

The logo for 80 Level, featuring the number '80' and the word 'LEVEL' in a bold, black, sans-serif font. The background is a vibrant, stylized illustration of a landscape with a red biplane flying over a green field, a yellow figure on a tall rock, and a blue sky with white clouds.

80LEVEL

Keep playing. How to Increase Profits with a Loyalty Program

MAY 2022

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How to Increase Profits with a Loyalty Program.



This research is devoted to **revealing the mechanics of in-game loyalty programs** as well as the **interest in an external solution for building loyalty programs** and conditions of partnership.



PAGES:
4-5

Game developers and publishers need to maintain users' interest in the game. **Loyalty programs are one of the significant tools for user retention.** The more gamers play a certain game, the higher the chance that they will spend more money on in-game purchases. Loyalty programs are great for F2P games, increasing the LTV of users, but are not effective for premium games that attract a large flow of new users instead of doing retention activities. The loyalty program increases the percentage of viewed ads. With the implementation of an effective player reward program, the ad view rate can increase up to 95%.



PAGES:
6-7

The loyalty program should be aimed at a specific metric that is vital for the game. If the main source of income for developers is the sale of in-game items, then loyalty points can be granted for the purchase of bundles. If the developer's profit increases due to expanding players' userbase, loyalty values can be distributed for reposts on social media or for inviting friends. So, **developers should think about the loyalty program and things included in it from the stage of the concept of the game.** Loyalty points are in-game values or a currency that cannot be taken out of the game account and should enhance players' satisfaction with the game.

Providing a new gaming experience as a feature of the loyalty program also increases player retention. One example is, granting users access to special events aimed at social interaction, like joining clans and participating in special clan events. VIP statuses and daily login chains are used in many popular games (e.g. PUBG, Genshin Impact) and are an essential tool for user retention. The Loyalty points earned by the player can be used to purchase in-game goods like cosmetics, which help the user express themselves.



PAGES:
8-9

The loyalty program can be implemented more widely within several games from the same developer, different developers, and/or mutual IPs. **Combining several products into one ecosystem and building a common loyalty program for all games is beneficial for the developer** due to the possibility of **redistributing players to different games.** Conducting crossover events between different developers is gaining popularity in the gaming industry. There is an exchange of audiences and an increase in user bases. A common loyalty program can bring together different developers, but the system must be mutually beneficial for all participants.



PAGES:
10-11

Interviewees note the **risks of joining a third-party loyalty program.** The developers agree that the user can earn platform loyalty points through their game which can be spent in other games. **The third-party platform will transfer traffic from game to game** using a loyalty program for maximum profit and optimization. For the developer, the risk is that the platform may pass traffic from their game to others. Every game ecosystem is different and it is hard to create a mutually beneficial system for everyone. The developer doesn't know if their game will get more players, or if it is more a tool for someone else's benefit. **Developers need security guarantees, such as non-disclosure of user information and a ban on aggressive redistribution of traffic between games.**



Third-party loyalty platform must have robust analytics tools to provide customers with the data that would confirm the value of a mutual loyalty program for developers. Also, for the initial stage, third-party loyalty program can involve projects that are similar in their audience, but not competing. This emphasizes the benefits and minimizes risks for developers. The interviewees are interested in retaining users and believe that loyalty programs are a feature of any successful game. Developers are ready to consider a variety of options for implementing loyalty programs for their projects.

Whom did we interview?



Igor Antonov
Products Director
GAMELOFT



Jure Grahek
Head of Strategic Initiatives
ZEBEDEE



Joseph Kim
CEO
LILA GAMES



Francisco Andrada
Product Director
TILTING POINT



Jerome de Tychey
Founder & CEO
COMETH



Aishwarya Jain
Product Manager
POWDER



Ada Jonušė
Founder & CEO
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Table of contents

Loyalty program is a powerful retention tool

4-5

Mechanics of loyalty programs

6-7

Loyalty ecosystem

8-9

Risks and limitations of mutual loyalty programs

10-11

NFT & crypto as loyalty points

12-15

Key Takeaway #1: Loyalty program is a powerful retention tool

Game developers and publishers are needed to maintain users' interest in the game. Loyalty programs are one of the significant tools for user retention. The more a gamer plays a certain game, the higher the chance that they will spend more money on in-game purchases. Loyalty programs are great for F2P games, increasing the LTV of users, but are not effective for premium games that attract a large flow of new users instead of doing retention activities. The loyalty program increases the percentage of viewed ads. With the implementation of an effective player reward program, the ad view rate can increase up to 95%.

**Igor Antonov**Gameloft
Products Director

Any game that is sold as a service needs audience retention mechanisms.

In-game loyalty programs do not work for premium games (one-time purchase). For such games the goal of the developer would be to attract as much users as possible, and the most effective tool is a discount. After that, the developer is not interested in retaining the user and even redistributing traffic to other projects.

F2P game players potentially make a profit for the developer just by playing the game, since the longer they play the game, the more likely they are to spend money on it or make others to spend (especially for very competitive games, having a large base of users even non-spenders still provides value for the game). There is no value in sharing this audience with other developers' games (there are no clear mutual benefits).

**Jure Grahek**ZEBEDEE
Head of Strategic Initiatives

Loyalty "cashback" massively increases player retention. Users keep coming back and watch ads a lot more.

The users keep coming back into the game, and the ad view rate increased from 80% to 95%.

Loyalty points are a cashback but the user is not really spending any cash. It is a cashback for time spent in the game. It is a good model for free games. Actually, it transforms the games from just being free to being play to earn games, but there's no risk for the user as they don't have to spend anything to start earning. This makes the barrier to entry super low and makes the entire experience feel closer to a rewards program.

**Joseph Kim**LILA Games
CEO

There are a lot of important insights traditional F2P game developers can learn from traditional offline retail loyalty programs. I believe these programs can be leveraged more effectively in a free-to-play context. In light of challenges with maintaining profitable user acquisition campaigns, F2P game developers should leverage existing well known tools and best practices along the lines of VIP, battle passes, sequential engagement, etc. that have already proven to be effectiveness. Further, the next frontier fill be taking lessons from traditional offline loyalty and adapting them to F2P programs.

**Francisco Andrada**Tilting Point
Product Director

One of the premises that is needed to be fulfilled while designing a new loyalty program is that a good loyalty program must bring something useful to users.

Another question that the developer must think about is when the loyalty program should be plugged into the game. This is important because if you're thinking about making a loyalty program at the early development stage, you build your game around it and think about useful features that will be included in the subscription, VIP program, etc, and save them for it. And if you add a loyalty program after a few years of development there might be some problems with other features that already give some valuable things which could be included in the loyalty program.

The developers should think about the loyalty program and things included in it from the start, in that case, the main goal of such programs - LTV increase, will be achieved. If you want to sell something a lot and you want to leverage it properly, you need to make it very scarce.

In loyalty systems where you manage tangible premium products, it makes sense to use in-game points. For example, if a user plays the game enough, at some point he will have something for free. So, this player has some insight into its value. The interviewee also noticed that selling items on platforms like Steam can generate motivation for players.

Key Takeaway #2: Mechanics of loyalty programs

The loyalty program should be aimed at a specific metric that is vital for the game. If the main source of income for developers is the sale of in-game items, then loyalty points can be granted for the purchase of bundles. If the developer's profit increases due to expanding players' userbase, loyalty values can be distributed for reposts on social media or for inviting friends. So, developers should think about the loyalty program and things included in it from the stage of the concept of the game. Loyalty points are in-game values or a currency that cannot be taken out of the game account and should enhance players' satisfaction with the game.

Providing a new gaming experience as a feature of the loyalty program also increases player retention. One example is, granting users access to special events aimed at social interaction, like joining clans and participating in special clan events. VIP statuses and daily login chains are used in many popular games (e.g. PUBG, Genshin Impact) and are an essential tool for user retention. The Loyalty points earned by the player can be used to purchase in-game goods like cosmetics, which help the user express themselves.



Igor Antonov
Gameloft
Products Director

Loyalty points can be a currency that cannot be taken out of an account or wallet — this is hard currency. It doesn't matter whether it's dollars or candy wrappers, as long as they cannot be withdrawn from the wallet.

The loyalty program can look like something what brings in-game value (items, resources etc.). This is the basic scenario where, over time, the player receives some kind of gifts. Gifts can also carry vanity value, helping the player to stand out and express themselves.

Events aimed at social interaction can also be used as a loyalty program. For example, joining clans, the ability to participate in clan events with modified gameplay, etc.

Providing a new gaming experience also contributes to the retention of players and, to some extent, is a loyalty program.

The main criterion for the distribution of loyalty points is a reward for increasing the developer's profit. If the profit of the development increases critically due to the growth in the number of players, loyalty points can be distributed, for example, for reposts in social networks or referring friends.

For games where the main source of income is the sale of in-game items, loyalty points can be earned by purchasing bundles.

VIP statuses and daily login bonuses are used in many games and are an essential tool for user retention.

Key Takeaway #3: Loyalty ecosystem

The loyalty program can be implemented more widely within several games from the same developer, different developers, and/or mutual IPs. Combining several products into one ecosystem and building a common loyalty program for all games is beneficial for the developer due to the possibility of redistributing players to different games. Conducting crossover events between different developers is gaining popularity in the gaming industry. There is an exchange of audiences and an increase in user bases. A common loyalty program can bring together different developers, but the system must be mutually beneficial for all participants.

**Igor Antonov**Gameloft
Products Director

Retention (and in the end LTV) is the base goal of any loyalty feature. You can keep the audience within the framework of the game, company, IP, etc.

Points from platforms are a certain subsidy to the developer. If a game or an in-game item was purchased for loyalty points, then the platform operator pays compensation to the developer in cash.

Connecting all the games of the company into one loyalty chain (program) is not usually a priority for development team, as each product would have its' own roadmap, types of in-game benefits and this could bring risks and time constrains for mutual technical implementation.

The platform will transfer traffic from game to game using a loyalty program for maximum profit and optimization. The owner of the platform is the ultimate beneficiary and maximum profit recipient. Developers need to carefully evaluate the situation, determining whether the game will get more players or become a tool for gaining benefits for someone else.

Connecting all the games of the company into one loyalty chain (program) is not usually a priority for development team, as each product would have its' own roadmap, types of in-game benefits and this could bring risks and time constrains for mutual technical implementation.

As a separate tool, holding the crossover events is gaining popularity in the gaming industry. That helps the exchange of the audience and, ideally, an increase in the user base. In the end, the loyalty platform should be mutually beneficial for all participants.

**Joseph Kim**LILA Games
CEO

A mutual loyalty program is an interesting model that allows to collect points not for distribution, but for loyalty retention engagement to that network of games. It would depend on how developers structured it and whether this loyalty program stimulates users. If developers can understand ecosystem work on a theoretical basis, that will make sense.

There might be a question coming from developers about what they will get if the user spends cashback or loyalty points that he got from playing in the other games in their game. It can destroy the ecosystem of the game and be a big problem for the developer.

The can be to solutions for this issue:

- *The company can pay developers money for every spent loyalty point, so the developers will be interested in making people spend loyalty points in their games;*
- *In every game there can be a shop where users can buy something for loyalty points, but, again, the company will still need to pay developers for it.*

Key Takeaway #4: Risks and limitations of mutual loyalty programs

Interviewees note the risks of joining a third-party loyalty program. The developers agree that the user can earn platform loyalty points through their game which can be spent in other games. The third-party platform will transfer traffic from game to game using a loyalty program for maximum profit and optimization. For the developer, the risk is that the platform may pass traffic from their game to others. Every game ecosystem is different and it is hard to create a mutually beneficial system for everyone. The developer doesn't know if their game will get more players, or if it is more a tool for someone else's benefit. Developers need security guarantees, such as non-disclosure of user information and a ban on aggressive redistribution of traffic between games.

Third-party loyalty platform must have robust analytics tools to provide customers with the data that would confirm the value of a mutual loyalty program for developers. Also, for the initial stage, third-party loyalty program can involve projects that are similar in their audience, but not competing. This emphasizes the benefits and minimizes risks for developers. The interviewees are interested in retaining users and believe that loyalty programs are a feature of any successful game. Developers are ready to consider a variety of options for implementing loyalty programs for their projects.



Igor Antonov
Gameloft
Products Director

Igor believes that the ability to integrate with a third-party service for providing loyalty programs is very dependent on the specific game. By joining the loyalty program, the developer agrees that the user can earn platform points through their game. For the developer, the risk is that the platform can transfer traffic from their game to others. Their game can become a beneficiary or a benefit creator for someone else.

A lot of developers come up with loyalty programs in-house. The external solution needs to prove to the client why exactly it would be the best loyalty program.

Developers need a guarantee of security. Competitive projects should not learn information about users. The platform should also promise developers not to aggressively transfer traffic from one game to another. Such a platform should have powerful analytics and provide customers with analytics that confirm the value for developers.

Igor believes that it is possible to attract similar audiences (but non-competing projects) to one loyalty program. For example, children's educational games and games about Minions IP.



Joseph Kim
LILA Games
CEO

The main disadvantage of this type of system can be unfair division of rewards and effort between games and the potential to abuse the system.



Francisco Andrada
Tilting Point
Product Director

Francisco claims that loyalty programs cannot be done externally, all of their experiences failed, because every ecosystem is different and even if two games are similar, the audience and other stuff can be different, so the results will be different too. He supposes that it could work for a company's loyalty program, but benefits for every game should still be defined separately.

That said, in a Web 3 market this system becomes more achievable, because now, you can have a common currency that can work as your loyalty points and it has value on itself, not just the value that is defined by the company, but a real value defined by the users and the free market.

Other Insight 1: NFT & crypto as loyalty points

Loyalty points can be crypto. Loyalty values in the form of NFTs could be a user retention solution for a game that is in the last stages of its lifecycle, following the example of Ubisoft's Tom Clancy's Ghost Recon. Some games reward users with cryptocurrency; the developers share the ad revenue with the gamers. Viker Games has implemented bitcoin rewards for players, which has led to an increase in the average revenue per user per day by 50%, and sometimes up to 500% in some countries. However, interviewees claim that crypto loyalty values should expand the player's ability to enjoy the game, and not just be a way to earn money (see also Games with Tokens Research). The earning aspect could completely override the fun aspect of the game, so the game shouldn't turn into a play-to-earn.

Loyalty values in real life are like customer service in luxury brands; membership in an "elite club" where the developer takes care of the players, invites them to events, and introduces them to other people. This kind of a social experience is very exciting, but it is designed specifically for heavy spenders. This type of loyalty program is very expensive, but it is possible that such users will bring another billion in profit to the developer.

**Jure Grahek**

ZEBEDEE

Head of Strategic Initiatives

Most of Zebedee's partner games work with what are essentially loyalty points, but it's real money. The game rewards users in bitcoin. Developers share a piece of the ad revenue with the gamer because the games are monetized with ads. So, users watch some ads and receive a bit of the ad revenue back in the form of bitcoin.

Zebedee worked with Viker Games which had games without bitcoin. Then they put bitcoin rewards into those same games, and their average revenue per daily user shot up between 50% and, in some cases, 500%.

Zebedee doesn't do loyalty programs in an overly simplified way, like watching an ad and receiving some bitcoin. That would be very boring. Zebedee gamifies the process, so users get bitcoin for different stuff like completing a level, doing a cool combo, getting a reward randomly, etc.

Developers could use Zebedee tech to send anyone basically any amount of money, no matter how small. So, developers can reward users for anything. It is not about giving people money they can make a living off of; it's more about fun.

**Jerome de Tychey**Cometh
Founder & CEO

Loyalty points are a good idea for a game that is dwindling in popularity, as developers could promote the loyalty rewards to players (for example, some NFTs) to reignite people's interest in the game.

NFT owners feel like they have more than just the game and/or the game experience. The original Metal Gear Solid game did that with the memory cards when you were fighting the boss; if you had specific saves on your memory card, the boss would say, for example, "Whoa, I see you've been playing Tekken." This could be an opportunity to customize the game experience.

It may differ on the size of the community that gets the loyalty award. If it's a small community of 10,000 hardcore players, developers may want to get them a life-sized sword and ship it to them. It might cost \$1,000 dollars for every item, but these players might possibly make you your next billion.

Engaging the audience with real-life stuff (e.g. sending them some swag and goodies) looks similar to customer management in luxury brands. For instance, if you buy a McLaren, then you are in the McLaren club, and the company takes care of you, invites you to events, and introduces you to people as a result. This kind of social experience is very important and engaging, but this is mainly for heavy spenders.

An earning aspect can completely throw away the fun aspect of the game. Players should feel satisfaction and pride for beating a game, and this can be completely blurred by an earning aspect.

**Aishwarya Jain**Powder
Product Manager

Games have two types of tokens: one is the token that actually contributes to the economy (so, the crypto token), and another is more of a vanity token. If you refer a friend, you might receive a few dollars as well, like most referral systems. So, a vanity token doesn't actually influence the value of your existing token.

**Ada Jonušė**Lymbo
Founder & CEO

Right now, the major principle that is being utilized in token games is as follows: users pay for tokens, then they pay with tokens for participation in the game. The tokens the users pay with are put into a prize pool (and sometimes extra coins can be added). After that these tokens are distributed back to the users, based on how well they play.

Lymbo is going to release a new game later this year. In order to play this game, users will have to pay a small entry fee in tokens. In return, they can also earn tokens based on their gaming performance. So, there's a dynamic utilization of tokens in the game.

**Joseph Kim**LILA Games
CEO

Using crypto as a loyalty incentive is interesting. Developers will need to understand however whether their specific game audience understands, wants, and can engage with that kind of reward. Simplifying the rewards acceptance without having to learn about crypto wallets and having a big barrier to interface with the loyalty rewards will also be a challenge.

**Francisco Andrada**Tilting Point
Product Director

The possibility of receiving real money is awesome because it creates an objective. The player understands what certain levels should be reached and what will be the benefit of the game.

If the reward is interesting and there is a certain proper balance in between the effort that it takes to get X amount of points, the player will try to get this reward. So, creators need to understand who they are targeting with this loyalty system.

The only thing that heavy-spenders will work on is something that is actually unique. It is the concept of vanity or prestige. That could be ways of demonstrating exclusivities like loading screens, dances, and very exclusive skins that everyone was putting attention to.

Francisco thinks that crypto is the most interesting thing because of its versatility. It is not a new concept, but now people can take the money outside of the system. The currency that creators can remove is flexible but then they let people go from outside of their system and spend that money in another ecosystem. The interviewee supposes that it can be challenging because users may not come back and spend the money that creators gave them.

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