

Commercialisation of gaming videos

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The aim of this thesis was to study the business models, commercialisation and profitability of video games from the perspective of the content creator. The profitability of content creation was compared to the average Finnish salary and content creation analysed as a fulltime job.

Earlier this type of content was only created by journalists, magazines and websites that featured gaming content. Today such content can be created and shared by almost anyone.

Various articles and studies were used to provide context and data to better support the conclusions and observations in the thesis. These sources cover the popularity of gaming among the general public and how online content business models work.

There are four parties that all gain something from online video content. The viewer gets free content, the creator gains money and viewers, the platform receives money from advertisers and businesses can target their ads at specific groups of people. However, there are also models that are not ad supported. They work in a similar fashion only the advertisers are removed. This thesis examined how these business models work and what threats they face. In addition the the profitability of this type of content was also discussed by evaluating the profits of gaming related to Youtube channels. Since exact data on the profits could not be disclosed by channels due to Youtube policies, estimates based on Cost Per Thousand Impressions (CPM) were used instead.

In all 19 gaming related Youtube channels and their social media usage and commercialisation were looked at in this thesis. Comparisons were also made between new and old media on gaming content creation, such as gaming magazines versus Youtube content.

Keywords: Business model, Game, Gaming, Gaming video content, Gaming content, Monetization, Profitability.

Lauri Halme

Pelivideoiden kaupallistaminen

Vuosi

2016

Sivumäärä

34

Opinnäytetyössä on tutkittu pelivideoiden liiketoimintamalleja, kaupallistamista ja kannattavuutta sisällöntuottajan näkökulmasta. Pelivideoiden tuottamisen kannattavuutta on verrattu Suomen keskipalkkaan ja pohdittu mahdollisuutta toimia täyspäiväisesti sisällöntuottajana.

Ennen tällaista sisältöä loivat vain journalistit, lehdet ja verkkosivut, jotka sisälsivät peli sisältöä. Nykyisin tällaista sisältöä voi luoda ja jakaa lähes kuka vain.

Opinnäytetyössä käytetään erilaisia artikkeleita ja tutkimuksia tuomaan kontekstia ja tukemaan opinnäytetyön havaintoja ja päätelmiä. Kuten kuinka yleistä pelaaminen on ja miten verkko sisältö liiketoimintamallit toimivat.

Verkossa olevasta videosisällöstä hyötyy neljä osapuolta. Katsoja saa maksutonta sisältöä, luoja saa katsojia ja rahaa, alusta saa rahaa mainostajilta ja yritykset voivat kohdistaa markkinointia tiettyihin kohderyhmiin. On myös olemassa malleja jotka eivät hyödynnä mainoksia. Ne toimivat muuten samankaltaisesti, mutta poistavat mainostajat yhtälöstä. Tämä opinnäytetyö käsittelee, sitä miten nämä mallit toimivat ja mitä uhkia ne kohtaavat. Opinnäytetyö pyrkii myös arvioimaan tällaisen sisällön kannattavuutta tutkimalla pelivideo Youtube-kanavien pelivideoiden kannattavuutta. Koska Youtube-kanavat eivät luovuta tarkkoja tulotietojaan Youtuben käyttöehtojen takia, opinnäytetyössä käytetään Cost Per Thousand Impressions (CPM) arvioita.

Tässä opinnäytetyössä tarkasteltiin 19:ta Youtube-pelikanavaa ja niiden sosiaalisen median käyttöä ja tuotteistusta. Vertailuja tehtiin pelilehtien ja Youtube-sisällön välillä eli uuden ja vanhan median välillä.

Keywords: Business model, Game, Gaming, Gaming video content, Gaming content, Monetization, Profitability.

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1 Introduction

Gaming has become a part of mainstream culture over the last few decades. This change coupled with the way media is consumed today has opened the door for new business opportunities. Gaming has become more popular and the demand for gaming video content has increased at the same time as making and sharing videos has become easier and more accessible. Anyone with access to a computer, the internet and possesses basic editing skills can create gaming videos and share them independently.

There are many business models that are used to monetize online video content. Some of these rely on companies to place adverts on the content and some generate their profits through donations or subscriptions. Deciding if content creation is profitable enough to use time on can be difficult without prior knowledge of the inner workings of the business models involved.

This thesis sets out to evaluate the profitability of the business models surrounding gaming videos from the perspective of the content creator. Conclusions are made on under which circumstances content creation can be a viable fulltime job and when it can be used as a way to pay for a gaming hobby.

Chapter 2 details the topic of gaming video content more broadly and also goes into detail on the popularity of gaming and the types of gaming video content available. Chapter 3 outlines some of the popular business models and which type of content they might suit best. It also covers the threats to gaming video content and how marketing works for online gaming videos.

2 Gaming video content

There are many types of online gaming video content. Such as let's plays, reviews, first impressions, guides and parodies. Online gaming video content in this thesis refers to videos made on the topic of games that are uploaded onto the internet for public viewing. These videos are often monetized by ad revenue or by other ways. Video content for games can be anything from reviews and journalism to simply someone sharing video footage of their gameplay. With the advancement of technology and the internet gaming video content has shifted from purely journalism done by professionals to being produced by anyone who has basic internet and editing skills. The popularity of Youtube and other video sharing platforms has popularized new forms of gaming video content such as let's plays, impressions-, bug- and funny videos, guides and general gameplay. Unlike popular belief gaming is a social hobby and people play with their friends and want to exchange thoughts and experiences about the

games they play. As this type of content came more prevalent it is no surprise that business models and pioneers rose to take advantage.
(Fred McConnell 2014).

According to a study by ESA 155 million Americans play video games and 4 out of 5 households own a device that is used to play video games. This leaves us with the average of 2 gamers per game playing household. More than half of US households own a dedicated gaming console and over 40% play more than 3 hours a week.
(The EntertainmentSoftwareAssociation 2015).

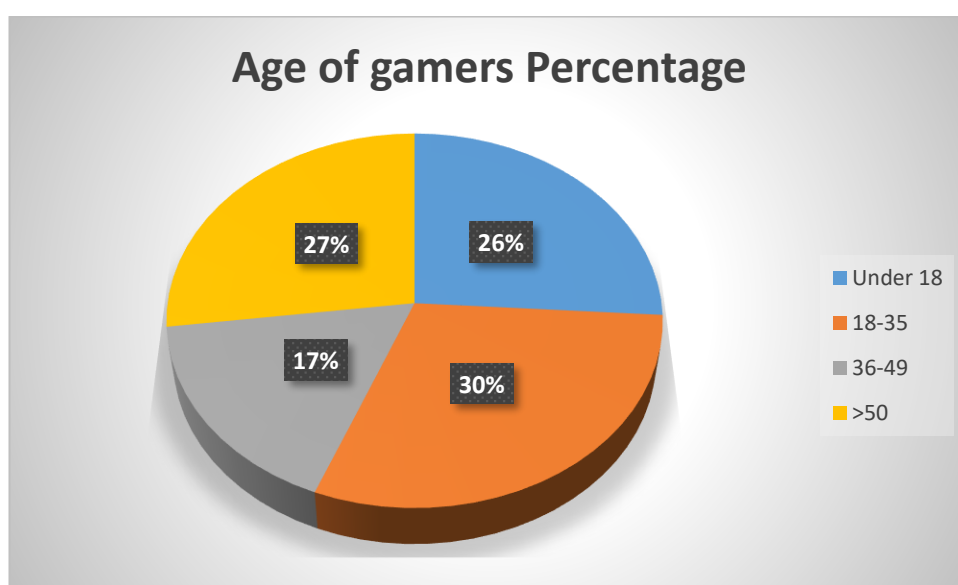


Figure 1: Age of gamer percentage

This would suggest that gaming is no longer a niche hobby or just something for kids as more people play games than don't. The largest demographic is men from 18 to 35. People over 50 are also a larger demographic than people under 18. Women in the age group 18 to 35 are 33% of the gaming population which is more than twice that of boys 18 or under. Figure 1 illustrates the age distribution of gamers. This shows that the distribution based on age is fairly even with young adults being the largest demographic based on age.

There are two likely causes for this trend. Gaming has become more popular and diversified. No longer are games made just for children and young boys, but for every demographic. This is made possible by the multitude of platforms for games nowadays from PCs to mobile devices. Gaming is more accessible and cheaper than it has ever been due to varied business models and games being available on mobile devices. Secondly the gaming industry has figured out that boys 18 or under do not have that much disposable income and rely on their

parents to buy games for them. When young adults have much more disposable income and likely buy games at a much faster rate and are likely to spend more money on a game. As the data shows young women are a much larger demographic than boys under 18.

A let's play is a form of gaming video where a person records himself playing a game usually while either commentating or simply reacting to the game. A let's play is a way for gamers to share their experiences with a game and for people to see a game they want to buy before buying it or to experience a game they have no intention of buying. This type of content has raised question about its legality. It has been compared to uploading an entire movie onto Youtube. While defenders say that the act of playing a game is transformative in nature so the gameplay belongs to the player and not the games creators. Many gaming companies have started to realise the value in this type of content as free marketing and often send out review copies and give blanket permissions to monetize video content of their games. Yet the law remains unclear if lets plays fall under fair use. This is why it is important to make sure the developers have given permission to monetize video content of their game. If the video is a review, a first impressions or some other kind of journalistic content it does constitute fair use and permission is not required, but review embargos should still be upheld unless getting blacklisted by a company seems like an appealing prospect. (Craig Drachtman 2014; Google 2015).

People who create online video content are called content creators. A content creator may be an independent person, someone working for a network or a website or a journalist writing for a paper. Content creation is the basis for all these business models. There are many ways to monetize this content, ads , merchandise, crowdfunding, subscriptions and other less common ways of monetization. (James Getomer , Michael Okimoto , Brad Johnsmeyer 2013).

The demand for this type of content is rising rapidly. According to an article by Think with Google the time spent watching gaming content on Youtube more than doubled between 2012 and 2013. The article explains this with the increase in both views from mobile devices that doubled from 2011 to 2012 that also doubled and the increase in subscribers for gaming channels. The subscriber gain for gaming channels was 900% of what it was before 2012. (James Getomer , Michael Okimoto , Brad Johnsmeyer 2013).

The demographic for digital game content is growing. The gamer is no longer just the basement dwelling nerd, people of all ages play and the gamer could be anyone you know. This makes gaming content more diverse as there is a market for more types of content, from entertainment to academics. (Oscar Diele 2013).

3 The business model and marketing

The main business models are ad supported content that relies on traffic, more views equals more money as revenue is earned per ad shown. Crowdfunding relies on contributions from a smaller base of supporters and is generally used to create ad free content or content that is less interesting to advertisers. Merchandising relies on people buying products related to the content or creator and can be used to supplement other business models. Finally, there are sponsorship deals where a company pays a creator to make content on their product.

For example, The product of a Youtube channel is twofold, the videos and the viewers. The videos bring in viewers and the channel sells those viewers to Google AdSense, who in turn place ads in the videos and split the revenue from those with the channel. (Google 2014).

3.1 Business models

Crowdfunding is the process of gathering small amounts of money from a large group of people. Kickstarter is a good example of this. It is the largest crowdfunding organization for creative projects. The system works by creators introducing a project they need funding for and asking for the amount of money they need to complete it. If the minimum amount of funding asked for is not reached the money is returned to the backers and the kickstart for the project has failed. There have been cases where because of this system creators have asked for a lower amount of money than needed to complete the project to get some funding, in some of these cases projects have failed due to this. Some creators use Kickstarter merely to prove to investors that there is demand for their product and Kickstarter was not their main source of funding. In Kickstarter the person giving money is not an investor and owns nothing from the project instead they are called a backer and often receive a promise of something they will receive when the project is completed in return for their money. A backer may receive the product or a discount, merchandise or their name or likeness in the project depending on how much money they offer. There is no guarantee that the project will ever be completed or that the backer will receive anything or their money back if the project fails. (Tanya Prive 2012; Nathan Grayson 2013).

Double fine adventure was one of the most successful Kickstarter campaigns raising around 8 times its original goal and gaining over 3,3 million dollars in funding. It also shows the pitfalls of crowdfunding as the game ran out of money during development despite all the funding forcing Double fine to release their game incomplete to gather the rest of the funding required to complete the game. In essence crowdfunding is a good source of funding for niche products that people are willing to pay extra to be able to buy. If a product has low demand

but has a fan or customer base that wants the product badly enough to pay for its manufacturing, crowdfunding may be a viable source for funding. (Tanya Prive 2012; Nathan Grayson 2013; Double Fine 2014).

Patreon is a system for content creators to crowdfund the creation of their content. Patreon allows people to fund the creation of content that might not otherwise be profitable. For example, Jim Sterling a former writer for the escapist magazine left his post and started a Youtube channel and a website by using Patreon. (Greg Tito 2015). According to an article by Forbes Patreon has distributed over a million dollars to the creators using the platform with over 150 new creators signing up to use the service every day. The average amount a patron donates is 9,80 dollars. The article further explains that with these numbers a creator with 510 patrons would earn around 60 000 dollars a year. (Sarah McKinney 2014).

Patreon is a good solution for niche content that a small number of people want to see, but doesn't have enough people watching it to be profitable being paid for by ads. The idea is very similar to Kickstarter, but Patreon only pays the content creator upon delivery of the promised content. Figure 2 shows the revenue stream for Patreon, with patrons donating and the content creator receiving payment after the delivery of the content.



Figure 2: Patreon revenue stream

Merchandise is a way to create additional revenue streams for content. Many Youtubers commission merchandise like t-shirts and toys based on events or sayings they are known for. Streamers often offer special emotes for their subscribers to use in chat. The key here is to create additional sources of revenue in addition to the video content.

Branding is the act of creating a unique image and name for a product and conveying that to the consumer. For online content creators this can be achieved many ways. A good example of branding on Youtube is the Yogscast network. Mostly known for their Minecraft content, they have made cartoon versions of each member in the likeness of their Minecraft avatars and use these images in most of their advertising and on the products they sell. The cartoons are consistent in theme and one can tell that a picture is of a Yogscast member even if they have not seen the picture before. This is one of the ways they have managed to create a unique brand for their network and its members.

Merchandise is a way to create additional revenue streams for content. Many Youtubers commission merchandise like t-shirts and toys based on events or sayings they are known for. Streamers often offer special emotes for their subscribers to use in chat. The key here is to create additional sources of revenue in addition to the video content. For this it is essential for content creators to create their own brand, so that they can create merchandise based on that brand. (<http://www.businessdictionary.com/definition/branding.html> 2015).

Live streaming is the process of streaming live video footage from one's display device to the internet for others to view. Twitch is the largest live streaming service on the internet. It is meant for gaming and is used by gamers to share live gameplay footage with viewers. Live streaming is not as well known or popular as other sources of online video content, but is widely used in gaming and game companies recognize this and live stream many of their press conferences and product reveals. Such was the case with the latest generation of gaming consoles. Sony and Microsoft both livestreamed the reveal of their new systems. The backlash that Microsoft received from the reveal of their new policies made them later change many of their planned policies as they were viewed as heavily anti-consumer. One of the other things that shows that companies are wising up to live streaming is that some of the new consoles and many games have integrated live streaming functionality such as the Xbox one and Playstation 4 or the online game smite. What is still holding live streaming back is that it requires much more processing power and a better internet connection than simply recording and uploading footage. (Luke Plunkett 2013).

Streaming generates revenue by showing ads to the viewer, by soliciting donations and subscriptions from the viewers. Figure 3 illustrates how ad supported revenue works when applied to streaming.



Figure 3: Streaming revenue stream

Video on demand (VoD) is an interactive technology that allows viewers to watch video or programs in real time or download them to watch later. A VoD system can be a part of a television set or the service can be delivered through the internet to a personal computer or a mobile device. (<http://searchtelecom.techtarget.com/definition/video-on-demand> 2015). In today's market people are willing to pay for convenience this is what VoD provides no longer do people have to make time to watch their favourite TV shows or go to a rental store if they want to rent a movie all of this can be delivered to their favoured display device with the push of a few buttons. The consumer decides not only what they wish to watch but when.

Probably the most well-known of the video on demand services is Youtube. Youtube is a free online video sharing service. Created in 2005, Youtube offers billions of people the opportunity to find, watch or upload user generated videos. Youtube works as a distribution platform for content creators as well as small and large advertisers. (www.youtube.com 2014). In essence Youtube is a pure meritocracy. Content creators are paid exactly what the market thinks they are worth. The value of a video on Youtube is directly tied to the number of eyes it is able to attract. Figure 4 illustrates how the revenue stream works for Youtube. With the many parties involved.

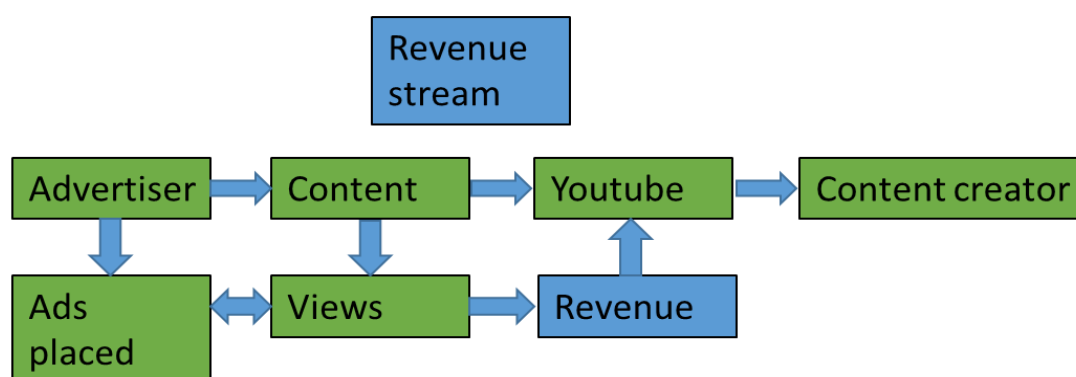


Figure 4: Ad supported content revenue stream

The most consistent method of delivery for the channel is subscribers, this is why subscriber count is one of the benchmarks for a channels success. Subscribers get the channels videos in their subscription-box and are more likely to find your videos than people using the search function.(Fred McConnell 2014; James Getomer , Michael Okimoto , Brad Johnsmeyer 2013).

In today's market people are willing to pay for convenience. This is what VoDs provide. No longer do people have to make time to watch their favorite TV shows or go to a rental store if they want to rent a movie all of this can be delivered to their favored display device with the push of a few buttons. The consumer decides not only what they wish to watch but when.

Netflix is an online video on demand service that offers TV-shows, Movies and original shows for a monthly subscription. It differs from Youtube, Vimeo and other video on demand services that are centered around user generated and ad funded content by offering content from major media outlets that make TV-shows and movies. Netflix also offers exclusive original shows such as the critically acclaimed Breaking bad. These days Netflix applications are often integrated into home devices such as televisions and gaming consoles. NetFlix is a good example of the concept that anything that can, will move to the internet. For example the fall of Blockbuster the video rental chain has been attributed to the success of it's primary competitor Netflix. Video on demand services such as Netflix simply offer a better service

than the old fashioned video rental stores. People are willing to pay for convenience and what is more convenient than selecting a movie to watch directly from your television, computer or mobile device and watching it the moment you want to. (Rick Newman 2010).

3.2 Threats to the business model

AdBlock Plus hereby referred to as AdBlock is a free open source program that is designed to block ads on the internet. It can be configured to block most ads or to allow certain trusted sites to show the user ads. AdBlock is one of the largest threats to ad supported content on the internet as it directly stops a site or a content creator from receiving revenue from the ad. AdBlock has over 300 million downloads and is the most popular browser extension. AdBlock has become popular due to intrusive and annoying attention grabbing ads that have sounds and animations or disturbing flashing colours. The current version of AdBlock has a feature that allows ads that have been deemed not annoying. This is likely an olive branch to advertisers to avoid lawsuits.

The goal of AdBlock is to change the way online advertising is conducted and admit to making their money by receiving funds from larger organizations who wish to see a change in online advertising, but they do not mention what organizations fund them. AdBlock is considerable threat to online content creators as it can diminish or stop revenue from reaching them as they do not get paid for blocked ads. Content creators rarely have say in what kind of ads are shown with their content and if said ads are deemed annoying by AdBlock or viewers. (adblockplus.org 2014; Kashmir Hill 2013).

Sopa, the stop online piracy act was a bill introduced to the US congress in 2011 by republican congressman Lamar Smith. The intent of the bill was to allow content creators greater power to protect their intellectual property from unlicensed use and distribution. The bill would have allowed content creators to pull down search results from Google for sites that they have a copyright claim against or to even stop them from doing business by stopping their Paypal accounts and preventing them from displaying ads practically freezing a sites finances. The problem with this would have been that a copyright claim requires little to no proof and almost anyone can make one against anyone. This would allow companies to abuse this power against their competitors or to censor critics.

Youtube already sees copyright abused to silence critics or to censor content. Many content creators have received takedown notices on their videos. Most often the claim of copyright infringement is not taken further and the videos are reinstated when Youtube determines that the accuser is not pursuing the copyright claim. This directly results in the loss of reve-

nue for the content creator as they are not able to get views on their video while the copyright claim is pending. Some videos are also time sensitive such as reviews of big releases. Games sell the fastest during the first weeks after release, if a review is taken down for this period it loses a large amount of potential views. This can be used to effectively censor negative reviews. (Brian Barrett 2012; Larry Magid 2012).

Automated Content Identification is a system that automatically scans videos uploaded and streamed on services such as Youtube and Twitch for licensed footage or music. If the system detects either music or footage owned by third parties on Youtube it either prevents monetization, informs the third party who then takes the video down by issuing a copyright notice or diverts the revenue from the video to the third party. On Twitch the system scans streams for unlicensed music and mutes sections in the video on demand versions of the stream. The system has issues as it is automated and does not understand fair use. It has been known to flag trailer footage given to reviewers and news channels with the express permission to share the footage. For example if a 20 minute video has a 5 second music clip of licensed music used for parody purposes or under fair use the system may inform the third party who owns the rights to the clip and they can issue a takedown notice of the video, prevent monetization or claim the revenue from the entire video. To make things even more complicated often even the original creator of the claimed content is not aware who holds the rights as they are often owned by companies that manage the rights to that content on the internet. (Stephen Totilo 2013).

3.3 Marketing

The book *Performance Marketing With Google Analytics* outlines the shift from traditional marketing to social media marketing as a change to direct consumer to consumer communication. Business now have to encourage their customers to spread their message through reviews, ratings and recommendations and this way older customers introduce the product to new customers. (Tonkin; Whitmore; Cutroni 2010, 319).

According to the book *Value from strategic customers* the bulk of a business revenue comes from a small portion of the overall customer base. The value of a customer however is not solely based on how much revenue they generate for the company and it is good to consider other ways that a customer might be valuable, like future potential, reference value and the chance to increase the businesses competency. Competition in many fields is increasing and this increase is mostly focused on the most valuable customers. This is why companies should pay more attention to strategically valuable customers. (Storbacka; Sivula; Kaario 2000, 9).

Commenting is a popular feature on online content that enables dialog between content creators and their viewers. Measuring commenting can be a direct indicator as to how engaging

the content is and how interested the viewers are. The comments on a video can be used for marketing. Responding to comments can help build a community around your channel. According to Marika Appel the marketing manager of Supercell a great community delivers value across the marketing value chain. Communities also offer chances for customer acquisition and brand management. The key difference when compared to traditional marketing is the ongoing nature. The advice she gives in her presentation is encourage conversation, recognize important members of the community and to ask for feedback. (Appel 2014).

Questions can be answered and feedback gathered. Try not to respond to insulting comments doing so has no positive outcome these people are trying to illicit a reaction from anyone a response from the channel owner will only fuel the fire. This is only advisable if the channel is using a bad content strategy where the goal is to create content that creates feuds in the comment section this is often called nerd baiting and is used by online publications to create traffic.

The like system is simple. Viewers click whether they like or dislike a video. This affects the search ranking of a video. Getting a very high amount of likes on a video can put the video on the front page of Youtube or have it recommend the video to viewers of similar content as something they might like. Most content creators ask for likes at the end of their videos.

Thumbnails are pictures that appear under the name of a video. If no thumbnail is added a frame from the video will be used instead. A thumbnail helps viewers identify videos and can be used either to stand out from the crowd, build recognition or give an idea of what the video is about. For instance having the same thumbnail for every video in a series can help viewers instantly recognize the video for what it is when it appears in their subscription feed. Thumbnails are a form of marketing the same way a packaging or an ad is.

Packaging can also help differentiate a product from another similar product. Packaging can contain important information about a company and its brand in a visual manner, such as colour, logo and name. Changing the packaging should be considered carefully as it may alter the perception of the consumer and might delay or prevent a purchase decision. (Lorette 2014).

In the case of a Youtube channel thumbnail this means that changing the thumbnail type of a series can cost the video its brand recognition. Subscribers will not be able to recognize the video at a glance. This also means that the thumbnail should work better when custom built. Things such as visual appearance, novelty and communicating the content should increase the chances of users becoming viewers.

Search engine optimization (SEO) is the process of improving a sites visibility on search engines such as Google, Yahoo and Bing. Many sites use search engines internally to help users find content. SEO only covers unpaid search results so paid search ads are not included. SEO is divided into 2 types of optimization. On-page optimization refers to what makes a website from html to the content. Off-site optimization is about optimizing links leading to the site from other sources. Search engine optimization should never be the sole marketing plan of any company or website. Search engine algorithms are constantly changing and relying on hits from them can leave a company vulnerable if the rankings change. Organic search engine optimization is not cheap or fast, it is a mid to long time strategy and requires constant investment of time and money. (What Is SEO 2014; Tonkin; Whitmore; Cutroni 2010, 229).

This simply means how to have as many people as possible find your content using the search function. There are multiple ways of improving ones search ranking, but they should be all used at the same time for the best results. Having people find your videos using the search function is one of the key ways of finding subscribers, after all how can anyone subscribe to your channel if they do not know about it. The more similar content there is the harder it is for people to find your videos this way, so do not rely solely on this method of marketing. (<http://www.mediacollege.com> 2014; <http://moz.com> 2014).

Tags are words associated with the video that help identify the content. For a video about making a cake tags could include but not be limited to cooking, cake, baking, chocolate or anything related to cakes or making one. Tags are useful for improving search ranking. Using misleading tags is against the Youtube terms and service and can leave your channel in bad standing or get your videos flagged for abuse.

Videos are the product. Naming products is partly science partly art. The most important thing is to understand what the perception of the consumer is. When naming products the following things should be considered. Memorability is important, a good test of memorability is to see if a customer can remember the name after seeing it just once. What positive and negative connotations does the customer have about the name. The customer has to be able to pronounce the name. The name should also be fit to concept. (Strategic Name Development 2014).

The names of your videos should give an idea of the content and pique the interest of the viewer. It is good to include the following things: The name of the series if applicable, number and name of the episode. Many of the benchmarked videos used a significant event from the episode as the name of the video. This makes the viewer wonder where the name came from and creates interest in the video. It also helps viewers remember videos for instance a

viewer might see a videos name later and remember the event from the name and watch it again or share it with a friend.

Logos are a critical aspect of business marketing. As the company's major graphical representation, a logo anchors a company's brand and becomes the single most visible manifestation of the company within the target market. For this reason, a well-designed logo is an essential part of any company's overall marketing strategy. (Jason Gillikin 2014).

A logo can create brand recognition as well as give the impression what a company does and what it represents. A logo should be used as an asset the same way a product or a service is. Marketing a logo this way also helps to market the products and services associated with it. (Toptenreviews.com 2011).

A banner gives a channel credibility the same way a business card or a sign or a logo might give the same to a company. Having a banner shows that the channel has had effort put into it. Many of the benchmarked channels have had their banners done by a professional artist, but a banner can be made by the channel owner or it can be outsourced to a friend who knows how to draw or a channel with a small amount subscribers might receive fanart to use for it.

Content on the channel can be used to promote other videos. Content creators often make videos that let viewers know about upcoming content or content on other platforms. Videos like these can be status updates on larger projects or simply a short announcement of content on other platforms. Youtubers for example often make a short video that they are going to stream on Twitch and delete the video after the stream has ended. This can be used to keep the interest of subscribers while no new content is being uploaded.

Annotations are text and links added into videos to inform, correct and to direct viewers. Most common annotations are links to the next and previous episodes in a series, some are used to promote other videos on the channel or other channels. If there is a mistake in the video and making a corrected version of the video is not possible an annotation is a good way to correct the mistake.

Youtube videos have a description box under the video that can be used to give information on the video, the start of the description appears under the name of the video when the search function is used. Benchmarking shows the common structure for descriptions to be the following: what the video is about and what happens in it, other information about the video, information about future content, Information about the channel, credits such a music used, contact information.

Recommendations can be used to gain more viewers, other channels and Youtube algorithms recommend content and channels to the users. Channels can recommend other channels to direct viewers to similar content or to other channels they have connections to. Gaming related channels are often a part of a network. These networks work with the Youtube partnership program and their function is to monitor and assist channels. Having connections with other channels can help a channel secure a spot on a recommended list.

“NETWORKING is the single most powerful marketing tactic to accelerate and sustain success for any individual or organization!” (Small 2014).

Networking is about building relationships that help both parties and making connections. People do business with partners that they know and trust. Helping others to succeed is a good way to make connections. (<http://www.strategicbusinessnetwork.com> 2014)

Networking can lead to increased business, open up opportunities such as partnerships. It can also raise your profile and gain you advice from others in similar situations. (Amazing business.com 2014).

Properly using marketing channels is critical for a Youtube channel. A Marketing channel for a Youtube channel can be anything that can link to the channel or a video on the channel. Joint projects with other channels and companies or organizations can also serve as marketing.

Reddit and various subreddits can be used to link to a channels videos and direct traffic. Anyone can post on Reddit making it difficult to stand out. When using Reddit for marketing various factors have to be considered. The more general subreddits have more traffic but users are less likely to view the post. More specialized subreddits have less traffic, but the post is more likely to be seen. The key is finding the right subreddit for the video. When making content for a specific game finding the right subreddit is easier as most games have their own subreddit or even several ones. Making a subreddit for the channel can also help build the community and gather feedback in a more constructive way compared to the Youtube comment section.

When creating a social media marketing strategy, considerations should be how to interact with customers, what are the goals and how to quantify the results. Social media marketing should be looked at as a whole a sum of its parts, not as a Facebook marketing strategy or a Twitter marketing strategy. Social media sites and apps are merely tools and creating the strategy should be much deeper than simply using them. (Baer 2014).

Facebook and twitter are the most common social media used by the benchmarked channels. Facebook is a free social networking website that also functions as a marketplace that allows members to post, read and respond to classified. (<http://whatis.techtarget.com> 2014).

Facebook is not a customer acquisition machine. It is false notion that by simply making a Facebook page for a company will increase sales. Customers look for products that they have already had experiences with on Facebook instead of finding new companies or products. One of the perks of using Facebook for marketing is turning your customers into accidental marketers by having the posts that they have liked appear on their friends news feed that those people might have not otherwise seen. The primary function Facebook does marketing wise is to help the customer remember the company. (Baer 2014).

What this means for a Youtube channel is that Facebook should not be a priority to new channels with a low subscriber base. Facebook will not help the channel acquire a significant amount of new viewers till it has enough of them. When a channel already has a fan base it can be used as an additional marketing and community building tool, it should be complementary to a marketing strategy and not the primary focus.

4 Methods and data

Reliability is how stable and reliable results the assessment tool produces. For tests, reliability can be increased by administering the test twice and cross referencing variations the results. The way the data was collected for this thesis does not provide a very high degree of reliability as there is not a second assessment tool or measurement to compare the collected data versus. The data itself does not need to be extremely accurate as the thesis is more focused on how the channels and their business models work rather than the numbers they produce. (Phelan 2005; Wren 2005).

Validity is how well the methods used measure what it is supposed to gauge. For this thesis the purpose of the measurements was to measure the trends of the channels and the profitability of a channel. For this estimates were used using CPM of 10 for the simplicity of the required calculations. The purpose of the thesis was not to measure the exact performance of the channels, but to see if there were any clear trends that could be used to make conclusions. (Phelan 2005; Wren 2005).

This thesis is focused on the business models and profitability of creating online gaming video content and its viability as a primary source of income versus as a hobby or a way to supplement income. For estimating income for ad supported content average CPM of 10\$ is used. For determining viability as a primary source of income the average salary of a Finnish person is used.

The thesis also took a look at the social media platforms used by 19 gaming channels to see if there were any clear trends. As well as taking a look at the merchandising habits of the channels to see what type of products and services they should and how they sold them. The total views for a month were used to get comparable data and the data was collected from approximately 2 month duration to ensure that seasonal changes in total amount of views was minimized. Direct access to the data was not available which made collecting the data much harder. The view count data of the videos had to be collected manually which meant collecting the data from hundreds of videos. The data is not sufficient to make wider conclusions but can be used to see some clear trends. The channels are specified in table 1 below.

Finally this paper compared the monthly views or sales of the 3 largest gaming Youtube channels to the 3 largest online gaming media sites and the largest printed gaming magazine to show disparities and trends in online gaming media.

<i>1. Cinemassacre</i>
<i>2. Extra credits</i>
<i>3. GameGrumps</i>
<i>4. Jesse Cox</i>
<i>5. Jim Sterling</i>
<i>6. JonTronShow</i>
<i>7. Markiplier</i>
<i>8. Mogamu</i>
<i>9. Pro Replays</i>
<i>10. Sips</i>
<i>11. Totalbisquit, The Cynical Brit</i>
<i>12. videogamedunkey</i>
<i>13. Wrel</i>
<i>14. YOGSCAST Lewis & Simon</i>
<i>15. Angry Joe Show</i>
<i>16. Pewdiepie</i>
<i>17. LetsPlay</i>
<i>18. wowcrendor</i>
<i>19. Trinimortal</i>

Table 1: Youtube channels

5 Conclusions

The conclusions try to establish a case for when making online gaming video content is profitable and what business models suit various types of creators. Such as what it takes to create said content in labour and cost compared to the number of views it would require to offset the cost of both.

The conclusions also support the trend of social media in marketing by looking at the social media usage of the channels studied in this thesis. The trend of online video content surpassing traditional media such as gaming magazines in subscriber counts by a large margin is shown.

5.1 Profitability

Making gaming videos is almost always profitable if the cost of labour is not included. The only costs are the investments for the hardware and software needed to record and edit videos and possibly what is spent on the game in question, however there are many completely free games out there.

Making videos as a hobby can be a good way to supplement income or to help pay for the cost of gaming as a hobby. Looking to make videos as a fulltime job is much harder depending on the type of content.

Using a hypothetical game reviewer as an example. Making a video review would require one to:

- Buy the game or receive a review copy.
- Finish the game.
- Make a review.

The average new console game would cost around 60\$ and last anywhere from a few hours to more than a 100. Assuming the average CPM of 10\$. The video review would need 6000 views to offset the cost of the game. It is however a common practice for game studios to hand out free review copies to reviewers ahead of release. Youtube still takes its 45% cut from ad supported videos. This will not apply to videos funded through Patreon or other 3rd party means.

To increase profitability a channel can also do paid promotional content. Even a minor brand promotion deal can make multiple times the revenue that ad supported videos make. For example a 1000\$ paid promotional video is worth about the same as an ad supported video that gets a 100 000 monetized viewers. It's not a bad deal for the promoter either. The promoter gets to advertise their product to an audience that's demographic they know well. If there is

a video on a gaming channel you can be sure that most of the viewers will be gamers and possible customers. For a smaller channel a single brand deal can be worth as much as several months income and is thus a good way to supplement a channels income. An advantage to brand deals is also that Youtube can't take its 45% cut leaving the whole sum to the channel.

As far as business models are concerned crowdfunding is a good option for those with a smaller but more invested viewer base as the revenue generated is not dependent on views but on donations. As such crowdfunding can be used to create video series that have their production crowdfunded in advance through services like Kickstarter or to create regularly scheduled content with Patreon donations that pays out based on the donations on the release of content.

Ad supported content is more set it and forget it. Content does not need to be scheduled or the money set up in advance, but is instead earned per ad on the video. This can suit any type of content and scales with the views of the content this however requires many more views to be as profitable but is can generate revenue almost without limits in theory. In practice this option is suitable for those who don't want to focus on the monetization aspect of content creation or those with large viewer bases.

Merchandising did not seem to be the main focus of the channels looked at in this thesis aside from one that was entirely focused on selling services. Merchandising is more suitable for complementing the revenue of channels with a fan base by getting more value out of certain customers. This would be in line with what Storbacka, Sivula and Kaario outline in their book Value from strategic customers. (Storbacka; Sivula; Kaario 2000, 9).

<i>Average salary FIN (month)</i>	<i>3539</i>
<i>Cpm</i>	<i>10</i>
<i>Youtubes cut 45%</i>	<i>1593</i>
<i>Required views</i>	<i>513173</i>

Table 2: Required views

Formula used (Salary + Youtubes Cut) / (Cpm/1000) = Required Views

When comparing Youtube revenue to the average salary of a Finnish person a channel would have to get over 500 000 views per month to be as profitable, this account for whether making videos for a channel takes less or more time than the average monthly hours in a fulltime job as the time can vastly differ based on the type of content produced. This shows that for most people running a Youtube channel fulltime might not be the best option, but if making videos is something you enjoy it can be a great way to supplement ones income or to pay for

a gaming hobby depending on how much time is spent making the video compared to the number of views it gets. (Table 2)

5.2 Marketing

Of the channels studied 3 had no social media presence and the rest used at least 1 social media site/service.

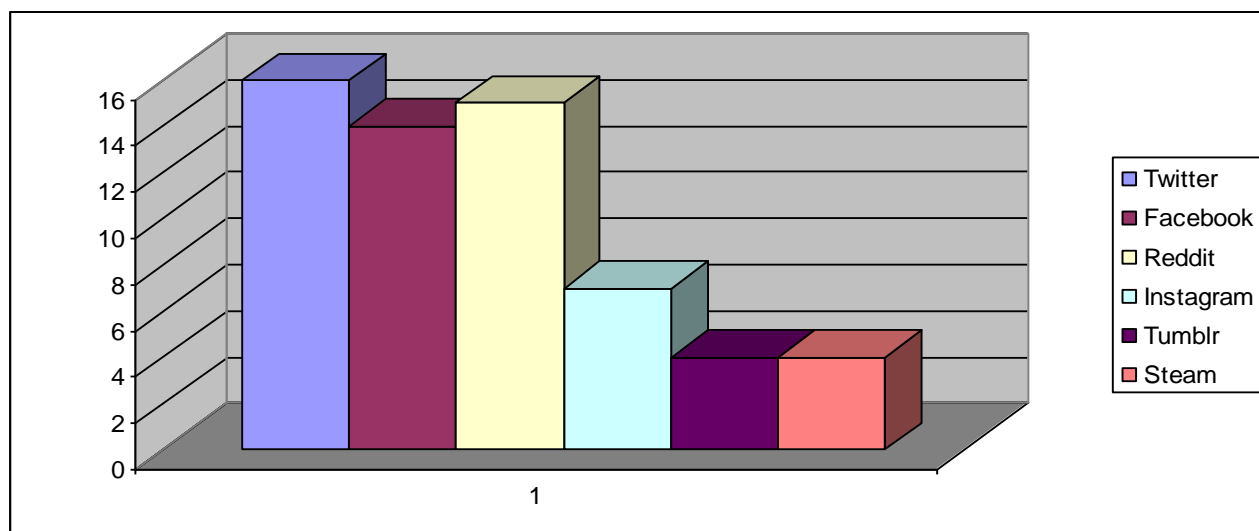


Figure 5: Social media usage of channels

The Figure above shows the usage of social media by the channels studied in this thesis.

The most used social platforms were Twitter (16), Reddit (15) and Facebook (14). Instagram (7), Tumblr (4), Steam (4) were the least used. However all channels that used the less used platforms also used at one or more of the more popular platforms.

The sample size is too small to determine what effect social media has on these channels, but the data shows that these channels believe it to be important with 17 out of 20 using at least 1 social media platform. As Jay Baer outlines in his talk social media is not for bringing in new customers, but for talking to your customers informing them about new products you offer and turning them into marketers for you by having them share your posts to their friends. (Baer 2014)

It would seem that this is broadly correct as what seems to be what the channels use social media for is to talk with their viewers and to inform them on content they have released on other platforms. For example, making a twitter post about releasing a new video on Youtube or that they are about to start a stream on Twitch.

15 out of the 20 channels also had some form of merchandise for sale either directly or through a 3rd party online store. The most common product were various shirts with 5 out of the 15 selling them. These shirts mostly had some type of meme related to the channel on them. Like Wowcrendors zombie dragon t-shirt, the zombie dragon being something that a character in one of his parody videos keeps talking about.

The rest of the channels sold varied products and services, with some of these being questionable in their legality. Sites like www.elorift.com were selling some services that are clearly against the terms of service of the host game League of legends. Selling accounts is not allowed by the ToS and may result in these sold accounts getting banned and becoming unusable to the buyer. Whether this is legal or not would require a deeper look into US/EU consumer protection law.

The book Value from strategic customers outlines how a small portion of customers bring in the most revenue and value to a company. In the case of online gaming video content this can either be true or false depending on the platform and the viewer base. For example, on Youtube each view monetized view is the same value, but subscribers are more likely to view more videos and have more future potential. When it comes to streaming the value of the viewer differs wildly as viewers bring in ad revenue, donate, help moderate, buy paid subscriptions and often take part in the stream through the live chat. This means some viewers bring in more money than others and some help improve the stream by creating a community around it. Even crowdfunding options have to consider the value of the viewers as some watch for free and others donate varying amounts with varying frequency, but even the free viewers bring in value by helping the channel grow and through reference value. (Storbacka; Sivula; Kaario 2000, 9).

However it is clear that channels use social media platforms to boost their visibility and sell merchandise to gain additional revenue, further research would be required to find out the ratio between the revenue streams.

5.3 Comparisons

This thesis compared the 3 largest gaming websites, the 3 largest gaming Youtube channels and the largest gaming magazine. Figure 6 below illustrates the quite obvious difference in viewership. This however is not necessarily proof that the Youtube channels are more profitable as the revenue per view may be very different even if both use the similar models to generate their revenue.

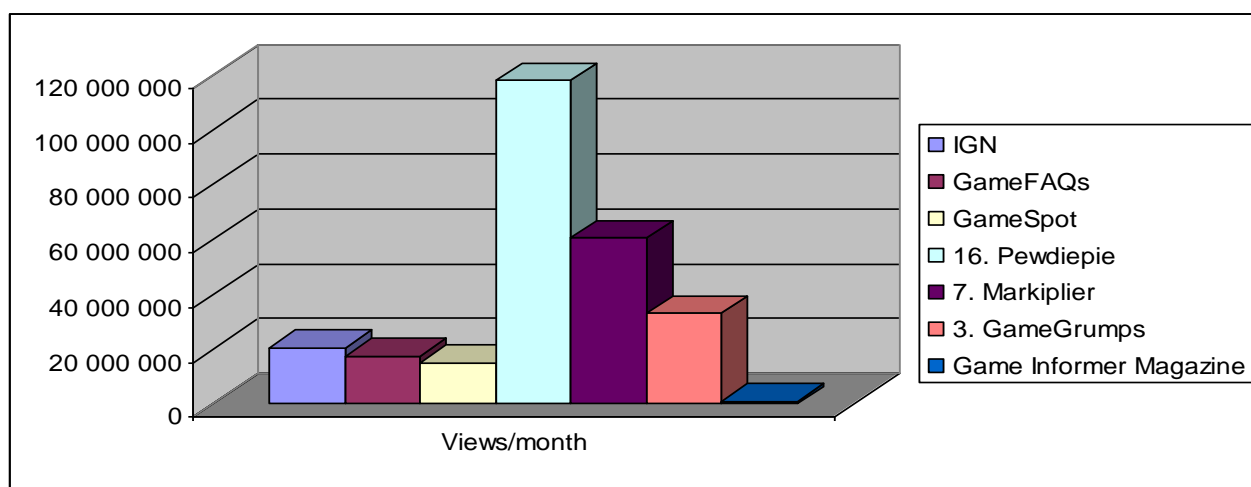


Figure 6: Views comparison, Youtube vs magazines

When comparing the largest gaming websites, Youtube channels and websites it is clear that Youtube channels get more viewers per month by a large margin and that medium to large sized Youtube channels get around the same or more viewers than the largest gaming magazine. Views per month in table 3 show that the largest gaming Youtube channel gets over a 100 times more views per month than the largest gaming magazine. This shows a trend that gaming content is going to be increasingly web-based.

<i>Youtube vs Magazines</i>	<i>Views/month</i>
<i>IGN</i>	<i>20 500 000</i>
<i>GameFAQs</i>	<i>17 500 000</i>
<i>GameSpot</i>	<i>15 000 000</i>
<i>16. Pewdiepie</i>	<i>118 235 693</i>
<i>7. Markiplier</i>	<i>60 620 660</i>
<i>3. GameGrumps</i>	<i>33 079 540</i>
<i>Game Informer Magazine</i>	<i>1 120 597</i>

Table 3: Views comparison, Youtube vs magazines

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Appendix 1: Channels viewers and estimated profits last active month

1. Cinemassacre		10. Sips	
Views	3,800,955	Views	3,583,921
Cpm	10	Cpm	10
Youtubes cut 45%	17,104	Youtubes cut 45%	16,128
Profit \$	20,905	Profit \$	19,712
2. Extra credits		11. Totalbisquit, The Cynical Brit	
Views	1,643,485	Views	5,829,189
Cpm	10	Cpm	10
Youtubes cut 45%	7,396	Youtubes cut 45%	26,231
Profit \$	9,039	Profit \$	32,061
3. GameGrumps		12. videogamedunkey	
Views	33,079,540	Views	12,129,373
Cpm	10	Cpm	10
Youtubes cut 45%	148,858	Youtubes cut 45%	54,582
Profit \$	181,937	Profit \$	66,712
4. Jesse Cox		13. Wrel	
Views	5,043,121	Views	112,032
Cpm	10	Cpm	10
Youtubes cut 45%	22,694	Youtubes cut 45%	504
Profit \$	27,737	Profit \$	616
5. Jim Sterling		14. YOGSCAST Lewis & Simon	
Views	4,406,246	Views	13,127,454
Cpm	10	Cpm	10
Youtubes cut 45%	19,828	Youtubes cut 45%	59,074
Profit \$	24,234	Profit \$	72,201
6. JonTronShow		15. Angry Joe Show	
Views	2,586,743	Views	4,445,321
Cpm	10	Cpm	10
Youtubes cut 45%	11,640	Youtubes cut 45%	20,004
Profit \$	14,227	Profit \$	24,449
7. Markiplier		16. Pewdiepie	
Views	60,620,660	Views	118,235,693
Cpm	10	Cpm	10
Youtubes cut 45%	272,793	Youtubes cut 45%	532,061
Profit \$	333,414	Profit \$	650,296
8. Mogamu		17. LetsPlay	
Views	738,335	Views	14,989,976
Cpm	10	Cpm	10
Youtubes cut 45%	3,323	Youtubes cut 45%	67,455
Profit \$	4,061	Profit \$	82,445

9. Pro Replays	
<i>Views</i>	1,450,631
<i>Cpm</i>	10
<i>Youtubes cut 45%</i>	6,528
<i>Profit \$</i>	7,978

18. wowcrendor	
<i>Views</i>	878,473
<i>Cpm</i>	10
<i>Youtubes cut 45%</i>	3,953
<i>Profit \$</i>	4,832

19. Trinimortal	
<i>Views</i>	622,539
<i>Cpm</i>	10
<i>Youtubes cut 45%</i>	2,801
<i>Profit \$</i>	3,424