



Markets and distribution channels

Markets and distribution channels are very closely connected to the business model and monetization of the game itself. In this document business model and monetization is not dealt with.

Introduction to serious games market

Serious games **application areas** are many. In the book *Serious Games - Foundations, Concept and Practice* the following application areas were presented (Dörner, Dörner, Göbel, Effelsberg . & Wiemeyer, 2016, p. 320)



Fig. 1. Serious games application areas

Serious games for training and simulation

Training and simulation games may represent the biggest and economically most relevant application area for serious games. The examples for this group are military training and simulation, civil relief organizations (police forces), training environments for service staff in various service sectors (bus/car drivers, pilots/flight attendants, etc.). The games can be either in-house training or public game markets. (Dörner et al., 2016, 321.)

Digital educational games

Edugames aim to teach users information in an enjoyable way (Alvarez, 2008, 19). Digital educational games are quite close to serious games for training and simulation. The main difference is the target user groups of children, students, trainees, families and elderly players. Many educational games exist, which can be used either at school or as supplementary learning material. Some digital educational games originate from research projects. (Dörner et al., 2016, 322.)



Health games

The third big application field of serious games represents games for health, covering prevention, rehabilitation, physical exercises, dance or nutrition aiming to support health in general and to enforce a behavior change towards better, more active and healthier lifestyle. The "hype" on health games is motivated by the fact that the global health care system has to develop new concepts to tackle demographic changes and increasing costs in the healthcare sector. (Dörner et al., 2016, 323.)

Social awareness and impact games

Social awareness and impact games are so-called *games for good*. These games address public, societal relevant issues such as: Politics and history, Religion and global conflicts, Sexism and racism, Security awareness games, Climate, Energy. (Dörner et al., 2016, 325.)

Pervasive gaming, cultural heritage and tourism

The idea of pervasive games is to integrate games and game-based concepts into daily processes and activities, especially in the context of mobility. Game concepts are combined with wearables and mobile technologies available in smartphones such as positioning systems, audio, camera and accelerometer or additional biosensors to consider the context and health status of users in mobile settings. Further, often augmented reality technology is used, especially within pervasive games for cultural heritage. (Dörner et al., 2016, 326.) Many museums are looking for fun ways to engage visitors and attract a wider audience. Industrial and cultural tourism in hostile (nuclear, toxic, etc.) or fragile (ecosystems, old monuments) environments is another area where serious games are employed. The virtual environment lets users discover sites without any negative consequences. (Alvarez, 2008, 17.)

Marketing and advergames

Marketing and advertisement games (advergames) typically used to advertise a product or brand (Dörner et al., 2016, 327). Advergames often employ gameplay elements of established videogames to produce an advertising tool. The idea is that users do not have to worry about learning to play the game, and can concentrate on the application's graphics and sounds, which feature various products and/or brands. (Alvarez, 2008, 17)

Game and its market

Already when designing your game you need to think about who are your customers? Whose need/needs you are solving with your solution (game)? Is your game user the actual payer or is there a client who has users of your game? Who is going to pay to you for using your game? Is there real business possibility? In what context your game is being used?

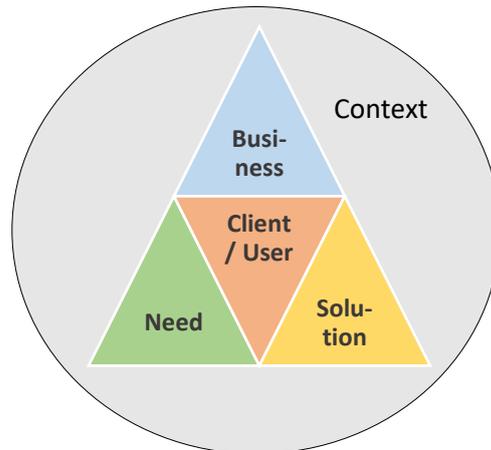


Fig. 2. Game and its context. (Heikkinen, Seppänen, Isokangas 2015)

You need to do a market research and find answers for example following questions:

- Who are you developing this game for?
- How big is the target group and sales potential?
- Who are your competitors and what are their key strengths?
- What kind of attitudes and beliefs does the target group hold?
- By which means can we best communicate our product to the target group?
- Is there a potential target group who does not have games?

For the time being, the serious game market can be divided into three major segments:

- B2B: this segment is made up of serious games developed by public or private bodies on behalf of other companies.
- B2C: this segment features serious games developed by public or private bodies that are marketed to the general public.
- B2B2C: this segment takes in serious games developed by private or public bodies on behalf of other organizations, who then distribute them to the general public. (Alvarez, 2008, 19.)

The army and government are the two main serious game backers in the serious game market in the USA. This market should not obscure that of industry and private institutions however, as these also commission serious games. The serious game market in Europe is younger than that of the United States, the European market is principally driven by the UK, Scandinavia, Germany and France. Though the publisher/developer business model may not be widely supported in Europe, the order-based model seems to show increasing development in the spheres of e-learning, industrial training, and advergaming. (Alvarez, 2008, 52.)

Marketing research is a process that aims to support decision making in game development in order to facilitate increased market share, positive brand exposure, positive future sales or any other effect you want to achieve. It is about to generate data in order to build a long-term sustainable game development business. (Zackariasson & Dymek, 2017, 86.)

"Give market what they want. Games are like any other product: It is not about how great idea you have but rather if the market has demand for it or not." (Stenmark, 2017.)



You can find some data about downloads, sales, price level, revenue models, competitor situation in the services in the internet:

- AppAnnie (<https://www.appannie.com/>)
- SteamSpy (<https://steamspy.com/>)
- NewZoo (<https://newzoo.com>)
- GameVision (<https://www.gamevisionresearch.com/>)
- MediaControl (<http://www.media-control.de/>)
- GfK Chart-Track (<https://www.chart-track.co.uk/>)
- Steam (<http://store.steampowered.com/>)

In addition to gathering information about your competitors and other aspects of your environment, you need to build knowledge about your consumers. The different types of marketing research that you will need on general level are pre-production, production and post-mortem marketing research. (Zackariasson & Dymek, 2017, 88-89.)

The goal of pre-production marketing research is to find knowledge about potential consumers' needs and wants. Main subjects for this type of research are to justify the production decision, the estimated production resources and expected results e.g. profit/loss. Interesting areas are for example target groups, market segmentation, market demand, sales expectations, sales developments and customer behavior in general. (Zackariasson & Dymek, 2017, 89.)

Production marketing research allows you to continuously generate knowledge about consumer behavior in a game and also about what is happening in the marketplace. You find out what your competitors are currently doing and how the marketing environment is evolving. Post-mortem marketing research generates knowledge about a game that has reached the end of its life cycle. The purpose is to learn from successes and error in order to make the next game project better. (Zackariasson & Dymek, 2017, 89-90.)

Entertainment game and its distribution channel

The segments, business model and distribution channel are joined together. In this paper segments and business models are introduced very briefly. There are other sections in this course that discuss these subjects more deeply.

The business models for entertainment games briefly introduced are: free-to-play, freemium, premium and subscription. Free-to-play allows the customer to download and play without paying anything. Quite often there are commercials shown while user is playing the game. Player can get limited-free-to-play version of the game with payment required to unlock the full game. Freemium model the game is downloaded free of charge, but money is charged for proprietary features, functionality, or virtual goods. The premium model means that the user pays to be able to download and install the game. Subscription model means that the player pays for example per month to use the game. (Määttä & Nuottila, 2016, 19).

The traditional model contains a value chain from game developers over publishers, distributors and retailers to players. Developers make contracts with publishers who serve as investors of the games. Publishers own the rights of the game and offer it to distributors and retailers who use different distribution channels to



reach the players. Players buy the game (game media) e.g. in a store. See the picture below. (Dörner et al., 2016, 310-311.)



Fig. 3. Traditional value chain. The arrow to the right indicates the game flow and the arrow to the left the money chain.

Let's assume that the player pays 40 € for a game in a store. Retailer keeps 10 € and 30 € goes to the distributor. The distributor keeps 14 € and 16 € goes to the publisher. From that the publisher keeps 12 € and game developer gets 4 €. (Dörner et al., 2016, 311.)

In the mobile world the value chain is shorter. The game developer puts the game in the market through mobile application store - AppStore for iOS devices, Google Play for Android devices, Windows Store for Windows devices. Players pay, download and install the game in their devices through application store. Freemium model payments will also go through mobile application store. Developer makes a paid distribution contract either with Apple, Google or Windows to be able to get one's product in application store and they take 30% of the revenues of paid apps, see <http://stackoverflow.com/questions/14070239/what-are-the-fees-to-develop-on-ios-android-and-wp>.

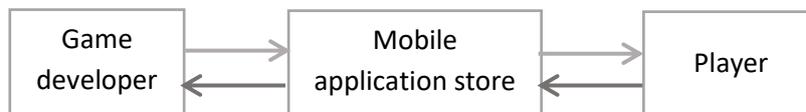


Fig. 4. Mobile game value chain

From the mobile world the digital distribution channel have been evolved also to PC games. There are distribution channels that offer game makers the possibility to publish PC, mobile and console games. For example, there are the following digital distribution channels with whom the publishing and distribution contract can be made:

- Steam (<http://store.steampowered.com/>)
- Origin (<https://www.origin.com>)
- Good Old Games, GOG (<https://www.gog.com/>)
- Ubisoft (<https://www.ubisoft.com>)
- OnePlay (<http://www.oneplay.com>)
- Humblestore (<https://www.humblebundle.com/>)
- GamersGate (<https://www.gamersgate.com/>)
- IndieGameStand (<https://indiegamestand.com/>)
- Itch.io (<https://itch.io/>)
- IndieDB (<http://www.indiedb.com/>)

Games can be also distributed and played via social media like Facebook. These games are usually free-to-play or freemium. Of course game company can distribute their games in their own web sites.



Console manufacturers have their digital distribution channels, too:

- Xbox 360 Marketplace (<http://marketplace.xbox.com>)
- Play Station Network (<https://www.playstation.com>)
- WiiWare (<https://www.nintendo.co.uk/Wii/WiiWare/WiiWare-Download-Games-on-Wii-Wii-Nintendo-UK-621696.html>)

Serious game and its distribution channel

A serious game can use the same business models as an entertainment game.

An entertainment game is bought by its player. Players are willing to invest in an entertainment game. Is it the same with serious games? Are players willing to pay for serious games in general? Can the serious game be published as premium game or freemium game? Are people personally willing to invest in education or health as private individuals or is the general opinion that societally relevant areas are fully covered by public services? So should serious games be offered for free of charge? Should they look like free-to-play but actually there is some part who has invested the game? There is a customer who has initiated and financed serious game development i.e. contract game developers for customized solutions and distribute the game for free for training purposes among company employees or among school-age children in educational settings. (Dörner et al., 2016, 311-312.) Freemium model can be problematic in serious games targeted to children. They don't necessarily have understanding of virtual goods money value. (Suomen hyötypeliteollisuuden tilannekuva, 2016, 16.)

For serious games the same distribution channels are available as for entertainment games. As Serious games distribution is commonly very targeted and not as widespread, marketing will play a crucial role for the distribution of games. Reviews on video game sites, different contents, updated screenshots of the game, or even press releases on the company's website can be very beneficial for word-of-mouth marketing. Distributing serious games via gaming portals can vastly increase reach and popularity of the game if the portal has already garnered enough traffic. (Georgieva, Arnab, Romero & Freitas, 2015.)

In the study (Georgieva & al. 2015.) Facebook was seen as the main channel to play entertainment games. It should also be used as a marketing tool for the entertainment and serious games. There should be a page to post games-related content as a common strategy. Serious games companies have also blogs or events pages on their own sites which is another good strategy to popularize the games. Serious games distribution channels should align with existing educational distribution channels such the MOOCs platforms.

Based on the findings of Döner & al. (2016, 311) the majority of the serious games have a company or other customer who is investing to get a game for training or learning purposes. In this case it is the investor who is then deciding the distribution channel.



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