

Demand Drivers for Purchases of Virtual Goods in the Online Video Game Market

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Online Video Game Market

- ▶ **Projections by 2016**
 - ▶ Gaming Market worth US \$93.18bn
 - ▶ South African spending growth 6% p/a to reach R3.6m
- ▶ **Gaming Industry**
 - ▶ **Moving towards item-based Free to Play models**
 - ▶ No initial purchase
 - ▶ **Income derived from:**
 - ▶ Micro-transactions
 - ▶ Item-Based Selling Model



Virtual Goods and Digital Information Goods

▶ Similarities:

- ▶ Substantial Marginal cost of first copy
- ▶ Negligible marginal cost thereafter
 - ▶ Simply make copies of original good

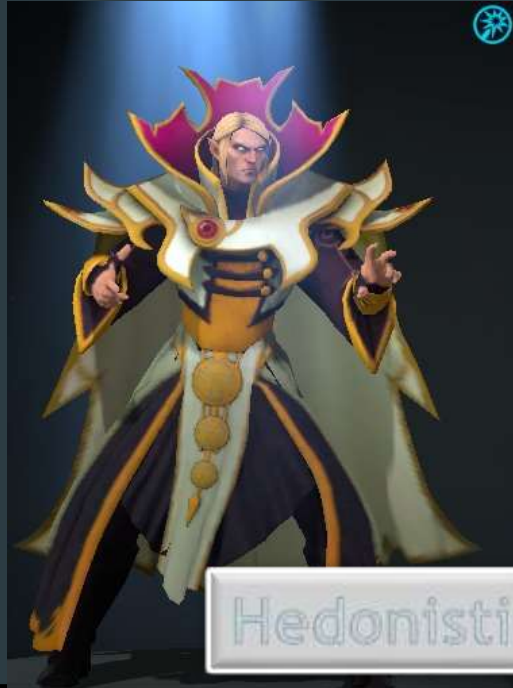


▶ Differences

- ▶ Virtual Goods are rivalrous, persistent and interconnected
- ▶ Multiple copies of Information Goods does not increase utility
- ▶ Multiple copies of Virtual Goods can be sold or modified
- ▶ Virtual Goods may have limitations:
 - ▶ Expire after a time period
 - ▶ May not be tradeable
 - ▶ Limited number of uses



Purchase Drivers



Hedonistic/Aesthetic



Functional



Social

Research Method

- ▶ Online Questionnaire (targeting gaming sites)
 - ▶ 205 observations
 - ▶ 84% purchased virtual goods
- ▶ Cross Sectional Analysis
- ▶ Ordinary-Least Squares (OLS) used to estimate regression
- ▶ Dependent Variable: Monthly Expenditure

| Monthly Expenditure | |
|---------------------|----------------|
| Values | Value Category |
| R0 - R99 | 1 |
| R100 - R199 | 2 |
| R200+ | 3 |

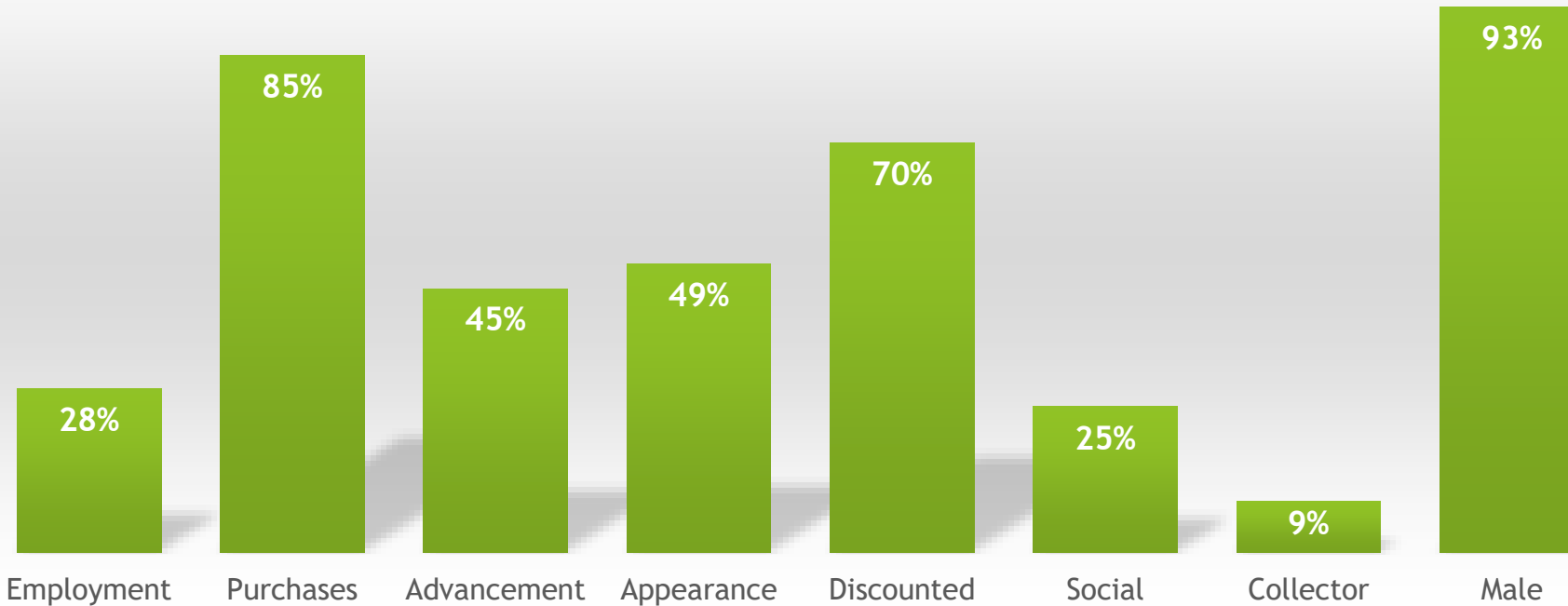


DOTA 2™



Findings

Purchasing Statistics



Average Monthly Expenditure Category

1.2

Average Number of Reasons for Making Purchase

1.7

Average Gaming Duration (at one sitting)

2h39m

Regression Results: Spending depends on:

| Variable | Coefficient |
|-------------------------------|-------------|
| C | -0.0989 |
| Advancement | 0.2465** |
| Appearance | -0.0347 |
| Collector | -0.0227 |
| Discounted | 0.6604*** |
| Employment | 0.1520 |
| Gaming Duration | 0.1086** |
| Gender | 0.2047 |
| No. of Reasons for Purchasing | 0.1641*** |
| Social | -0.0310 |
| R ² | 0.3806 |
| Adjusted R ² | 0.3503 |
| F-Stat | 12.5623*** |

*** Highly Significant
** Moderately Significant
* Slightly Significant

Conclusions and Recommendations

- ▶ Online games are big business and growing in SA: More market research of production and demand drivers is important to help the sector reach its potential
- ▶ For future research:
- ▶ Obtain actual values for Monthly Expenditure
 - ▶ Rather than categorical values as used in this study
- ▶ Focus on one genre/type of game
 - ▶ Games differ across genres
 - ▶ Difference quality of virtual goods and spending

Questions???

