

What's the best time to launch a video game?

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The video game industry is a massive one, with some \$93 billion in annual sales. Budgets for major titles rival those for major motion pictures. This fall's 800-pound gorillas include Halo 5 and Star Wars Battlefront. But releasing a new video game title is a more complicated business than releasing a movie because in order to buy the game consumers must first own the platform it runs on, typically meaning a console or computer or tablet or phone—so game sales interact with platform sales. (Halo 5 is an Xbox One exclusive; Battlefront is for the Xbox One and Sony's PS4.)

Research from the Robert H. Smith School of Business, at the University of Maryland, offers new insight into the strategies companies should use to maximize [sales](#) of their games. In general, the study finds, companies ought to weigh the tradeoffs between reaching early adopters of [game](#) consoles, who purchase more content (and more-sophisticated content), and later adopters, who buy less but who over time make up more and more of the population of console owners.

The study, by John Healey, a Smith School Ph.D. graduate now teaching at Tulane University's A.B. Freeman School of Business, and Wendy W. Moe, a professor of marketing at the Smith School and director of the Master of Science program in marketing analytics, looked at sales for games of the PS3, Xbox 360, and Wii, the generation of consoles that held sway from 2005-06 until a couple of years ago (when the Xbox One, PS4, and Wii U arrived).

"In prior studies, researchers have focused on how the number of people

who have adopted the platform influences sales," Healey says. "We wanted to look deeper to investigate how the base of console owners changes over time and how these changes affect content purchasing behavior."

Healey and Moe focused on the shifting proportions of "innovators"—early adopters—and "recent" purchasers shifted over time. Earlier research and surveys have suggested that innovators tend to buy more games, over a longer period, and that they gravitate to games that push the limits of gaming technology. People who bought the consoles later in the cycle, in contrast, are likely to buy fewer games over a shorter period of time, and they likely favor more middle-of-the-road fare, including family-friendly games. The mathematical model that the authors developed to describe the expected pattern of game sales takes into account the shifting proportion of each type of gamer, as a console gets older, and as new holiday seasons arrive.

The study looked at console and [game sales](#) during the first 230 weeks that each console was available. (The Xbox launched in November 2005, the PS3 and Wii in November 2006.) They also looked at sales data for 98 game titles that were released on all three systems. The authors defined innovative console-purchasers in several ways—including the first 2.5 percent of buyers, and the first 15 percent. The role of later adopters was explored by examining "recent" purchasers—those who had bought a title within the last one, two, three, four or five weeks of a given date. The general findings of the study didn't depend on how innovators and recent consumers were defined.

The proportion of "recent" console purchasers becomes more important as a console ages, the study found. Therefore, when game companies should release a given title "depends on the kind of people your game would appeal to," Moe says. "If yours is one of the innovative games that target the lead users, it might make sense to release it early in a console's

lifecycle—even at the same time as the console launch. If it is a more general-interest game, you might want to release it later."

As a more general observation, Healey suggested that companies tended to err by releasing games later in a console's life cycle than is optimal, because they underestimate the role in sales played by the innovators, and overestimate the importance of the sheer number of consoles sold.

Innovators tend to own the first holiday season when a console is released. But a few years into a console's lifespan, it is the recent adopters whose proportion spikes during the holiday season. A big uptick in "recent" purchasers also occurs when a console drops in price.

Naturally, companies understand in a broadly intuitive way that factors other than the sheer number of consoles in circulation matter. That a gazillion original Wii's have been bought hardly matters by now, because so many are gathering dust and a new generation of consoles is out. "Companies grasp the phenomenon we are studying in the extreme cases, but it's in the intermediate growth state that they are not looking at the full picture," Moe says.

In short, the authors write, game makers "need to consider the dynamic components of installed base recency and innovativeness when releasing content." The authors say the work may also offer insights to other industries, such as music and streamed video, that depend on consumers adopting specific platforms.

More information: "The Effects of Installed Base Innovativeness and Recency on Content Sales in a Platform-Mediated Market," by John Healey and Wendy W. Moe, will appear in the *International Journal of Research in Marketing*.

Provided by University of Maryland

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