Winning Big

Balancing play and profit with
hybrid monetization

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Hybrid monetization games continue to rise in popularity

Foreword

2020 was an unprecedented time for the games market, shattering revenues, user, and growth records. Every quarter in the year broke its respective revenue record (based on game revenues generated by publicly listed companies), bucking the typical trend of slow second and third quarters.

But with PC and console set to slow down slightly in 2021, mobile stands out as the growth exception. 2021 is also a landmark year for mobile as increasing privacy measures have created an opportunity for developers to evolve their organizations.

A strategy gaining popularity among several developers is hybrid monetization. This approach uses a combination of In-App Purchases with In-App Advertising monetization types (such as banner ads, native ads, rewarded ads, interstitial ads, and offerwalls).

58% of the North America top-grossing mobile game revenues (Google Play) went to hybrid monetization titles in 2020, vs. 26% in 2016.

32% of the China top-grossing mobile game revenues (iOS) went to hybrid monetization titles in 2020, vs. 17% in 2016.

We interviewed several developers about hybrid monetization to gain deeper insights into the trend and their personal experiences. We expected these interviews to present common themes and similar responses across developers. Instead, we were surprised to see a wide diversity of perspectives.

> **The broad spectrum of responses suggests there's no single pathway to success. As every developer's journey is unique, the right combination of monetization mechanics will vary from situation to situation.**

We hope these lessons from developers inspire others to pursue their path.

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The state of play

Mobile games market overview

Macro mobile market trends

2021 is the year that the mobile industry reinvents.

01
Mobile growth will outperform PC and console revenue towards 2024

APAC is driving the continued innovation of mobile monetization and the spread of cross-platform games. This trend is encouraging the biggest console and PC publishers to introduce more games to mobile devices. Furthermore, COVID-19 impacted PC and console development more than mobile development.

02
Privacy changes shake up the status quo, but consumer spend in Q1 is still strong

The movement towards improving user privacy across devices puts the advertising ecosystem in flux. Overall consumer spending (IAP) on games remains strong at a macro level, with Q1 2021 mobile revenues up 11.5% from Q1 2020.

03
China grows its share of global mobile revenues, capturing 65%* of global spend

Chinese publishers have gained strong footholds in the US and EMEA, now holding the largest share of mobile revenues in EMEA. At the same time, Western publishers have struggled to gain a meaningful share of the APAC market.

04
Big console and PC publishers continue to invest more in mobile as cross-platform becomes the norm

Diablo, Apex Legends, Final Fantasy VII, The Witcher, League of Legends, Devil May Cry, Valorant, and Rocket League are just some of the triple-A PC and console franchises to arrive on mobile. As cross-platform and high-fidelity mobile continues to gain popularity, more franchises are expected to embrace mobile.

05
Mobile gamers become more gender balanced in key markets

In the US, UK, and China, the gender split has become more balanced compared to 2016. Female gamers aged 21-35 grew their share the most across these markets.

06
Games are increasingly becoming normalized as social platforms

Compared to older gamers, Gen Z gamers are more likely to play games to socialize with friends/make friends. Gen Z females are slightly more motivated by social reasons than Gen Z males, who prefer competition.

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Mobile is the biggest gaming platform in the world

Global games market revenues | 2021 | Per device & segment with year-on-year growth rates.

2021 Total | $175.8Bn | -1.1% YoY

$90.7Bn Mobile game revenues in 2021 will account for 52% of the global market.

Mobile
$90.7Bn +4.4% YoY

52%

45%
Smartphone games
$79.0Bn +4.7% YoY

7%
Tablet games
$11.6Bn +2.0% YoY

PC
$35.9Bn -1.7% YoY

20%

19%
Boxed/Downloaded
PC games
$33.3Bn -1.4 % YoY

1%
Browser PC games
$2.6Bn -18.0 % YoY

Console
$49.2Bn -8.9% YoY

28%

28%
Console
$49.2Bn -8.9 % YoY

Mobile continues to be the fastest-growing gaming platform

Privacy changes shake up the status quo, but consumer spend in Q1 is still strong.

Global mobile games revenue forecast | 2018-2021

Year	Revenue
2018	$62.8Bn
2019	$68.3Bn
2020	$86.9Bn
2021	$90.7Bn

+11.5%

Mobile games revenue growth
from Q1 2020 to Q1 2021.

China grows its western presence, but loses ground closer to home

Publisher revenues by region (from public publisher financials)
**2017-2020 | Mobile.**

Historically, close to 50% of mobile game spend in the US was with companies listed in the US (primarily the US). However, this gradually reduced to 33% by the end of 2020.

Companies from China (notably NetEase and Tencent) have steadily increased their market shares in the US, as has Sea Group from Singapore (Rest APAC*).

US
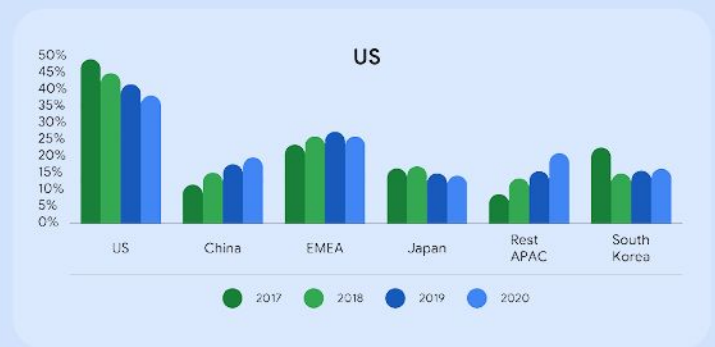
EMEA is the most competitive mobile games market. Chinese companies have steadily grown market share over the years, with a notable spike in 2020. Now, Chinese companies hold the largest share of the mobile market in EMEA at 31%.

The share earned by companies from EMEA (e.g., Ubisoft, Playtika, Mail.Ru, and Swedish conglomerates) has stabilized around 20%. Similarly, the share earned from Japanese firms sits at approximately 10%.
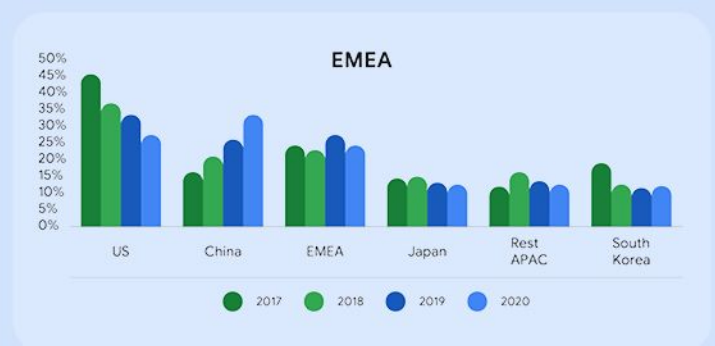
EMEA

Western companies from Americas and EMEA have struggled to gain a meaningful share of the mobile games market in APAC, which is mostly held by China.

Japan's market share has shrunk by 10% from 2017 while South Korea's remains stable. In Rest APAC*, the region is mostly held by local companies such as Sea Group (SG) and Gamania (TW).

APAC
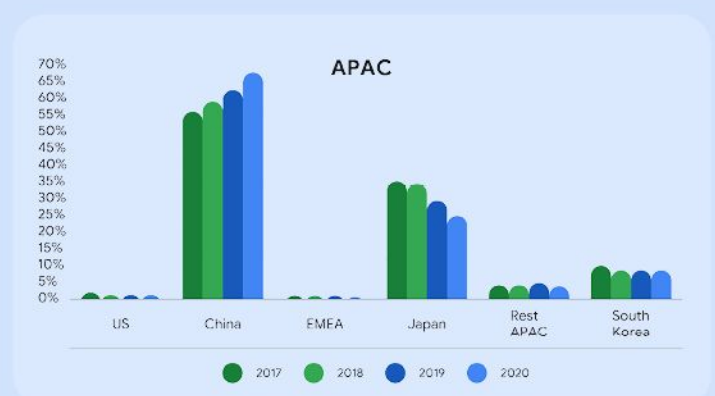
Big PC/console publishers continue to invest in mobile and cross-platform

As the most popular gaming device in the world, mobile is increasingly a key franchise pillar for the top publishers.

True global success requires franchise presence on mobile, the most accessible gaming device in the world. The rise of cross-platform play (or crossplay) has also helped remove barriers between devices, leading to more PC & console developers eyeing the mobile market.

The list of big PC/console franchises coming to mobile or recently arriving on mobile continues to grow. Some of the most notable include Apex Legends, League of Legends, Final Fantasy VII, Diablo, H1Z1, Nier, The Witcher, Rocket League, Devil May Cry, Valorant, and Forza.

Developed in partnership with NetEase, Diablo Immortal is Blizzard Entertainment's first mobile-first title in 30 years (Hearthstone was ported to mobile, but the game was released on PC first). After being a PC-only developer for a decade, Riot Games now also boasts three titles on mobile (Wild Rift, Legends of Runeterra, and Teamfight Tactics). Additionally, Electronic Arts recently acquired Glu Mobile and Playdemic (of Golf Clash fame), which foreshadows big investments into mobile in the future.

During an investor relations day in May, President and CEO of Sony Interactive Entertainment, Jim Ryan, reported that Sony planned to launch several major franchises on mobile in the coming year.

Mr. Ryan's announcement comes as no surprise. Mobile game revenues have grown faster than PC and console over the last decade. The ever-growing spend on mobile is also driving higher production and marketing budgets for mobile titles, which are fast approaching the complexity and immersion previously only available from big PC and console games. In fact, the compound annual growth rate for revenues on the mobile platform for 2012-2021 is approximately 5x console and 7x PC. While PC and console face a slight slowdown in 2021 compared to 2020, mobile is anticipated to grow at 4.4% YoY.

It's clear that not having a mobile strategy is no longer an option for the biggest studios.

24.7%

Mobile revenue CAGR from 2012-2021, compared to 3.5% for PC and 4.9% for console over the same period
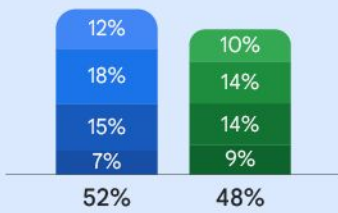
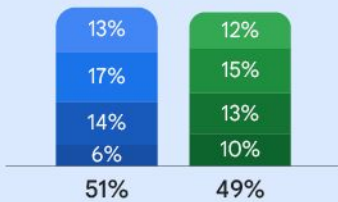# Mobile gamers become more gender-balanced across key markets

Of the 27 countries tracked yearly from 2016, 18 saw positive movements towards gender equality from 2016 to 2020.
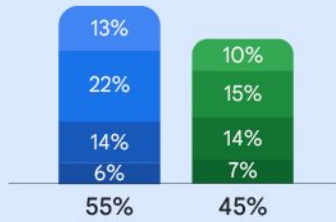
US

2016
Average age: 34.4

Male	Female
12%	10%
18%	14%
15%	14%
7%	9%
52%	**48%**

2020
Average age: 33.5

Male	Female
13%	12%
17%	15%
14%	13%
6%	10%
51%	**49%**

UK

2016
Average age: 32.7

Male	Female
13%	10%
22%	15%
14%	14%
6%	7%
55%	**45%**

2020
Average age: 32.9

Male	Female
12%	11%
19%	17%
13%	14%
6%	7%
51%	**49%**

Mainland China

2016
Average age: 27.4

Male	Female
17%	11%
30%	21%
12%	10%
59%	**41%**

2020
Average age: 29.8

Male	Female
9%	10%
26%	25%
18%	12%
53%	**47%**

India

2020
Average age: 28.5

Male	Female
15%	12%
24%	21%
15%	12%
54%	**46%**
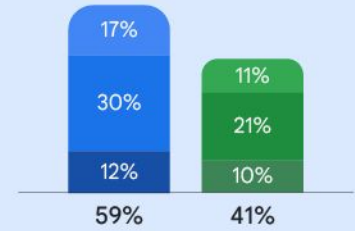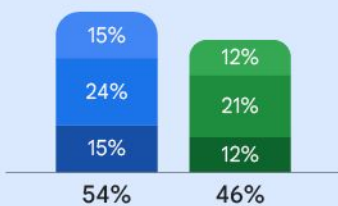
Saudi Arabia

2020
Average age: 29.4

Male	Female
15%	12%
24%	17%
21%	12%
54%	**46%**

Legend

Male	Female
10-20	10-20
21-35	21-35
36-50	36-50
51-65	51-65
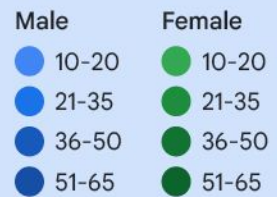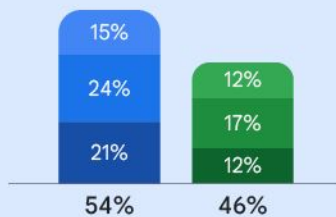
Female gamers aged 21-35 grew their share the most across the US, UK, and China.

Socializing in games is more common among younger generations
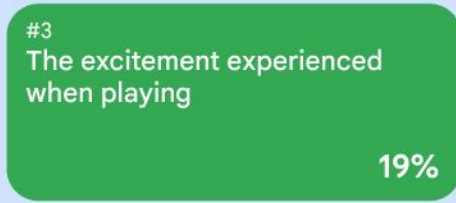
And among mobile gamers, female Gen Z gamers are slightly more likely to want to socialize than males.

Top 5 motivations to play mobile games
APAC mobile gamers

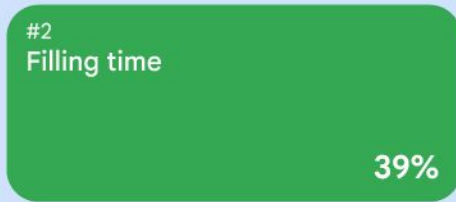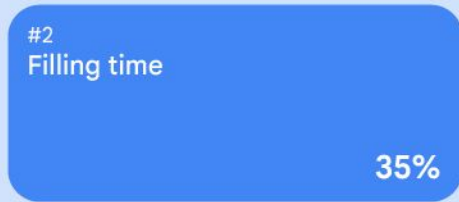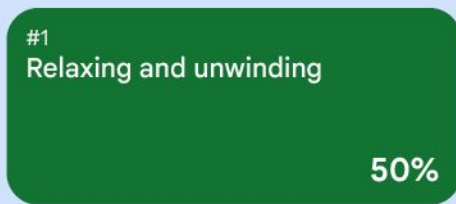| Gen Z games	Non-Gen Z games
#1 Relaxing and unwinding — **49%**	**#1** Relaxing and unwinding — **50%**
#2 Filling time — **35%**	**#2** Filling time — **39%**
#3 The excitement experienced when playing — **23%**	**#3** The excitement experienced when playing — **19%**
#4 Socializing with friends or family / making friends — **19%**	**#4** Escaping from everyday life — **16%**
#5 Competition, enjoyment of beating others — **16%**	**#5** Socializing with friends or family / making friends — **14%**

Men are more into competition and beating others

18%

14%

Women are more into socializing with friends or family / making friends

18%

20%
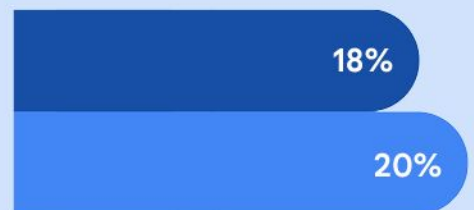
Meanwhile, Non-Gen Z gamers place more importance on escapism, reflective of the greater levels of responsibility typically held by older generations.

For both groups, relaxing, unwinding and filling time remain top motivators.

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Unlock opportunity

Monetization trends

Top monetization trends

In 2021

01
Growth of hybrid monetization and diversified revenue types

While single-stream monetization strategies were more common in 2016, it's now standard many approaches within one game. This combination of monetization types offers players the choice of IAP, IAA, battle passes, and in-game subscriptions.

02
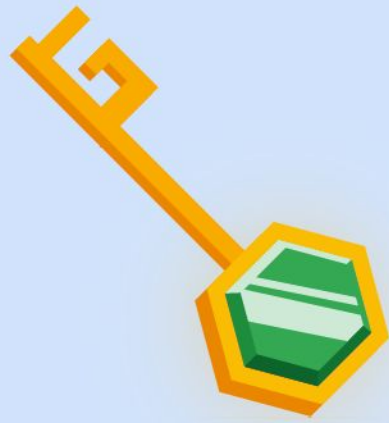### Increasing use of brand activations to boost both monetization and UA

The high frequency of mobile gameplay and shorter average development time present more opportunities for collaboration and experimentation than PC or console. Using regional brands is also a great way to introduce localized content.

03
The metaverse creates spend opportunities via avatars and events

With the rise of the metaverse, games are becoming a platform for expression, identity, and social connection. These opportunities open more avenues for monetization, including detailed avatar customization options and options for avatar assets (such as pets and houses), virtual tickets, event-themed avatar items and emotes, VIP areas, and more.

04
Early experiments on new blockchain-based models: NFTs, Play-to-Collect, and Play-to-Earn

The NFT boom in Q1 2021 grabbed the attention of IP holders everywhere, including in the mobile gaming space. While still in the early stages of application, these new models are part of the metaverse trend and will likely become a more significant part of the monetization landscape in the next decade.

Growth of hybrid monetization and diversified revenue types

More and more mobile games are implementing a mixture of IAA, IAP, and subscriptions.
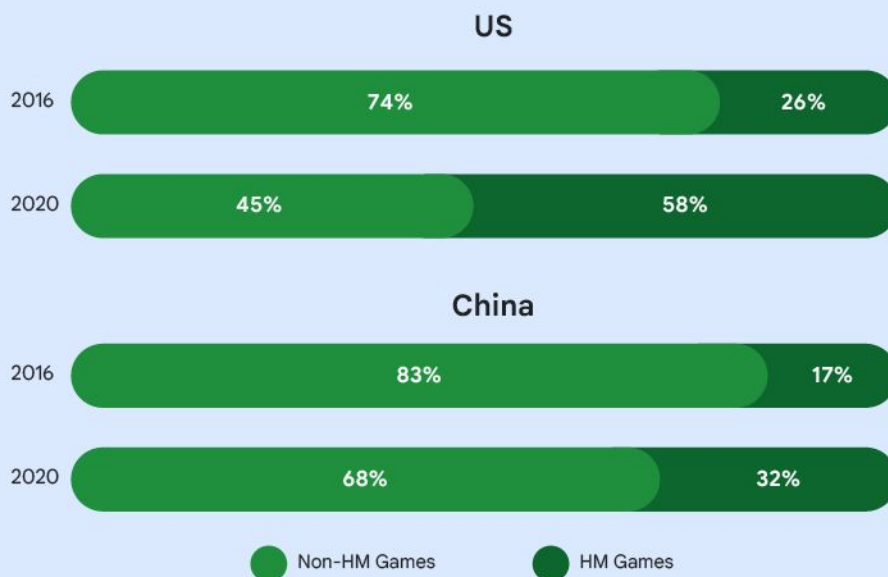
The presence of hybrid monetization has more than doubled in four years in North America, while the trend has grown at a slower rate in China.

Among the advertisement types, the developers we interviewed reported the most success with rewarded video as it offers one of the best user experiences. But that isn't the only monetization type behind the hybrid trend: native ads (where brand content appears immersed in the game world), mobile battle passes* and VIP in-game subscriptions** are also increasingly important pillars of a diversified monetization implementation compared to five years ago.

Share of hybrid monetization games in North America & China
Top 200 grossing Google Play (NA) & iOS (CN) games | 2016 & 2020

US

Year	Non-HM	HM
2016	74%	26%
2020	45%	58%

China

Year	Non-HM	HM
2016	83%	17%
2020	68%	32%

● Non-HM Games   ● HM Games

**VIP in-game subscription

A monetization type where users are offered a bundle of benefits for a set period. A typical time period can be anywhere from 3 days to 30 days.

My Tamagotchi Forever

Join Tama Club!

Your VIP benefits:
- Exclusive house upgrade
- Play as long as you want
- Free minigame continues
- 2x coin multiplier
- Completely ad free

Get 30-day membership
€4.99

Your membership automatically renews if you don't cancel it 24 hours ahead of the renewal date.
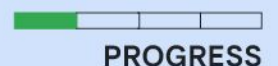
*Battle Pass

A monetization type where users can unlock an extra tier of content rewards through playing the game and/or completing specific challenges.

BattlePass Season 46
Victor's Glory
Time remaining for this season 12D 7H
Purchase BattlePass
Free
XP 10 / 50   3

ARCHERO

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Brand activations help boost both monetization and UA

Avakin Life collaborated with top Brazilian cosmetics brand O Boticário to create a pop-up retail store in the game.

## Avakin life grew its brazilian audience through activations

O Boticário is one of the top cosmetics brands in LATAM. During a 5-week activation inside social simulation platform Avakin Life, players could visit and shop at a virtual replica of a physical O Boticário flagship store. The activation featured 35 different virtual cosmetics for players to purchase or try on and was supported by fashion contests in-game and social media. In total, 2.3 million unique players engaged with the activation.

2.3M
unique players engaged with the activation

According to Apptopia, Brazilian downloads during February 2020 was the highest for the entire year. In May that year, Avakin Life doubled down on local content and featured an in-game concert with Brazilian rap stars HAIKAISS.

Injecting popular brands or IP can benefit both monetization and user acquisition – as long as the integration is authentic and matches fan expectations. Using regionally popular brands or IP also helps boost interest from the target audience.
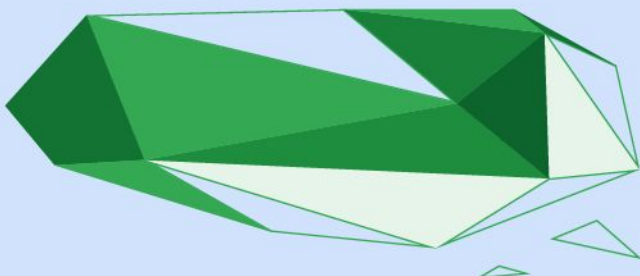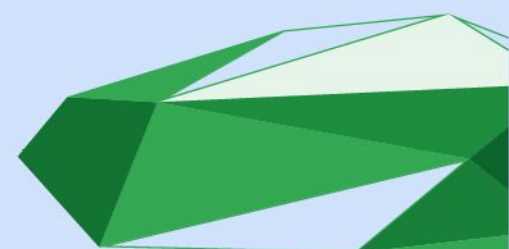
The metaverse creates spend opportunities via avatars and events

Expression of identity, social experiences, and virtual events can encourage players to engage more deeply.

The restrictions introduced during the COVID-19 pandemic is accelerating the adoption of mobile gaming as a social medium. Developers are capitalizing on this trend by introducing more social features, such as visible avatars, avatar-owned assets, virtual events, and in-game social spaces. These innovative functionalities will foster powerful engagement and heighten the success of monetization tools.

Unlike character-based PC and console games, mobile games historically featured limited avatar customization or even just a simple profile picture rather than an avatar at all. With limited visibility, players have little incentive to spend on customization. However, the metaverse trend means avatars are becoming clear and controllable extensions of the player, which they may also use to engage in pure social contexts. Pets, houses, cars, and other avatar-owned assets further open the door to customization potential. With higher social visibility and importance, players have greater motivation to invest in their avatars' appearance.

Play Together is a social metaverse game developed by Haegin. The game launched in Q1 2021 and has been ranked among the top 10 games by downloads in Taiwan H1 2021*. Play Together features mini-games, an open world, and rich customization and social features. Players can customize their avatar and several other assets, including a house in the open world.

In another example, Project SEKAI: COLORFUL STAGE! feat. Hatsune Miku is a mobile music and adventure game cooperatively developed by Colorful Palette, Craft Egg, and Sega.

The game was released in September 2020 in Japan, offering a "Virtual Live" mode as an extra to its main music/adventure gameplay. Players can attend regular in-game music live concerts of their favourite characters, or customize their avatars with skin accessories, emotes, stamps, and more. These real-time events give players a place and reason to socialize while enhancing the moment through event-based items. remember the moment through event-based items.

For more insights on the metaverse, read the Newzoo Metaverse Report here.

In the open world, the player is given a piece of land in their neighborhood upon which to customize a house and yard.

Within the house, a full set of furniture and decorations with many themes are at the players' disposal, in a manner similar to Animal Crossing.

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Source: *Apptopia

PROGRESS

NFTs and blockchain models are the latest monetization experiments

Blockchain implementations, while still embryonic, are beginning to see momentum across platforms.

NFTs are also coming to mobile games

The NFT boom spearheaded by digital art in Q1 is also spurring interest among mobile studios. NFTs may become an option for further diversifying revenue streams, which adds a layer of complexity to the monetization mix.

LEAF Mobile, parent company of East Side Games, launched NFTs in Q2 2021.

The makers of IP-based idle hits including Trailer Park Boys: Grea$y Money first launched NFT rewards for four titles in April 2021. The NFTs became the first officially licensed products featuring these IPs in NFT form.

The International Olympic Committee (IOC) partnered with nWay to launch Olympic NFTs.

The Animoca subsidiary mobile studio launched the NFTs on its new platform, nWayPlay. A related game is also reportedly becoming available later in the year.

Play-to-Collect may engage new segments

Play-to-Collect is a playing model where a user can primarily buy, sell, and trade digital assets to engage with game IP.

The connection between gamers and the game's IP (e.g. characters and worlds) can persist long after they stop playing, even without playing the main game. Play-to-Collect, most famously represented by CryptoKitties, can be used as a way for gamers to stay engaged with the IP.

Sorare is a fantasy soccer Play-to-Collect game played by managing a virtual team with digital player cards that can be bought, sold, and traded.

The cards are licensed digital collectibles and lets soccer fans participate primarily through collection, similar to the hobby of collecting physical trading cards. Though launched in 2019, Sorare gained the most traction over the last year. As of June 29th 2021, 140 clubs* are present in the game.

Google for Games   newzoo   Source: *Sorare   PROGRESS

NFTs and blockchain models are the latest monetization experiments

Blockchain implementations, while still embryonic, are beginning to see momentum across platforms.

Play-to-Earn lets players earn real income

Play-to-Earn is a blockchain game model where players earn tokenized assets that can be exchanged for real currency. In return for helping to grow the gaming community, players are rewarded with cryptocurrencies while playing.

Play-to Collect can only return value through appreciated investments, while Play-to-Earn lets players generate earned assets through the gameplay itself.

Axie Infinity is one of the most well-known multi-platform games employing the Play-to-Earn model.
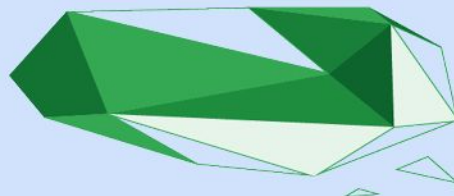
The game famously attracted some communities in the Philippines, who used it to generate income during the COVID-19 pandemic.

In July 2021 alone, Axie Infinity earned

$196M

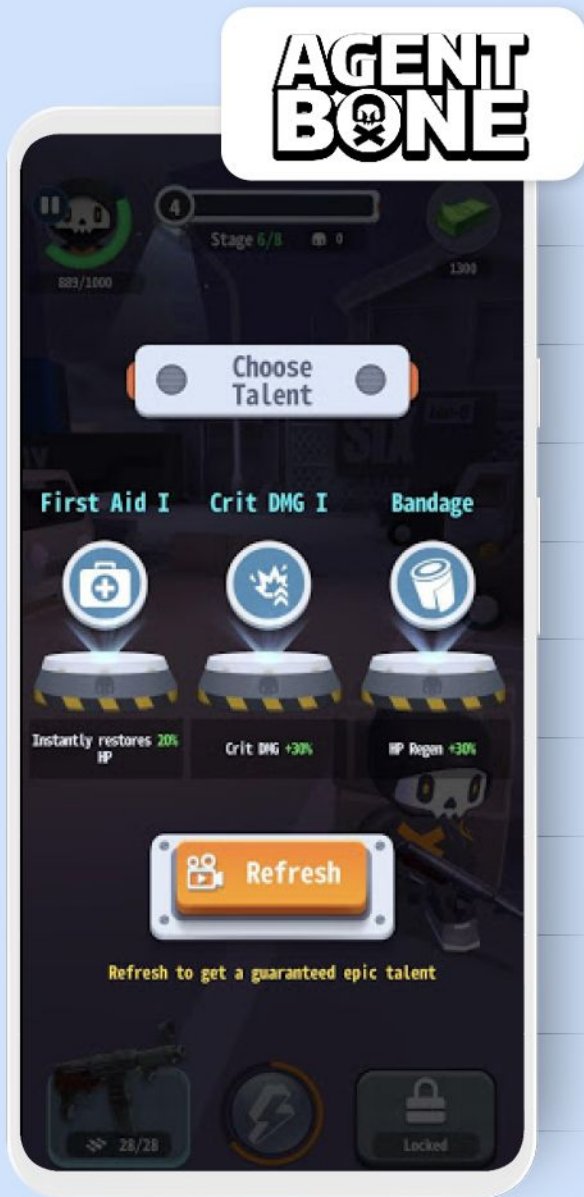and from May to August grew the number of Axie wallets (owners) from 50k to 1.6M, according to the company.

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Hybrid monetization inspiration

Games that have done it well

Multiple mechanics build a better hybrid monetization

Agent Bone was conceived as an IAA game, but gradually added IAP.

Agent Bone combines direct IAPs, subscriptions, battle passes, rewarded ads, interstitial ads, and pay-to-remove ads in a casual shooter game.

Players often encounter rewarded playable ads with try-outs of locked game items (such as new weapons & characters), which help promote IAP. Compared to other casual games by Ohayoo, rewarded ads in Agent Bone have fewer benefits but appear more frequently in varieties of gameplay and idle elements. Like many hybrid games, the rewarded ads in Agent Bone are limited per day to protect IAP revenues.

The rewarded video appearing when players choose from randomly generated talent boosts in each level is an effective way to capture attention. Given the challenge of progressing levels, talents are crucial for players to advance to the next stage. Players can choose to refresh their talents (and get a guaranteed epic talent) by watching an ad. This encourages all segments of players to participate in ad viewing.

Multiple mechanics build a better hybrid monetization

Agent Bone was conceived as an IAA game, but gradually added IAP.

Both weekly and monthly subscriptions are offered. The first subscription period has a special discount.


During normal gameplay, three random talents for players to choose can occasionally appear.

Players can watch ads to refresh the choices with a guaranteed "epic" talent, thus creating a stronger motivation to engage.
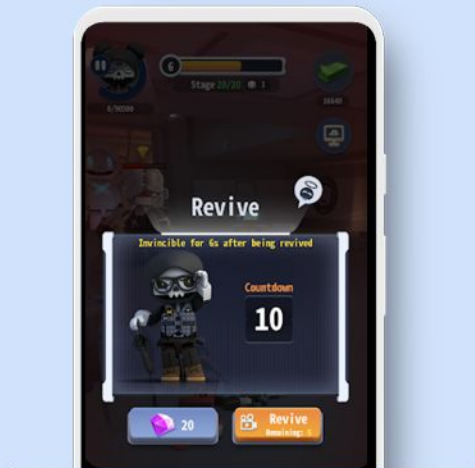
Revival upon death is possible through a rewarded ad, but only one revive per level attempt is available. The countdown of 10 seconds for players to decide creates a sense of urgency, and players can revive in this way at most five times per day.
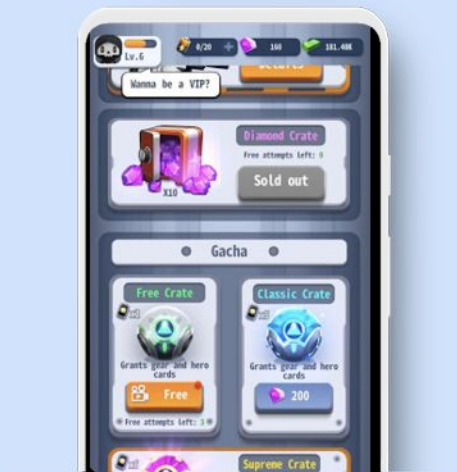
One type of crate is given away every 72 hours, but other crates/bundles require watching a rewarded video. Creating a lightweight barrier to receive the gift can also increase the perceived value of items received.
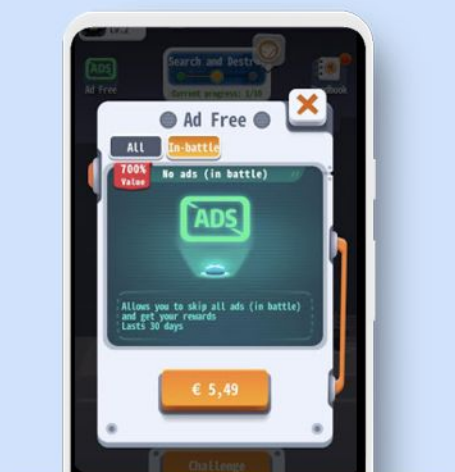
Players can buy two tiers of ad removal for 30 days: either skip in-battle ads, or all ads for approximately double the price.

Agent Bone also has another game mode called "Treasure Hunting" which replicates the ad-based revival function. Unlike the main game's level progression, there is no alternative way to revive in the Treasure Hunting except through watching an ad.

Rewarded videos can replace previously "free" rewards or content

Rewarded videos can be a way to upgrade rewards which were previously collected for free.

Players are accustomed to receiving several in-game gifts from developers, especially in the early consumer journey.

But as hybrid monetization becomes more commonplace and players expectations for ad frequency shift, developers are starting to place rewarded videos before offering previously "free" rewards. This shift means players increasingly view rewarded videos as a currency, which increases the revenue opportunities from payers and non-payers.

Giving users a free chest or reward for coming back to the app every 4, 8, or 24 hours is a common engagement feature in mobile games. However, many developers now use rewarded video to create a small barrier to the free rewards.

Given the work needed to earn them, this barrier can also increase the perceived value of items.

CrazyLabs

Super Stylist, developed and published by CrazyLabs, implements rewarded video before an extra daily rewards spin instead of freely giving the spin away.

Super Stylist also creates a rewarded video barrier to access additional avatar customization, such as lipstick styles.

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Rewarded video views used as a currency in a top RPG

Although RPGs are historically IAP-only games, Hero Wars has a unique implementation featuring a separate shop that uses rewarded video views as a currency.

On the home page, there is an icon of a cat girl that the user can click to bring up the ad menu.

> **One ad will unlock one of the corresponding bonuses at the top at random.**

The user can watch up to five ads every 8 hours.
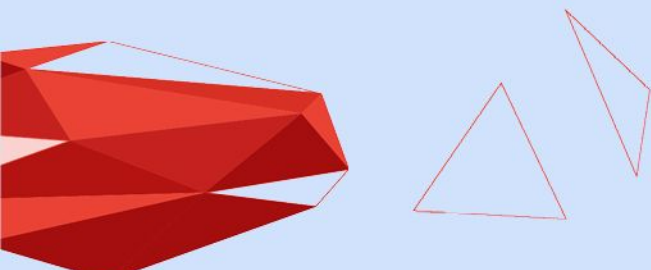
The "Theater" introduces yet another currency: **ad tickets.**

One 30 second (typically **playable**) ad equals one ad ticket.

Tickets can be used to buy the three main currencies (gems, gold, energy) and raid tickets.

Hunt Royale places ads thoughtfully at key points in user journey

The game is designed in a way such that engaging with ads throughout the game offers a better experience than avoidance.

Hunt Royale sprinkles rewarded videos at various points in the user journey.

Players may encounter up to 19 rewarded videos per day and are encouraged to watch at least ten ads per session through an "Ad Mega-Box" that is only unlockable through ad views.
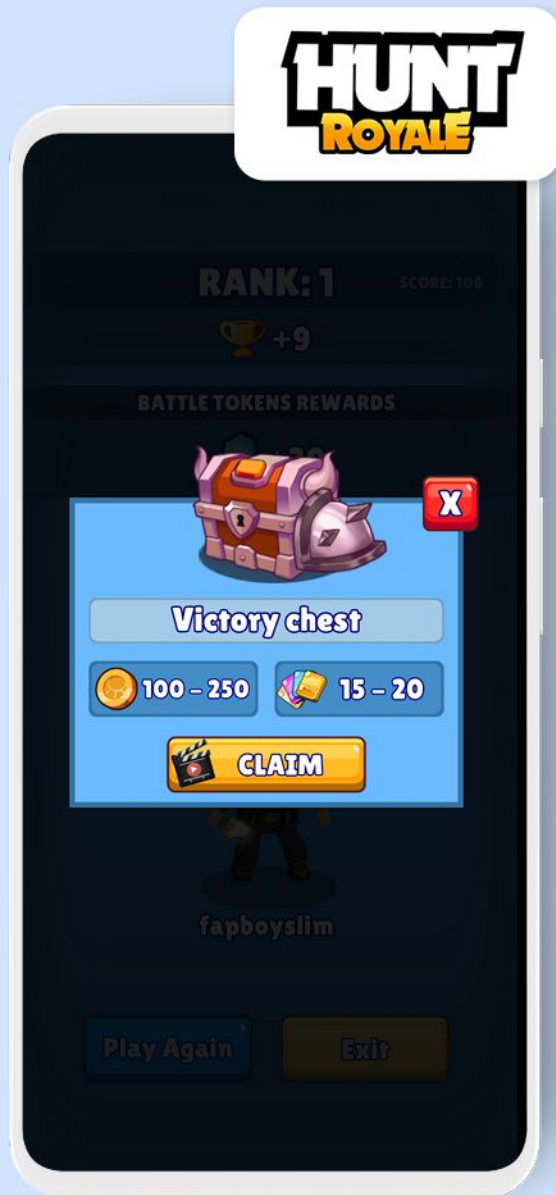
These benefits mean frequent ad engagement becomes the most rewarding and efficient way to play the game.

The most critical ad opportunity is when a user has won a "hunting" gameplay round in the core loop. The desire to earn rewards after winning is a powerful motivator to watch an ad at that moment. The bonuses offered in the chest are partially valuable gacha cards, which are difficult & expensive to acquire elsewhere in the game. This exclusivity makes it an "emotionally expensive" decision to skip the ad, as the player recognizes the cost of acquiring the rewards in another way.

This means the player is more likely to engage with the ad placement in the moment.

Hunt Royale places ads thoughtfully at key points in user journey

The game is designed in a way such that engaging with ads throughout the game offers a better experience than avoidance.
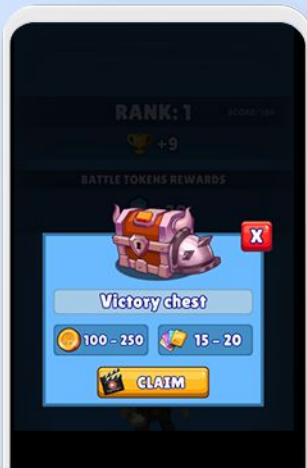
After winning a round of core gameplay, instead of receiving rewards for free, players must watch a rewarded video first.

Players are encouraged to watch 10 ads through an "Ad Mega-Box" incentive.
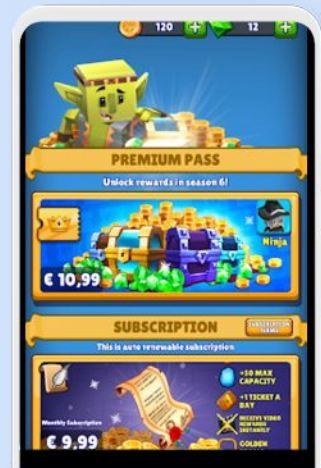
Both a premium pass, which is also known as a battle pass or season pass, and a monthly subscription are offered.

Rewarded video can be used up to 3x per session to gain gold (and 3x per session to gain gems).

Leveling up is offered through rewarded video as a one-time option on the home screen.
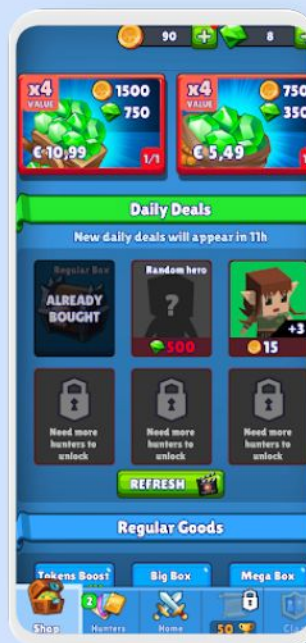
"Daily Deals" can be refreshed through rewarded advertising.

In total, there are up to 19 ad placements which a user may encounter daily: victory (x2) & defeat (x2) chests, offerwall-style free daily rewards (x4), battle token reload (x1), earning gold (x3) & gems (x3), renewal of daily tasks (x1), daily shop deals renewal (x1), Season Pass complement +1 level (x1), and an extra event ticket (x1)

Google for Games

newzoo

PROGRESS

Avakin Life's "Build Machine" becomes part of a player's routine

Avakin Life designs rewarded video in a way that encourages all users to participate.

Avakin Life implements an offerwall mechanic for users to freely earn the game's main Avacoins currency. However, the conversion for rewarded videos is not only directly to Avacoins.

Additionally, Avakin Life implements an ad-based "Build Machine." The player can choose an in-game item to "build" or earn through ad-viewing, which introduces the building experience as part of the game loop. The waiting period until the item is ready can also be fast-tracked with additional ad views converted into Boost Tokens.
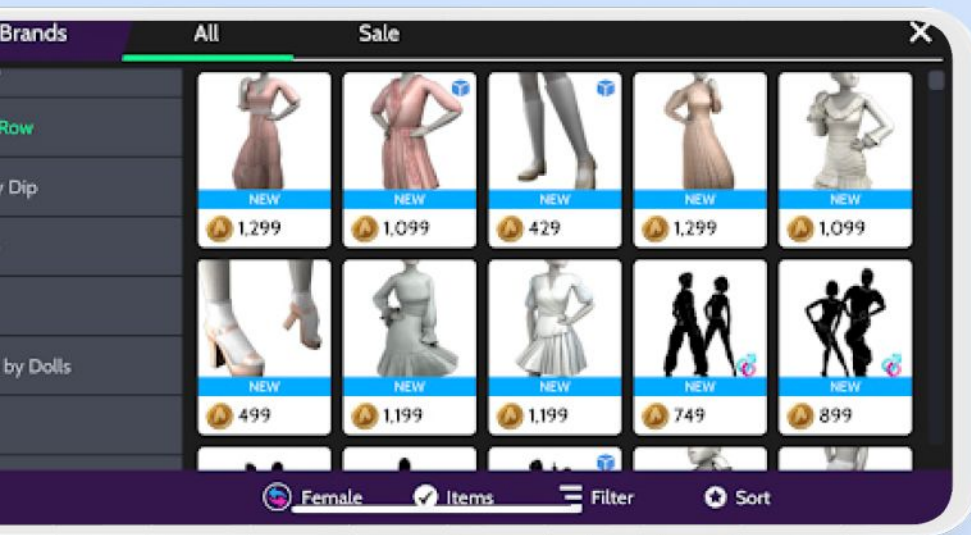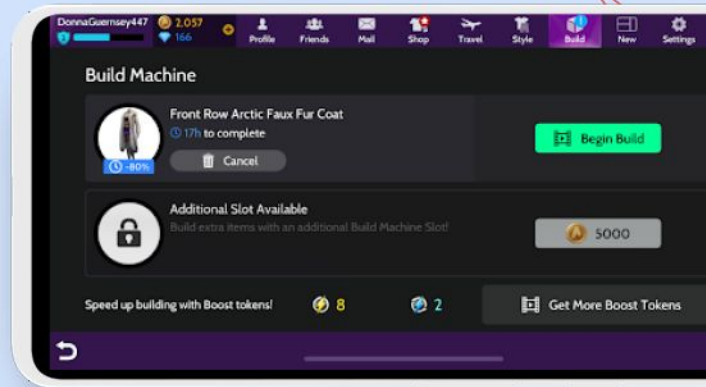
Not all items are acquirable through the ad-based build system. The items with a blue box in the corner are "buildable," but others must be purchased with the game's main Avacoins currency. Ensuring the most "desirable" items are efficiently monetized helps Avakin Life preserve IAP revenues.

Native ads for in-game avatar apparel and furniture also feature heavily in Avakin Life. Made.com, Nike, Bloomingdale's, Oakley, Superdry, O Boticário, and Timberland are just a handful of the real brands featured.

Google for Games   newzoo

03b. Hidden gems

Developer spotlights

Hear from the trailblazers in
hybrid monetization

Introducing: Insights from the trend-makers

We spoke to leaders from several studios about their approach to hybrid monetization.

To learn more about the growing trend of hybrid monetization, we interviewed key stakeholders about their journeys and specific experiences.

These interviews uncovered a wide diversity in attitude and approach, with each developer's monetization strategy shaped by unique lessons learned from previous games.

However, there are still commonalities across experiences and viewpoints. Some of the most common elements included leveraging a strong data analytics infrastructure and an abundance of A/B experimentation to optimize a hybrid monetization mix.

Several developers also reported that implementing a new hybrid monetization setup required developing or hiring new skill sets within the team.

These recruitments ensured critical stakeholders such as product owners and game designers had a holistic understanding of both IAP & IAA approaches.

Defining success in hybrid monetization also had different interpretations. While maximizing LTV is always the end goal, a true hybrid game ideally strikes a relative balance between monetization types. An example of this balance may be at least a 20%/80% mix of IAA/ IAP (or vice versa).

Looking ahead, the new types of monetization exciting developers most include the expansion of native advertising, deeper brand activations, and rewarded audio advertisements.

BABIL GAMES

HAEGIN

OHAYOG

BANDAI NAMCO
Mobile

ABI GAME STUDIO

BOOMBIT

Octro

SAYGAMES

HABBY

CrazyLabs

LKWD LOCKWOOD

etermax

Google for Games

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Key themes across interviews

01 **Hybrid monetization is fundamentally a game design challenge, and is primarily shaped by the genre**

Casual, hybrid-casual, and mid-core games are best suited for a balanced hybrid monetization strategy. Having at least 20% of one monetization type (IAA/IAP) is considered a robust hybrid implementation.

02 **Rewarded videos shine most when multiple segments of users (not just free users) are motivated to engage with them**

Developers reported the most success with rewarded videos out of all IAA types. While segmenting between payers and non-payers is common, the strongest hybrid implementations can motivate multiple user types to watch rewarded videos at key points in the daily user journey without compromising IAP.

03 **New organizational skillsets are required to get hybrid monetization right**

Expertise in both IAA & IAP is key to a successful hybrid strategy. An abundance of experimentation and testing throughout development helps optimize ad placements & IAP offerings. Game designers, product owners, and data scientists who have a holistic understanding of both IAA- and IAP-optimized design are key resources needed for success in hybrid.

04 **Tailoring hybrid monetization for regional considerations is essential for revenue optimization**

To avoid compromising IAP revenues, heavy experimentation to optimize the value of ads in different markets is essential. Additionally, each country has a unique baseline for user behavior – for example, attitudes towards interstitial advertising or how many game notifications per day are acceptable.

How do you define success in hybrid monetization?

SAYGAMES

Anton Volnykh
Head of Developer
Partnerships

"

A successful monetization strategy is always defined by the LTV (Lifetime Value) metric which works in tandem with the marketing strategy and the game's marketability.

Whatever the monetization approach is, the goal is always to have the highest LTV possible.

Since IAP is always a part of the product design from the earliest development stage, Average Revenue Per Paying User (ARPPU) becomes the key metric while IAA is designed to create another layer of monetization and to keep the non-paying users engaged with rewarded ads.

CrazyLabs

Guy Tomer
Chief Operating Officer

"

Our monetization team focuses on ROAS and on profitability goals defined internally.

It allows us to measure the success quickly and iterate when needed, thus maximizing the potential of the game. The success is when you manage to use the ad monetization as a pure contributor to the ARPU without any degradation to the IAP revenue and the retention.

HABBY

Srikant Varadaraj
Business Development
Director

"

Success is relative, but from our side, having a successful HM model is where you have at least 20%+ of either IAP or IAA. Having less than 20% means that it's not an actual HM, but rather a crude addition. To give you an example, 30/70 (IAP/IAA) is a successful HM model. 90/10 (IAP/IAA) on the other hand is just an IAP game with some attempts at integrating IAA.

To track the performance, we simply ensure that the ratio is within the above mentioned range. We also like to improve on the experience we're giving players in terms of IAA or IAP. Take our game Penguin Isle for example, in the beginning it was a 20/80 (IAP,IAA) model. After various versions, we've managed to increase the IAP design through various systems and new gameplay. We're now at 40/60, almost closing in on 50/50.

This balance requires new content and experiences for players to consume which revolves more around the design of the game.

Q1 How do you define success in hybrid monetization?

Anh Hien Thi Nguyen
Monetization Manager

" In my opinion, the success in hybrid monetization happens when the benefits of the developers/ publishers and users meet in the middle. The developers can diversify their monetization strategy to maximize their revenue while not ruining the user experience. This requires the developers to carefully plan out their game design, find the balance between IAA and IAP, and cater to each user's needs.

> **Our ways to track hybrid monetization performance are Impressions Per Daily Active User (IMPDAU) and engagement rate. The higher they are, the more likely that we can convert it to in-app purchases.**

Retention rate would be another index that we look at. We do not want to provide too many ads that cause users to easily win and easily get bored of the game or create any unwanted imbalance.

In addition, we also use Firebase to measure the effectiveness of each rewarded ad placement. If one proves to be not engaging enough, we will try and offer something else to increase the conversion rate. All in all, these will reflect on paying rate and LTV, which we pay the most attention to.

HAEGIN

Eunkyung Ju
Marketing Lead

" All IAA in **Play Together** (a social metaverse game) are related to game rewards and are completely optional. We've designed the IAA so that it would be there as optional support and not interfere with the gameplay. For instance, if a player would like to gain additional rewards when they turn in a quest, they can do so by watching an ad. Many ads have been placed in various parts of the game in similar fashion. By using selective behavior and by limiting the ad viewing rewards, we made it so that the IAA would not interfere with gameplay and the effect to IAP would be minimized.

Unlike RPGs, the purchase rate in hypercasual or metaverse games is low and the players do not have much in-game wealth accumulated in the early stages, making them tend to feel less attached to the game. We focus on providing the spending experience by giving the players a certain amount of free in-game currency up to the point when they start feeling attached to the game.

We use IAA to generate additional revenue from non-paying users and use IAP to provide exclusive benefits to the paying users. IAA tends to be lower in countries that have a high paying user ratio compared to those that have a low ratio. This difference can clearly be seen from the eCPM gap between both cases. Using a hybrid model has the advantage of generating revenue from areas that have extremely low purchase conversion rates.

Q2 How did you optimize or establish hybrid monetization within your games?

OHAYOO

Sim He
Global Monetization Lead

" **Agent Bone is a new game that we released earlier this year. When adopting hybrid monetization, how to set up reasonable paid content was a big challenge.**

Therefore, we conducted a deep investigation into players' paying motives. After researching and summarizing the results, we made some improvements to the hybrid monetization model based on **Rooster Defense** (an older hybrid casual game by Ohayoo).

First, we adjusted the game design to reduce the amount and types of resources that ads can offer players. These adjustments meant that watching ads alone no longer offered players sufficient resources. The lack of resources encouraged some players to spend, therefore increasing IAP revenues. We also adopted some classic IAP types in the game, such as a Subscription Model, Battle Pass, Tower of Fortune, etc.

In combination with the continuous introduction of operational events, player's paying motives have increased. In the future, we plan to launch a new system—player-vs-player (PvP) battle royale—which features only IAP. The purpose of all these methods is to increase the IAP ratio, which accounts for as much as 70% during events.

The above optimizations are completely dependent on how the game is designed for progression & resource management, as well as the operation team's analysis and research. At the same time, it is also necessary for us to efficiently cooperate with R&D companies to continuously upgrade our games.

All in all, because of our effective hybrid monetization model, our excellent product quality, and close teamwork, we have been able to create games that are loved by players.

Q3 What type of games do you believe are best suited for hybrid monetization?

CrazyLabs

Guy Tomer
Chief Operating Officer

" **Each game has its own "path" for optimization.**

Our team uses a couple of different tools and testing methods when searching for the optimal strategy for a specific game, with the ideal ad monetization implementation.

Our games **Diamond Painting** (ASMR* coloring game) and **Super Stylist** (dress-up fashion game) are good examples for hybrid monetization: while the main focus of the games might be IAP, the games also utilize multiple ad formats in a smart way.

BOOMBIT

Thomas Newman
Head of Ad Monetization

" **Currently, hybrid monetization is better suited to our titles that have an increasing skill level, daily quests, and multiplayer features such as our mid-core & simulation titles.**

Our users are typically more invested in the game because it offers a more in-depth experience than, say, a hypercasual title.

Google for Games

newzoo

*ASMR: Autonomous Sensory Meridian Response

PROGRESS

Q3 What type of games do you believe are best suited for hybrid monetization?

BABIL GAMES

Hisham Haddad
General Manager

"

Our monetization strategy depends on the genre. For example, in **Nida Harb 3 / Strike of Nations**, which is a mid-core MMO-RTS** title, we only implement IAP. We believe it provides a higher quality uninterrupted gaming experience to players in that title even if it means forgoing a revenue stream.

But for our casual games, we adopt the hybrid monetization model striking a balance between IAP and IAA to monetize the game.

> **We believe game genre and audience play a major role in deciding the monetization model.**

OHAYOO

Sim He
Global Monetization Lead

"

A game's monetization model is mainly determined by the game itself.

When a game's core gameplay is relatively simple and the game doesn't feature a deep meta system such as heroes and weapons, players tend to be less willing to spend money. In this case, hypercasual games, as we often see, are more suitable for pure IAA monetization.

When a game features a well-designed system for progression & resource management as well as meta, its players will be more engaged and will feel more motivated to spend. This is when we suggest adding IAP for hybrid monetization, thus providing players with different options.

For our overseas market, we value good games, which have always been our priority. Good games generally have well-designed core gameplay and meta features. We use hybrid monetization to fulfill different player needs.

> **This is because only when players think that something is valuable will the content be valuable, which ultimately leads to them spending.**

Q4 How do you segment users in a hybrid monetization game?

SAYGAMES

Anton Volnykh
Head of Developer
Partnerships

" **The common practice is to limit or completely avoid non-rewarded and intrusive ads to increase IAP conversion rates.**

This becomes even more important if your marketing strategy is built around paying users. Every successful game with hybrid monetization has the right balance between the ad types often tailored to different player cohorts.

HAEGIN

Eunkyung Ju
Marketing Lead

" We believe that the user segmentation in hybrid games is to some extent different when compared to IAP-only games. Because of this we've considered using different UA methods.

We set up the performance marketing KPI that fits our IAA or IAP goals, and then choose the region and media when coming up with the media mix. Also, because the eCPM is very different from country to country, we have divided the countries into 4 tiers based on our own criteria.

In regions that have weak network environment or not many payment options, we would assume that there's a higher chance for the player to watch ads rather than to make purchases while playing a game. In this case, we would use broad targeting instead of using specific user segmentations to reach a wide variety of players and build our strategies and choose medias accordingly.
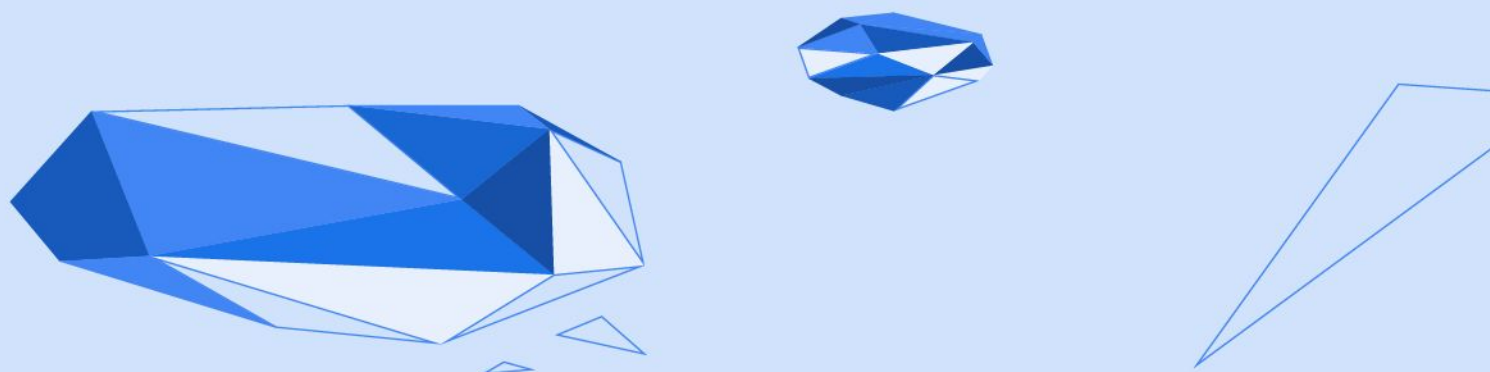
Q4 How do you segment users in a hybrid monetization game?

Manav Sethi
Chief Marketing Officer

Google for Games

"

I will split this into two parts, by first talking about the tools that we currently use and then focusing on the user acquisition channel.

From a technological standpoint, Octro invested heavily in data science and data engineering ever since the beginning. This is especially important when it comes to gaming because you need to capture the personas behind the players, similar to a casino manager who seeks to differentiate between the VIPs and non-VIPs.

From a matchmaking standpoint, we created an experience where players of equivalent skill interact & play with each other. At the end of the day, this balancing act is what builds the experience.

> **To this end, we use our in-house tools and algorithms which are based on statistical methods and Artificial Intelligence (AI) & Machine Learning (ML) that allow us to segment the user base and to create meaningful clusters.**

For example, these probabilistic models help us to figure out which players have a higher propensity to engage with rewarded videos or whether a specific user is more likely to spend money in the Google Play Store or in the App Store. It is important to note that most of our games are played on Android given that 85% of mobile users in India are using this OS.

To this extent, we already have a considerable number of cohorts and clusters that are pre-identified and we continue to improvise as players progress with the game play. However, before making a deterministic assumption that certain users will not engage in IAP, we first send them at least three tailored offers a month wherein we nudge players to try in-game currency or similar for a special price. If users do not react to any of these offers, we stop these nudges and instead provide them with several types of IAA. We continue to evaluate this per player with the progress of their game play.

What regional considerations are there to take into account?

Octro

Manav Sethi
Chief Marketing Officer

"" Our experience tells us that India is not ONE homogenous market of 1.2+ billion people. India can potentially be segmented into 10 markets of around 100 million players each or 100 markets of 10M players each (if your P&L stacks up), and every market has its own unique niche. No two cohorts are the same. This is especially important since we are talking about a country where people speak over 20 different official languages, and where food, clothing and cultural nuances changes every 100 km or so. As a result, there is a great deal of variety across dissimilar categories of people when it comes to mobile consumption and in-game expenditures.

> **However, the diversity doesn't always mean a game needs to be localized in 20 different languages.**

From an app experience standpoint, we rarely had to localize in many different languages given that most of our popular games are in the cards & casino category, which are easily understood through numbers as the universal language. For Teen Patti, which has already been played by 100M+ players, we do allow players to choose from among the five most spoken languages in the country. However, when I last checked the data, most people still play the game in English.

Even so, in most card games, players are primarily focused on the numbers, either in terms of available currency, the chip count, or cards. These games are unlike apps such as Facebook or Tinder, which feature heavy UI and require an understanding of the language to progress. We have recently also launched Octro Poker where you can set up private table with voice chat obviating the need for local language chat globally!

BABIL GAMES

MJ Fahmi
CEO & Co-Founder

"" **MENA gaming industry has been growing rapidly and steadily for the last 10 years and is full of opportunities.**

From our experience, we found focusing on player experience and satisfaction is paramount to the success of a title. Additionally, proper Arabic language localization while paying attention to cultural barriers, regional customs, and events is vital to successfully publish or develop games in the region.

What regional considerations are there to take into account?

etermax

Guido Farji
Chief Revenue Officer

" **In general, LATAM is a region where apps rely more on advertising than on IAP.**

Exchange rates and lack of banking are quite strong obstacles to IAP in LATAM. Instead, Latin American players are keen to see advertising in exchange for a free service. As in the rest of the world, the pandemic boosted video game players and payers, and accelerated the adoption of digital transactions. Possibly over time, this will help break down some of the barriers to IAP in LATAM.

LKWD LOCKWOOD

Oliver Kern
Chief Commercial Officer

" We did have to experiment quite a bit with ads regionally. Other developers might try to convert the value of an ad against the currency paid out. That doesn't work for us because there is such a big difference in the ability to pay and the value of an ad in different markets.

Experimenting with exact values in each market and monitoring the results so that you aren't compromising your IAP revenues is essential, no matter the genre.

For Avakin Life, we ended up overlooking these regional differences and awarding the same amount of coins per rewarded video. We did not want players to use a VPN to trick the system– players are very creative when they really want to get currency. Because it is very community-driven, players will talk and confirm these regional differences. That is one challenge having a social game.

OHAYOO

Sim He
Global Monetization Lead

" Because players' acceptance of interstitial ads in China is relatively low, most games only use rewarded videos as a form of advertising, while overseas players have a higher acceptance of interstitial ads.

How does changing monetization affect user acquisition (UA) strategies?

SAYGAMES

Anton Volnykh
Head of Developer Partnerships

" The marketing strategy differs for every particular title and does not really depend on how the game is monetized, except for campaigns targeted to the paying user base.

What developers should focus on is launching the most fun and engaging campaigns to improve the game's marketability.

This again is a matter of testing and iterating various creatives and ad types that work best for your game only.

HAEGIN

Eunkyung Ju
Marketing Lead

" **At first, we used to prioritize on ROAS, but after implementing a new monetization strategy we've modified our UA strategy to become a two-track strategy that also secures install volume.**

When first carrying out UA marketing for games that were focused on IAP, we would consider the upper funnel of the player's journey and would focus on ROAS through in-app event targeting. As we were targeting the upper funnel, we would have to deal with high CPI (Cost Per Install), which would constantly limit our overall installs.

After adding another layer of monetization strategy by implementing in-app ads, we were able to additionally secure in-app ad revenue through the install volume we have already secured. This additional revenue was then put to use in carrying out UA marketing. In short, this formed a virtuous cycle and it was easy for us to effectively increase the install volume using this method.

Ever since we began to use the ad monetization strategy, our IAA and IAP revenue increased constantly and simultaneously. We've found that the daily ad revenue is affected by the changes in daily installs and are trying to secure a certain number of daily installs.

If we get to implement a new type of monetization strategy, we plan to look for a UA strategy that would increase the ROAS rate and also find players that are familiar with watching ads and comfortable with acquiring game currency via IAA. Ultimately, we plan to look for ways to make the players spend more time in our app which would secure a stable IAA revenue and would lead to more IAP revenue.

How does changing monetization affect user acquisition (UA) strategies?

CrazyLabs

Guy Tomer
Chief Operating Officer

"

The player's purchase habits affect both the UA and the ad monetization strategy.

On the UA side we would like to target the right users and events; on the monetization side, we try to suit the relevant ad display strategy that might go with unlocking more paid content (usually this player will not get ads).

From various tests we conducted recently, we don't see any clear negative effect on the player's retention in our current ad strategies, which is the desired outcome. However, it's important to continue monitoring the effectiveness of a certain ad strategy especially with non-rewarded formats.

Usually, when a game has a healthy IAP strategy, the UA will focus on the type of players that could convert (events, lookalikes etc.) while for IAA users the UA will be broad and focus on CPI.

etermax

Mariano Fragulia
Chief Product Officer

"

We usually approach UA campaigns differently depending on whether they target casual players or paying users with high engagement.

User acquisition is a field where we experiment a lot in search of continuous improvement.
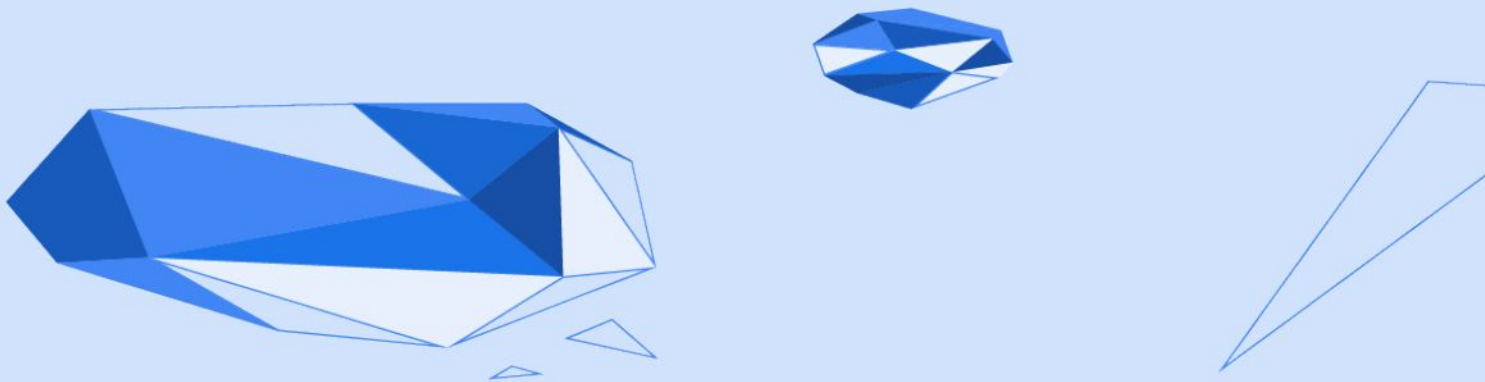
What kind of organizational change is required to implement a hybrid strategy?

etermax

Mariano Fragulia
Chief Product Officer

" Hybrid monetization requires balance, so if you have more experience in one aspect than the other, the ideal would be to try to match the levels of experience and knowledge. Each case is different. A company with experience in IAA will surely have to incorporate knowledge about economics, offers, pricing, etc. If the game studio does not have people who have that knowledge, it may have to hire new employees or train its team.

The same in the opposite case: if you only know about IAP you will probably need expertise in IAA. The important thing is to understand that both forms of monetization must complement each other and not compete with each other. If a new monetization strategy leads to new teams being created, everyone should be aligned toward the same goals.

BOOMBIT

Thomas Newman
Head of Ad Monetization

" It's advised that any developer looking to move into hybrid monetization should ensure that they have key pillars for success in place such as a solid data analytics infrastructure, live-ops, UA & ad monetization expertise, and the ability to adjust the balance of the in-game economy.

If developers do not have the capacity, time, or budget to build this internally, then I would recommend connecting with an established growth partner or even a publisher like ourselves. This allows developers to fully leverage the complete end-to-end infrastructure that we are providing for partners looking to publish their titles with the BoomBit Group.

What kind of organizational change is required to implement a hybrid strategy?

BANDAI NAMCO Mobile

Massimo Caporale
Chief Publishing Officer

" We needed to develop new skillsets in terms of ad placement optimization. Working with our data scientist, product owners, and game designers ensured we would maximize our ad inventories, while at the same time not hurting the user experience. In the end, we still believe that the most important thing to retain users and ultimately find success is to make the game fun for our players!

We also needed to seek the support of experienced ad monetization managers that would work on maximizing the revenues we could generate from our inventory. So, getting the right skills on the team was definitely one of the most challenging parts. We experimented a lot with different ad placements and formats, tweaking constantly the pace of ads and monitoring its impact on inventory and retention metrics. We used many different tools to run A/B tests on the game, especially around capping and pacing ads, as well as, of course, a good mediation tool that would allow us to maximize the fill rate of our inventory with the best possible eCPM, while allowing us the flexibility to have custom setups for different audience segments when considering country, age group, etc.

In terms of business setup, another point that is interesting to consider is the volatility of revenue streams that rely on IAA, since these can be subject to sudden changes based on seasonality/inventory/eCPM.

LKWD LOCKWOOD

Oliver Kern
Chief Commercial Officer

" We found this to be a game design challenge. Designers that build experiences around ads have a different way of looking at things than a designer that builds for cash monetization.

My experience is that if you want to pursue a hybrid model, then you also need to have the designers that understand both of those systems.

It is not as simple as substituting a purchase for an ad or vice versa. You need to build complementary loops that satisfy where that specific monetization fits well and does not cannibalize the other route.

Were there experiments with hybrid monetization that didn't work, or major challenges you faced?

BANDAI NAMCO Mobile

Massimo Caporale
Chief Publishing Officer

"

Of course, there were! We ran so many experiments on our games! A few years ago, we took over the management of a game that was originally designed with IAPs only in mind, and we set ourselves the task to add IAA to it, in order to monetize non-paying users. Needless to say, this was not a good idea, as adding ads to the existing game was not received well by the players, on top of the fact that the game was not designed for it and therefore it took a lot of effort to re-balance it considering the addition of the new source of currency (IAA).

Ultimately, we had to reduce the impact of IAA in the game. Of course, the one thing we know about ads is that you need **a lot** of them to make it worth while, and therefore the impact we managed to have with their addition in this instance did not really move the needle.

The opposite actually happened to us with My Tamagotchi Forever where the game was basically 100% designed around IAA monetization and then we decided to add IAP options almost as an afterthought, and years after its launch we are still working on improving the IAP side of the game by trying to give players more reasons to spend.

> **Bottom line, if you want to have a hybrid monetization approach, you need to design your game with this in mind from the start. Sounds obvious now, but we learned this the hard way.**

HABBY

Srikant Varadaraj
Business Development Director

"

We've tried many experiments in hybrid monetization. Take Archero, for example. In the beginning, we tried to use ads monetization for more systems, but we found that there are certain things such as RPG elements where you can't obtain the depth required with just IAA. Such cases inevitably only work with IAP and so we learned this the hard way.

In future, we would make sure to use monetization methods which have already been verified by the market before optimizing on them. We'd learn best market practices from others in the industry before optimizing on them, rather than thinking of creating one from scratch.

What new monetization methods have you either adopted recently, or are planning to experiment with?

Octro

Manav Sethi
Chief Marketing Officer

"

We have extended voice chat to Octro Tambola also, whose user base currently extends beyond tens of millions of players. One Tambola game, which is similar to Bingo, takes between 35 to 40 minutes, if not more, to complete. We also allow for synchronous play with more than 100 people as a private game.

Given these characteristics, one brand contacted us and asked, "Because your audience is 80% women who spend 45 minutes on this platform, why don't you give us a five-minute advertising slot before a game begins?" Companies like Unilever or MAC Cosmetics could use this to present the next lip balm or the next mascara, thus being able to introduce their products to a focused audience that they would not otherwise get to engage with.

> **In-game brand integrations have the potential to become a massive monetization opportunity. Add influencers to this mix, and there becomes potent monetization at scale waiting to happen.**

These brands are ready to spend much more than the actual CPMs in order to reach a focused audience of 100 or 500 women, per game, that belong to a particular socioeconomic class. Brands don't even require audiences of half a million or 100,000 players; 1,000 players that belong to a specific demographic group would already do the trick while impacting K-factor positively.

This would increase the attractiveness of such advertisement opportunities, given that such audiences are both easily addressable and actionable. If MAC wants to introduce a specific group of users to its new mascara that Angelina Jolie loves, it could give interested players a code that offers them a 20% discount if used within the next five minutes, demonstrating a convergence of gaming, commerce, & influencers.

What new monetization methods have you either adopted recently, or are planning to experiment with?

**Anh Hien Thi Nguyen**
Monetization Manager

" In the last 12 months, we have introduced new features such as clan and player-vs-player (PvP) modes. This was one of our efforts in trying to increase monetization rates by providing more social interactions in games.

> **We realized one important thing: that when users grow their interest and feel connected to the game, it is easier to convert them into paying users.**

Furthermore, we have also implemented offerwalls in one of our games, which helped increase its ad revenue by 10%. To users that have been playing for a few weeks and have not made any purchase, we offer users the offerwalls as an alternative to earn in-app currency. At first, we were a bit skeptical about this strategy for fear that it might affect IAP revenue or disrupt the user experience. However, the result exceeded our expectations. Since the ad format is totally separate from the gameplay, and all details from the header image to the image of the rewarded currency and even the colors for buttons are customized to match the game's native UI, it makes users feel familiar and increases user engagement.

Moreover, the given rewards will be the same conversion as the real store so it does not break the in-game currency balance. For example, If 100 gems in our game equals $10, we will put a conversion of $1 as 10 gems. The eCPM of the offerwall is thus relatively high, and the retention rate also improves since non-paying users have another way of earning virtual currency to continue playing. Therefore, we would like to experiment with offerwalls in our other casual games as well to see if it can boost our revenue.
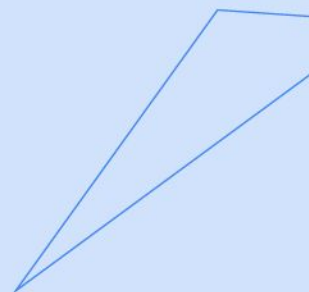
Q9 What new monetization methods have you either adopted recently, or are planning to experiment with?

BOOMBIT

Thomas Newman
Head of Ad Monetization

"

I'm excited by the potential of in-game (native) ads and Rewarded Audio Ads. I believe that both formats are not restricted to specific genres, which makes it more appealing due to our diverse portfolio of games.

Running A/B experiments on our existing monetization methods plays a huge part in our strategy which could be anything from ad pacing, cross-promotion through to the color, size, and orientation of the Rewarded Video button.

A perfect example of this was demonstrated in 'Shoe Race', a game produced by the Cappuccino Games team, in close cooperation with the publishing team from BoomHits (part of the BoomBit Group). Shoe Race reached #1 in the App Store's "Free Games" chart in 5 countries and certainly benefited from continuous monetization experiments throughout the soft-launch and scale periods.
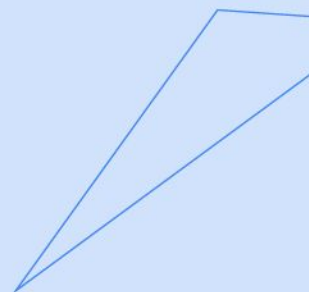
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Q10 Are you thinking of making any adjustments to your monetization strategy in light of the recent changes in user privacy?

BANDAI NAMCO Mobile

Massimo Caporale
Chief Publishing Officer

> **I think it's too early to really understand the impact of new privacy policies that have been recently introduced in terms of revenues generation from IAA.**
>
> Maybe these are going to disrupt these revenue streams considerably, or maybe, just maybe, since everyone out there will be subject to the same limitations, the impact might not be that big or hardly noticeable, since I cannot foresee a reduction in the overall budgets that will be invested in IAA from advertisers.

CrazyLabs

Guy Tomer
Chief Operating Officer

> I think it's safe to say that all mobile game publishers have been reevaluating their monetization strategy in light of the recent changes.
>
> Adapting our monetization strategy to fit the privacy changes is part of our day to day, and we constantly monitor the changes to measure the effect.
>
> For example, in light of the recent Identifier for Advertiser (IDFA) changes, we're now testing different setups, such as separate waterfalls according to the segment (IDFA or Non-IDFA). In addition to that, it makes more sense now to experiment with ad networks that are based on brand ads rather than app installs.
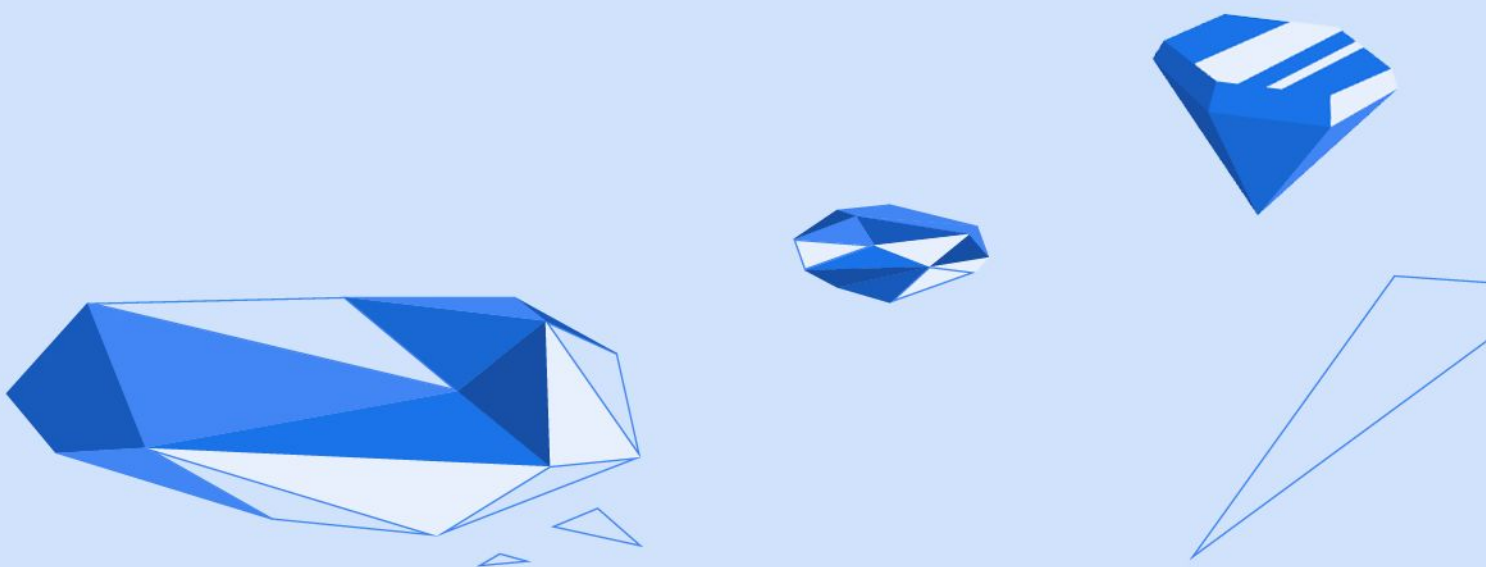
Q10 Are you thinking of making any adjustments to your monetization strategy in light of the recent changes in user privacy?

HABBY

Srikant Varadaraj
Business Development Director

" **We're trying to use our own tech to be able to analyze users whilst remaining within the boundaries of user privacy.**

Our goal is to increase the value of ads and the frequency of ads watched, to effectively maximize the revenue. But this is still in early days.

OHAYOO

Sim He
Global Monetization Lead

" **User privacy measures have mainly affected advertisers and the effectiveness of our IAA model.**

The entire industry has been impacted by it. In the future, we'll focus on increasing life cycle & LTVs for hybrid casual games and optimizing the ratio of IAPs.

BABIL GAMES

Hisham Haddad
General Manager

" It certainly is a challenge the industry is currently facing. The effect on performance-based marketing and in-game ads' relevance to the user cannot be ignored.

Careful balancing needs to be considered when deciding an ad monetization strategy in light of less deterministic data available and we are conducting some R&D to hit the sweet spot.
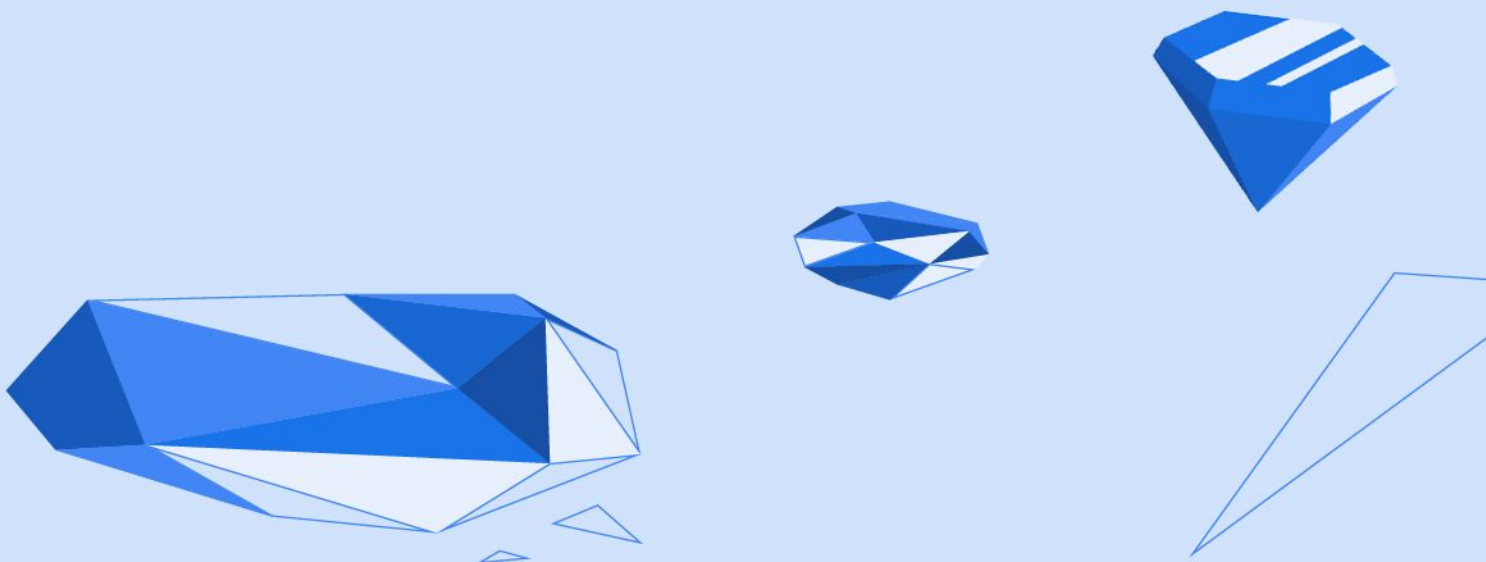
Recommendations for navigating hybrid monetization

Take advantage of the status-quo shakeup to develop or hire new organizational skillsets

While most developers are uncertain about the full impact of the privacy landscape shakeup, it's clear everyone must adjust to the same changes. This shift creates an opportunity for larger organizational changes or new skills for monetization. A studio that understands how to implement multiple types of monetization styles effectively may be more adaptable to new disruptions than a studio without diversification.

Approach hybrid monetization as a game design challenge

Consider the hybrid design from the game's conception to create game loops that thoughtfully incorporate and maintain motivation for both IAP & IAA. Adding new monetization types to an existing game requires careful consideration to ensure an improved user experience rather than a disrupted one.

Think of attention as a currency

Time is money – and user attention can either be implemented directly as its own currency, such as in the form of rewarded video tickets that a user can spend on items at will, or indirectly, in the form of immediate conversions to other in-game bonuses.

Leverage growing social, metaverse, and avatar trends for extra monetization possibilities

The expanded role of games in society and the metaverse trend present monetization models for in-game activities not directly related to gameplay. This can include richer customization options for avatars & avatar assets (such as pets), event-based opportunities (such as in-game concerts and related limited-time purchases), and NFTs.

Experiment thoroughly and relentlessly

Rigorous A/B testing, data science, and a robust analytics infrastructure underpins the heart of a strong monetization optimization machine. Especially for those new to hybrid monetization, trial and error is expected to be a key part of the process.

What's next for monetization?

Additional privacy changes will lead to continued innovation in the space

The role and function of games in society continues to evolve, with younger generations using games not just for entertainment but also for social and identity purposes.

The increased engagement of gaming in social contexts will further expand hybrid monetization types for developers. This opportunity may be realized through native brand & IP activations, metaverse-style virtual events, experimenting with NFTs, or providing a wide array of avatar-related customization options.

Looking forward to the next few years, we believe that the growing role of games as experience platforms will lead to a larger share of games with increasingly diversified monetization streams, seamlessly mixing multiple types of IAA, IAP, subscriptions, and in some cases, NFTs.

> **The continued proliferation of smartphones and internet access in growth markets creates an opportunity to bring more mobile players to the fold. This growth is likely to see 3.2 billion mobile gamers by 2023.**

With mobile gamers increasingly exposed to hybrid monetization, the popular adage "time is money" has never been more directly relevant for hybrid developers, who can treat attention as a currency that can be traded for in-game perks.

While the conversion rate of non-payers into payers continues to be an essential success metric for the industry, the conversion rate of attention into IAA revenue among the growing mobile gaming population can also be an increasingly important hallmark of success within a hybrid revenue strategy.

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