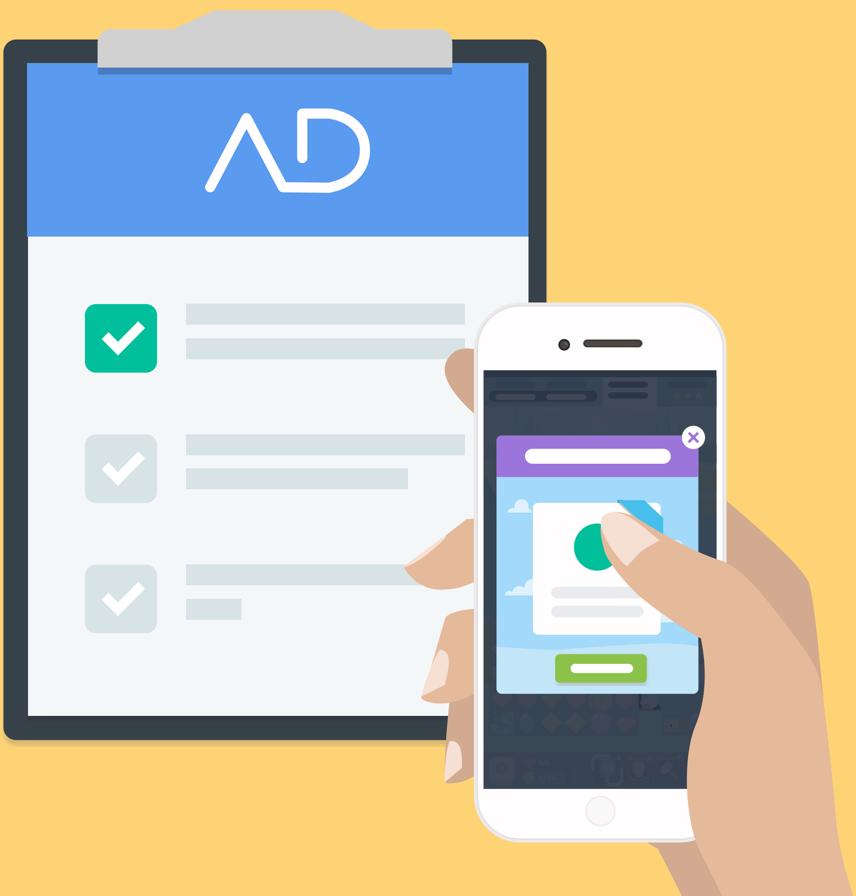
deltaDNA®

Ad survey results 2018

An in-depth study of in-game advertising



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Introduction

Once a year, our Insight team conducts a survey of in-game advertising in Free-to-Play (F2P) games. The survey is in its fourth consecutive year and, with ads accounting for a higher fraction of all publisher revenues with every passing year, 2018's report is our most important yet.

It's only 10 years since the launch of the App Store and advertising has completely transformed the mobile gaming landscape. The deltaDNA In-Game Advertising Survey tracks the changing attitudes and approaches to advertising within F2P so that we can identify current trends and predict future ones.

The study

Broadly speaking, the results of 2018's survey dovetail nicely with those from previous years. Responses indicate that, over the last 12 months, developers have become yet more trusting of in-game ads and more assured of their own ad strategies. As a consequence of this, ad revenues have increased.

One interesting and, perhaps, unexpected development is evident in the relationships between ad networks and game-makers. Previously, respondents had been sourcing ads from multiple suppliers in the hope of striking the best deal through competition. Among developers, there is now a higher demand for transparency and information from networks. When that demand is answered, we see a marked increase in developers showing loyalty to a single network.

A total of 336 developers and publishers completed the deltaDNA In-game Advertising Survey for 2018. The variance in our respondents reflects the diversity of the mobile Free-to-Play (F2P) games industry, showcased by some key topline stats below:

- A slim majority (55%) of our respondents produce casual games - the remaining 45% produce core games.

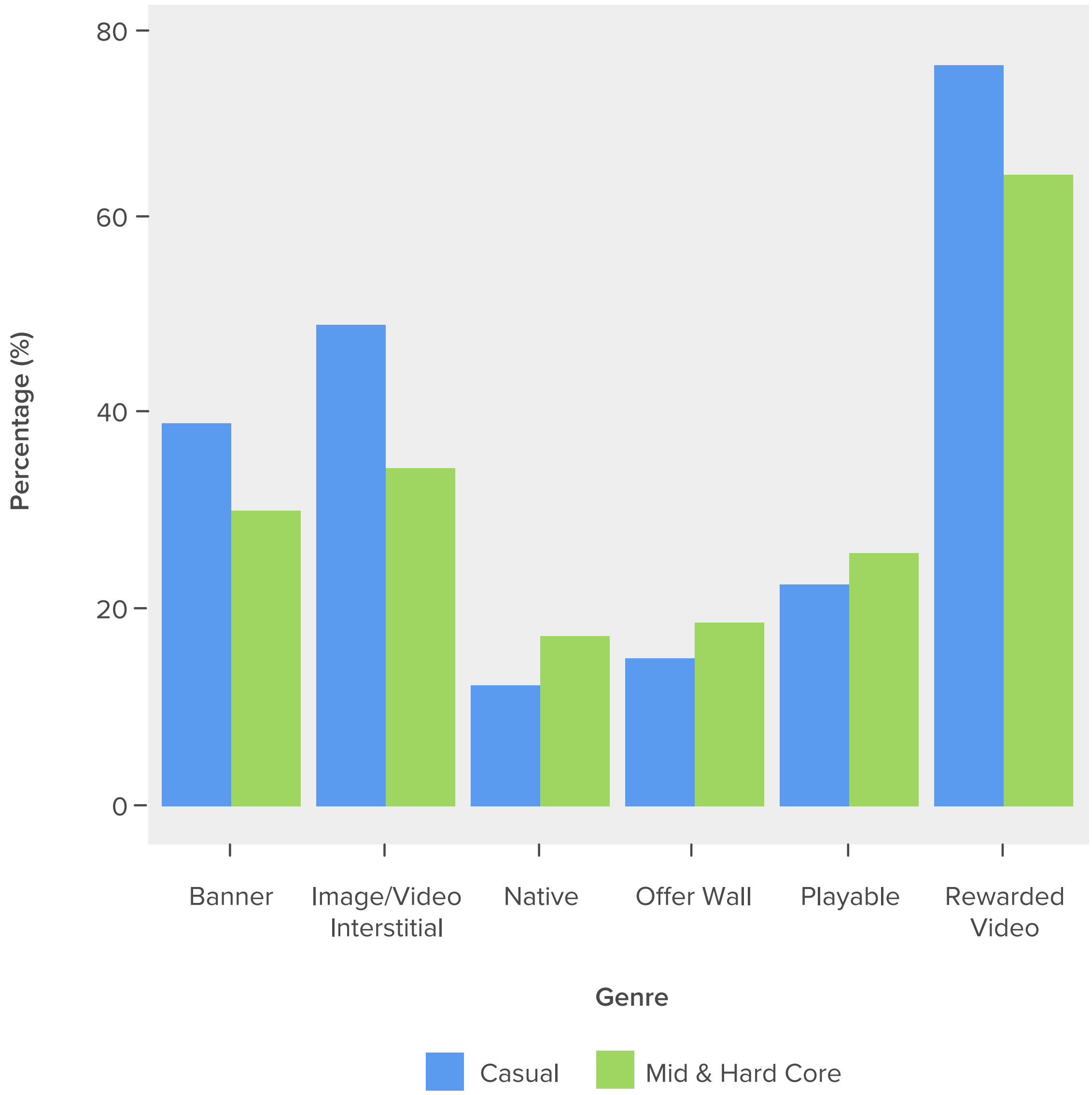
- The most common game genres chosen were:
  1) Strategy/RPG (31%)
  2) Action (22%)
  3) Puzzle (12%)

- 55% of respondents have over 100,000 Daily Active Users (DAU)

- 87% of respondents use some form of in-game advertising

- Within our sample, 95% of casual games show ads versus 76% of core games.

What kind of ads do people use?



With a 65% usage rate among respondents, rewarded video is the most common ad format by quite some distance. The next most popular formats are interstitials and banner ads respectively. It is interesting to note that banner ads are very much on the decline, showing a 9% drop year on year. Though still only favored by a minority of developers (21%), playable ads have shown strong growth since 2017 when they were selected by only 12% of respondents. The remaining ad formats have stayed fairly stable in popularity since 2017.

Similarly to last year, 56% of respondents use multiple ad formats within their games. The most common combination is a mix of interstitials and rewarded video and roughly ⅕ of that segment use more than 3 ad formats.

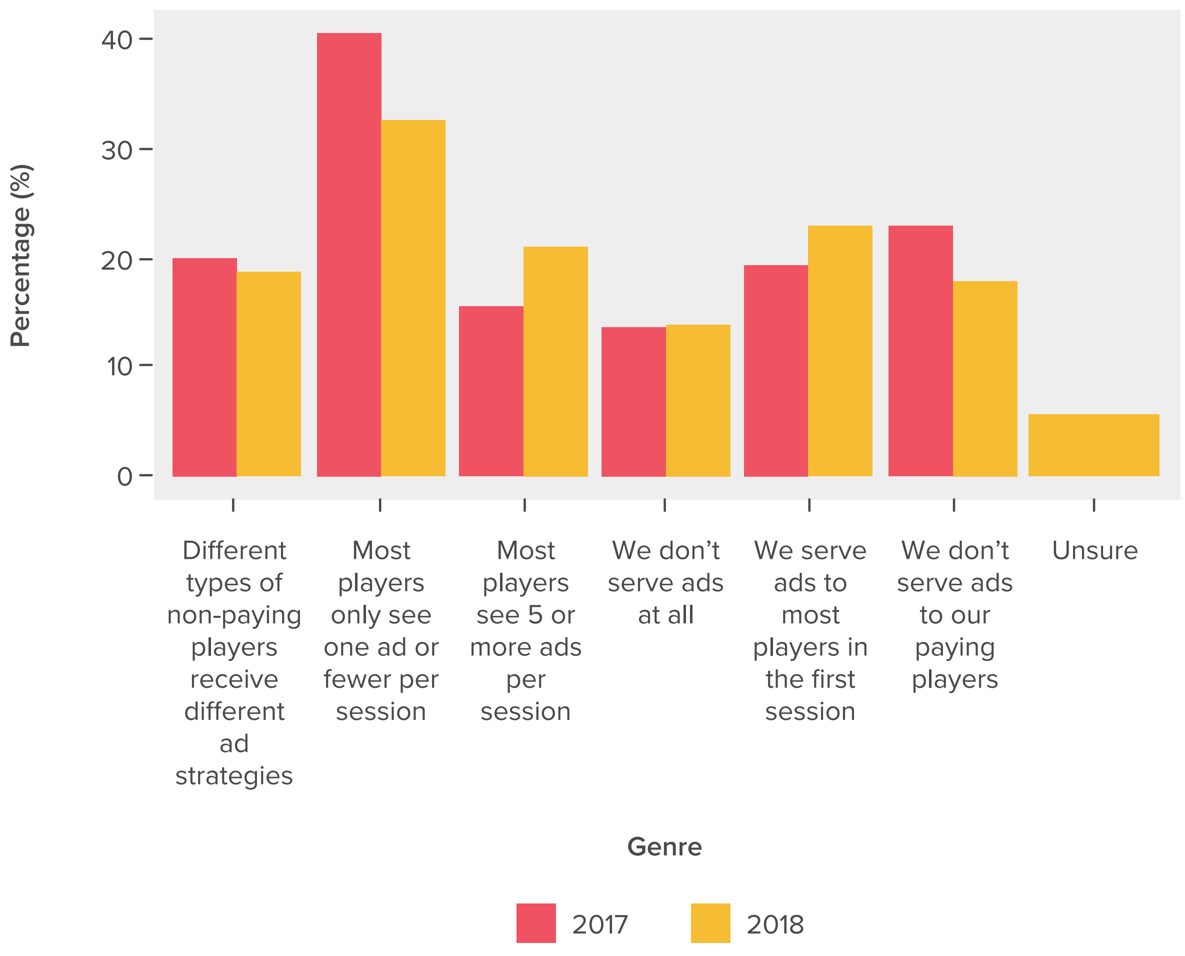
All ad formats are present in all game types but standard formats such as rewarded, interstitial and banner are more prevalent in casual games. Formats such as native, offer wall and playable ads are more prevalent in core games. These trends are similar to those uncovered in 2017.

Ad strategy

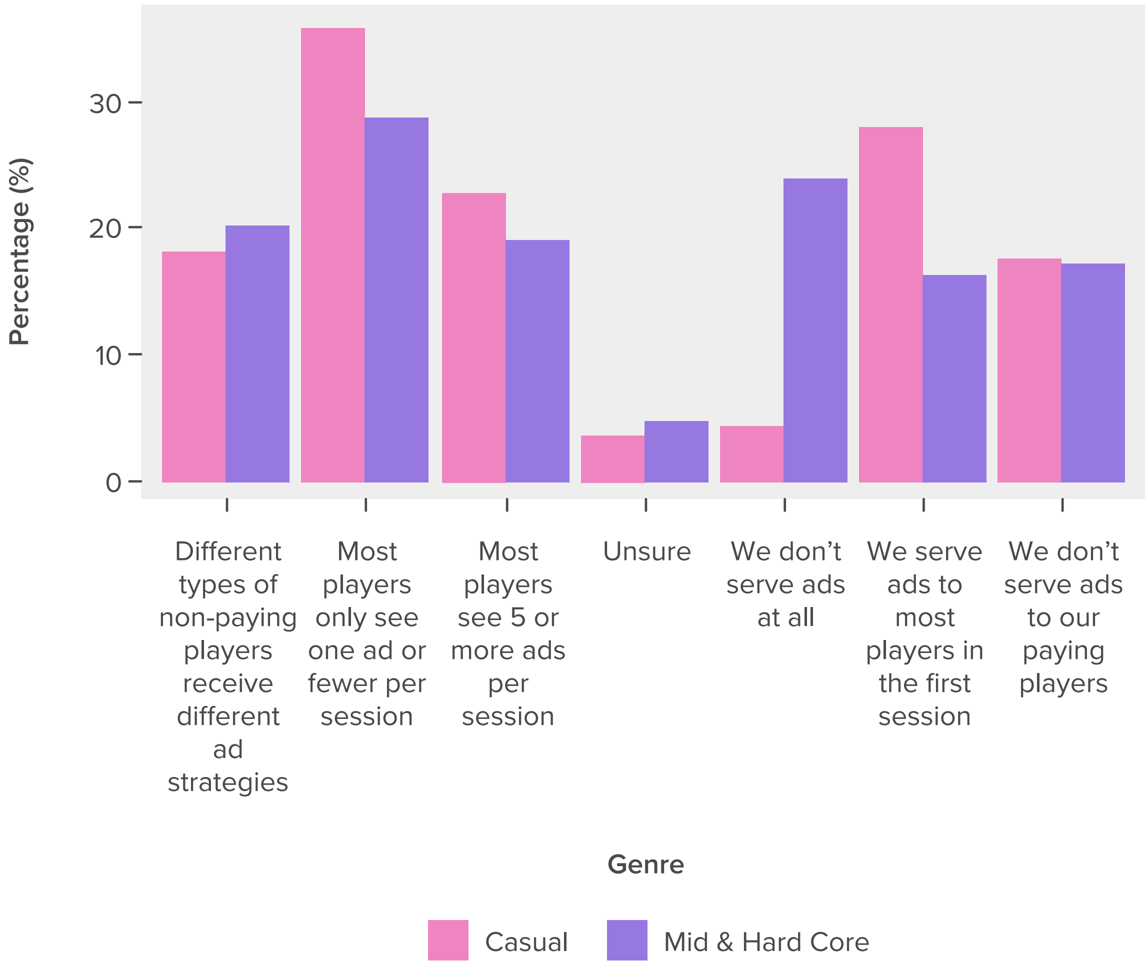
When asked about ad strategy, we see that developers are still relatively conservative. The most common approach, chosen by 33% of respondents, was to show players only one ad (or fewer) per session. That said, this figure is significantly lower than in 2017, when 41% of respondents selected this option. We see comparable trends in other categories, for example:

- More respondents now say that they show more than 5 ads per session.
- More respondents are now showing ads in the first session.
- More respondents are now showing ads to their paying players.

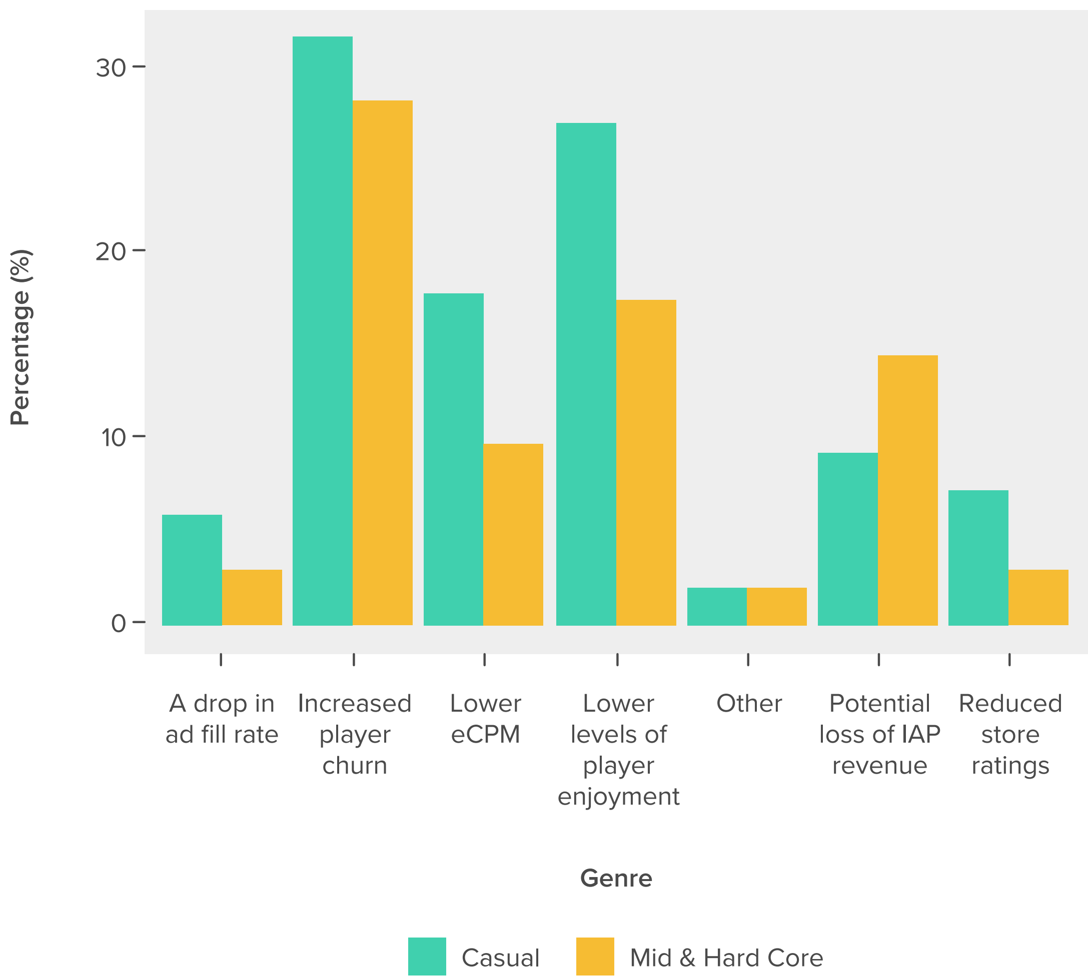
All of these changes suggest that developers are gradually becoming more aggressive with their ad strategies.



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.



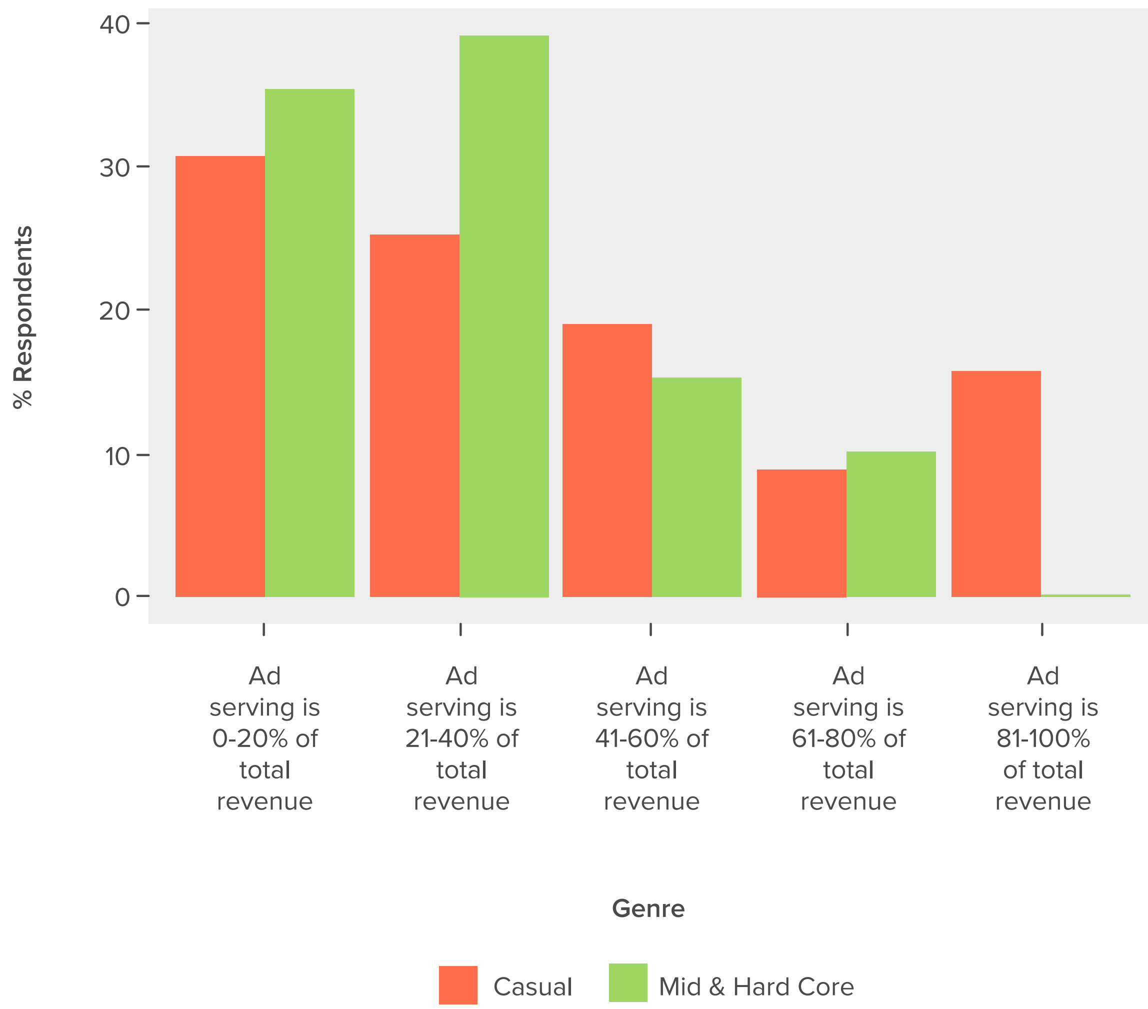
We asked respondents what factors they took into account when establishing their ad strategy, the responses are shown below:



As expected, the biggest worry for developers when using ads is player churn and player enjoyment. Developers of casual games show slightly more concern than those of core games, an understandable correlation with more aggressive strategy. Core game developers are more worried about losing In-App Purchase (IAP) revenues than casual game developers, who worry significantly more about the negative impact on ratings.

Ad revenue

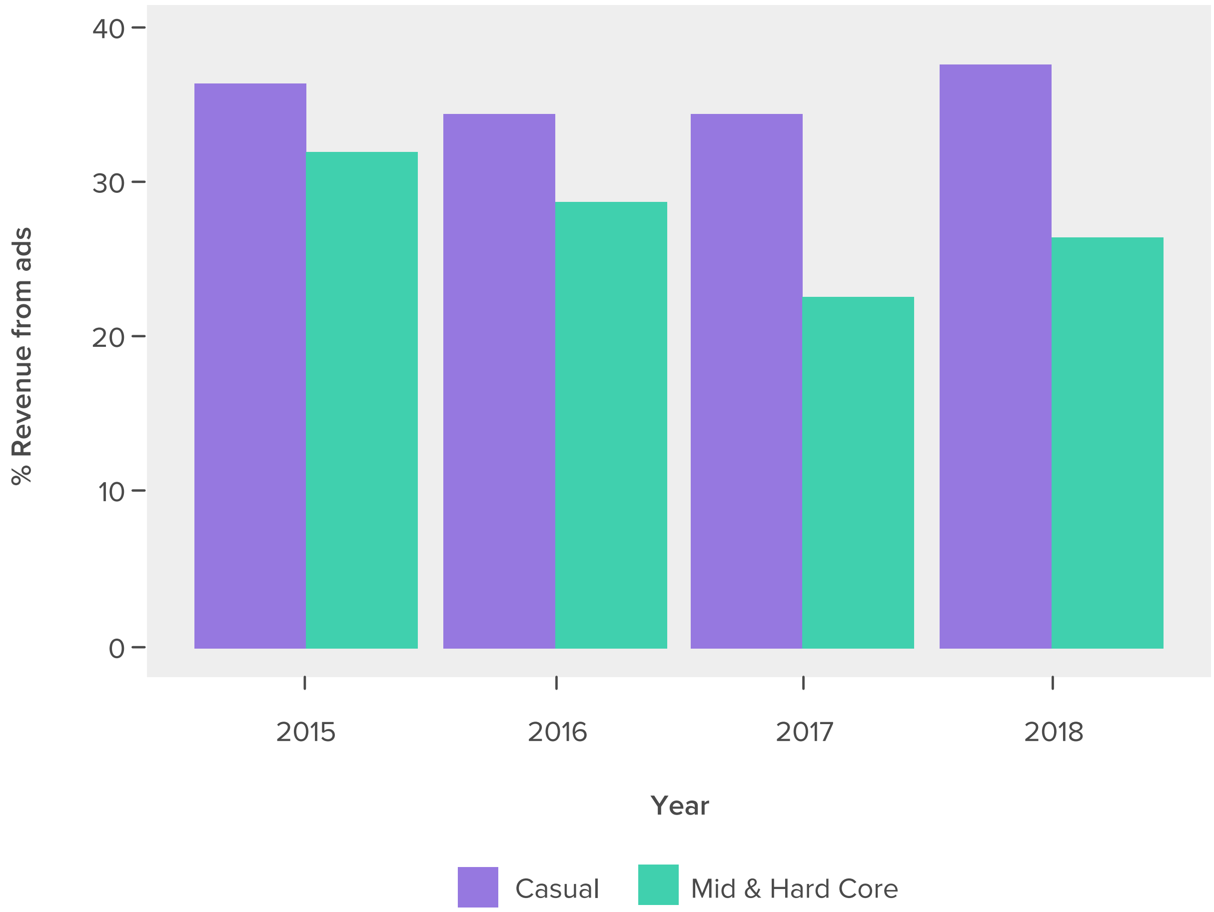
For ads to be worthwhile, they **must** deliver a significant revenue stream for developers. The chart below shows what fraction of our respondents' revenues are accounted for by ads.



Among casual games, we observe an interesting split. While the majority of developers (56%) make less than 40% of their revenue from ads, 16% rely almost entirely on ads for their revenues. Last year, only 10% of casual games earned more than 80% of their revenues from ads.

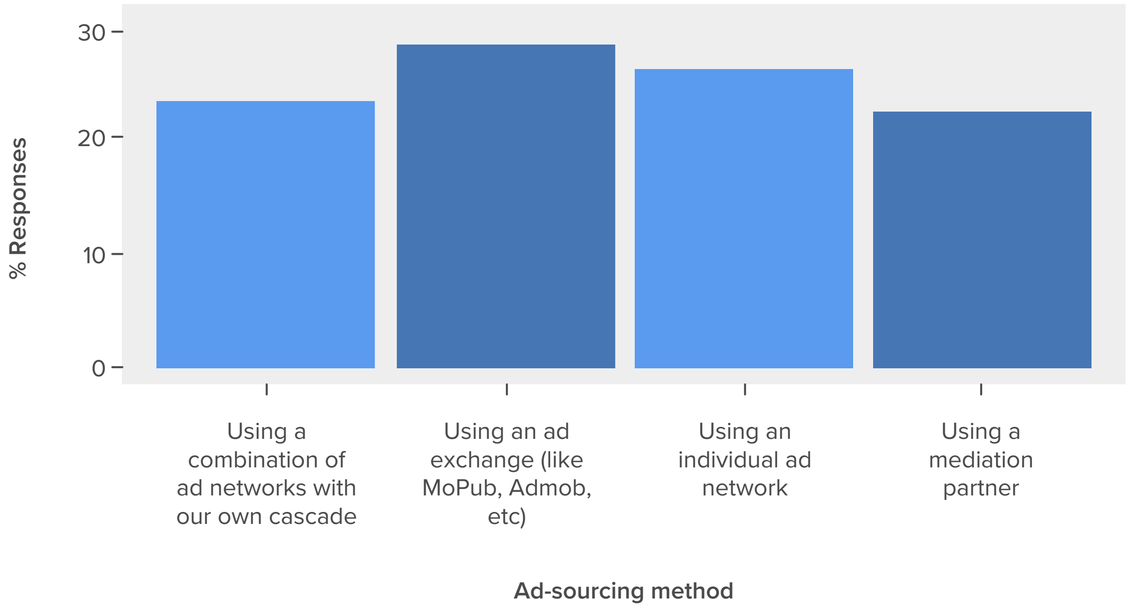
An even more dramatic shift has occurred in core games. The most popular response (39%) indicates a revenue split of 20-40% for ads and a convincing majority (70%) of games make more than 20% of their revenue from ads. This reveals a stark contrast with 2017 when only 50% of core games made more than 20% of total revenue from ads.

Combining all our response data, we see an 11% uplift in the fraction of revenue coming from ads across the entire industry. This is especially significant because it reverses a downward trend that had been consistently evident in each of our previous surveys.



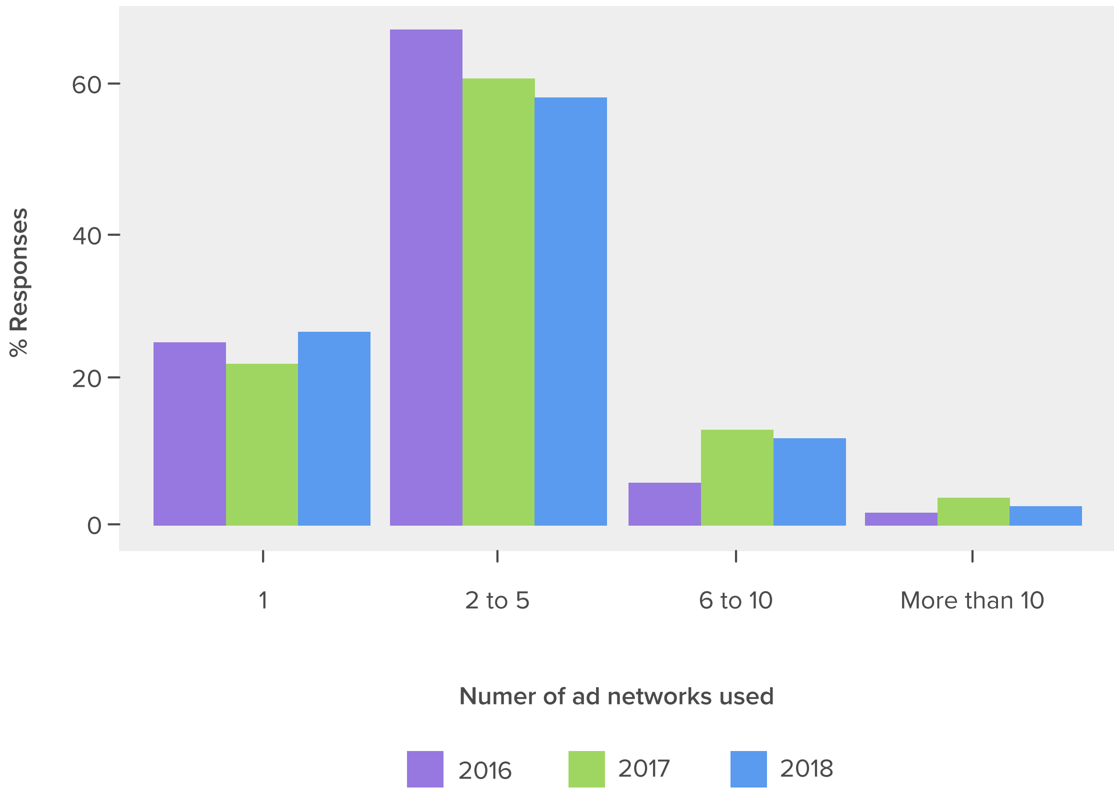
Ad sources

Developers have a range of options available to them with regards to sourcing the ads that they display in-game.



All four ways of sourcing ads were found to be popular, with a marginal preference for ad exchanges and individual ad partners over any form or mediation (internal or partner).

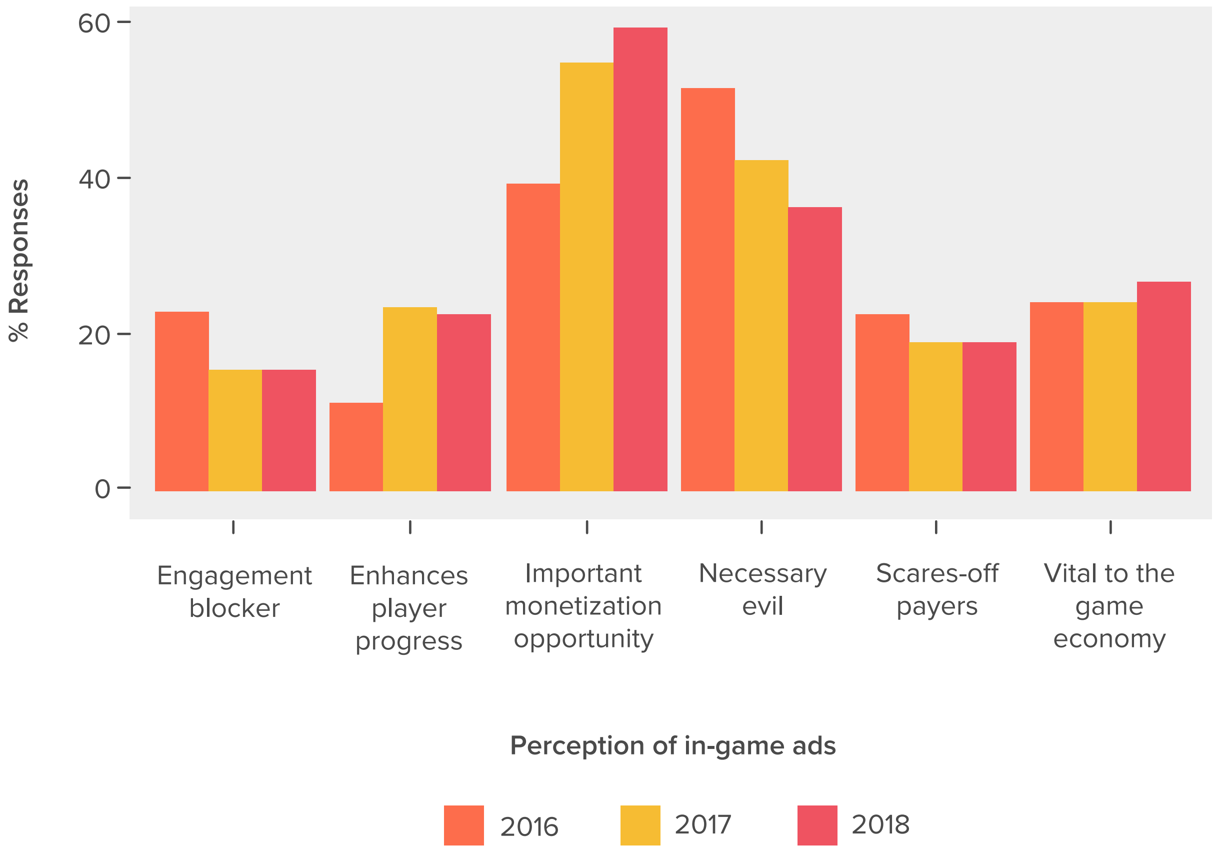
Connected to this is the number of individual ad networks utilized by games.



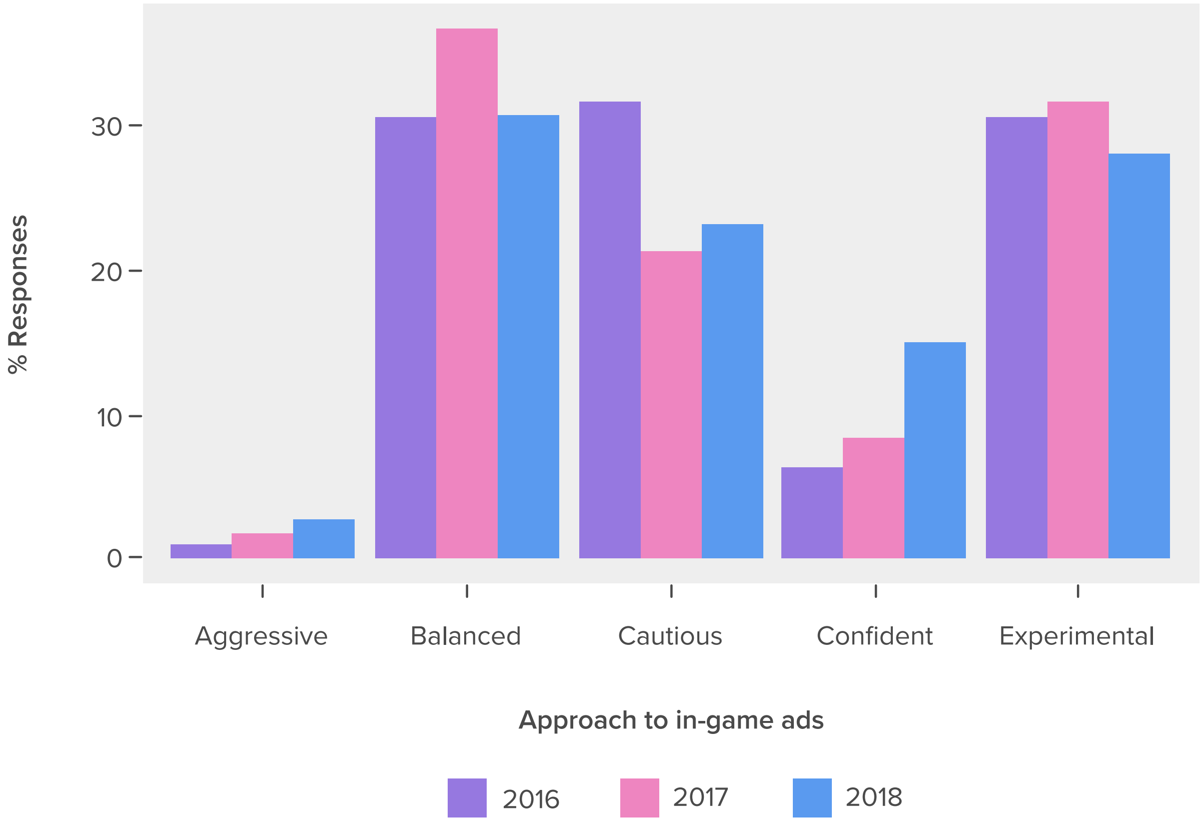
The majority (59%) of respondents use between 2 and 5 networks. This response has gone down year on year since 2016 with an overall drop of 10% across the 3 surveys. Last year, we saw more respondents using large numbers of ad networks. This year, at 27%, we observe a higher proportion of respondents opting for a single ad network than ever before.

Ad sentiment

The games industry has always had a difficult relationship with advertising. Ads are clearly not included for creative reasons - their inclusion is always motivated solely by revenue.



Given the purely financial motivation, it is unsurprising that a large fraction of people see in-games ads as a 'necessary evil'. This view has, however, been slowly dissipating since we first asked the question in 2016 when it was the most popular response. Today, just 36% of respondents think this way compared to 52% in 2016. The number of respondents who identify in-game ads as an 'important monetization opportunity' has grown even more significantly. 2016's 39% provide a stark contrast to this year's 59% and these figures indicate a big cultural shift within the industry.



Finally, we asked developers how they would best describe their approach to in-game advertising. As in previous years, the most common responses were ‘Balanced’ and ‘Experimental’ - representing two extremes of approach.

While still in the minority, the number of respondents stating that they are ‘Confident’ has gone up significantly. This message is reinforced by responses to the question “How confident are you that you are taking the optimum approach towards in-game advertising?” In that instance, 38% describe themselves as ‘Fairly Confident’ or better. Furthermore, the small fraction of developers absolutely certain of their approach has increased by 55%!

Analysis and final thoughts

While in-game advertising has always been touted as a viable alternative to IAPs, developers have typically approached ads as a bonus to IAP revenue. This is starting to change in 2018, as indicated by a sizeable leap in the number of games that rely on ads for at least 40% of their revenues.

One obvious driver of this is developer attitudes towards ads. Ads have become more mainstream and the game mechanics that facilitate them have matured significantly. This process has brought in-game advertising much closer to core F2P game design, much like IAPs before them.

The other great factor is the ever-closer working partnership between ad networks and games developers. While competition on eCPM has been as fierce as ever, leading ad networks have been supporting developers with: more access to ad formats, by consulting on ad placements, and by making more data available to optimize ads. This change in approach manifests itself in developers' loyalty to specific networks. Of those respondents who rely on ads for 80%+ of their revenue, 40% are working with just one ad partner. This marks a sharp contrast with the overall industry, where 80% use multiple networks.

The industry has come to expect more transparency and accountability from ad suppliers as games increasingly rely on ads for revenue. A key component of this is access to eCPMs at a user level - these allow the Return on Ad Spend (ROAS) to be calculated for User Acquisition (UA) campaigns. Just 30% of the respondents to our survey were confident that they had access to all the data necessary to produce ROAS models. The ability to accurately forecast ad revenues will unlock in-game advertising's potential and allow it to evolve into a true pillar of F2P game monetization.

About deltaDNA

We have now analyzed data from well over 1 billion unique users since we started out in 2010. That data is the backbone of both our research and our technology, with highly granular and transparent analytics marking the deltaDNA analytics and real-time messaging platform out as truly best-of-breed.

The deltaDNA platform gives developers the tools to optimize games by analyzing player behaviors in detail, using data-led insight to target players individually and deliver personalized game experiences in real time. AdVantage, our ad management service, leverages user-level data from both In-App Purchase (IAP) and ad revenues to calculate the true Lifetime Value (LTV) of each individual player. Access to this centralized information transforms acquisition, engagement, game-balancing and IAP strategy.