A Study On Marketing Issues In Online Games

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A B S T R A C T

One result of shifts in the style and pattern of leisure consumption by society is the playing ofmore electronic games. As the market in online games grows, major challenges andopportunities arise for academics and industry to explore this area of research, and forpolicymakers to protect society from the potential harmful effects of gaming. This paperprovides an overview of the game industry and briefly addresses three major marketing issuesin online games: the new development of advertising model, hedonic consumption and nontarget market effects of game advertisements. This paper is intended to provide a foreword tohe online game throughmarketing perspective and propose recommendations for conductingresearch on online game.

Keywords: Marketing Issue for Online Games.

1. Introduction

Brief Overview of Game Industry

In 2004, the video game industry is expected to experience its highest revenue ever.According to Datamonitor (2002), the United States will still be the largest market of games(US$7.4 billion revenue), followed by the European market (US$6.7 billion). Datamonitor(2002) also expected that the Asia-Pacific region would lead (US$7.6 billion), and Japan asthe leader of that region's game market. However, the game market will begin to fall off by2005, as home video game machines (consoles) mature in terms of penetration and sales(CyberAtlas, 2002).

Online games are an emerging trend and predicted to be one of the major leisure activities ofthe future. It is projected that at least 10% of the game players worldwide will use theInternet to access online games (e.g. 24% of the game players played online games,Interactive Digital Software Association, 2001; Sega estimated 10% of the players accessedits online games, Fusco, 2000) in contrast to the weakening market of video game

consoles.To date, customers of online games total more than 12 million and should reach 80 million by2005 (Fattah and Paul, 2002). A report from the 2002 International Game DevelopersAssociation (IGDA) conference suggests the reasons behind the recent emergence of theonline games industry are widespread Internet usage and easy-to-find games through thehome pages of main portals or Internet Service Providers, a simple download procedure ofthe online games for little or no cost, and that simple games attract 'non-online gamers' whosee the game features while browsing the Internet.Online games can be played through several means, including browser-based, downloadablefrom the Web, and PC CD-ROM and console with online features. Players can play alone orhave a simultaneous multiplayer experience with others in a combat or role-playing game.Multiplayer online games allow a user at one computer to log on into an online world andnetwork with objects and other players through a Web connection. Because the system canbe used by thousands of players simultaneously, the games are often called MassivelyMultiplayer Online Role-Playing Games (MMORPGs).ANZMAC 2002 Conference Proceedings 201The online games market, for which the hardware is currently satisfied by PersonalComputers (PCs), is drawing video game console industry's attention. There used to be threecompanies in the console industry: Sony, Sega, and Nintendo. Microsoft entered the marketwith its "Xbox" console product, at the end of 2001, while Sega stopped producing Dreamcastconsoles in March 2001. These four companies appear to have different visions of the onlinegames market. For example, Sega has an ambition to be the industry's largest third-partysoftware provider to the other three companies, while Sony is working together with AmericaOnline to offer web browsing and e-mail. Sega is known to be the first to focus uponInternet, even though the company currently is only concentrating on the software business.Sony, Microsoft and Nintendo also have been expanding their products online by addingInternet connectivity. Online console gaming could become an important reason for thesuccess of a new generation of home consoles (CyberAtlas, 2002). Furthermore, McNealy(2001) reported that online console gaming revenue in the United States will grow fromUS$138 million in 2002 to US$2.3 billion in 2005.One market survey in the United States points out that revenue from online games will grow50% annually over the next few years, from US$210 million in 2001 to US$ 1.8 billion in2005 (Becker, 2002). This has attracted the advertising industry to online "advergamings", aterm first introduced by Chen and Ringel (Fatah and Paul, 2002), that refers to the placing ofadvertisements in online game designs. This strategy may achieve US$774 million by 2006,rising from US$134 million in 2002 (Fattah and Paul, 2002). Compared to TV commercials,which may be missed by audiences in break sessions, advergamings 'force' customers to payattention since they are part of games. Nonetheless, it is too early to evaluate the success ofadvergamings in persuading players to purchase products.

3. Examination of Online Games' Customers

Profile of the Players

As a result of the growing number of Internet users, online games today have a morerepresentative customer profile than in previous years in terms of gender, age, educationalbackground or income. Several surveys in the US found the age of players varied from under18 to over 36 years old (e.g. 15 to above 51 and the average was 23, Framfab, 2002; 42%were over 35, Hopper, 2002; 79% was between 25-55, Interactive Digital SoftwareAssociation, 2001), and proportionally more women (53% of all women gamers) areconnecting inmultiplayer online games than before (Interactive Digital Software Association,2001; Wright, 2001). Online game players have been categorised as heavy users when theyspend from 20 - 43.9 hours/month online (Berchtold et al., 2001). Furthermore, a surveytaken from the 10 top online gaming sites (Fattah and Paul, 2002) shows that most of theirU.S.' subscribers are white (79.3%), followed by African American (8.9%), and Asian(4.2%). This reflects a proportionately lower representation of minorities than the generalpopulation.According to IGDA(2002), online game customers can be divided into three groups: TheHard Cores, The Fringes, and The Resistances. Hard Core gamers are represented by youngmales. Although they are the smallest proportion of online games' customers, they are notprice-sensitive and are willing to spend money on playing games. It is speculated that these"hard core" players may represent the majority of play (c.f. Mizerski and Mizerski, 2002).

Fringe gamers are in their 30s and played older generation games when they were young.ANZMAC 2002 Conference Proceedings 202They tend to play simple online games for several hours per week for fun and have nointention to spend more time, either because they have no time, or do not posses the high-endcomputer system required. Finally, Resistance gamers are people who play games that arealready installed in their Personal Computers or in the Internet for which no download isnecessary.

What Attracts Customers in Online Games?
Few outside of the gamers seem to be aware of the existence of virtual communities becauseof the exclusiveness and word-of-mouth marketing practices among them regardingmultiplayer online games. Whether offline gamers switch to online games appears to dependon how attractive and sociable the online games to be. An established brand is insufficient.The quality of software and interesting game designs seem to be the salient attributes thatattract consumers to subscribe to games. Social interaction is also believed to be an importantfactor in attracting customers to be involved in online communities. As Donath (1996)mentioned, the success of virtual communities depends on the level of social interactiondesign of the game. Emotions are also an important aspect of these virtual communities. Asense of belonging, affiliation, and support are felt by players in a virtual world (Rheingold,1993; Turkle, 1995). Competition and conflict between players and game administrators orconflict among players also exist. For example, there was a character, Bungle, who rapedother characters in a virtualworld and caused anger among users

(Dibbel,1999). A strategicquestion for game industries is, "What emotions need to be aroused in order to keep themultiplayer online games interesting and in high demand?"

Public Policy in Online Games

Gaming has been the focus of attention by policymakers, as some cases of violence aresuggested to have resulted from violent game exposure among children and teenagers, as wellas other negative effects such as feeling isolated and lonely, gender stereotypes and obesity(e.g. Griffiths, 2000; Robinson et al., 2001). In response to public and legislative pressureregarding the negative effects of video games, the industry implemented the EntertainmentSoftware Rating Board (ESRB) in 1994. ESRB rates both online and offline games for ageappropriateness and provide information in terms of the game content. There are sixclassifications in the rating, namely EC (Early Childhood) for age 3 and more, E (Everyone)for age 6 and more, T (Teens) for age 13 and more, M (Mature) for age 17 and more, A(Adult Only) for age 18 and more, and RP (Rating Pending) – game is awaiting final rating.According to the Federal Trade Commission of the United States (2000), video and computer

game industries frequently misuse the system. For example, 70% of M-rated games weremarketed to children under 17 years old and 85% of children aged 13 to 16 can easilypurchase M rated video games. The rating system tends to be inconsistent with the marketingefforts of the games (Grier, 2001).Violence as a classic issue in gaming is still an inconclusive topic surrounding electronicgames, including online games. However, the issue now is broader, covering potentialaddiction problems of multiplayer online games (Miller, 2002). In response to this situation, itis now being considered whether a warning label about the hazardous effects of extensiveplaying is necessary, because of the possibility that online games lead to addiction.ANZMAC 2002 Conference Proceedings 203The Applications of Theories in Gaming StudiesElectronic gaming (video and computer games) has been the focus of attention in manystudies. Researchers in the fields of education, psychology, medical, sociology, culture, andliterature are interested to seek the answer of why people play game and the effect of game to

the players. For example, in the medical field researchers have examined the physiologyeffects of the game (e.g. Brasington, 1990). In psychology and education, motivational andcognitive theories have been applied to explain why people play game and the effect of thegame in children's development (e.g. Hughes et al., 1987), correlation between violent videogames and aggressive behaviour among children (e.g. Silvern and Williamson, 1987).

Anderson and Dill (2000) found the existence of both short and long-term aggression effectsof video game violence through the General Affective Aggression Model (GAAM). GAAMillustrates a number of stage processes, including personality and situational (video gameexposure) variables, which may cause aggressive behaviour. The justifications wereconceptualised within existing social psychological theories, such as social learning

theory(Bandura, 1973), and cognitive neoassociationist analysis (Berkowitz, 1993), which contend

that players may imitate the violent behaviour. Yet, most of these studies were on offlinegames.The development of electronic game, including in terms of better design and graphic, and theopportunity to play it online, makes gaming study is more interesting and challenging.Previous research focusing on human behaviour in online gaming is limited, with only fewstudies examining multiplayer online games. The interests of study shift to acknowledge howonline community is and its significant effects, including consumer research topics of

reference groups, word-of-mouth, and opinion leadership (Kozinet, 1998). One method tomeasure consumerbehaviour in cyber communities is by adapting an ethnographic method,which is termed netnography (Kozinets, 1997; Kozinets, 1998), cyber ethnography (Fox andRoberts, 1999) or online ethnography (Catterall and Maclaran, 2001).An interesting economic study by Castranova (2001) concluded that EverQuest, a virtualcommunity filled by industrious characters, creates a strong free-market economy with itstrading, auction, and game currency. Anthropology and sociology approaches have beenused to explain the online personae (Turkle, 1995), the importance of communication (Dolan,2002; Smith, 2002), and trust (Smith, 2002).

The positive and negative effects of multiplayer online games are brought out by a study frompsychology. The positive side of multiplayer online games lies in its role-playing, by helpingpeople who are shy or have trouble forming social relationships to be more active and try newthings and train themselves in leadership skills. Yet, the amount of time playing gamescorrelates significantly with neuroticism (Becker, 2002). No empirical research to date hasexamined online games through the perspective of marketing.

Marketing Perspectives of the Online Game
The traditional perspective of consumer behaviour looks at consumers mainly as rationaldecision makers when selecting and purchasing products. Holbrook and Hirschman (1982)suggested an experiential approach in explaining consumption behaviour. The experientialview acknowledges the significance of antecedent variables such as emotions and needs forentertainment or enjoyment. Hedonic consumption experiences are when the consumptionsof products are being likely to generate fantasies, feelings, and delight. Thus, a product is
ANZMAC 2002 Conference Proceedings 204hedonic in nature if there is more of the consumers' subjective response (enjoyment) thanobjective response (usefulness) to the product features. This experiential view of consumerbehaviour is appropriate in studying hedonic consumption experiences, such as MMORPGs,
which result in the affective experiences. Consumption experience may become a focus ofstudy that includes measuring emotions and perceived risk in multiplayer role-playing

games.Moreover, researchers may look at macro-analysis of consumption experience and drawpatterns of consumption behaviour across online games.

Several other theoretical paradigms tested for gambling may also be applicable in explaininggaming initiation and repeated play. The cognitive psychology approach (cf. Rogers, 1998;Walker, 1992) rationalises that the core beliefs of the regular gamblers are "… in some wayflawed' (Rogers, 1998, p.115), and thus continue to drive gambling behaviour. Those beliefsare for example, that it is possible to win consistently at Pokies, that regular gambling is morelikely to win in the long run, and that persistence will ultimately gain wins more chance.

Another view is based on the effects of habit or stochastic preference (Mizerski and Mizerski,2001). A recent experimental study (Jolley, 2002) compared the cognitive and habitualexplanation of repeat betting using an online Pokies venue. It is found that regular and heavybetting was best explained by the previous play. Of these two paradigms, the habitualexploration would appear to be more applicable in that flawed "core beliefs", but not yetassumed to play a role in explaining online gaming behaviour. However, the cognitive based

approach (cf. Rust and Zahorik, 1993) is more in line with the customer satisfactionexplanation of playing games.

Marketing research on games can also contribute more to public policy by examining nontarget market effects ofthe game advertisements. The non-target studies on games may adaptthe ideas of examining the social and ethical aspects of customizing marketing toward a targetmarket that may take advantage of the segment's vulnerabilities (e.g. Ringold, 1995; Smithand Quelch, 1993), because M-rated game advertisements could get the unintended (younger)audiences.

6. Conclusion

Online games are an emerging trend and merit future research. There are at least threemarketing issues on online games: the advergamings, hedonic consumption, and non-targetmarket effects of the games. Research questions need to be answered in the field ofmarketing are for example:

(1) Strategic Marketing: What is the decision-making processinvolve in playing online games, and what are its implications to the game market in general?What are the competitive advantages of online games? What are the pros and cons? How canthe customers of multiplayer games be retained? How can it get more customers? What arethe costs of switching from offline to online games?;

(2) Consumer Behaviour: Thepreferences and habits of the players is essential data for the game industry. What are theAustralian demographics for customers in online games? Emotions are involved in onlinegames. How can they be measured? What do customers want?;

(3) Pricing: What is the effect of pricing policy in online games?;

(4) Advertising: What is the effect of advergamings inpurchasing? Responding to these questions can add more understanding of online games inthe field of marketing, beneficial to academics and practices, and contribute more in publicpolicy decisions.
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