Final Project

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Analyzing Video Game Sales

Summary

Introduction

The video game industry has been growing consistently during the last two decades, and in 2017 it was worth more than 78 billion USD worldwide. Video game software sales account for around 80% of total revenue. There are several factors that influence whether a video game will be successful or not, such as the developer studio, the critics rating, the user rating, among others. I will build a model to analyze what factors can help us determine how successful will a video game be in terms of global sales.

I analyzed a total of 4195 video game software releases across the world by 50 different developers. I built a hierarchical linear model on a logarithmic transformation of the global sales, with random slopes by developer, using a manual stepwise selection process using BIC and conditional R-squared as selection criteria. The variables on the final model were found to be significant in predicting the global sales for a video game.

The goal of this project is to find what are the most significant predictors for a video games success, measured as the number of sales around the world. I use a hierarchical linear regression model to explain the number of sales a particular videogame has. Considering that the developing studio plays a major role on a customer's decision to buy a new game, and due to the fact that accounting for every single studio included in the dataset (444 total) would make the interpretation too complicated, I used a random sample of 50 developers and built an appropriate hierarchical model with random intercepts effects for each one of them.

Data

The data was obtained from Kaggle (https://www.kaggle.com/rush4ratio/video-game-sales-with-ratings). It contains data from video games with 100,000 or more global sales from 1976 to 2016. The data contains 16719 rows with the following columns:

- name (categorical): Name of the video game
- platform (categorical): PLatform or console for which the video game was released
- year_of_release (categorical): Year of first release
- genre (categorical): Genre of the video game
- publisher (categorical): Publishing company
- na_sales (numerical): Units sold in North America
- eu_sales (numerical): Units sold in Europe
- *jp_sales* (numerical): Units sold in Japan
- other_sales (numerical): Units sold in the rest of the world
- global_sales (numerical): Total units sold worldwide
- critic_score (numerical): Average score (from 0 to 100) according to critics from other media aggregated by Metacritic
- critic_count (numerical): Number of critics taken into account for the Metacritic critic score
- user score (numerical): Average score (from 0 to 100) according to Metacritic users
- user_count (numerical): Number of user scores on Metacritic
- developer (categorical): Video game developing company

• rating (categorical): Video game rating according to the ESRB that indicates the appropriate audience

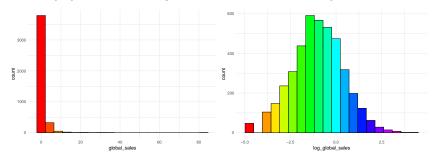
Around half of the rows in the dataset have missing values. First of all, I filtered out every video game release before 2000 since it seemed that for older releases there was more missing data and this report is only concerned with more recent releases. After observing the rest of the rows, the missing data seemed to be at random, so I decided to use only the 6951 rows with complete data.

Since the categorical variables have many levels (See Appendix 1.1 for a summary of the dataset *vgsales*) and in order to center the numerical variables to avoid multicollinearity issues, I created the following additional columns:

- critic score c (numerical): Values of critic score minus the column's mean value
- critic_count_c (numerical): Values of critic_count minus the column's mean value
- user_score_c (numerical): Values of user_score minus the column's mean value
- user_count_c (numerical): Values of user_count minus the column's mean value
- platform_company (categorical): Company that manufactures the video game's platform
 - 'Nintendo' when platform is '3DS', 'DS', 'GB', 'GBA', 'GC', 'N64', 'Wii', or 'WiiU'
 - 'Sega' when platform is 'DC'
 - 'PC' when platform is 'PC'
 - 'Microsoft' when platform is 'X360', 'XB', or 'XOne'
 - 'Sony' when platform is 'PS', 'PS2', 'PS3', 'PS4', 'PSP', or 'PSV'
- rating_everyone (binary): Indicates if there is not an age restriction for the video game release
 - '1' when rating is 'E'
 - '0' when rating is not 'E'

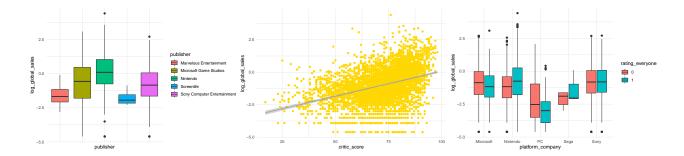
To consider the variable *publisher* into the model, I took a random sample of 50 different publishing companies from the dataset and built a sample dataset to work with. I observed at the distribution of the response variable *global_sales* and noticed that its distribution is not normal. After applying a logarithmic transformation, the distribution is normal, so I added the following column to the dataset:

• log_global_sales: Logarithmic transformation of global_sales



A summary of the data variables being analyzed can be found in Appendix 1.1.

For the Exploratory Data Analysis, I plotted every relevant variable versus the response variable log_global_sales . All of the categorical variables seemed to have different means for the response variable on at least two levels, and the numerical variables seemed to have a positive effect on the response variable. I observed at some interactions between categorical variables ($platform_company:rating_everyone$, $platform_company:genre$, and $genre:rating_everyone$) and since the distributions seemed to vary I took them into account during the model selection. (For a full EDA, see Appendix 1.2).



Model

In order to obtain a final model for the response variable <code>log_global_sales</code> various methods for model selection were tested and interactions between predictors were considered as part of the full model. Since the publishing companies in the sample dataset are a sample of the total publishers available, I included random intercept effects for <code>publisher</code> in the final model. The categorical and numerical variables (except for <code>na_sales</code>, <code>eu_sales</code>, <code>jp_sales</code>, and <code>other_sales</code>, since their sum is exactly equal to <code>global_sales</code>) were taken into account for the model selection as predictors. The interaction terms <code>platform_company:genre</code>, <code>platform_company:rating_everyone</code>, and <code>genre:rating_everyone</code> were considered too.

The final model was selected with a manual stepwise approach in R, using AIC and the conditional R_GLMM-squared (conditional R-squared) from the MuMIn package, which is described as "a variance explained by the entire model, including both fixed and random effects" in r.squaredGLMM function documentation. The final model's conditional R-squared is 0.4928372, meaning almost half of the data's variance is explained by the model.

The variables platform, genre, critic_score_c, critic_count_c, user_count_c, as well as the interactions platform:rating_everyone and genre:rating_everyone were found to be significant. The variable rating_everyone was added to the model because its interactions had significant levels and improved the model considerably. With an AIC value of 12114, the final model has teh following formula:

$$\begin{split} log_global_sales_{i,j} &= \beta_{(\text{Intercept})} + \gamma_{(\text{Intercept}),j} + \sum_{p \in P} \beta_p \left(platform_company_p \right)_{i,j} + \sum_{g \in G} \beta_g \left(genre_g \right)_{i,j} \\ &+ \beta_{\text{rating_everyone}} rating_everyone_{i,j} + \beta_{\text{critic_score_c}} critic_score_c_{i,j} + \beta_{\text{critic_count_c}} critic_count_c_{i,j} \\ &+ \beta_{\text{user_count_c}} user_count_c_{i,j} + \sum_{p \in P} \beta_{p,\text{rating_everyone}} \left(platform_company_p \right)_{i,j} rating_everyone_{i,j} \\ &+ \sum_{g \in G} \beta_{g,\text{rating_everyone}} \left(genre_g \right)_{i,j} rating_everyone_{i,j} + \epsilon_{i,j}; \end{split}$$

Where:

 $j \in \{ \text{Nintendo}, \text{ 'Microsoft Game Studios', 'Sony Computer Entertainment', Activision, Ubisoft, 'Electronic Arts', 'Konami Digital Entertainment', LucasArts, Atari, 'Namco Bandai Games', Sega, 'Acclaim Entertainment', 'Midway Games', 'Crave Entertainment', Codemasters, 'Marvelous Entertainment', Rondomedia, 'Midas Interactive Entertainment', 'Tetris Online', Screenlife, 3DO, 'Home Entertainment Suppliers', 'Indie Games', 'PopCap Games', 'Gathering of Developers', 'Oxygen Interactive', 'Milestone S.r.l.', Agetec, 'XS Games', 'Compile Heart', 'Rebellion Developments', 'Media Rings', 'Yacht Club Games', Enterbrain, Microids, Ackkstudios, 'Little Orbit', 'Reef Entertainment', 'Kool Kizz', '2D Boy', 'DHM Interactive', 'Flashpoint Games', 'Iceberg Interactive', 'Mamba Games', 'bitComposer Games', 'Crimson Cow', 'FuRyu Corporation', 'Blue Byte', 'CDV Software Entertainment', 'Lighthouse Interactive')$

$$P = \{\text{Nintendo, PC, Sega, Sony}\}\$$

 $G = \{ \text{Adventure, Fighting, Misc, Platform, Puzzle, Racing, Role-Playing, Shooter, Simulation, Sports, Strategy} \}$

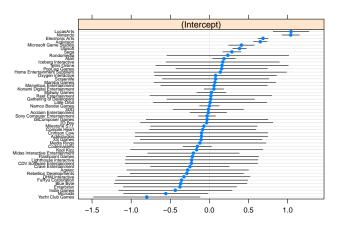
$$\epsilon_{i,j} \sim N\left(0, \sigma^2\right)$$
 and $\gamma_{(\mathrm{Intercept}),j} \sim N\left(0, \tau_{(\mathrm{Intercept})}^2\right)$

The final model's fixed coefficients have the following values for every β coefficient:

Table 1: Model's Fixed Coefficients

	Estimate	t.value	Prt	2.5~%	97.5~%	Sales
(Intercept)	-1.71	-16.01	0.00	-1.93	-1.49	0.18
platform_companyNintendo	0.08	1.31	0.19	-0.04	0.21	1.09
platform_companyPC	-1.44	-18.27	0.00	-1.59	-1.28	0.24
platform_companySega	-0.66	-1.68	0.09	-1.42	0.11	0.52
platform_companySony	0.46	8.80	0.00	0.36	0.56	1.58
genreAdventure	-0.34	-2.99	0.00	-0.56	-0.12	0.71
genreFighting	0.31	3.61	0.00	0.14	0.47	1.36
genreMisc	0.53	6.00	0.00	0.36	0.71	1.71
genrePlatform	0.06	0.58	0.56	-0.14	0.26	1.06
genrePuzzle	-0.20	-0.74	0.46	-0.75	0.34	0.82
genreRacing	0.15	1.71	0.09	-0.02	0.33	1.16
genreRole-Playing	-0.19	-2.52	0.01	-0.33	-0.04	0.83
genreShooter	0.11	1.83	0.07	-0.01	0.22	1.11
genreSimulation	0.43	4.52	0.00	0.24	0.61	1.53
genreSports	0.14	1.45	0.15	-0.05	0.32	1.15
genreStrategy	-0.50	-4.48	0.00	-0.72	-0.28	0.61
rating_everyone1	0.16	1.37	0.17	-0.07	0.40	1.18
critic_score_c	0.02	17.08	0.00	0.02	0.03	1.02
critic_count_c	0.02	18.85	0.00	0.02	0.02	1.02
user_count_c	0.00	14.91	0.00	0.00	0.00	1.00
$platform_companyNintendo:rating_everyone1$	0.23	2.39	0.02	0.04	0.43	1.26
platform_companyPC:rating_everyone1	-0.04	-0.28	0.78	-0.35	0.26	0.96
platform_companySega:rating_everyone1	0.36	0.51	0.61	-1.01	1.74	1.43
platform_companySony:rating_everyone1	0.13	1.43	0.15	-0.05	0.30	1.13
genreAdventure:rating_everyone1	-0.13	-0.51	0.61	-0.61	0.36	0.88
genreFighting:rating_everyone1	-0.78	-1.48	0.14	-1.80	0.25	0.46
genreMisc:rating_everyone1	-0.23	-1.46	0.14	-0.54	0.08	0.79
genrePlatform:rating_everyone1	-0.15	-0.93	0.35	-0.46	0.16	0.86
genrePuzzle:rating_everyone1	-0.40	-1.23	0.22	-1.03	0.23	0.67
genreRacing:rating_everyone1	-0.26	-1.79	0.07	-0.54	0.02	0.77
genreRole-Playing:rating_everyone1	0.47	2.59	0.01	0.12	0.83	1.60
genreShooter:rating_everyone1	-1.68	-3.92	0.00	-2.52	-0.84	0.19
$genre Simulation: rating_everyone 1$	-0.10	-0.53	0.60	-0.46	0.26	0.91
$genre Sports: rating_every one 1$	-0.22	-1.58	0.11	-0.48	0.05	0.81
genreStrategy:rating_everyone1	0.07	0.27	0.78	-0.42	0.55	1.07

The random intercept effects by plublisher or $\gamma_{(\text{Intercept})}$ random effects are shown in the following plot (See Appendix 1.3. for a table with the point estimates):



The baseline intercept indicates that a game of no particular publisher, released on a Microsoft Console, of the Action genre, with an age-restriction rating, with critic score of 71.58, reviewed by 30.77 critics and 181.4 users would sell 0.18 million (M) copies worldwide. It can be observed that only 10 out of the 50 publishers have significative (with 95% confidence) random intercept effects: LucasArts (a baseline game would sell 0.52M copies), Nintendo (0.51M), Electronic Arts (0.36M), Activision (0.35M), Microsoft Game Studios (0.27M), Ubisoft (0.27), Sega (0.24M), Atari (0.22M), Microids (0.10M), and Yacht Club Games (0.08M) (the latter two have negative random intercept effects). It is notewordthy that the first 8 publishers release the largest number of videogames and are among the best known video game companies in the world.

As for the fixed effects coefficients, the most significant variables is <code>critic_count_c</code>. A one-unit increase (31.77 critic reviews in total) would indicate a video game could be expected to sell 2% more units. The other significant variables are <code>platform_companyPC</code> (76% less sales), <code>critic_score_c</code> (2% more sales), <code>user_count_c</code> (0.05% more sales), <code>platform_companySony</code> (58% more sales), <code>genreMisc</code> (71% more sales), <code>genreSimulation</code> (53% more sales), <code>genreStrategy</code> (39% less sales), <code>genreShooter:rating_everyone1</code> (additional 81% less sales), <code>genreFighting</code> (36% more sales), <code>genreAdventure</code> (29% less sales), <code>genreRole-Playing:rating_everyone1</code> (additional 60% more sales), <code>platform_companyNintendo:rating_everyone1</code> (additional 26% more sales), and <code>genreRole-Playing</code> (17% less sales) in order of significance.

All of the VIF values of the model predictors are below 5 with the exception of rating_everyone (See Appendix 1.4. for each individual VIF value). I decided to keep the variable in the model because the interactions between rating_everyone and the categorical variables improve the model significantly. For the most part, the model does not show any serious multicollinearity issues. The model assumptions of linearity, independence, and equal variance seem to be met. The normality as- sumptions may be a reason to worry about since the Q-Q shows tails on both sides. (See Appendix 1.5.)

Conclusions

The final model indicates that the main factors that can help us determine how many units a video game will sell globally are the platform manufacturer, the genre of the videogame, the number of users and critics that review the video game on Metacritic, as well as the aggregated critic score it receives. The platforms in which video games sell the most units are made by Sony, belong to the Misc genre, and are rated E for everyone. The better the critic score a video game receives, and the more users and critics reviews it gets, the more units it will sell worldwide.

To improve the model I would start with the collection of data. Building a better web scrapping script I could get complete data for more video games, including recent years. A restriction on the publishing companies to only those that have sold more than a certain amount of units worldwide could also improve the analysis. To avoid the multicollinearity issue with $rating_everyone$ I would use the variable rating instead, although the model interpretation and the interaction effects would become way more complicated to interpret, and the model wouldn't be practical or useful.

Although the conditional R-squared value is just a little bit below 0.5, I believe this hierarchical model

does represent the reality well enough. The variables that were found to be significant confirm the information observed during the exploratory data analysis, and correspond to my knowledge and understanding of the video game industry. The most well-known publishing companies, best selling platform manufacturers, and most popular genres correspond to the interpretation of the model.

Appendix

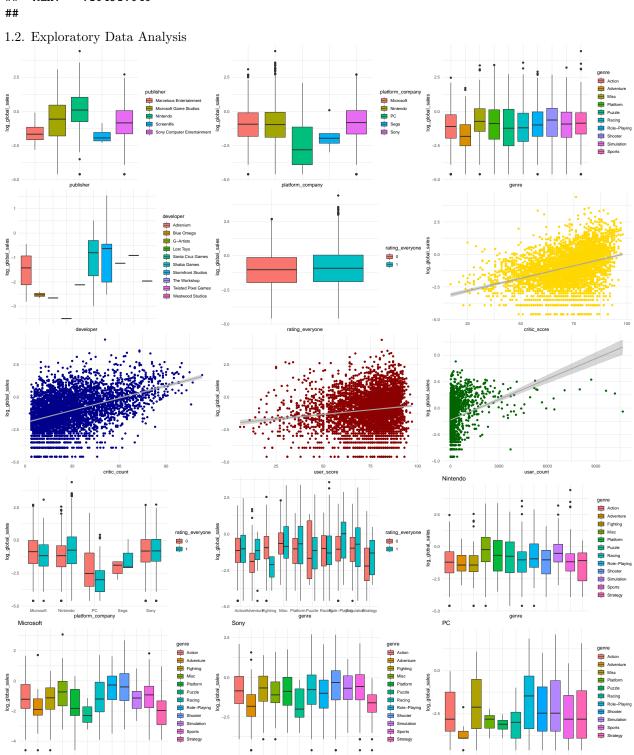
1.1 Dataset Summary

```
## [1] "sample_data"
##
                                               name
                                                            platform
##
    Madden NFL 07
                                                 :
                                                     9
                                                         PS2
                                                                 : 717
##
   LEGO Star Wars II: The Original Trilogy
                                                     8
                                                         X360
                                                                 : 516
   Need for Speed: Most Wanted
                                                         PS3
                                                                 : 478
                                                     7
    Harry Potter and the Order of the Phoenix
                                                         XB
                                                                 : 391
##
    LEGO Indiana Jones: The Original Adventures:
                                                         PC
                                                                 : 362
##
    Madden NFL 08
                                                         Wii
                                                                 : 306
   (Other)
##
                                                 :4149
                                                          (Other):1425
##
    year_of_release
                                                                publisher
                              genre
##
   Min. :2000
                                                                     : 961
                    Action
                                 :899
                                         Electronic Arts
    1st Qu.:2004
                                 :793
                                         Ubisoft
                                                                     : 512
                    Sports
##
    Median:2007
                    Shooter
                                 :529
                                         Activision
                                                                       505
##
    Mean
           :2007
                    Racing
                                 :396
                                         Sony Computer Entertainment:
##
    3rd Qu.:2010
                                         Nintendo
                                                                     : 309
                    Role-Playing: 324
##
    Max.
           :2016
                    Misc
                                 :275
                                         Sega
                                                                     : 292
##
                                 :979
                                                                     :1294
                     (Other)
                                         (Other)
                                             jp_sales
##
       na sales
                          eu_sales
                                                              other_sales
##
                             : 0.0000
    Min.
           : 0.0000
                       Min.
                                         Min.
                                                :0.00000
                                                             Min.
                                                                    :0.0000
    1st Qu.: 0.0800
                       1st Qu.: 0.0200
                                          1st Qu.:0.00000
                                                             1st Qu.:0.0100
    Median : 0.1900
                       Median: 0.0800
##
                                          Median :0.00000
                                                             Median :0.0300
##
    Mean
          : 0.4842
                      Mean
                            : 0.2998
                                          Mean
                                                 :0.08069
                                                            Mean
                                                                    :0.1014
    3rd Qu.: 0.4800
                       3rd Qu.: 0.2600
                                          3rd Qu.:0.01000
                                                             3rd Qu.:0.0900
           :41.3600
                                                 :6.50000
                                                                    :8.4500
##
    Max.
                       Max.
                              :28.9600
                                         Max.
                                                            Max.
##
##
     global_sales
                        critic_score
                                         critic_count
                                                           user_score
##
    Min. : 0.0100
                              :17.00
                                        Min. : 3.00
                                                         Min. : 6.00
                       Min.
    1st Qu.: 0.1500
                       1st Qu.:64.00
                                        1st Qu.: 16.00
                                                         1st Qu.:66.00
    Median: 0.3700
                       Median :74.00
                                        Median : 26.00
                                                         Median :77.00
    Mean
##
           : 0.9663
                       Mean
                              :71.58
                                        Mean
                                              : 30.77
                                                         Mean
                                                                 :73.13
    3rd Qu.: 0.9300
                       3rd Qu.:81.50
                                        3rd Qu.: 42.00
                                                         3rd Qu.:83.00
##
           :82.5300
                              :98.00
                                               :113.00
                                                                 :97.00
    Max.
                       Max.
                                       Max.
                                                         Max.
##
##
      user_count
                                              developer
                                                                rating
                       Electronic Arts
##
    Min.
                4.0
                                                   : 612
                                                           Ε
                                                                   :1493
##
    1st Qu.:
               12.0
                       Ubisoft
                                                   : 305
                                                           Τ
                                                                   :1396
##
    Median :
               29.0
                       Konami
                                                   : 146
                                                           М
                                                                   : 732
                                                                   : 548
##
    Mean
              181.4
                       Sony Computer Entertainment: 107
##
               96.0
                       Nintendo
                                                                      26
    3rd Qu.:
                                                      85
##
    Max.
           :10665.0
                       Codemasters
                                                      66
                                                            ΑO
##
                       (Other)
                                                   :2874
                                                            (Other):
                                                                       0
##
   log_global_sales
                        critic score c
                                           critic_count_c
                                                               user score c
##
                               :-53.137
    Min.
           :-4.60517
                        Min.
                                                  :-26.016
                                                              Min.
                                                                     :-66.5857
                                           Min.
##
    1st Qu.:-1.89712
                        1st Qu.: -6.137
                                           1st Qu.:-13.016
                                                              1st Qu.: -6.5857
                                                              Median : 4.4143
##
    Median :- 0.99425
                        Median: 3.863
                                           Median : -3.016
    Mean
           :-1.01178
                        Mean
                              : 1.448
                                           Mean : 1.749
                                                              Mean
                                                                   : 0.5435
##
    3rd Qu.:-0.07257
                        3rd Qu.: 11.363
                                           3rd Qu.: 12.984
                                                              3rd Qu.: 10.4143
##
           : 4.41316
                        Max.
                               : 27.863
                                           Max.
                                                  : 83.984
                                                              Max.
                                                                     : 24.4143
##
##
                          platform_company rating_everyone
     user_count_c
```

Min. : -169.960 Microsoft:1005 0:2702 ## 1st Qu.: -161.960 Nintendo :1130 1:1493

Median: -144.960 PC: 362 ## Mean: 7.464 Sega: 10 ## 3rd Qu:: -77.960 Sony: 1688

Max. :10491.040



1.3. Random Effects for the Intercept by Publisher

Table 2: Random Effects for the Intercept by Publisher

	gamma	log_global_sales Scale	global_sales Scale
2D Boy	-0.04	-1.74	0.18
3DO	-0.01	-1.72	0.18
Acclaim Entertainment	-0.01	-1.72	0.18
Ackkstudios	-0.10	-1.81	0.16
Activision	0.65	-1.06	0.35
Agetec	-0.28	-1.98	0.14
Atari	0.19	-1.52	0.22
bitComposer Games	-0.03	-1.74	0.18
Blue Byte	-0.37	-2.07	0.13
CDV Software Entertainment	-0.23	-1.94	0.14
Codemasters	-0.15	-1.86	0.16
Compile Heart	-0.09	-1.79	0.17
Crave Entertainment	-0.25	-1.96	0.14
Crimson Cow	-0.10	-1.81	0.16
DHM Interactive	-0.33	-2.03	0.13
Electronic Arts	0.68	-1.02	0.36
Enterbrain	-0.38	-2.08	0.12
Flashpoint Games	-0.22	-1.92	0.15
FuRyu Corporation	-0.36	-2.06	0.13
Gathering of Developers	0.02	-1.69	0.18
Home Entertainment Suppliers	0.14	-1.57	0.21
Iceberg Interactive	0.17	-1.54	0.22
Indie Games	-0.44	-2.14	0.12
Konami Digital Entertainment	0.06	-1.65	0.19
Kool Kizz	-0.16	-1.87	0.15
Lighthouse Interactive	-0.23	-1.93	0.14
Little Orbit	0.01	-1.70	0.18
LucasArts	1.04	-0.66	0.52
Mamba Games	0.07	-1.64	0.19
Marvelous Entertainment	0.06	-1.65	0.19
Media Rings	-0.12	-1.83	0.16
Microids	-0.56	-2.26	0.10
Microsoft Game Studios	0.41	-1.30	0.27
Midas Interactive Entertainment	-0.20	-1.91	0.15
Midway Games	0.03	-1.68	0.19
Milestone S.r.l.	-0.07	-1.78	0.17
Namco Bandai Games	0.00	-1.71	0.18
Nintendo	1.04	-0.67	0.51
Oxygen Interactive	0.08	-1.63	0.20
PopCap Games	0.16	-1.55	0.21
Rebellion Developments	-0.29	-1.99	0.14
Reef Entertainment	0.02	-1.69	0.19
Rondomedia	0.23	-1.47	0.23
Screenlife	0.08	-1.63	0.20
Sega	0.29	-1.42	0.24

Table 3: Random Effects for the Intercept by Publisher (continued)

	gamma	log_global_sales	global_sales
Sony Computer Entertainment	-0.03	-1.74	0.18
Tetris Online	0.16	-1.54	0.21
Ubisoft	0.38	-1.32	0.27
XS Games	-0.11	-1.81	0.16
Yacht Club Games	-0.80	-2.51	0.08

1.4. Model's VIFs for the Fixed Effects

Table 4: Model's VIFs for the Fixed Effects

	X
platform_companyNintendo	2.38
platform_companyPC	1.90
platform_companySega	1.46
platform_companySony	2.14
$\operatorname{genre} \operatorname{Adventure}$	1.39
genreFighting	1.23
genreMisc	1.93
genrePlatform	2.39
genrePuzzle	4.54
genreRacing	2.48
genreRole-Playing	1.52
genreShooter	1.51
genreSimulation	1.66
genreSports	4.78
genreStrategy	1.44
rating_everyone1	11.75
critic score c	1.29
critic_count_c	1.59
user_count_c	1.33
$platform_companyNintendo:rating_everyone1$	3.63
platform companyPC:rating everyone1	1.64
platform_companySega:rating_everyone1	1.44
platform_companySony:rating_everyone1	3.29
genreAdventure:rating_everyone1	1.48
genreFighting:rating_everyone1	1.06
genreMisc:rating_everyone1	2.60
genrePlatform:rating everyone1	3.33
genrePuzzle:rating_everyone1	4.88
genreRacing:rating everyone1	3.92
genreRole-Playing:rating_everyone1	1.60
genreShooter:rating_everyone1	1.07
genreSimulation:rating_everyone1	1.95
genreSports:rating_everyone1	8.52
genreStrategy:rating_everyone1	1.47

1.5. Model Assumptions and Validation

