

# TWO CAN PLAY THAT GAME

Music and gaming are very different beasts, but what can music learn from how games are making money?





# FOREWORD

## GEOFF TAYLOR, CHIEF EXECUTIVE

When the internet collided with the worlds of music and games, both industries faced the very real challenge of how to evolve their business models to meet its disruptive demands head on and to grasp the fresh opportunities that the new digital age also presented.

Jumping forward some two decades to today, both industries are now flourishing once again and the scope for the two sectors to collaborate is also becoming increasingly apparent. The music and games businesses are finding new and innovative ways to serve a growing consumer base that is fortunate to have more choice than ever before.

The global gaming industry generated an estimated £116 billion in 2019, growing 7.6% year on year. In the UK, £3.6bn was spent on games in 2018, compared to £1.3bn retail spend in the UK recorded music industry – although the music community as a whole generates an impressive £5.2 billion in GVA to the UK economy\*.

There is evidently a large overlap between fans of music and gaming. Gamers are three times more likely to be music fans than the average person in the UK<sup>1</sup> and have a greater propensity to stream, buy records or to attend live events. While the gaming audience is traditionally seen as male dominated, the evolution of app-based gaming has helped to broaden its appeal, with many of the free-to-play games now reflecting a much stronger female player base.

The increasing collaboration between music and gaming has been the focus of much media interest recently, most notably Marshmello playing a gig inside the popular Fortnite game. That

in-game performance drew an astonishing 11 million people to the same digital space to enjoy the experience together. Unsurprisingly, other artists may now be primed to play virtual gigs, with rock outfit The Offspring the latest act to experiment by recently playing inside the popular World of Tanks game.

There are a variety of business models within gaming which may be beneficial for the music sector to consider. The freemium model – where a free service is offered to help entice a user to upgrade to a fuller fee-paying service – is already well known in music, but in gaming this tier is lucrative owing to the popularity of in-game purchases. The approach to monetisation is very different to the music industry, in that gamers can typically choose to buy multiple small items, often repeatedly, to enhance their experience. Other revenue streams, such as ‘tip jars’ for gamers and virtual merchandise, are additional options that the music industry may also wish to consider exploring as the music streaming experience becomes richer and more multi-layered.

One thing that gaming thrives upon is a sense of community, with an emphasis on forums for people to meet each other and enjoy shared experiences. Esports brings people together physically too, where professional teams of gamers compete in live arenas or stadiums. The estimated global esports audience currently stands at a staggering 481m people per annum, presenting a huge opportunity for the music industry to engage with passionate fans who are strongly receptive to music and to do so in a unique context.

Aside from forums, another strong community-building tool is Twitch streaming. This interactive vlogging platform, now owned by Amazon, boasts a daily global audience of 15m people\*, who each day engage for 95 minutes on average\*. Again, a large proportion are music fans<sup>1</sup>.

Music greatly enhances the gaming experience – from creating a powerful, additional passion point for gamers to build communities around, to enhancing the player experience through engaging soundtracks and innovative virtual concerts. But by the same token, games also present exciting opportunities back to music – from artist partnerships to lucrative sync deals and perhaps even some thought-provoking monetisation models around fandom that the music community can draw inspiration from.

The stage is thus fully set for more music and games collaborations in future, and through the exciting medium of esports it’s likely that these partnerships can only grow bigger and more ambitious.

I therefore invite you to explore the opportunities that games and gaming may offer to more fully leverage your music assets in future, and I trust this report will prove a helpful starting point on this journey.

**- Geoff Taylor, Chief Executive BPI & BRIT Awards**

\* <https://influencermarketinghub.com/twitch-statistics/> 1. Media Insight Consulting Research 2016 2. Media Insight Consulting Research 2017

# THE GAMING MARKET

# THE GAMING ECOSYSTEM HAS SOMETHING FOR EVERYONE

Gaming has a high level of product differentiation, with very distinct experiences for different types of players. At the lightest end of the spectrum, app-based games like Candy Crush and Angry Birds create an opportunity for even the most casual consumer to engage at no cost, often on an ad-supported model. These games offer low cost add-ons or even the opportunity to watch extra ads in order to gain in-game advantages, such as making levels easier to complete or buying extra lives.

Moving beyond apps, consoles like the Nintendo Wii are aimed at a broad audience. The games are easy to play with recognisable characters, while innovations such as the Wii Fit Board positioned the console as fun for all the family, not just the kids. This was an expansion from the more traditional consoles, such as PlayStation and Xbox which had been the platform of choice for more serious gamers.

Games companies also created handheld systems, evolving from the Nintendo Game Boy and Sega Game Gear, through to the Nintendo DS and the PlayStation Vita. These offer a portable experience, superior to app-based gaming but

inferior to consoles. It offers a middle ground for less committed gamers, as well as an additional purchase opportunity for the most dedicated. Some consoles utilise cloud technology to allow players to save their game remotely and therefore continue the same game across multiple platforms.

Other innovations included Nintendo Switch, designed to be both a handheld console and a TV console in one, allowing players to both play on a small screen on-the-go and on a large screen at home.

And at the most serious end of the gaming market there are PC gamers. They might well play on other platforms but playing on a PC is for the purists. It gives users the most control over their game and provides access to the most complex titles available (such as Dota 2), which require too much processing power for consoles to cope with.



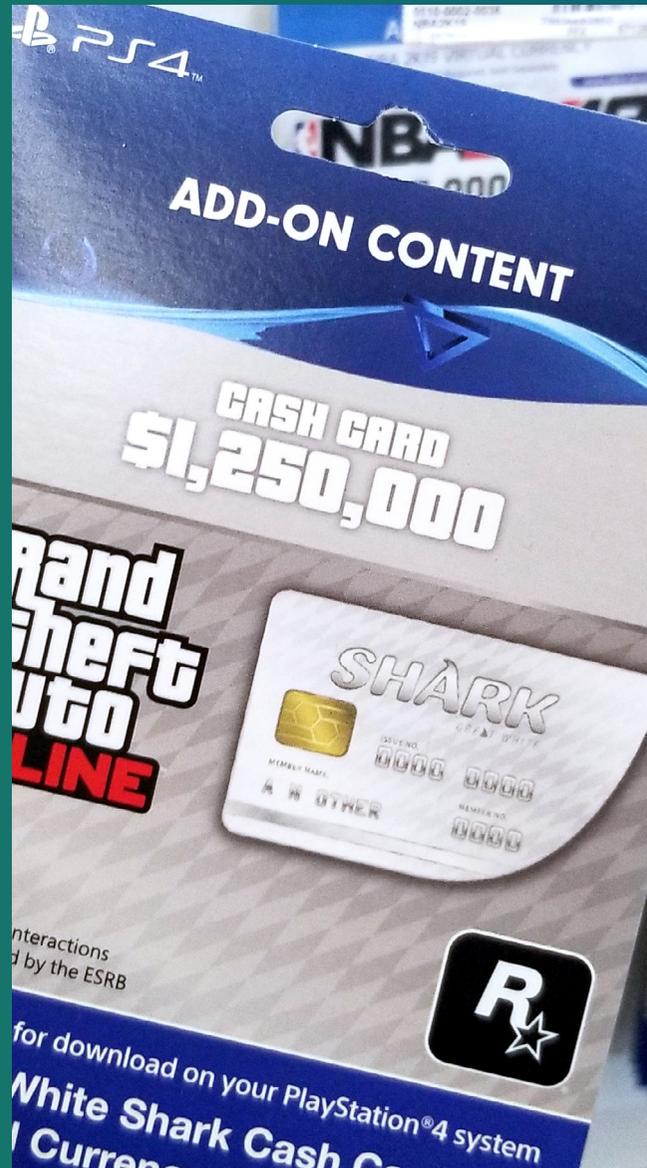
# TRADITIONAL GAMING STILL SUSTAINS HIGH AVERAGE RETAIL PRICE

Whilst the average price of music has generally been on a downward trajectory for a long period of time, the cost of games has stayed relatively high (a price of £50 is common for a top tier title for both the download and physical copy), facilitated to an extent by the relative absence of comparable, free alternatives.

The only place to get them is from an official source and the only way to play them is on compatible platforms (Xbox, PlayStation or Steam for example).

Around the world, players generally prefer to download games rather than purchase a physical copy. Limelight Networks research across 10 major markets said that *“Physical game sales are the highest in the U.K. where nearly 40 percent prefer to purchase a physical copy.”* In fact, the convenience of downloading a game is sometimes priced in, allowing the manufacturer to sell at a top tier price, even if some stores are discounting the physical product.

More than that, downloadable in-game content (DLC) creates an opportunity for games to enhance their user experience by paying extra to download a new character



or a new map for example. This highlights a cultural difference between music and gaming. Monetisation mechanisms are an important component of game design which can mean sometimes creating inconvenience for users in order to then offer a paid option as an alternative solution to the obstacle or problem faced. Importantly, gamers expect to pay more for more, whereas music fans do not necessarily share the same expectation.

# INTRODUCING ESPORTS: THE NEXT BILLION DOLLAR INDUSTRY

Esports is best described as monetised video gaming; a gaming competition with an audience. That audience can be in person or online, but the competitive element is the key component. Global revenue for esports is expected to exceed \$1 billion in 2020<sup>3</sup>, with tournaments from around the world growing fast, and 2018 prize money estimated to be over \$200 million.<sup>4</sup>

Esports players are distinct from Twitch streamers, although many esports stars will also show off their skills there. The key difference is that these professional esports players are the absolute best in the world at playing their respective games.

Being a top professional gamer can be lucrative. Salaries at the top teams can be around £200,000 per annum, before sponsorship, prize money and merchandise are included.

At the highest end of competition, players are signed to elite teams, such as EXCEL in London, who take part in key global competitions. EXCEL manage a squad of 10 gamers, and compete predominantly at League of Legends, which requires a team of five. Players are chosen not only for their individual skill, but their ability to anticipate the needs of the team and react to those pre-emptively.

Similar to traditional sports, esports tournaments can command impressive fees for the broadcast rights: Twitch paid \$90m for a two year deal for streaming rights to show all games from the Overwatch League.<sup>5</sup>



# **MUSIC & GAMING**

# MUSIC IS IMPORTANT TO GAMES

The most straightforward opportunity for labels, artists, writers and publishers to collaborate with the gaming sector is to place music in games.

One-off fees are the most commonplace deals between gaming and music companies. This can be for music specifically created for the game, which is almost always done on a buyout basis, or for licensing an existing recording. There are though some games where royalty deals are struck whereby payments are made according to the way the game is consumed.

Music can be fundamental to the success of a game. Throughout, it can heighten the emotion of specific moments, enhance the atmosphere and generally add to the player's enjoyment. But more than that, music can keep people interested during 'down time' while navigating menus within the game or whilst waiting for a game to load, for example. This ability to keep people from becoming bored and switching off the game is incredibly important too.

When it comes to making the most of music, some AAA game titles take a lot of pride in their music curation, with Grand Theft Auto and FIFA being two such examples (AAA games are typically those with the biggest development and

marketing budgets). The music content of these games is often actively promoted and it has been proven to be a very effective discovery platform for artists reaching the gaming audience.

Such collaboration and curation takes the opportunity beyond a simple transaction and enhances the outcomes for gaming and music companies alike by bringing fans of the artist and the game together.

UK market research from Media Insight Consulting has shown that people who play computer games are big music fans and are much more likely to pay to stream music or to attend a live event.<sup>6</sup> The mutual opportunities for developers, music companies, songwriters, composers and artists alike are clear.

6. Media Insight Consulting 2017



# THERE ARE GREAT MUSIC GAMES

Music games themselves have a successful track record. Guitar Hero (first released in 2005) and Rock Band (2007) were incredibly popular titles, making music the focus of the game rather than simply a background contribution. At their peak, these games were selling over 1m copies each per year, with Guitar Hero III setting retail records in the US in 2011.<sup>7</sup> The entire category also created new hardware opportunities for the game manufacturers, selling microphones, drum kits, guitars and more.

In the same way that Guitar Hero innovated to make a new kind of game, there is plenty more potential for music games. Beat Saber, a virtual reality rhythm game developed and published by Beat Games, is one example. Colourful blocks move towards the player at speed and the player has to cut the block in half in time with the music. The immersive VR experience adds to the sensation and excitement. As the game progresses the blocks speed up and more complex rhythms are required from the player.

Music is also a core component of games such as the popular Just Dance series, the latest edition of which features artists such as Billie Eilish and BLACKPINK.



Some music is sold with the game but there is the option for players to download extra music packs, to play along with their favourite songs (tracks by Panic At The Disco and Imagine Dragons are two such examples on Beat Saber). These usually sell for £2 per track (which is above the average paid for an audio only single track) and £12 for a bundle of tracks (which is closer to the average price of an album).

7. <https://www.gamesindustry.biz/articles/2011-03-25-guitar-hero-iii-is-biggest-grossing-retail-ever-title-in-us>

# MUSICIANS AND GAMES

Appearing in games can be a great way to bolster artist fan-bases. Marshmello made headlines in February 2019 when performing within leading Battle Royale game Fortnite. It was one of the biggest moments in Fortnite's history, attracting 10.7 million people to the in-game concert, according to game developer Epic Games.

It's also important to note that the 10.7 million number only includes those who experienced the concert in-game. There were many more who live-streamed it on Twitch and other platforms.

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## MARSHMELLO, LIL YACHTY AND DRAKE HAVE LEVERAGED FORTNITE TO ENGAGE FANS

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Eight months on, the official recap of the event has nearly 44 million views on YouTube, impressive statistics for both the artist and the game itself.

Rock band Korn performed two concerts in the online role-playing game AdventureQuest and, as with Marshmello's Fortnite appearance, it was free to stream but items were available to purchase in-game.

One of the most striking recent examples of music and gaming coming together has come in the form of the group True Damage, a virtual hip-hop group with a deep connection to the League Of Legends game. The band is comprised of established performers such as Becky G and Soyeon from the K-Pop group (G)I-dle, who essentially perform tracks 'in character', strikingly melding animation and real life performance. Their appearance at the opening ceremony of the League Of Legends World Championship in Paris has been viewed over 6m times on YouTube.

Further evidence of the deeper relationships being forged between the two industries came with the launch in June 2019 of Sony Music's Lost Rings imprint, created to specifically promote music and artists that both reflect and are embedded in gaming culture.

Musicians and sports stars are two of several examples of non-gamers who are seeking to leverage gaming trends, thereby widening their

brand image. Carl Hibbert, Associate Director at Futuresource Consulting: *"Dance music producer and DJ Marshmello has utilised Fortnite's following on a number of levels, through streaming and producing a Fortnite-based music video (he also has a player skin available to purchase in-game). Drake has appeared on Ninja's Fortnite streams as has footballer Neymar. Other artists such as Lil Yachty and Tekashi 6ix9ine have streamed Fortnite gameplay or leveraged the game to build a social media profile."*



**Carl Hibbert**  
Associate Director  
Future Source Consulting

# **ENGAGEMENT & MONETISATION**

# UNLIMITED SPEND FOR SUPERFANS

Music industry commentators would once talk about the 'Fifty-pound Man', a consumer stereotype who visited a record shop once or twice a month to spend a significant amount of money on music. But in a streaming model of pay £10/€10/\$10 a month for all the music you want, that kind of consumer effectively has their spend capped at £120 per year (assuming they aren't a multi-format purchaser).

Gaming does an incredibly good job of maximising income from its most engaged consumers. There are always opportunities to top up and buy more. There is something for everyone, but there are extremely expensive options available. In one extreme example, a player of the popular Dota 2 PC game spent \$38,000 at auction to secure an in-game character – illustrating the power of digital scarcity, an area that could become very lucrative for other entertainment sectors, provided the right approach is found.

There are also plenty of opportunities to spend small amounts, regularly and often. Regardless of the game situation, there is always something more you can spend on, ranging

from extra lives to enhanced, or extra abilities and in-game items. Unfortunately, there are occasional stories of children racking up thousands of pounds of in-game transactions over the course of a weekend, but there are a large number of adults just as addicted to religiously hitting the purchase button to improve their chances of winning.

Games can encourage the use of in-game currencies, such as diamonds, which are available to earn in game, but also available to purchase. This mechanic helps to blur the line between spending money and spending what you have earned, potentially changing the perception of the transaction.

# FREEMIUM: PAYING WITH ATTENTION RATHER THAN MONEY

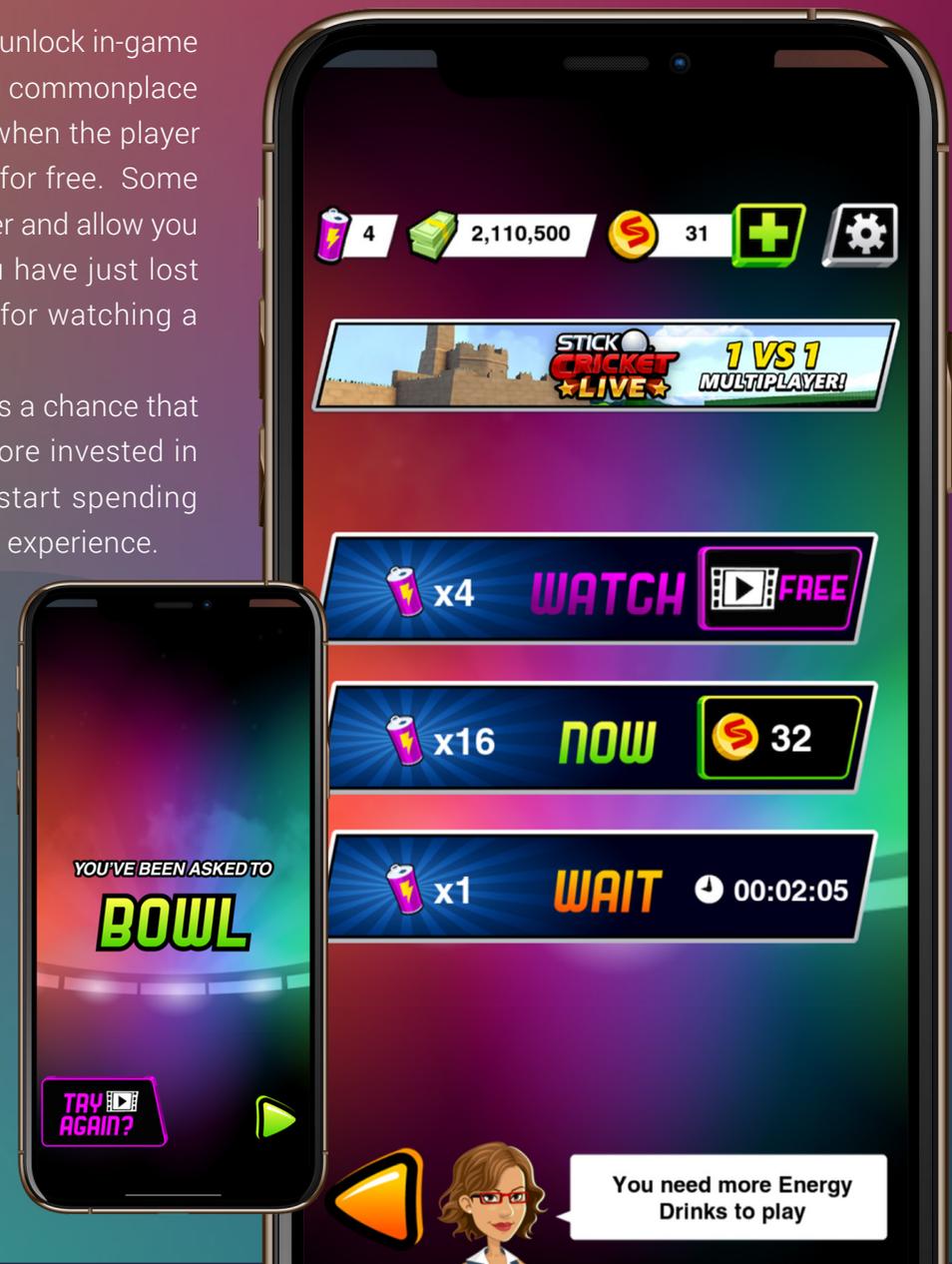
The other side of the 'super fan coin' is enabling and encouraging free users to engage with games, often through 'free-at-the-point-of-use' titles, which offer in-app purchases rather than an initial upfront cost. In the same way that games ensure that users who want to spend large sums of money are able to do so, free games also do an excellent job of helping users pay with attention, through advertising, rather than excluding them from the value proposition.

Often casual, free to play games (such as Candy Crush, or Angry Birds) can be wrapped in advertising, or tend to show players adverts after every level. The adverts are not lengthy, and a familiar user will click through quite quickly, but they are very frequent and are often a key source of revenue for the game publisher. These are usually video adverts, sometimes with an element of interactivity, and can appear as regularly as after every level (every 90 seconds), which is much more frequent than on music streaming services.

As already mentioned, in the games world people who play more tend to pay more.

Offering advertising as a way to unlock in-game activity (such as extra lives) is a commonplace method used to 'pay' for more when the player has used 'enough' of the game for free. Some games take this mechanic further and allow you to replay a stage or match you have just lost or failed to complete in return for watching a longer advert.

Of course, there is always a chance that as these free users become more invested in the game they will choose to start spending money to improve their gaming experience.



## Nintendo Account

You must link your Nintendo Account if you want to play Mario Kart Tour.



Next

# EVER-EVOLVING CONTENT KEEPS PLAYERS ENGAGED

An interesting dynamic with music is that our 'experience' of a song evolves over time. The song itself doesn't change, but we hear different things, our feelings towards it may change and we engage more (or less) as we listen over time. The music itself hasn't changed, just how we relate to it. Once music is released (with a few rare exceptions) it does not change. Kanye West did release an 'evolving' album in The Life Of Pablo, but examples are few and far between. Usually an album remains in its original form once it's released and the associated cost of creating that album is completed.

Box gaming (the phrased used to describe physical sales of high value games, such as FIFA) has the enviable position of being able to issue internet based updates to games, even after purchase. These can perform a variety of functions, ranging from fixing in-game bugs or creating new scenarios, new ways to play the game and introducing new characters to ensure that the game is always evolving to enhance the player's enjoyment and to maintain their interest.

Popular esports game Overwatch is one example of a game that is constantly developing, adding in new levels for players to explore, new

characters with different weapons and special powers, to keep the game fresh. This keeps users engaged and also feeds interaction in the relevant chat rooms and forums.

Casual app-based gaming can take this one step further, optimising the difficulty of different levels for different player experiences. For example, if many players on a free-to-play app like Candy Crush found that many players were getting stuck on a level and leaving the game for a few days, they might choose to make that level a lot simpler, in order to reduce frustration for the players. Similarly, if a level is too easy, they might choose to intensify the challenge, in order to increase player satisfaction.

In the same way, if game developers were looking to increase revenue, they might change the level to be just out of reach, hoping to encourage players to spend more money, or watch an advert, to help them advance. This ability for games to react to players' needs helps to increase their relevance and longevity, as well as maximise revenues over the extended lifetime of the game.

# TIP JARS CAN DRIVE SIGNIFICANT PROFIT



Tip jars are a really interesting mechanic. In games people often express their fandom through tipping. Tipping artists does exist in music, but generally it is to newer, lesser established artists. D2C music service Bandcamp (which allows artists to sell downloads, CDs, LPs and merchandise) enables consumers to pay more than the advertised price and they report that fans pay more 50% of the time. Tipping is more commonplace in some overseas markets, with each of Tencent Music's apps offering the option to tip an artist and platforms like TikTok doing the same.

Whilst streaming games, people who tip have their handles (usernames) appear, and gamers often call the person out by name to acknowledge and thank them for their contribution. This encourages other people to subscribe and to tip as well by rewarding the person who has contributed with badge value within the community.

Importantly, the donations appear in the group chat, so that everyone else in the chat room can also see who has donated, which offers the person donating very clear social kudos. These tip jars are in addition to subscription revenue which streamers collect from Twitch, and both tipping and subscribing can give access to exclusive stickers and emojis to use in the future, reinforcing the status of the super fan.

**"A FEW DOLLARS AT A TIME CAN QUICKLY ADD UP TO A SUBSTANTIAL LIVING"**

**Morris Gerrard**

**Analyst at Futuresource Consulting**

Once players reach a certain audience they are recognised by Twitch and given 'Partner' status. This makes it much easier to promote themselves and to monetise their audience. Fans of Twitch Partnered gamers are also able to subscribe to their favourite gamers directly, which is a key turning point for the streamer financially. Gamers need to achieve a certain level of popularity, which includes regularly having 500 concurrent viewers.

Morris Gerrard, Analyst at Futuresource Consulting added, *"Game streaming has become big business, with major personalities comfortably earning seven figure salaries annually. As with all online personalities monetary success comes from scale, with each ad view or subscription typically only netting a small amount. Tip jars have become an important part of leveraging audience numbers, with fans supporting streamers with a few dollars at a time, which quickly adds up to a substantial living."*

# VIRTUAL MERCHANDISE MAKES REAL MONEY

Virtual merchandise is a catch-all phrase to cover in-game purchases. In some cases, players might choose a new costume for their avatar, paying £0.99 for the new 'skin'. There are many merch items available to buy including badges to share within the platform so the gamer can show they are a superfan of a particular game. This can work in-game, as well as outside of it, through items such as a new filter on Instagram or a new frame for Facebook profile picture.

Virtual merchandise purchasing can take place in the game and sometimes it can be tied to physical world activity. One benefit of buying a ticket to the physical Minecon (the annual convention for players of popular game Minecraft) was an in-game reward of a special cape. The only way to access this virtual good was to pay for attendance at the conference and consequently a number of people bought the ticket for the event from around the world with no intent of attending simply to get the in-game item.

*"Mobile game developers have become experts in monetising our deeply entrenched desire to win and hunger for instant satisfaction. Virtual currency and game mechanics have*

## WITH SUCH A LOW COST OF CREATION, VIRTUAL MERCHANDISE IS HIGHLY PROFITABLE.



*expanded from simply offering additional lives or bypassing wait times, to allowing users to fully customise their in-game wardrobes or purchase upgraded weapons. Whilst the cost of these purchases is often relatively low, it can soon build into significant sums and since the cost of creating the merch is relatively low, the profit is extremely lucrative."*

**James Manning Smith**  
Market Analyst at Futuresource Consulting



# DAILY REWARDS AND IN-GAME ACHIEVEMENTS

We sometimes talk about 'gamification' in the music industry. Usually this phrase is used to refer to the micro-incentives that games use to keep users hooked. That might be rewarding users for coming back every day, by giving them in-game currency or other enhancements that improve the players' experience. These daily rewards tend to grow exponentially, giving the user a sense of loss if they fail to log in one day.

Some other in-game achievements can be as simple as monitoring progress of a user. They are not necessarily rewarded, but the knowledge that a player is progressing brings a level of satisfaction.

Offering a discount is hardly a new mechanic, but it's incredibly effective in games. The opportunity to spend additional money is never far away, and the real cost to the gaming company of giving a discount is very close to zero. Games are very effective at leveraging FOMO (the fear of missing out). Limited time offers are one key way that they evoke a sense of urgency.

Importantly, there are often introductory packs which are limited for the first few days of a player engaging with a game. The benefit of this for the game is twofold. Firstly, this is more than a free trial. The gamer starts a billing relationship with the game – they have implicitly accepted that they are a paying customer, even if the initial appeal of the game they downloaded was that it was free to play.

Perhaps more importantly than building a buying habit, these introductory bundles give the player an incentive to persevere with the game, even if they do not enjoy it at first. Someone who has spent £3 or £4 on a game is much more likely to persevere. It is a key tool for keeping players engaged in the competitive attention economy.



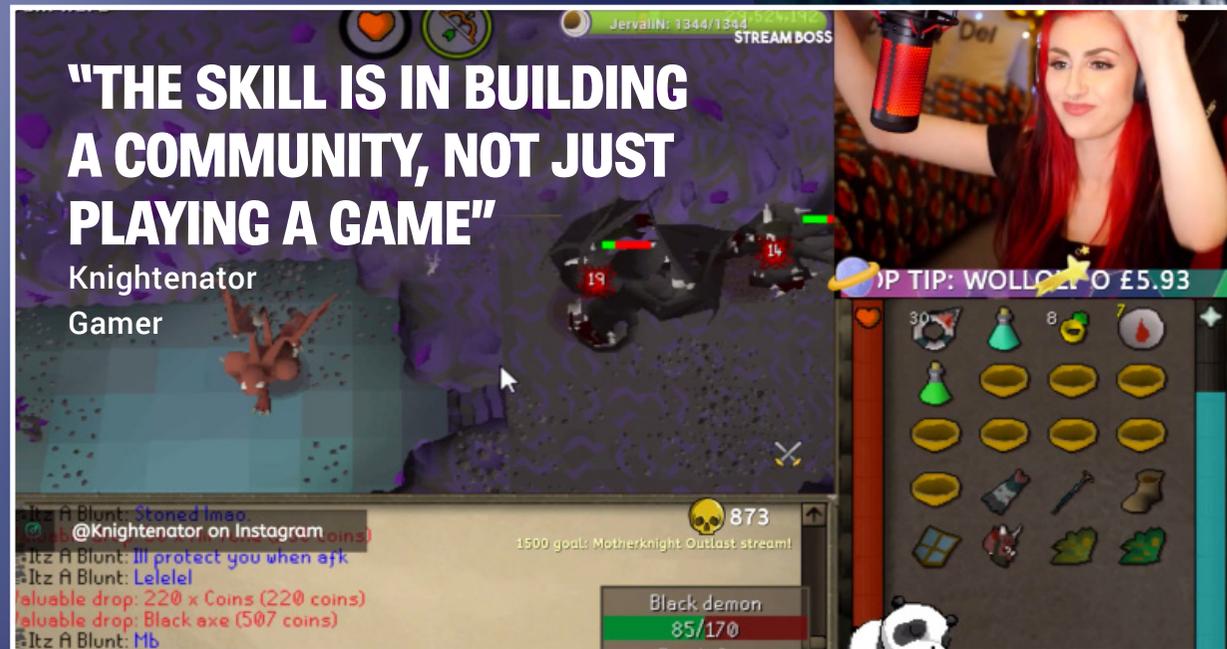
# TWITCH: COMMUNITY AND APPOINTMENT VIEWING

Twitch is a key platform for professional gamers, who live stream video footage of themselves playing games. Sold to Amazon for \$1bn in 2014, it boasts between 2-3 million gamers broadcasting each month and attracts a daily audience of over 15 million viewers per day.<sup>8</sup>

Twitch enables gamers to live-stream themselves playing popular computer games, talking viewers through their strategy and approach to the game. Importantly there is a chat window where people can comment on the play, ask questions of any nature, and engage with the streamer, who often mentions a viewer's handle (screen name) in response to their question.

Twitch offers a subscription model and players can see which viewers are subscribers, as well as making exclusive content available to those people. As professional streamer Knightenator commented during BPI's **Two Can Play That Game Insight Session** event, the most popular streamers are not necessarily the best gamers technically. They often have a lot of skill, but the personality and the ability to manage the fanbase relationship is the fundamental key to streaming success.

One interesting technique that Twitch streamers use to engage with their audience is appointment-based viewing. Streamers will be online at regular times, so that their audience can congregate and know when to engage with them. That feels counter-intuitive to an audience used to time shifting content to suit our schedules, but the 'scarcity' helps create a concentrated fan experience, building a community of fans around the gamer.



8. <https://influencermarketinghub.com/25-useful-twitch-statistics/>

# CONCLUSION

# CONCLUSION

Although the strategies employed by the gaming industry aren't always applicable to music, the explosion in popularity of esports and the fervent community that has been built around games is something that anyone working in entertainment should at the very least be aware of.

In some ways, the simplicity of the music offer is a strength – when purchasing a music product or subscribing to a streaming service there are no 'hidden costs' or limitations to access that might potentially frustrate consumers. That isn't to say that music can't learn from incentivising fans to connect at a deeper level with their favourite artists – or indeed, each other - in the way that gamers do, but that it's always wise to be aware of what the right balance might be: enabling new levels of engagement can come at too high a cost, or the restrictions can be too arbitrary.

In the era of an incredibly competitive attention economy, music has to fight harder than ever for its place – it has to nurture its relationship with fans, make sure it does not take them for granted and also not stretch that bond to breaking point. Those working in music

will be able to draw their own conclusions from what they feel gaming has done well – and also perhaps, not so well – and hopefully take inspiration from that. Everyone, however, would do well to keep an eye on what gaming is showing us about the nature of fan relationships and engagement in the 2020s, as well as to think about how music and gaming might forge partnerships in the future.



# TWO CAN PLAY THAT GAME

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