

Gaming Division for SmartyAds: An Analysis

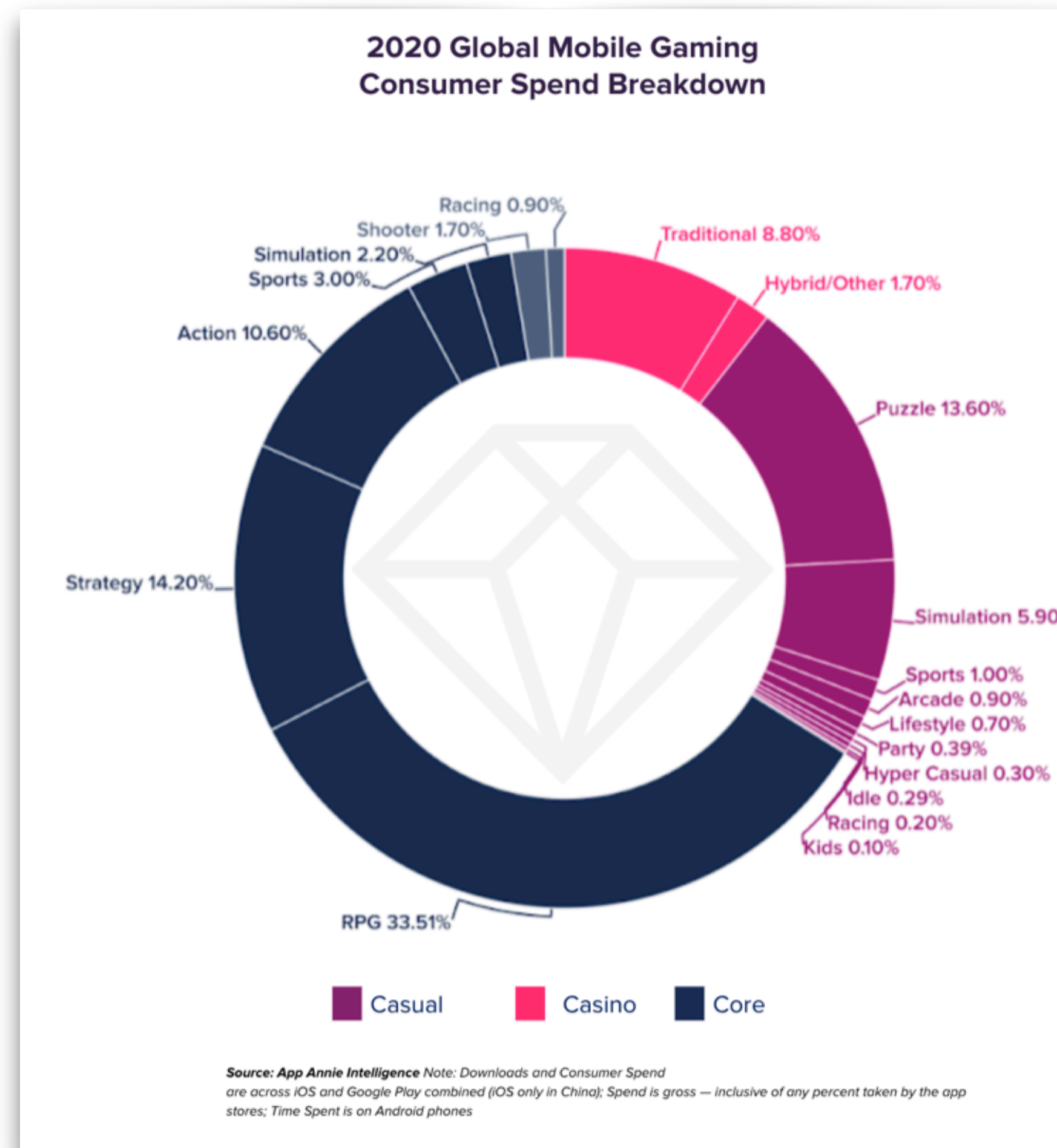
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Market Size and Dynamics

- There were about **2.4 billion** global mobile gamers in 2020, and that number is projected to grow to **2.7 billion** by 2021.
- The mobile games industry was one of the highest performing industries in 2020, with a massive turnout of **\$100B** in revenue. The market is projected to surpass **\$120B** in revenue in 2021.
- The biggest markets are **the USA, China, South Korea, Japan** and **Germany**. Among the fastest growing markets are **India** and **Russia**.

Most Popular Mobile Game Genres

- **Core games** are generating about **2/3** of mobile game revenues, with **RPG** being the most profitable genre.



Most Popular Mobile Game Genres

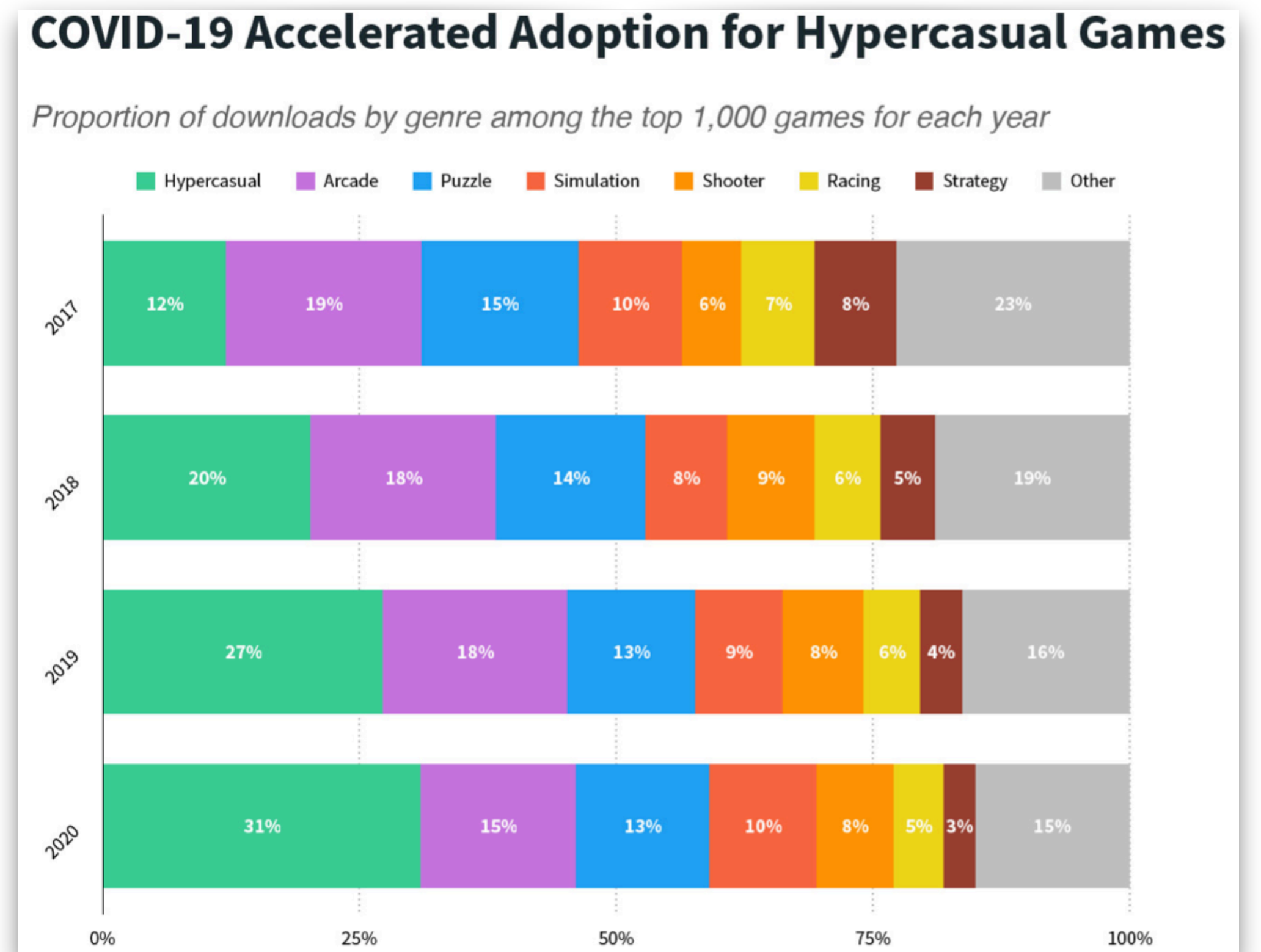
- However, **hypercasual** was the most downloadable and fastest-growing genre in 2020, and this trend is projected to continue. It accounted for **31% of downloads** among the top 1,000 games, showing a **45% growth**.
- Our recommendation is to start with the **casual / hypercasual** genre.

Pros:

- + The genre is growing, and we expect revenues here to mount as well;
- + These games are relatively easy and quick to build and maintain;
- + Such games are most popular for female audience, which accounts for **63%** of all mobile gamers and is more likely to complete in-app purchases.

Cons:

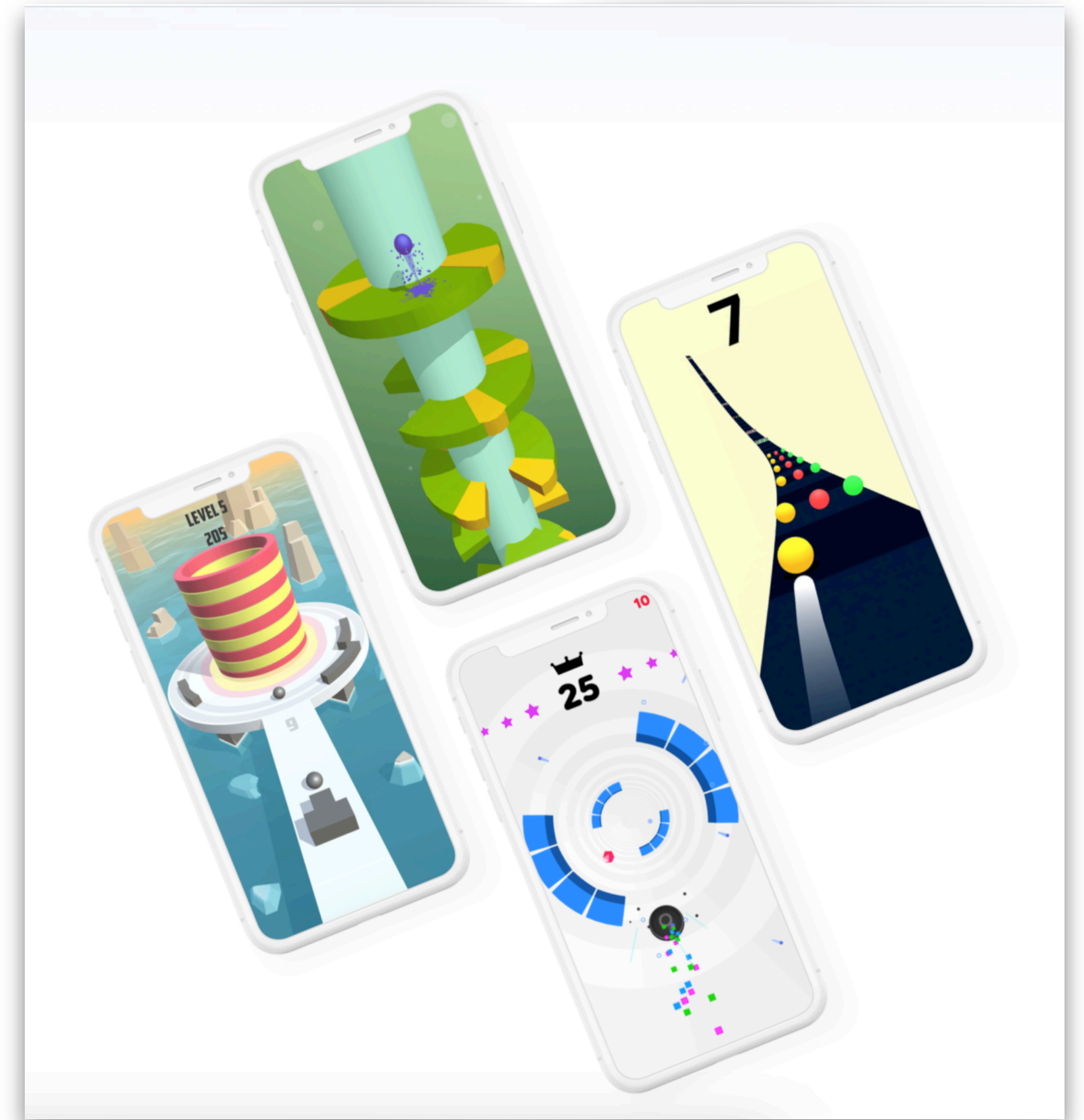
- Lower retention and revenue compared to core games.



Role Model Company: Voodoo

- Voodoo has been a **pioneer** for hypercasual games, and has been among the **20 best performing** mobile game publishers since 2017.
- Voodoo games have accumulated over **5 billion** downloads overall.
- Among the biggest Voodoo **hits** are [Helix Jump](#), [Hole.io](#), [Paper.io](#) and [Crowd City](#).
- Unlike most other top publishers (like Zynga, Playrix and others) Voodoo is **relatively small**, with up to 330 employees.

Voodoo



Monetization Model

Considering the facts that:

- we're building a casual game, most of which **are free**;
- **82%** of mobile gamers say they are more into **free mobile games that include ads** than paid games with no ads;
- about **95%** of user spend among mobile gamers can be attributed to **in-app purchases**.

Our suggestion is to stick with the **hybrid monetization model** of in-app advertising and in-app purchases.

- Currently, most effective ad types are **interstitial** and **rewarded video ads**.
- In-app purchases may be used by our players to **disable ads** or simplify game progress by acquiring coins, energy, hacks or additional content like characters and new levels.

Unit Economics

As a key metric for our unit economics we'll select **Return on Marketing Investments** (ROMI) and calculate it by the formula: **ROMI = (LTV – CAC) / CAC x 100%**. Let's assume that:

- our target ROMI is 100%;
- CAC = CPI which is \$0.46 for iOS and \$0.16 for Android;
- hence, our target LTV should be **\$0.92** for iOS and **\$0.32** for Android.

We can estimate our future LTV by multiplying ARPDAU by lifetime (# of days played). D28 retention for casual games is 6% at best, meaning that most paying users will abandon the app after one month, hence we assume that our lifetime is 28 days. Highest ARPDAU for casual puzzle games is \$0.07, let's assume that it will be \$0.05 in our case. $LTV = \$0.05 * 28 = \1.4 . Finally, we subtract 30% of the app stores fees and get **\$0.98** of projected LTV, meaning that our game **should be profitable**.

Marketing Channels

- **App Referral** – primary source of traction for most of the users (63%). We should place playable video ads in other apps / games.
- **ASO** – 36% of the users discover new games via market browse and search; we can try promoted ads in app stores for the same reason;
- Integration with **influencers** (e.g. YouTube or TikTok bloggers) – people are more likely to try a product recommended by someone they know;
- Publishing and promoting ads in **alternative app stores** such as Huawei AppGallery and Mac App Store, as they have growing audience.

Tasks for the Next 3 Months

1. Finalize research on the most trending sub-genres and games;
2. Brainstorm different concept ideas and select the most promising one;
3. Create concept arts;
4. Prepare wireframes;
5. Outline game levels structure;
6. Select game engine;
7. Develop visual identity, map design, game mechanics and rules;
8. Write the code, create game's AI;
9. Roll out the first prototypes and test them; incorporate feedback from the first users;
10. Finalize user interface;
11. Create audio;
12. Perform quality assurance, fix the bugs;
13. Finalize marketing strategy;
14. Set up data analytics;
15. Create a simple landing page;
16. Develop the game's app store pages;
17. Publish the game;
18. Start driving traffic to the game; perform retention tests;
19. Set up processes for post-release support and maintaining.

Measuring Success

The most crucial metrics for our project are:

- Retention (D1 / D7 retention should be not less than 35% / 8% respectively);
- CAC, ARPU, ARPPU (combined with retention, these metrics will help us track our unit economics);
- # of downloads (for ASO);

Sometimes the success of the game can be predicted at the very early stages (say, very low D1/D7 retention and very high CAC are a good reasons to close the project even before investing substantially in marketing). For project which doesn't have such obvious «red flags», we will allow a timeframe of **1 month** since market launch and then measure the key metrics. If the project is unprofitable then, we should close it and move on to the next one.

Recommendation

Should SmartyAds launch a gamedev department with the goal of making \$20M in revenue in 2 years?

The question here is twofold:

1. **Will the gamedev department be profitable?** We suppose that **yes**, mobile games market is performing phenomenally well and will continue to grow as shown in our analysis.
2. **Will it generate \$20M of annual revenue?** This number means that we'll need to make at least \$1.6M each month. In order to assess the realism of this number, let's look at revenues of VooDoo. Its annual revenue was \$833K in 2020 and went all the way up to \$345M in 2020.

Hence, we expect the number of \$20M of annual revenue to be **realistic**.

Thanks for watching!