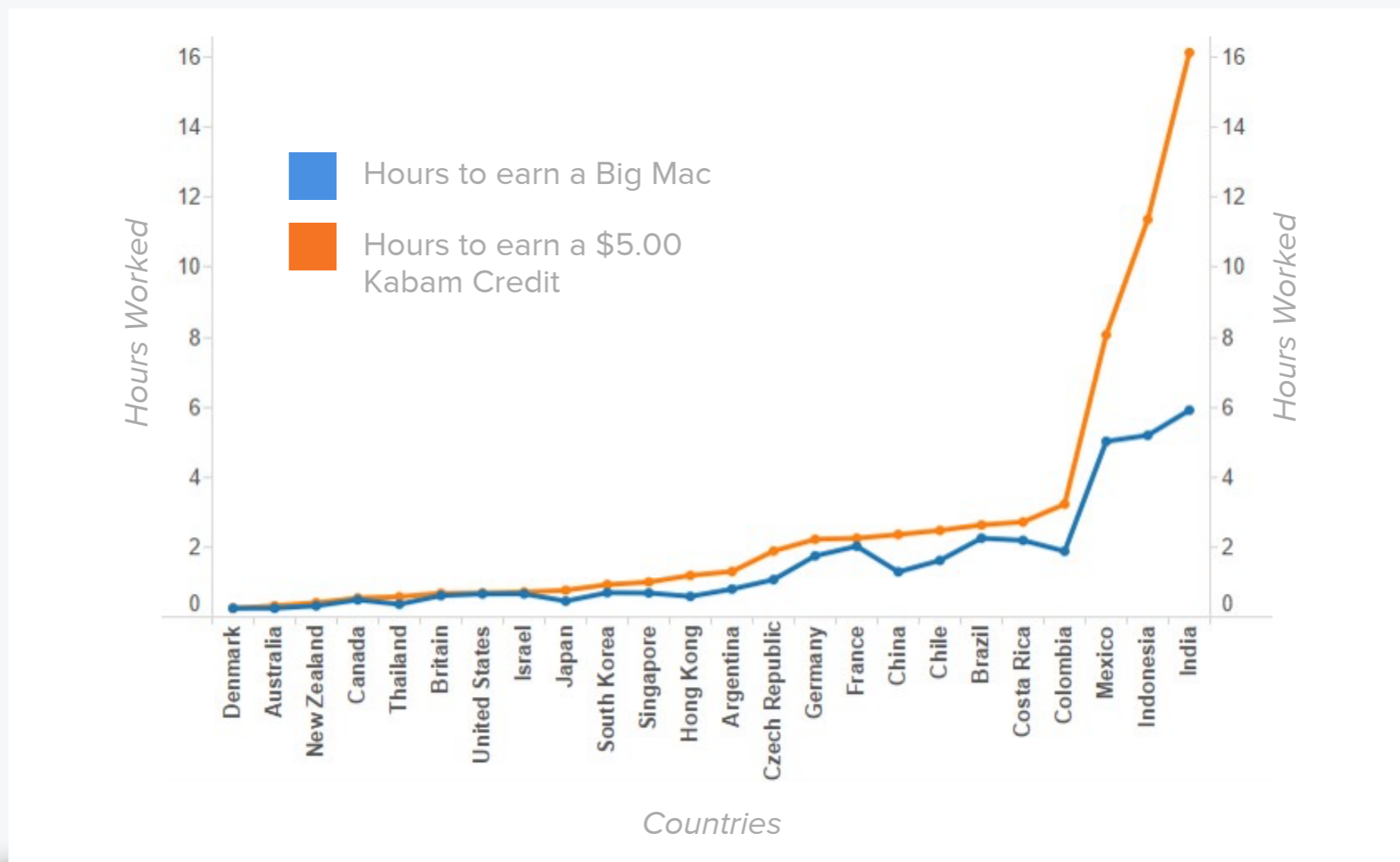
Using the Big Mac Index



As a “standard consumer good common to all nations,” the Big Mac Index is a classic representation of Purchasing Power Parity (PPP).

Using the Big Mac Index

Disparity of the Current Fixed Price Model



Using the Big Mac Index

Missed Opportunities Market Size vs. Purchasing Barriers



Validating Our Hypothesis



Validating with Steam



We started by analyzing prices of
300 games across 7 countries.

Mexico

Russia

India

China

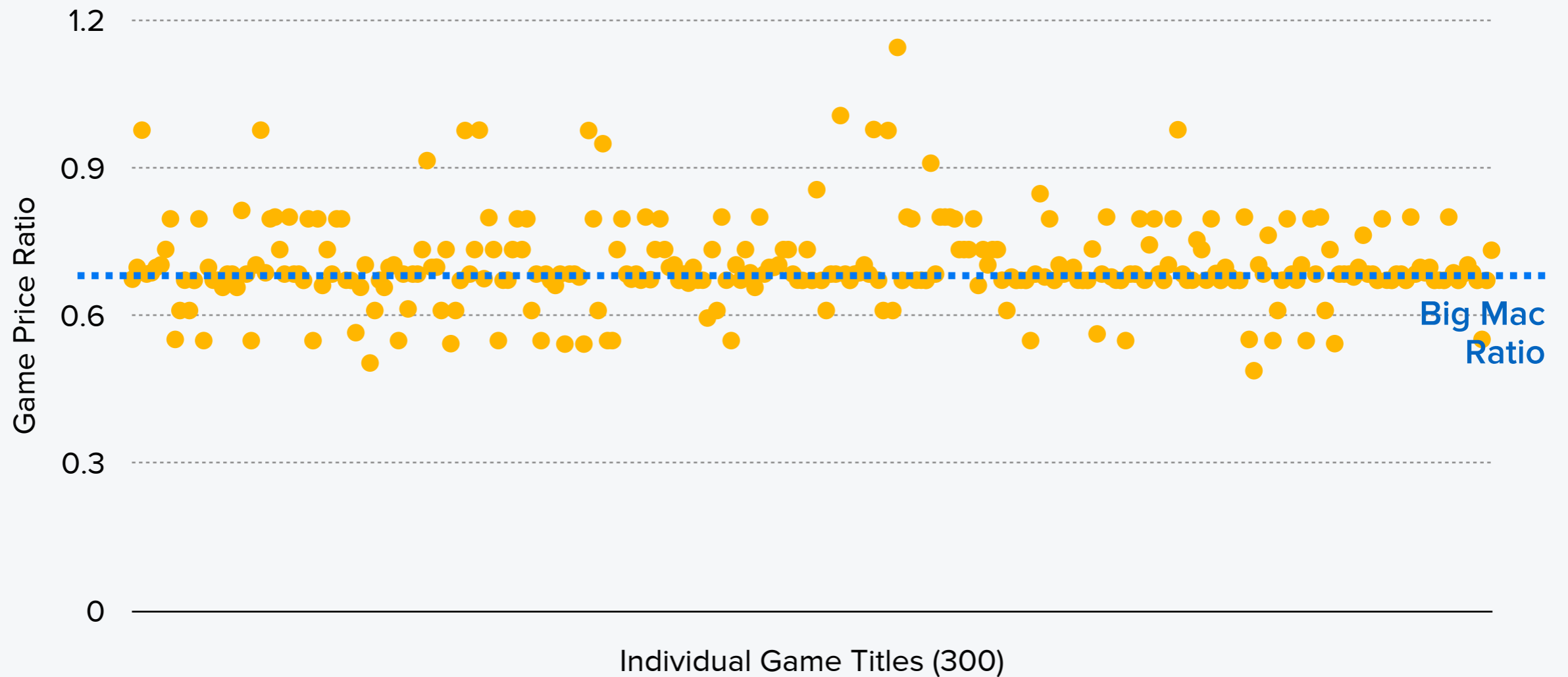
Hong Kong

Belgium

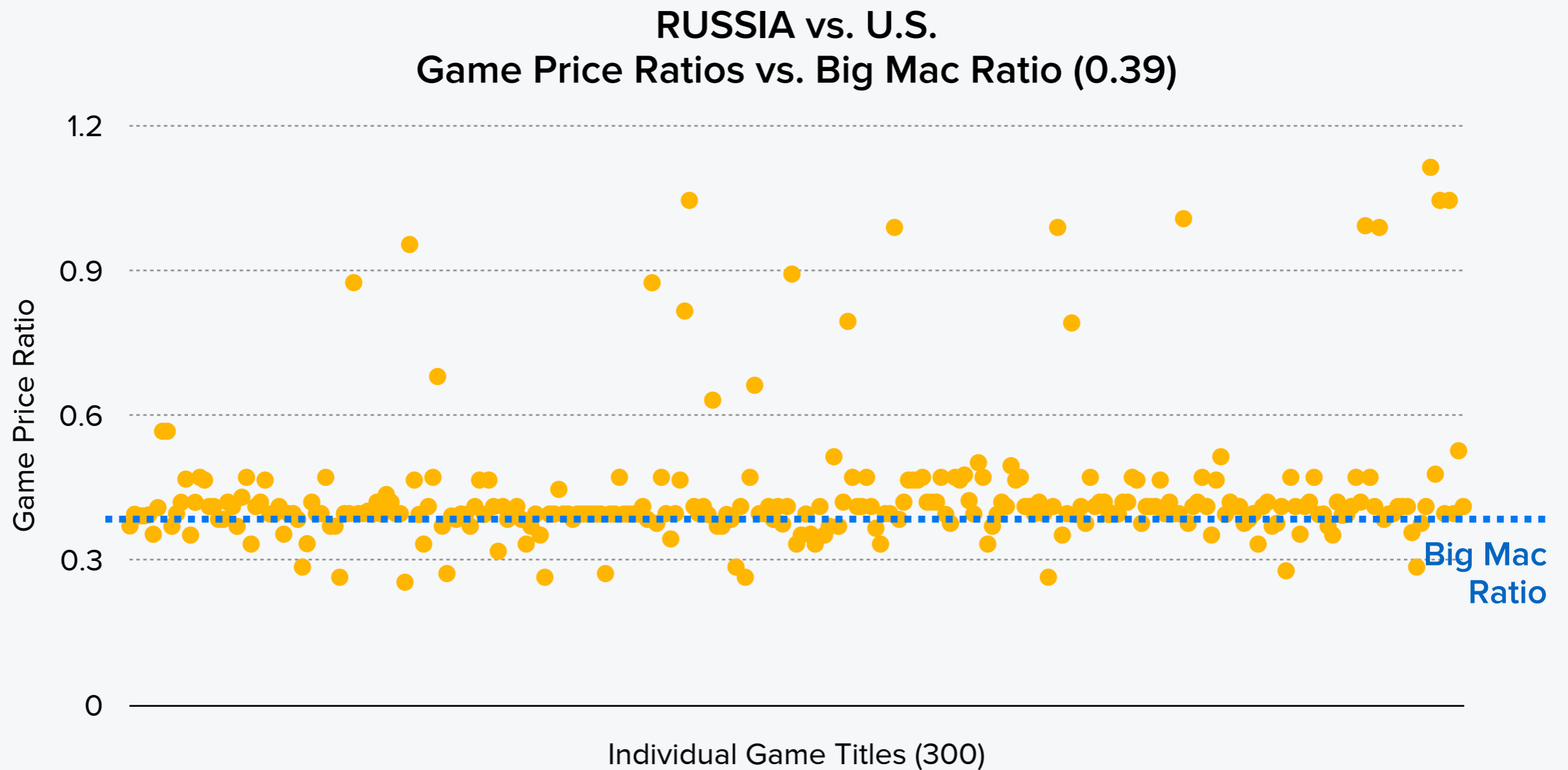
Brazil

Validating with Steam

MEXICO vs. U.S.
Game Price Ratios vs. Big Mac Ratio (0.65)



Validating with Steam



Validating with Steam



Recommendations

The Big Mac Index is a good starting proxy for your price targets.

Recommendations

As Kabam, we need to run experiments to determine the right demand curves for each country.



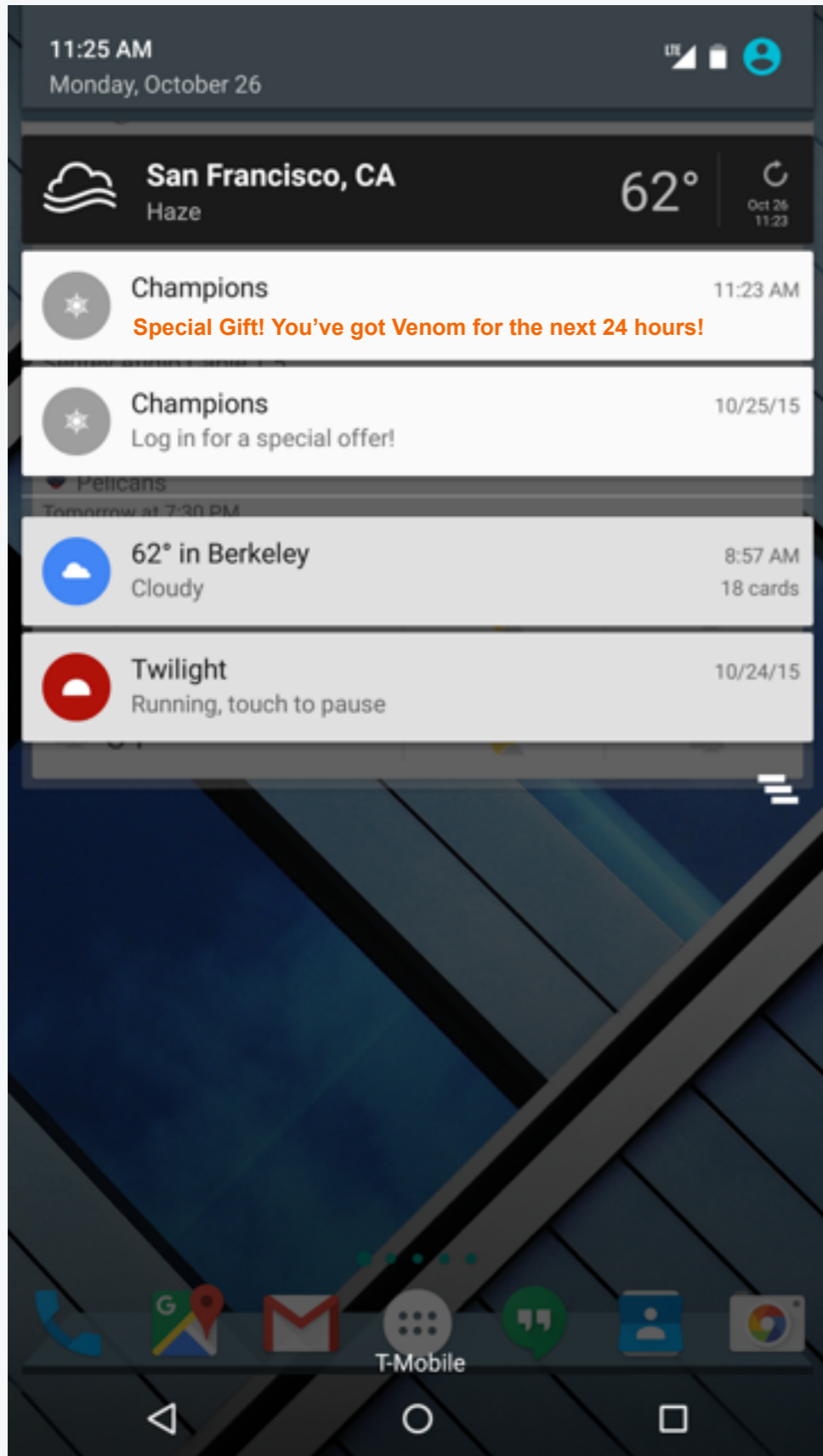
Use Targeted Promotions to Refine Dynamic Pricing

We hypothesize that different geographic markets will have different demand elasticities for IAPs.

But how can Kabam model different demand elasticities in different geographic markets?

Targeted Promotions





Churn Risk & “Gifts”

Target players at churn risk

Endowment Effect

Reciprocity Effect

Three-Option Discounts

ONE STAR Value Pack	TWO STAR Value Pack	THREE STAR Value Pack
\$3.00 \$1.75	\$7.00 \$4.00	\$8.00 \$4.50
1x 3-star Crystal 1x Health Potion 1x Revive	1x 3-star Crystal 3x Health Potion 3x Revive	1x 4-star Crystal 3x Health Potion 3x Revive

Gaming Price Experiments

Will the increased volume of IAPs
offset the discounted prices and
increase total revenue?

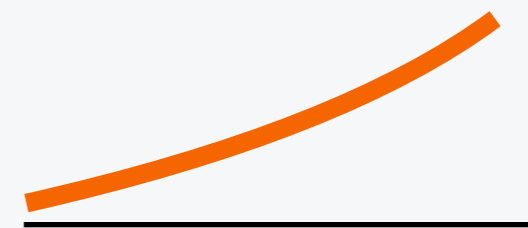
Steam's Experiments

Unannounced

Publicly Announced

Flat Revenue

40x Increase



Games2Win's Experiments

Unannounced

10% Increase Revenue



Using KPIs to Measure Outcome

Total Revenue 

Conversion Rate 

Churn Rate 

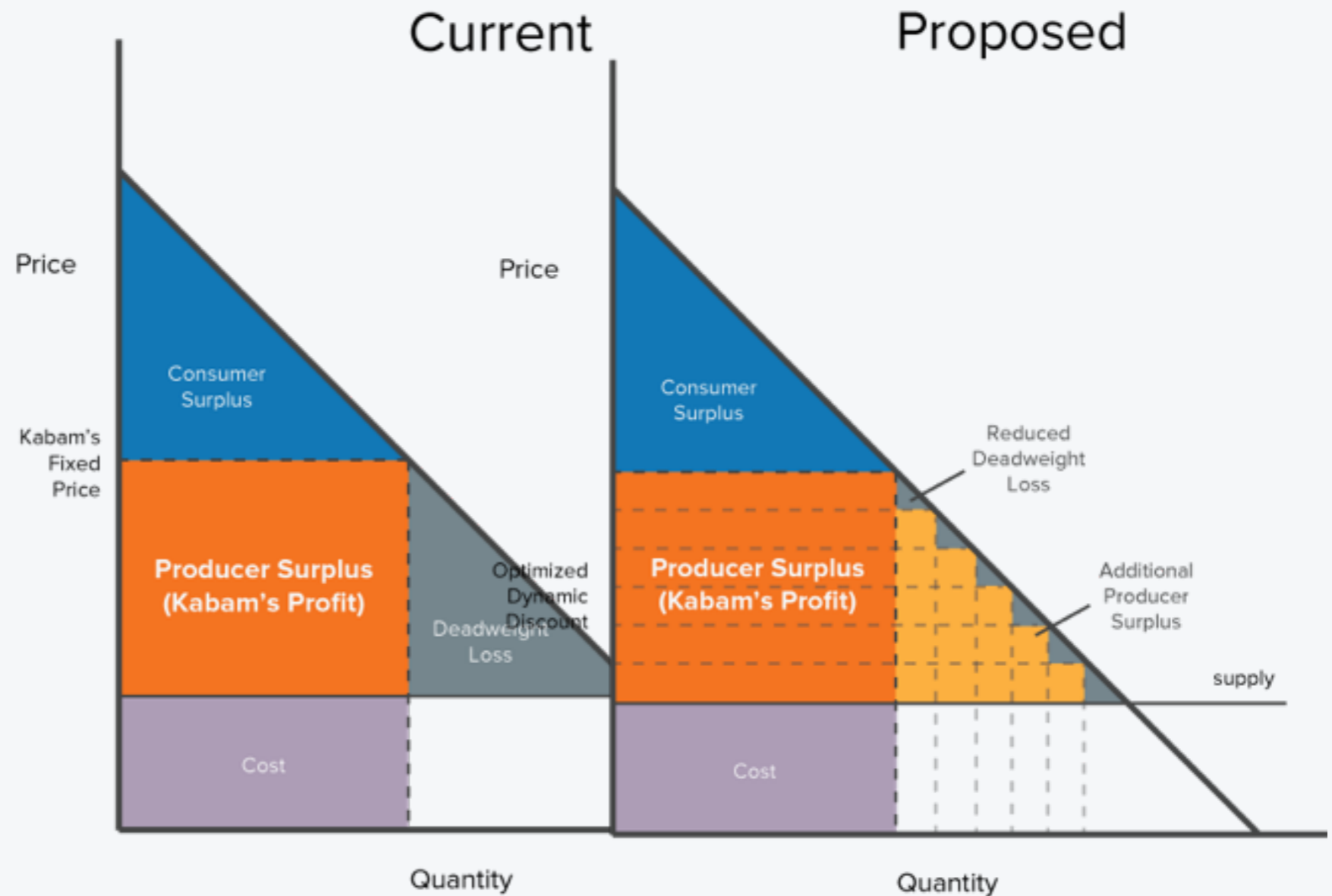
Rollout Recommendations

Start with small segment in low-risk market

Refine demand model

Repeat in different countries

Maximizing Revenue



Differentiation & Delivering Value

Delivered Value

=

Product Value - Cost



Long-Term Strategies to Differentiate

Strengthening Social Gameplay

“Think about **alliances**...

Think about game environments that create competition and motivate people to want to spend so they can be better than someone else...”

Kent Wakeford, Kabam CO

Game Monetization USA Summit, December 2014

Intra-Alliance Resource Sharing

Bring access to lower PPP markets

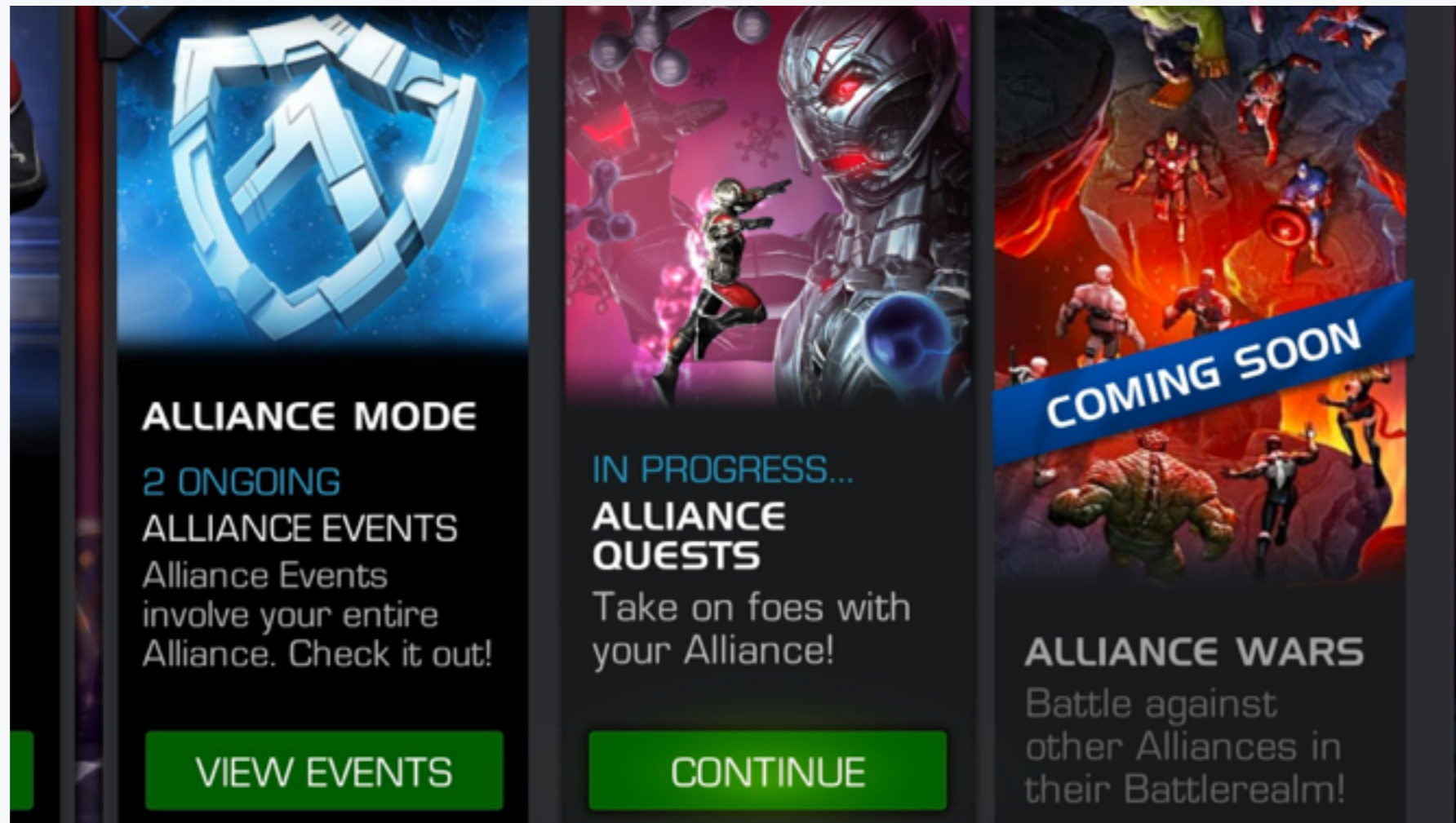
Could be free or for a nominal fee



Intra-Alliance Resource Sharing

Strengthen social gameplay & strategic complexity

Drive loyalty & sustainable growth



Ecosystem Retention

“We’re seeing a radical shift in our industry toward the top. Market share and revenue are going to the **top games.**”

Kent Wakeford, Kabam COO
GamesBeat Summit, May 2015

**How do we extend the LifeTime Value
(LTV) of VIP players?**

**How can we ensure VIPs will continue
to play Kabam titles?**

Cross-Promotion Strategy

Introduce a personalized incentive toward another Kabam title when franchise churn is highly likely.

Game Performance

Purchases

Social Engagement

Responsiveness to IAP Promotions

Closing Thoughts

“If you’re trying to become an industry leader, you can’t follow what everyone else is doing.

It’s very much about predicting where the puck is going and placing bets on that.”

Kevin Chou, Kabam CEO
Aug 9, 2015 - VentureBeat

Thank You!

Executive Summary

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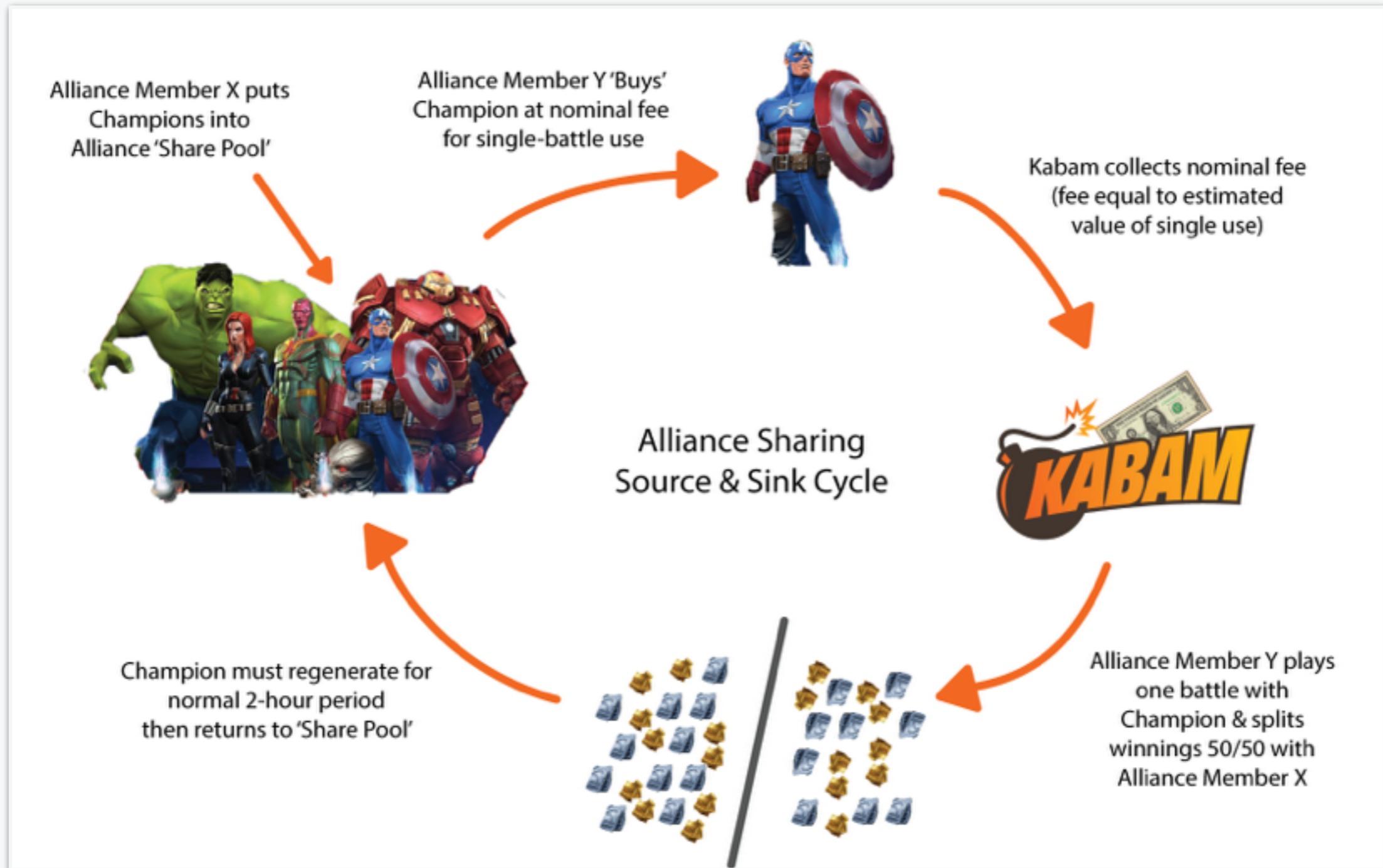
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Recommendations

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APPENDIX A: Intra-Alliance Resource Sharing



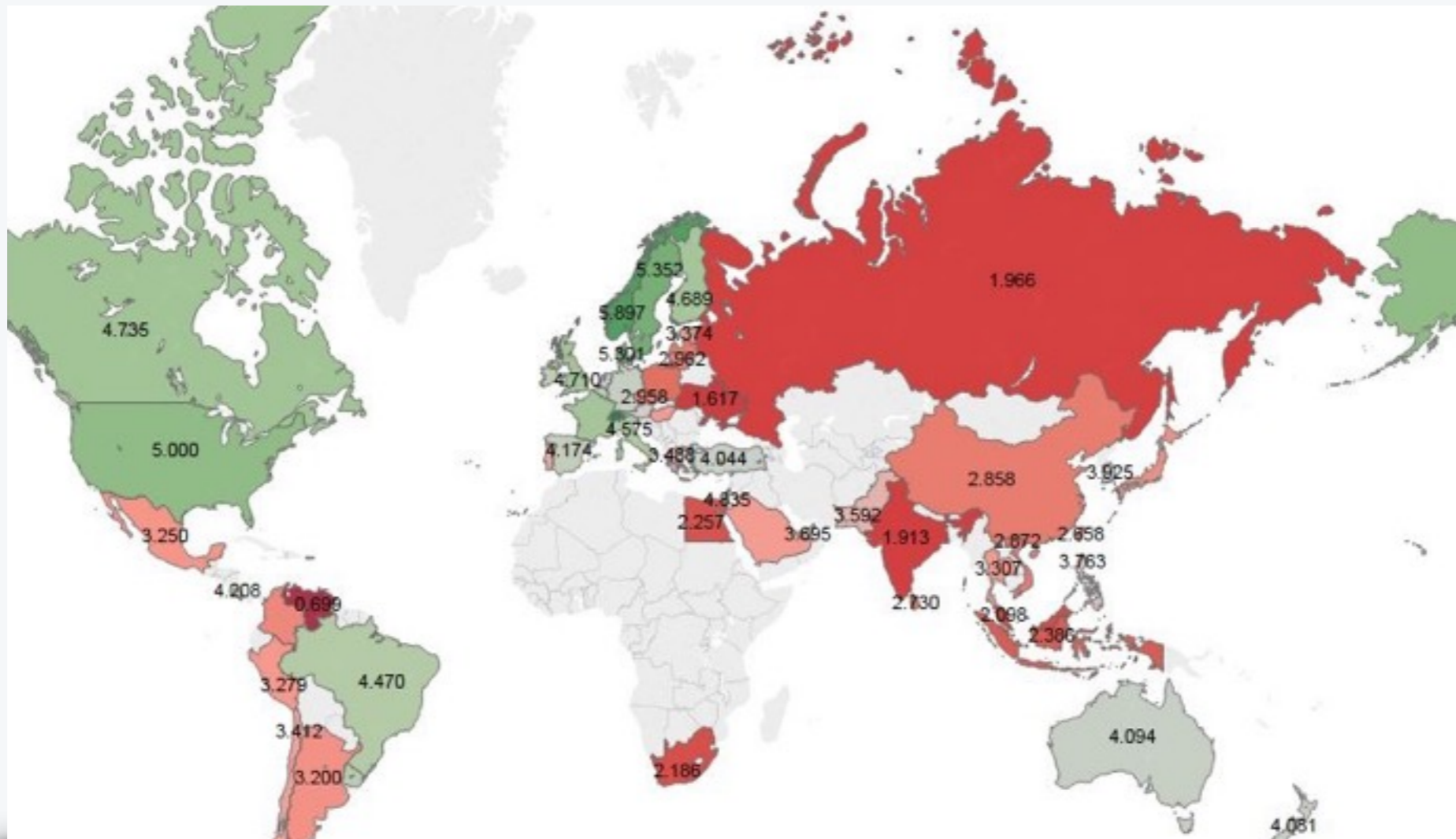
APPENDIX B: Cannibalization Concerns From Promotions

Gabe Newell on Steam's Pricing Experiments:

“Promotions on the digital channel increased sales at retail at the same time, and increased sales after the sale was finished, which falsified the temporal shifting and channel cannibalization arguments.”

**This is another reason to start small
in one market then expand.**

APPENDIX C: Global Reach of Purchasing Power Disparity



Cost of 175 Kabam Credits Normalized by the Big Mac Index

APPENDIX D: Big Mac Prices Across Countries

Country	BIG	MAC price	Local Dollar	Exchange rate	BIG MAC USD	local price	Ratio	USD 5 Equivalent
Australia		5.3		1.35		3.92	0.82	4.09
Brazil		13.5		3.15		4.28	0.89	4.47
Britain		2.89		0.64		4.51	0.94	4.71
Canada		5.85		1.29		4.54	0.95	4.73
China		17		6.21		2.74	0.57	2.86
Euro area		3.7		0.91		4.05	0.85	4.23
Hong Kong		19.2		7.75		2.48	0.52	2.59
India		116.2		63.43		1.83	0.38	1.91
Indonesia		530500		13344.50		2.29	0.48	2.39
Japan		370		123.94		2.99	0.62	3.12
Mexico		49		15.74		3.11	0.65	3.25
New Zealand		5.9		1.51		3.91	0.82	4.08
Russia		107		56.82		1.88	0.39	1.97
Singapore		4.7		1.37		3.44	0.72	3.59
South Korea		4300		1143.50		3.76	0.79	3.93
Sweden		43.7		8.52		5.13	1.07	5.35
Switzerland		6.5		0.95		6.82	1.42	7.12
United States		4.79		1.00		4.79	1.00	5.00
France		4.1		0.91		4.49	0.94	4.69
Germany		3.59		0.91		3.93	0.82	4.11
Greece		3.05		0.91		3.34	0.70	3.49
Italy		4		0.91		4.38	0.91	4.57
Spain		3.65		0.91		4.00	0.83	4.17

APPENDIX E: Rollout Strategy Concerns

Why not rollout in the entire geographic market instead of small segment?

- Detect idiosyncrasies in market
- Chance to refine model

Why not rollout globally instead of testing in one market to start?

- Chance to refine tactic
- Mitigate risk

APPENDIX F: Validating with Amazon Kindle

Kindle Ratio for Top Titles in China

