



# Business Foundations Capstone

## Selling illusions for real money

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# Situational Analysis

# Concept of E-commerce (how do the most of companies works?)

|                                    |   |
|------------------------------------|---|
| Online market<br>(b2b, b2c)        | Buy – deliver to storage – promote – sell – deliver to consumer – take profit<br>   |
| Marketplace<br>(b2b, b2c,c2b,c2c)  | Connect consumer and supplier – provide them logistics and other services – take profit<br>     |
| Content provider<br>(b2b,b2c,c2c)  | shows consumer what they want to see and sound, what they want to hear, allows them to do, what they want – take profit<br>    |
| Marketplace of virtual goods (g2g) | What is it?   |

# Market of items for online games

**Can you believe, that something that does not exist in real world was sold for 16 000 USD? 50 000 USD? 635 000 USD?**



**Club Neverdie in Entropia Universe, was sold by its owner - Jon Jacobs for \$635,000\***

\*[www.therichest.com/rich-list/most-popular/10-of-the-most-expensive-virtual-items-in-video-games/](http://www.therichest.com/rich-list/most-popular/10-of-the-most-expensive-virtual-items-in-video-games/)



# Main idea

So, how does it happens?

Real money trading (RMT) – is the exchange of virtual goods, including in-game currency, and services for real world currency.

Virtual goods – are non-physical objects and money purchased for use in online communities or online games.

Main idea is:

to Snapdeal became a marketplace, where gamers can trade of virtual goods for real money

# Marketing

# Market of items for online games (MMO market overview)

## TOP SUBSCRIPTION-BASED MMO TITLES, 2013—WORLDWIDE

| RANK   | TITLE                           | PUBLISHER           | WORLDWIDE REVENUES (MIL \$) | MARKET SHARE 2013 |
|--|---------------------------------|---------------------|-----------------------------|-------------------|
| 1  | World of Warcraft (East & West) | Activision/Blizzard | \$1,041                     | 36%               |
| 2  | Lineage 1                       | NCsoft              | \$253                       | 9%                |
| 3  | TERA: Online                    | NHN Corporation     | \$236                       | 8%                |
| 4  | Star Wars: The Old Republic     | Electronic Arts     | \$165                       | 6%                |
| 5  | Lord of the Rings Online        | Turbine, Inc.       | \$104                       | 4%                |
| 6  | EVE Online                      | CCP Games           | \$93                        | 3%                |
| 7  | Aion                            | NCsoft              | \$88                        | 3%                |
| 8  | Blade and Soul                  | NCsoft              | \$65                        | 2%                |
| 9  | Lineage 2                       | NCsoft              | \$45                        | 2%                |
| 10   | RIFT                            | Trion               | \$36                        | 1%                |
| Worldwide market for subscription-based MMOs, 2013 |                                 |                     | \$2,882                     |                   |

Source: SuperData Research, Inc. Worldwide market, revenue distribution and title-level earnings based on the monthly spending of 36.9 million digital gamers, worldwide, collected from developers, publisher and payment service providers. Pay-to-play MMO here defined as Massively multiplayer online games that earn revenue from subscriptions, expansion packs, and microtransactions based virtual items and services (e.g. experience boosts, items, mounts and server transfer fees. For more information about our awesome methodology, please visit: [www.superdataresearch.com](http://www.superdataresearch.com)

2004 year, November 24-th – day of release of the World of WarCraft - massively multiplayer online role-playing game (MMORPG), which includes 100 millions of accounts and had 10 billion of subscribe income for ten years.\*

October 2006<sup>th</sup>, Edward Castonova was first who described an existence of supply and demand economy in MMO Games.\*\*

36,9 million digital gamers in 2013<sup>th</sup>

98,4 million digital gamers in 2016<sup>th</sup>

\*\*\*



ONLINE

\* [https://en.wikipedia.org/wiki/World\\_of\\_Warcraft](https://en.wikipedia.org/wiki/World_of_Warcraft)

\*\* Castronova Edward. Synthetic Worlds: The Business and Culture of Online Games. — University Of Chicago Press, 2006. — P. 10, 291

\*\*\* <https://www.superdataresearch.com/market-data/mmo-market/>

# Market of items for online games (RMT market)

## What is RMT?

RMT (real money trading) - is the exchange of virtual goods, including in-game currency, and services for real world currency.\*

## Data about RMT market\*\*

| Source       | Year | RMT volume (M USD) | Estimate type | Scope                        | Property included | Notes                            |
|--------------|------|--------------------|---------------|------------------------------|-------------------|----------------------------------|
| Castronova   | 2001 | 5                  | academic      | secondary market             | MMOG-related      | eBay-sales of Everquest II items |
| Castronova   | 2004 | 100                | academic      | secondary market             | MMOG-related      | eBay and Itembay sales           |
| Salyer (IGE) | 2004 | 880                | industry      | worldwide secondary market   | MMOG-related      | -                                |
| KGDI         | 2006 | 830                | government    | Korean secondary (+primary?) | All (?)           | some uncertainties               |
| China govt   | 2006 | 901                | government    | Chinese domestic consumption | All (?)           | some uncertainties               |

According to last research, RMT markets volume reached 2 billion USD in 2007<sup>th</sup> \*\*\*

\* <http://nosygamer.blogspot.ru/2013/11/what-is-rmt.html>

\*\* [https://virtualeconomyresearchnetwork.wordpress.com/2007/03/02/how\\_big\\_is\\_the\\_rmt\\_market\\_anyw/](https://virtualeconomyresearchnetwork.wordpress.com/2007/03/02/how_big_is_the_rmt_market_anyw/)

\*\*\* "How big is the RMT market anyway?". Virtual Economy. 2 March 2007.



# Market of items for online games (who are the gamers?)

SUPERDATA | Playable media & games market research

## Adult MMO players are an average of 33 years old in the U.S.

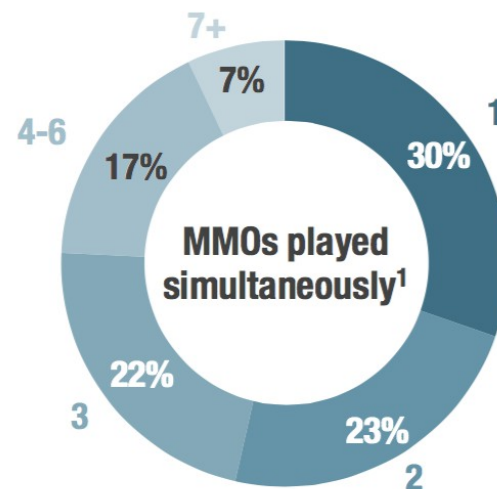
Despite the games' large time requirements, MMOs draw players from a variety of age brackets.

### MMO player demographics (U.S. adults)

**33**  
AVERAGE AGE

39%  
61%

**\$56,000**  
AVERAGE PERSONAL INCOME



**5**

Average number of weekly MMO play sessions<sup>2</sup>

**1.9**

Average MMO play session length (hours)<sup>3</sup>

**Women account for two out of five MMO players in the U.S.** While MMOs remain a male-dominated game type in Europe and Asia, in the U.S., women make up a substantial share of the audience.

**Gamers aged 25 to 34 account for 43% of the adult MMO player base.** Gamers in their teens and early 20s are not the only ones who play MMOs. Many gamers in their late 20s and 30s started playing early MMOs as children. Discoverability channels that cater to an older demographic (such as social media ads) are effective for reaching the older subset of the MMO user base.

**MMO gamers play at least five days a week on average and spend close to two hours per game session.** MMOs attract devoted players who are willing to invest substantial time in games. The time commitment of MMOs means more than half play two or fewer MMOs at once.

1. Q: In the past month, how many MMO titles did you play? | 2. Q: In the past month, how often did you play MMO titles? | 3. Q: In the past month, how long did you typically play MMO titles during a single play session?

# Legal threatens

Excluding Chinese law which limits a time that kids spending in mmo games\*, there are no legal limits for activity in mmo games.

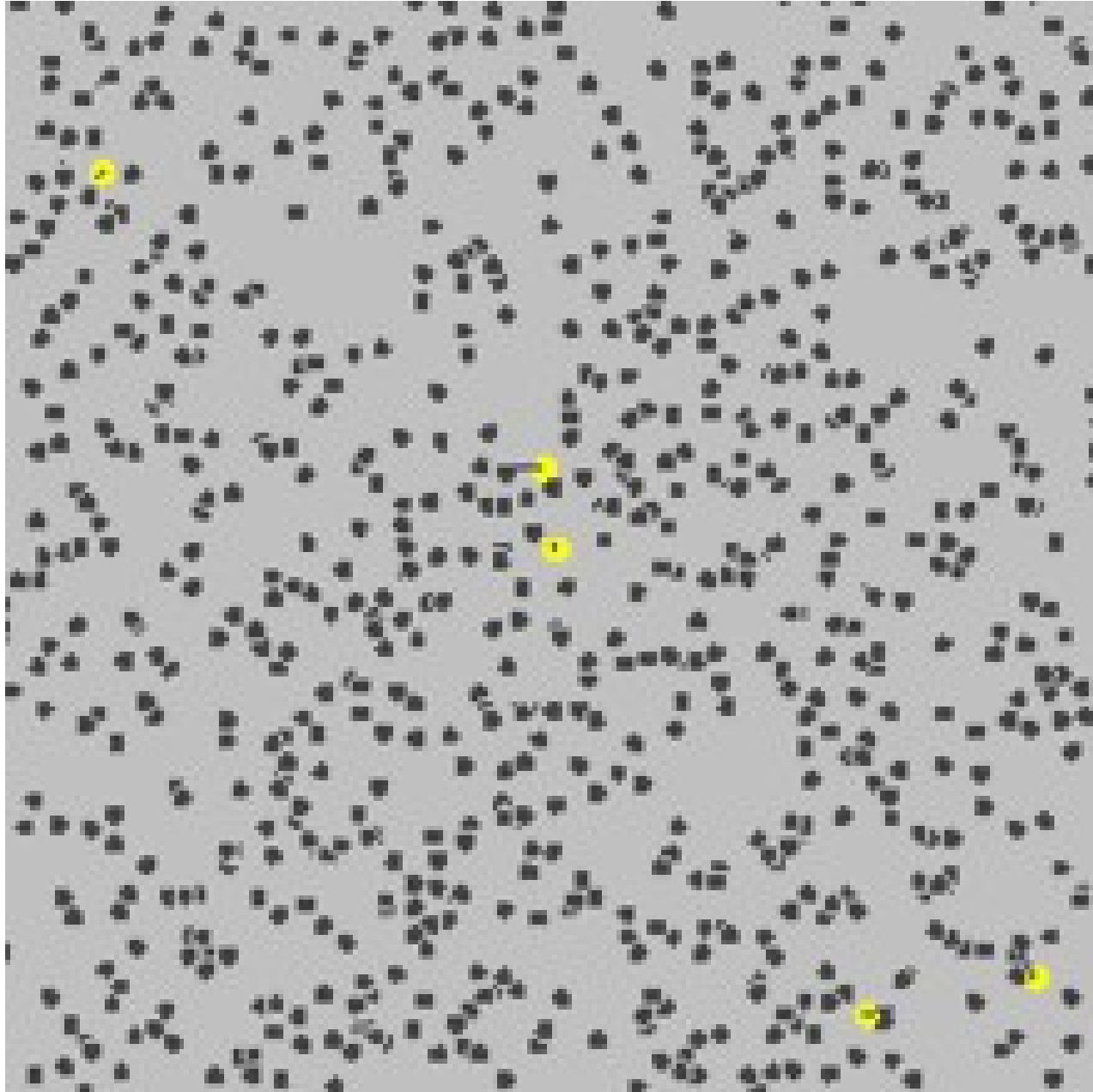
At the same time, some mmo games administrators try to limit or exclude the trading of virtual goods and activity of purchase of this goods by using bots, so called mining. EULA (end-user license agreement) allows to ban gamers who suspect in infringement of limits described above. On the other hand, some experts notice that without mining, virtual economy's growth will slow and as a result the game process will degrade and gamers will start leave it. So in future the barriers and limits may be destroyed.

And still, in many games trade of virtual goods is legal.\*\*

\*[https://www.wired.com/2007/04/chinese\\_govern](https://www.wired.com/2007/04/chinese_govern)

\*\* [https://en.wikipedia.org/wiki/Gold\\_farming](https://en.wikipedia.org/wiki/Gold_farming)

# Industry structure – competition



Market structure is Chaos itself.

- More than 450 on-line games
- More than 450 000 items
- 100 million of gamers
- more than 1,500 different forums and sites, offering rmt trading (most of them are fake and cheat clients)

# Marketing Targets and Channels

## Step 1

Problem: many of MMO administrators are fighting with RMT and mining

Target: to collect MMO and gamers who tolerant to this process and accept it (or do not care)

Promotion channels:

- agents of influence (bloggers, famous gamers);
- Promotion on conventions of online games;
- Advertising in magazines and on news sites for gamers

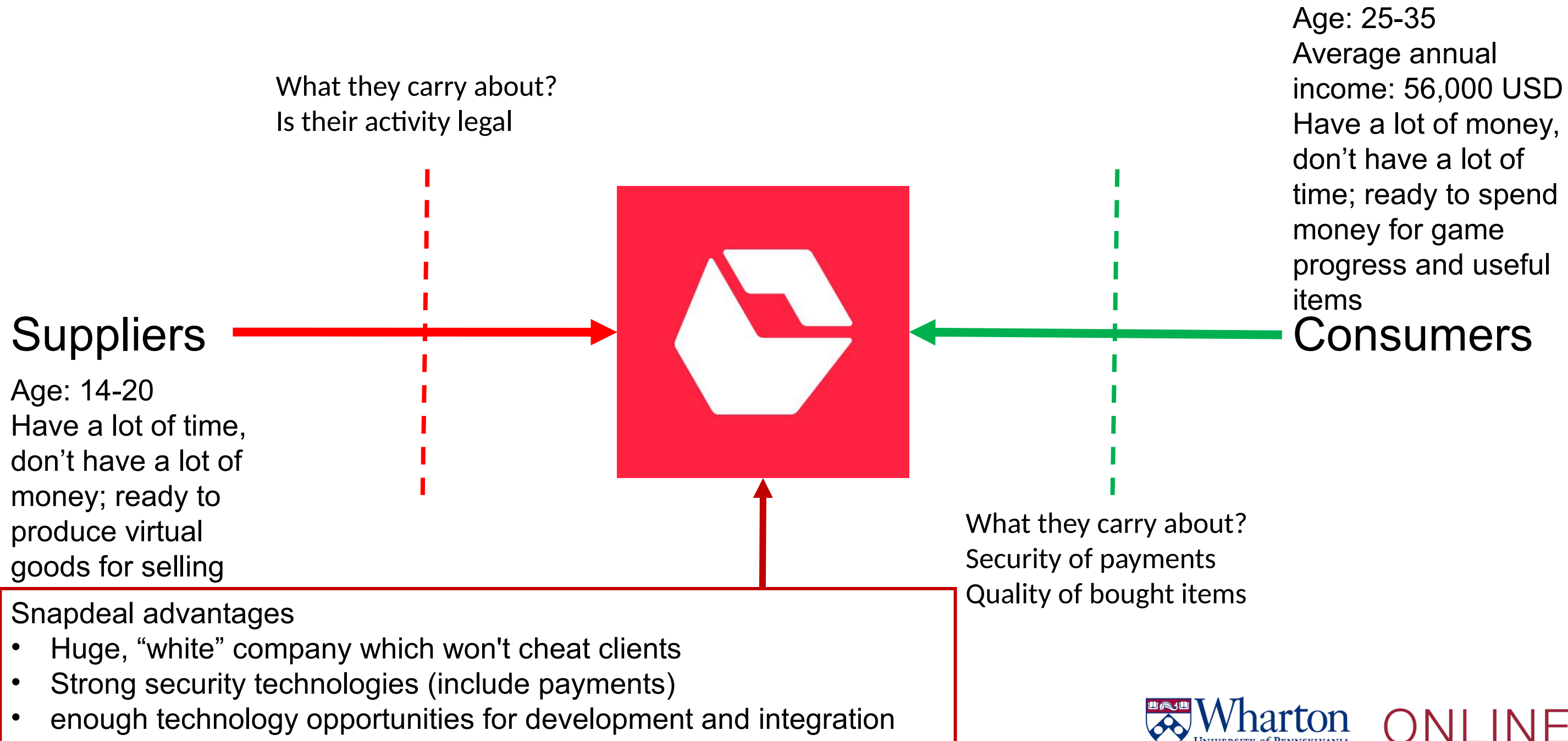
## Step 2

Problem: MMO and most of gamers realized the profits of RMT but usage of it is conducted with a lot of valueless actions

Target: Integrate Snapdeal's g2g marketplace in game process and connect in with MMO platforms

Promotion channels: games by itself. In-game RMT markets works on Snapdeal platform.

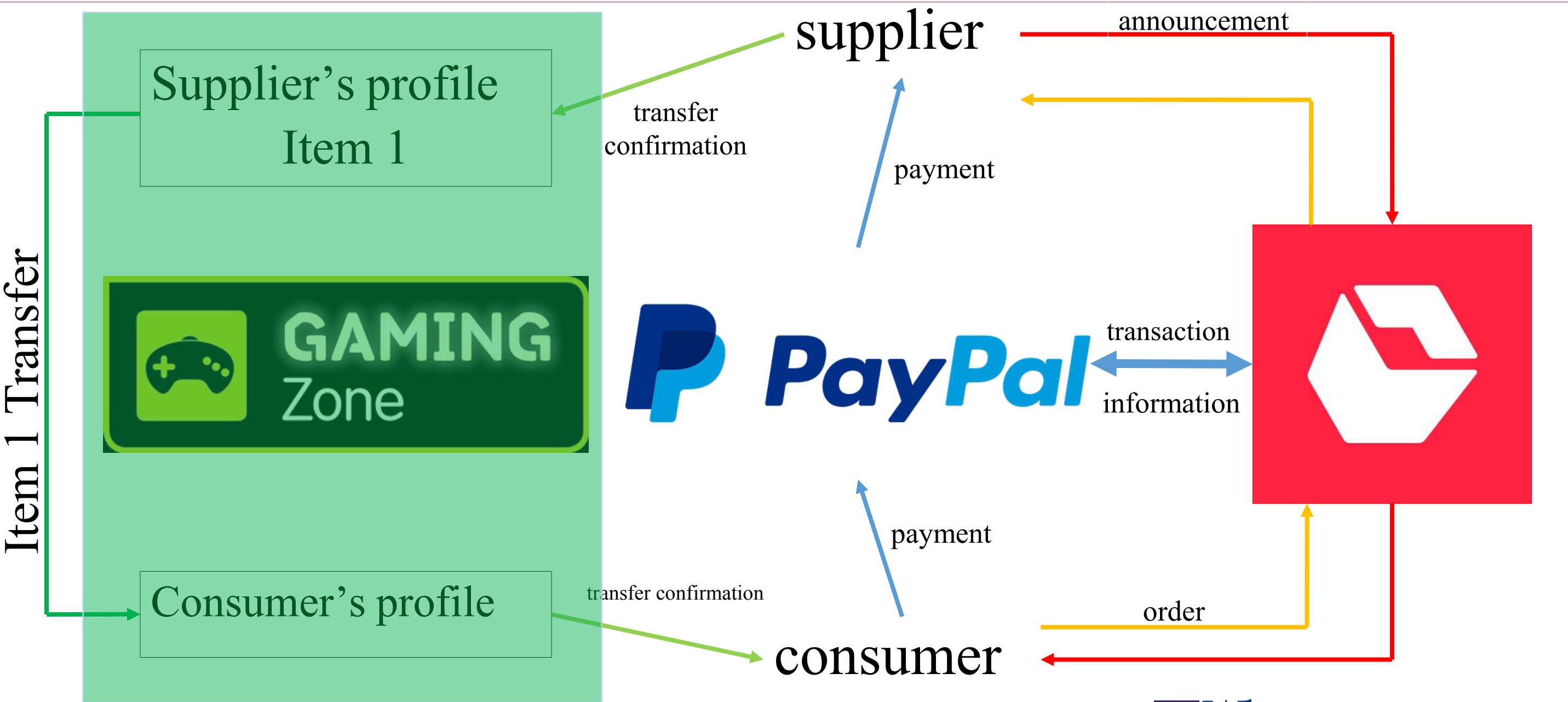
# Promotion among gamers: target audience; profits and barriers





# Operations Plan

# Schematic diagram of g2g marketplace



# Crucial points

No cheat: money transfers only after item's transfer confirmation

Anonymous: Open-available information only from game account

Simple: minimum actions for registration and selling

# Financial Plan

# CAPEX / OPEX\* (USD, th.)

## CAPEX

|                             |       |
|-----------------------------|-------|
| Guideline                   | 250   |
| Workspace for new employees | 500   |
| Software (Trading platform) | 1,500 |

## OPEX

|                                      |     |
|--------------------------------------|-----|
| Salary                               | 200 |
| Servers rent                         | 500 |
| Promotion & Advertising              | 500 |
| Commissions (for game zones)         | 300 |
| Other (office rent, stationery etc.) | 50  |

\* OPEX - Monthly



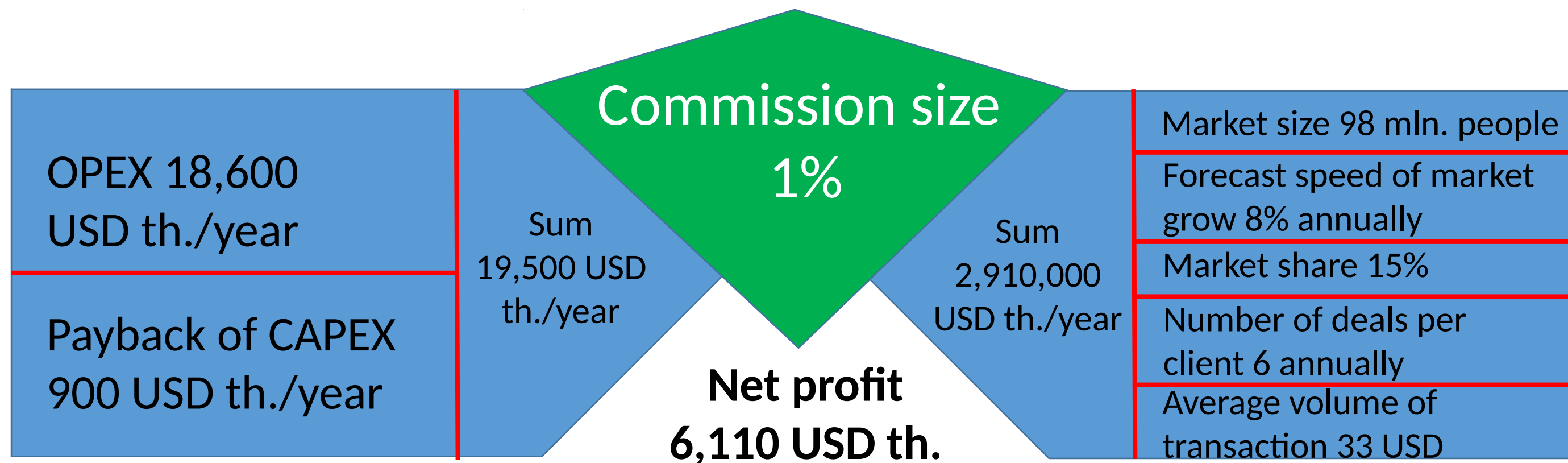
# Cost – price – profit

Income data:

Payback period – 30 months

Net Profit Margin – min. 20% annually

Income tax – 12%\*



\*[https://en.wikipedia.org/wiki/Income\\_tax\\_in\\_India#Corporate\\_income\\_tax](https://en.wikipedia.org/wiki/Income_tax_in_India#Corporate_income_tax)

# Integration & Evaluation

# Timetable of Activities

| Activity                              | Jan |  |  |  | Feb |  |  |  | Mar |  |  |  | Apr |  |  |  | May |  |  |  | Jun |  |  |  |
|---------------------------------------|-----|--|--|--|-----|--|--|--|-----|--|--|--|-----|--|--|--|-----|--|--|--|-----|--|--|--|
| Initial Pre-launch Marketing Campaign |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Creation of workspace                 |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Recruitment                           |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Software development                  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Conversations with gamezones          |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Gamezones contracts (first ten)       |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Promotion                             |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Platform testing                      |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |
| Project Launch                        |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |     |  |  |  |

# Evaluation



Net Profit Margin: 20-25%

Attrition rate – 15%

Annually income growth – 10%

Contracts with 70% of game zones with most trading turnover (don't confuse with popularity)

Budget of trading platform support – 20% of sales

# Failure is impossible!

The worst opportunity is that some of game zones may refuse to have a deal with virtual goods marketplace and ban an opportunity to work with it for its gamers.

**But all accounts were based on assumption, that we will collect game zones which are loyal to RMT.**

So as a result, if we will have barriers from «old school» game zones, we will see just an income growth decrease in future, nothing more.