Ad Survey Results 2019

An in-depth study of in-game advertising

Contents

Introduction

This is the fifth year of our annual in-game advertising study and, once again, 2019's survey results broadly follow the trends seen in previous years.

Ad revenues - and their fraction of total industry revenues - have increased significantly year on year. That consistent growth both reflects and nurtures the industry-wide confidence in ads, while fears of ads cannibalizing In-App Purchase (IAP) continue to dissipate.

This year, following huge success over the last 12 months, we decided to include hyper-casual games as a subcategory in their own right. The questions and responses gathered below illustrate rare consistency of thought, and growing confidence, in an ever-changing landscape.

The study

A total of 284 developers and publishers/studios completed the deltaDNA In-game Advertising Survey for 2019. The variance in our respondents reflects the diversity of the mobile Free-to-Play (F2P) games industry, the impact of hyper-casual, and the increasing importance of the mid-tier. Check out these topline stats below:
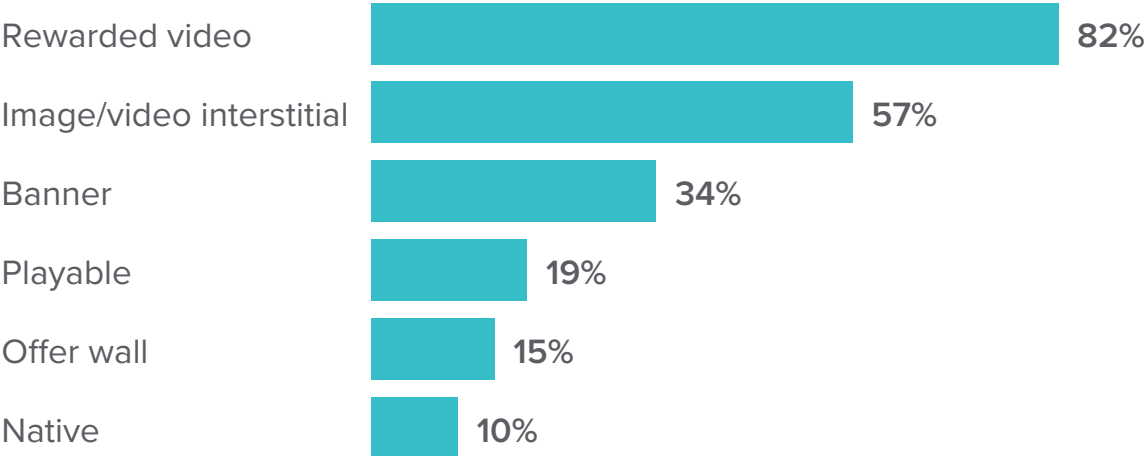
• 94% of respondents use some form of in-game advertising

• A significant majority (62%) of our respondents produce casual games - the remaining 38% produce core games.

• The most popular genre was Match-3

• 10% of respondents have over 1,000,000 Daily Active Users (DAU)

What kind of ads do people use?

With an 82% usage rate among respondents, rewarded video is the most common ad format by a significant margin. The next most popular formats are interstitials and banner ads respectively, in line with previous years.

68% of respondents use more than one ad format within their games, up from 56% in 2018. The most common combination of ads is a mix of rewarded video and interstitials. Increasingly, we see respondents using a wider variety of ad formats, with 33% using three or more different types of advertising, a rise from 20% the previous year.

What types of ads do you display in your game? (Please select all that apply)

Ad type	Percentage
Rewarded video	82%
Image/video interstitial	57%
Banner	34%
Playable	19%
Offer wall	15%
Native	10%

Generally, in-game ads are a little more likely to be used in casual or hyper-casual games in our sample. Playables and offer walls were the only types of advertising that were relatively more prevalent in core games compared to casual games.

What types of ads do you display in your game? (Please select all that apply) - By genre
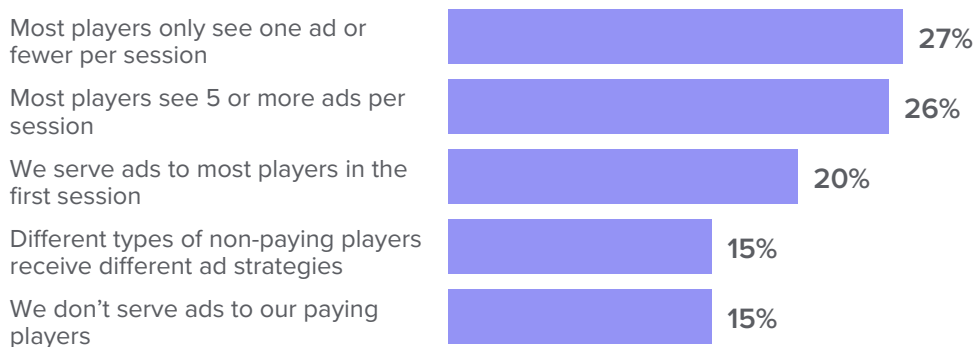
Rewarded video		
	Casual & Hyper-Casual	85%
	Hardcore & Mid-core	76%

Image/video interstitial		
	Casual & Hyper-Casual	63%
	Hardcore & Mid-core	47%

Banner		
	Casual & Hyper-Casual	38%
	Hardcore & Mid-core	28%

Playable		
	Casual & Hyper-Casual	18%
	Hardcore & Mid-core	20%

Offer wall		
	Casual & Hyper-Casual	11%
	Hardcore & Mid-core	21%

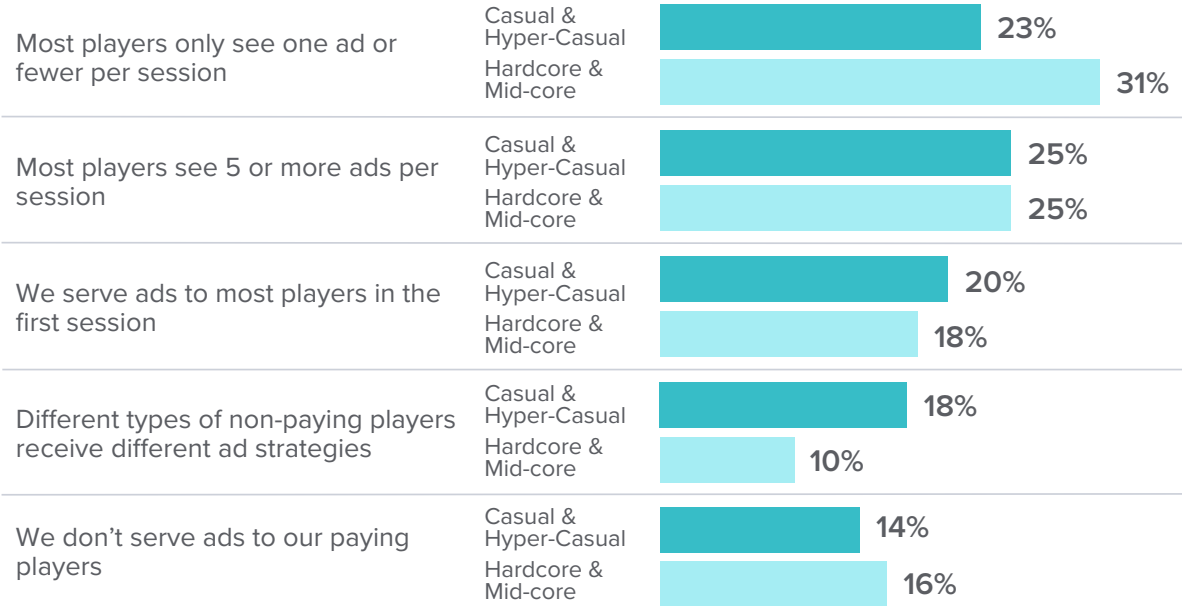| Native		
	Casual & Hyper-Casual	13%
	Hardcore & Mid-core	5%
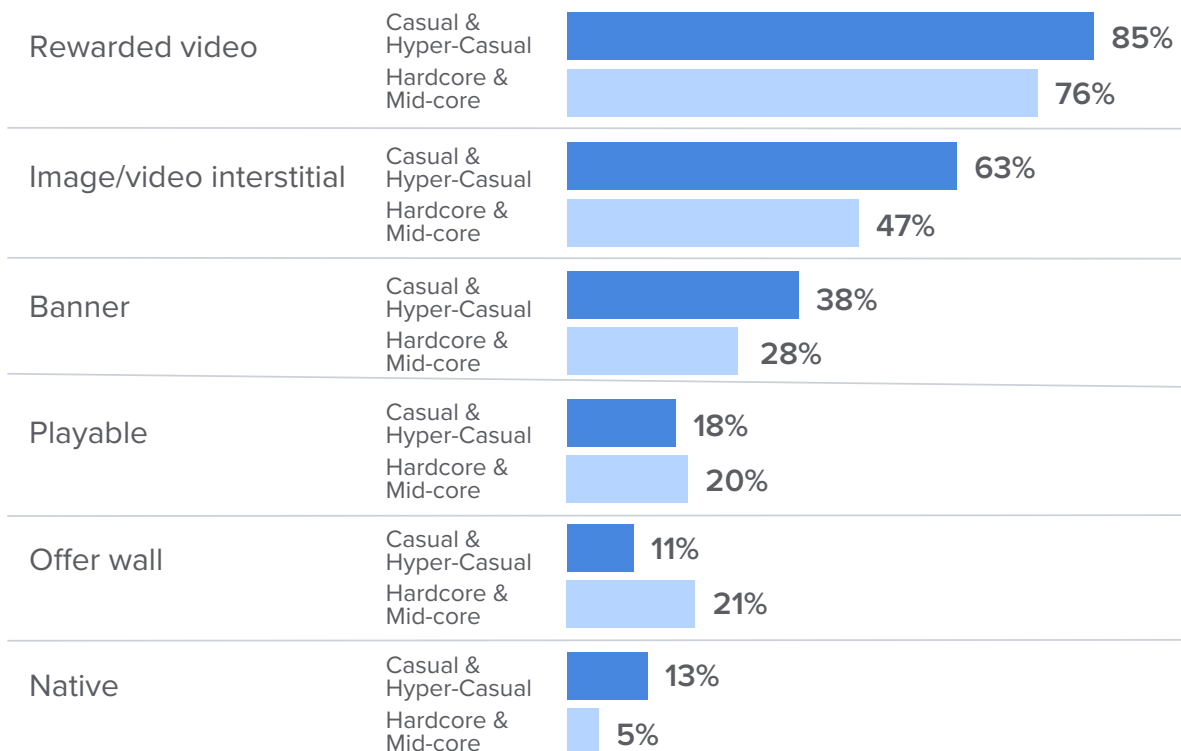
Ad strategy

When it comes to strategy, the most noticeable difference between 2019 and 2018 is the number of respondents serving high numbers of ads in every session. Barely 20% of developers last year were willing to serve players with 5 or more ads, compared to 26% this year.

Which of the following statements could be used
to describe how you do F2P in-game ad serving?

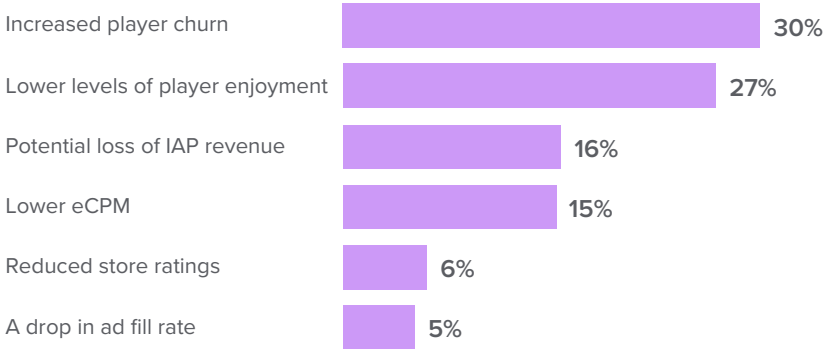|	
Most players only see one ad or fewer per session	27%
Most players see 5 or more ads per session	26%
We serve ads to most players in the first session	20%
Different types of non-paying players receive different ad strategies	15%
We don't serve ads to our paying players	15%

Looking at the split between casual and core games, it is clear that casual games have more aggressive ad strategies overall. In particular, casual games are much more likely to show ads in the first session. Core developers were less likely to take different ad strategies for different types of non-payers.

Which of the following statements could be used to describe how you do F2P in-game ad serving? - By genre

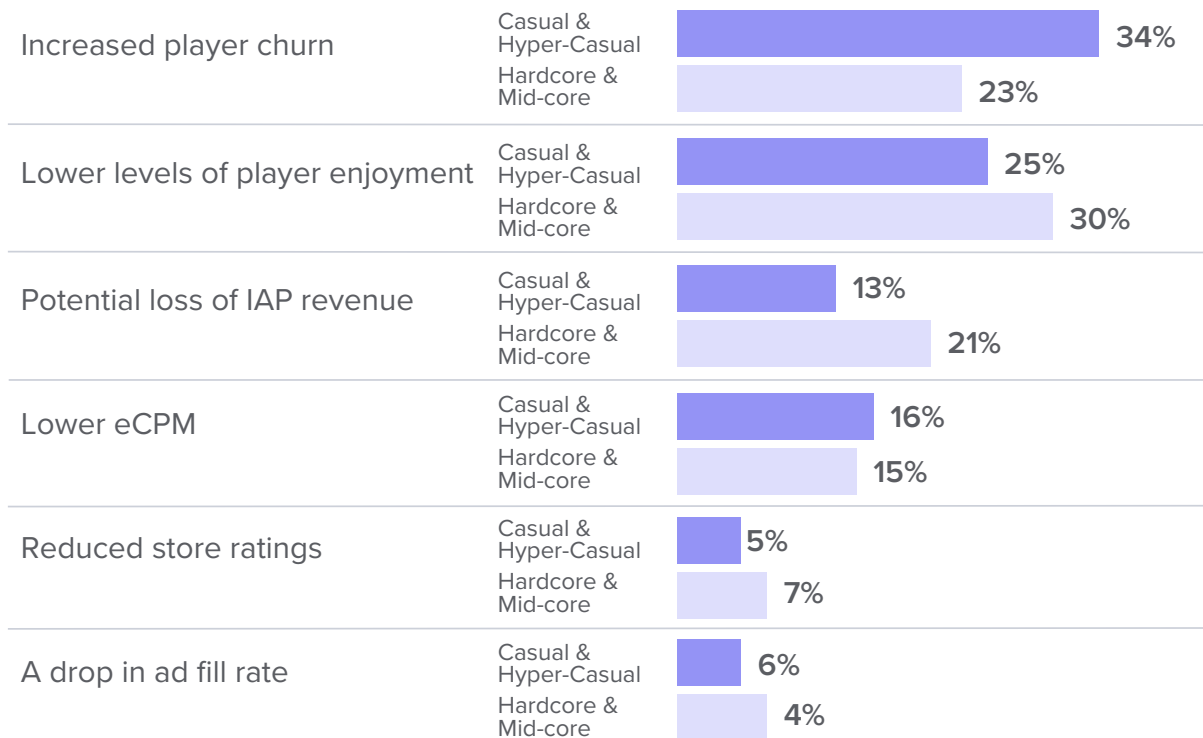| Statement	Genre	Percentage
Most players only see one ad or fewer per session	Casual & Hyper-Casual	23%
	Hardcore & Mid-core	31%
Most players see 5 or more ads per session	Casual & Hyper-Casual	25%
	Hardcore & Mid-core	25%
We serve ads to most players in the first session	Casual & Hyper-Casual	20%
	Hardcore & Mid-core	18%
Different types of non-paying players receive different ad strategies	Casual & Hyper-Casual	18%
	Hardcore & Mid-core	10%
We don't serve ads to our paying players	Casual & Hyper-Casual	14%
	Hardcore & Mid-core	16%

Perhaps unsurprisingly, the biggest worries for developers when using ads are the risks of players churning and, related to this, the risk of negatively impacting on players' enjoyment.

Which of the following factors concerns you most when setting the frequency of ads in a game?

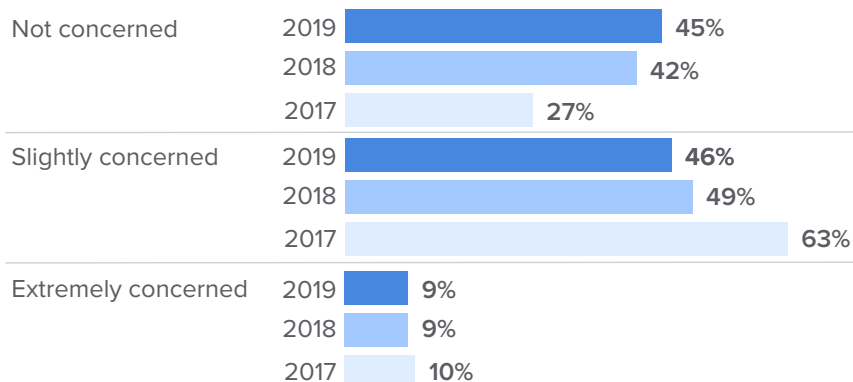| Factor	Percentage
Increased player churn	30%
Lower levels of player enjoyment	27%
Potential loss of IAP revenue	16%
Lower eCPM	15%
Reduced store ratings	6%
A drop in ad fill rate	5%

Looking at the breakdown by genre, in relative terms, churn is more concerning to developers of casual games. Conversely, core developers are more concerned for player enjoyment and possible loss of IAP revenues.

Which of the following factors concerns you most when setting the frequency of ads in a game? - By genre

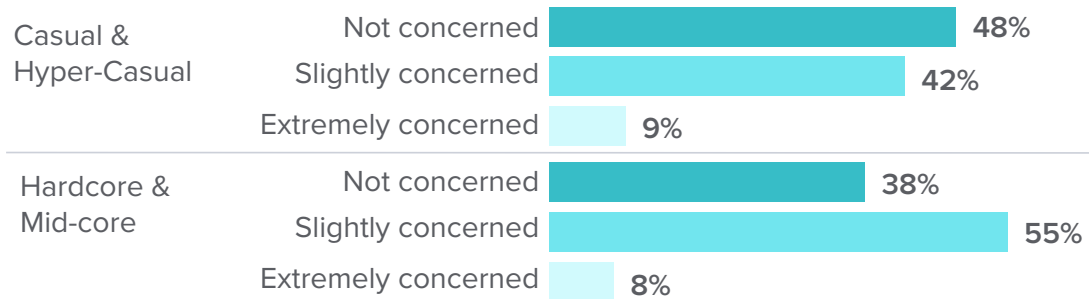|		
Increased player churn	Casual & Hyper-Casual	34%
	Hardcore & Mid-core	23%
Lower levels of player enjoyment	Casual & Hyper-Casual	25%
	Hardcore & Mid-core	30%
Potential loss of IAP revenue	Casual & Hyper-Casual	13%
	Hardcore & Mid-core	21%
Lower eCPM	Casual & Hyper-Casual	16%
	Hardcore & Mid-core	15%
Reduced store ratings	Casual & Hyper-Casual	5%
	Hardcore & Mid-core	7%
A drop in ad fill rate	Casual & Hyper-Casual	6%
	Hardcore & Mid-core	4%

Overall, fears are dissipating with an increasing proportion of developers being unconcerned about the potential for ads to cannibalize IAP revenues.

How concerned are you about ads cannibalizing IAP revenues?

Not concerned	2019	45%
	2018	42%
	2017	27%
Slightly concerned	2019	46%
	2018	49%
	2017	63%
Extremely concerned	2019	9%
	2018	9%
	2017	10%

This pattern of greater concern over impact on IAP revenues amongst core developers is mirrored in responses to the specific question on IAP revenue cannibalization.

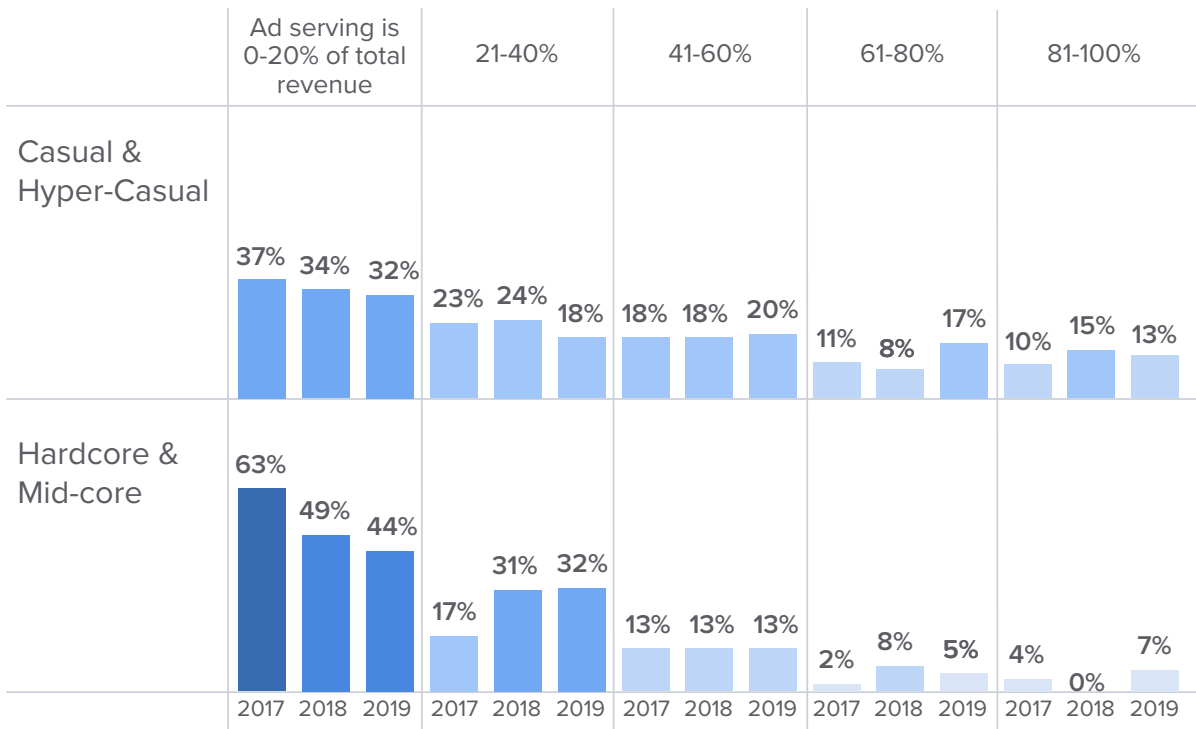How concerned are you about ads cannibalizing IAP revenues? - By genre

Casual & Hyper-Casual

Not concerned — 48%
Slightly concerned — 42%
Extremely concerned — 9%

Hardcore & Mid-core

Not concerned — 38%
Slightly concerned — 55%
Extremely concerned — 8%

The open responses we received on the most important factors for successfully monetizing tended to stress the importance of balance, to hit that "sweet spot" between generating revenues and maintaining player enjoyment. Several respondents commented on the positive aspects of advertising from the player's point of view as a valuable source of game resources.
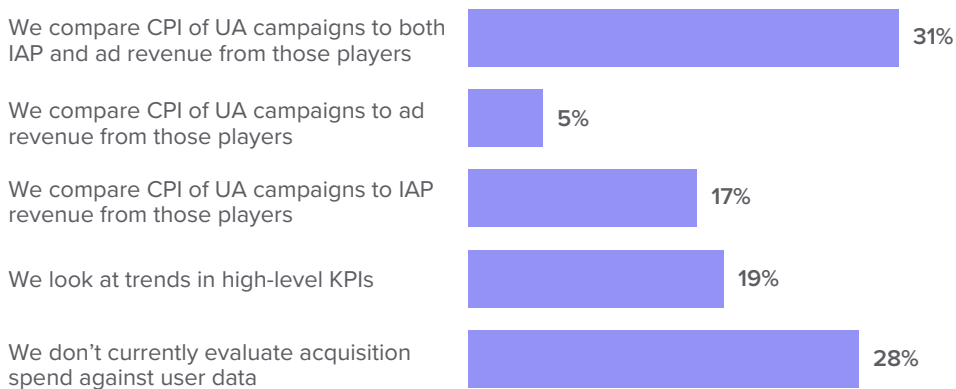
Ad revenue

For ads to be worthwhile, they need to deliver a significant revenue stream for developers. The chart below shows what fraction of our respondents' revenues are accounted for by ads. Among casual games, we observe an interesting split. While half of developers make less than 40% of their revenue from ads, 13% rely almost entirely on ads for their revenues. For core developers, the steep decline in the proportions for whom ads generate less than 20% of revenues illustrates an increasing acceptance of ads as an important opportunity for monetization.

What is your estimate of the approximate revenue split between Ads & IAP in your highest-monetizing F2P mobile game?(Please select one)

	Ad serving is 0-20% of total revenue			21-40%			41-60%			61-80%			81-100%		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Casual & Hyper-Casual	37%	34%	32%	23%	24%	18%	18%	18%	20%	11%	8%	17%	10%	15%	13%
Hardcore & Mid-core	63%	49%	44%	17%	31%	32%	13%	13%	13%	2%	8%	5%	4%	0%	7%

In looking at Cost Per Install (CPI), we see a split picture. Around one-third of respondents compare User Acquisition (UA) against both ad revenues and IAPs for individual players, while another third do not currently evaluate UA against user spend at all.
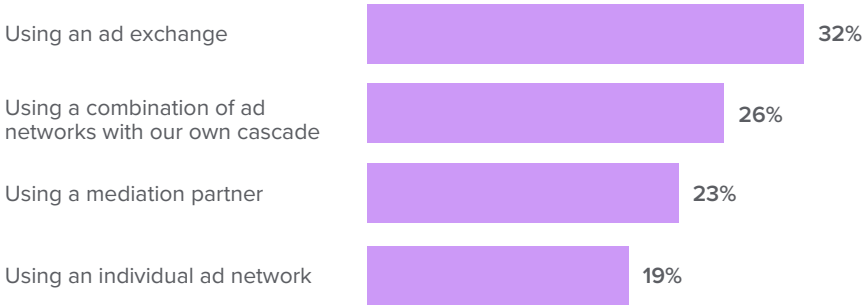
How do you currently evaluate the return from User Acquisition (UA) spend?

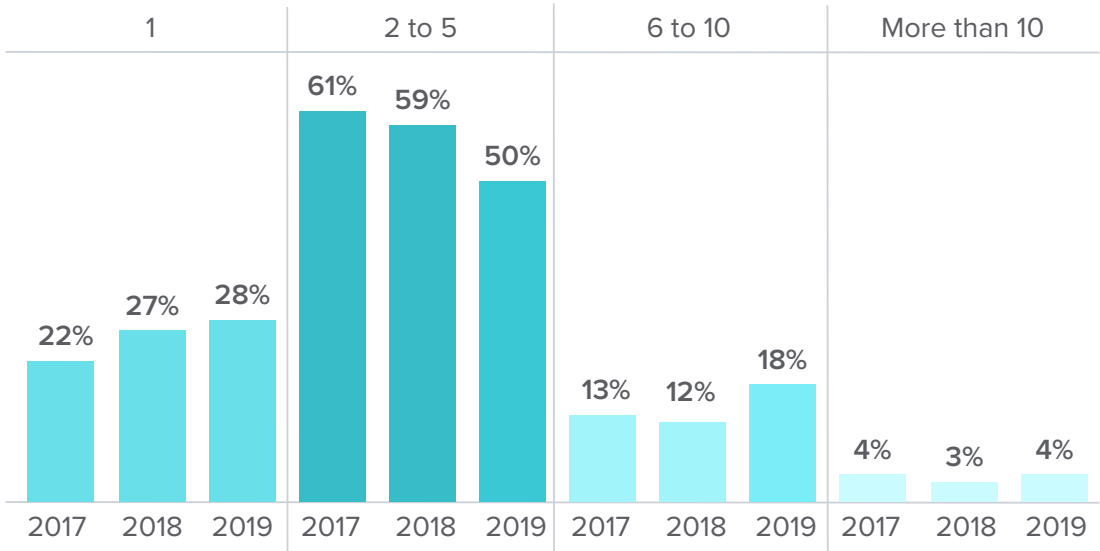|	
We compare CPI of UA campaigns to both IAP and ad revenue from those players	31%
We compare CPI of UA campaigns to ad revenue from those players	5%
We compare CPI of UA campaigns to IAP revenue from those players	17%
We look at trends in high-level KPIs	19%
We don't currently evaluate acquisition spend against user data	28%

Ad sources

Developers have a range of options available to them with regards to sourcing the ads that they display in-game: from ad exchanges and mediation partners to individual ad networks and hybrid models. All four approaches to sourcing ads were found to be reasonably popular, with a marginal preference for ad exchanges.

How do you access ads in your games?

Using an ad exchange	32%
Using a combination of ad networks with our own cascade	26%
Using a mediation partner	23%
Using an individual ad network	19%

Connected to this is the number of individual ad networks utilized by games. Half of respondents use between 2 and 5 networks, although this has declined - with a converse increase in those using between 6 to 10 networks.
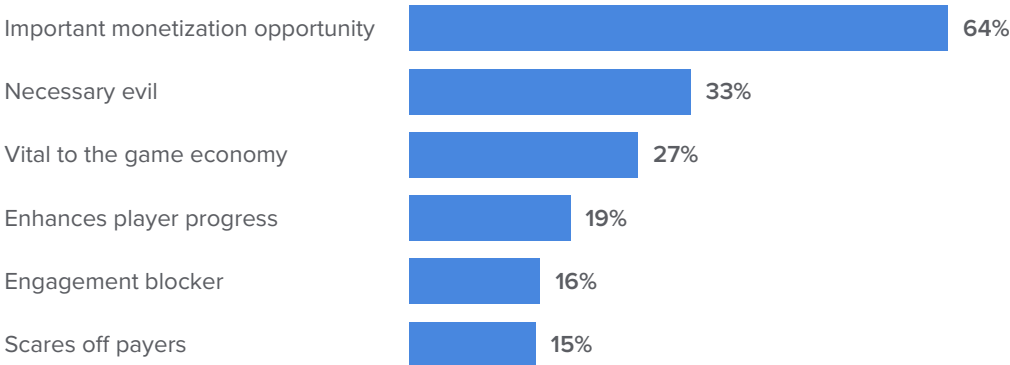
How many ad networks do you use within your game?

	1			2 to 5			6 to 10			More than 10		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
	22%	27%	28%	61%	59%	50%	13%	12%	18%	4%	3%	4%

Ad sentiment

Every year, we get further away from the idea that all games developers hate ads, with a clear majority of respondents viewing ads as an important monetization opportunity. It goes without saying that revenue is the key motivation for the inclusion of ads in games. That does not mean, however, that ads are simply there to be 'endured.' In recent years, many different publishers have been dispeling that myth by employing ad strategies that are **extremely popular with their players**.
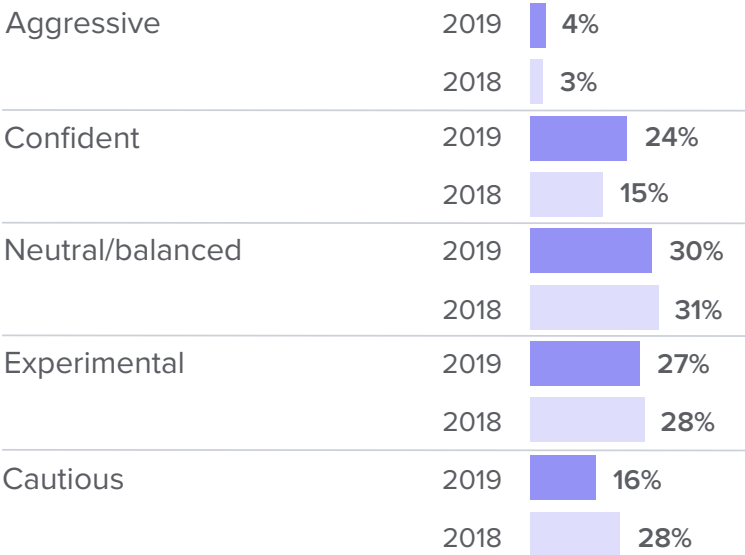
Which of these sentiments best describe your perception of
in-game advertising? (Please select all that apply)

Important monetization opportunity	64%
Necessary evil	33%
Vital to the game economy	27%
Enhances player progress	19%
Engagement blocker	16%
Scares off payers	15%

In our 2016 survey, only 39% saw in-game advertising as an important opportunity to monetize; this year's result of 64% illustrates how far the industry has come to acceptance of advertising. On the flipside, half of our 2016 respondents saw ads as a necessary evil, with this reduced to a third.
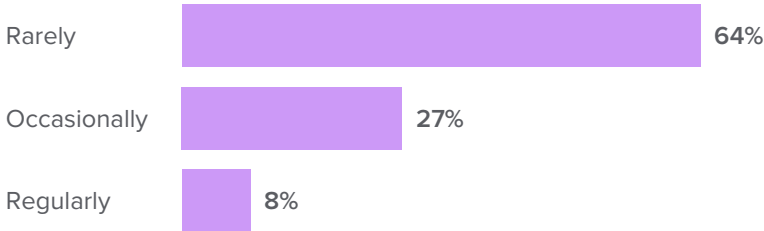
Over the past year, the survey results show a marked increase in respondents feeling "confident" in their overall approach to in-game advertising, with a corresponding drop in those feeling "cautious".

Which word best describes your overall approach to in-game advertising?

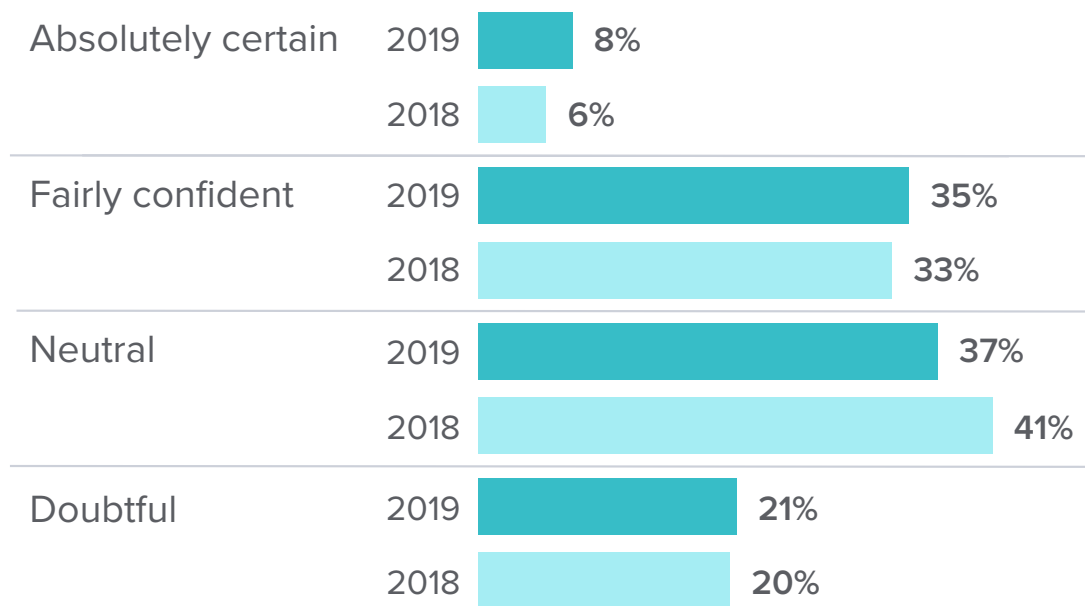|		
Aggressive	2019	4%
	2018	3%
Confident	2019	24%
	2018	15%
Neutral/balanced	2019	30%
	2018	31%
Experimental	2019	27%
	2018	28%
Cautious	2019	16%
	2018	28%

The relative rarity of technical or fraud issues arising from ads may also contribute to building confidence.

How often do you have technical or fraud issues with ads?

Rarely	64%
Occasionally	27%
Regularly	8%

Absolutely certain	2019	8%
	2018	6%
Fairly confident	2019	35%
	2018	33%
Neutral	2019	37%
	2018	41%
Doubtful	2019	21%
	2018	20%

Analysis and final thoughts

Every year, without fail, a higher and higher percentage of respondents to the survey are found to be using some form of in-game advertising. Furthermore, the average respondent's strategy now includes a wider variety of formats. Developers are growing ever more confident in the legitimacy of in-game ads as a crucial revenue stream, even if they are not 100% confident that their own strategy is totally optimized.

The turnaround in perception of ads is perhaps most obvious in the marked increase of core games making the majority of their revenues from ads rather than IAP.

It's great to see more developers and publishers getting it right when it comes to ads, and being more ambitious as a consequence. Likewise, the popularity of rewarded video ads is testament to the initiative of players who are becoming more and more well-versed in how to get the most out of in-game economies.

About deltaDNA by Unity

Using data to manage the whole game economy, deltaDNA is a powerful CRM technology solution for game-makers. It supplies the tools and insights needed to optimize games, for individual players, in real time.

The deltaDNA analytics and player marketing platform is home to some of the games sector's leading publishers and developers, including: Bandai Namco, Viacom, and 505 Games.

To find about deltaDNA by Unity, visit unity.com/products/deltadna or email info@deltadna.com