IN SEARCH OF SOULS – IDENTIFYING CHARACTERISTICS OF GAMERS

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ABSTRACT

This paper discusses a project for determining the ideal customer profile (ICP) for developing new games for an electronic gaming company. The project was intended to aid a new product development to reverse the company's declining sales revenues. It was expected that a deeper understanding of potential users and their entertainment needs will point to certain types of features in the game architecture and in the physical devices that could lead to new designs to attract additional users in selected market segments.

I. INTRODUCTION

This paper discusses our efforts in obtaining profiling data for a gaming company to design and revitalize its gaming products. To maintain anonymity, we will refer to the company as TNP. Established in early 1980s TNP develops entertainment game products used in restaurants and bars. Through the 1990s, the company grew to over 130 employees with games installed in over 3,800 locations in the United States and Canada. Guests play games on available devices while in those bars and restaurants and revenue is generated through subscription fees paid to TNP by bar and restaurant owners that wish to offer their patrons additional entertainment in the hope of increasing customer loyalty, longer visits and higher tabs. TNP has three categories of customers: chain restaurants, single-location full service restaurants, and bars/nightclubs.

II. OBJECTIVES

Due to rapid pace of technology and changes in customer behavior, the legacy products cannot sustain the company's operational and R & D expenses. TNP has an array of products in various development stages. To decide which games would have higher chances of success, TNP retained the MBA Consulting Group for assistance to research its existing and potential market segments, by identifying promising target markets in each segment and understanding customer preferences. This paper presents the approach that was undertaken to identify the ideal customer profile for the new TNP product category; and the methodology for determining the features and attributes that would be more preferable by potential customers and patrons in the market.

III. INDUSTRY ANALYSIS

TNP primarily operates in the following U.S. industries: chain restaurants, single location full-service restaurants and bars. The success of these complementary industries greatly impact TNP's sales and presence.

Chain Restaurant Industry. In the U.S., the chain restaurant industry faced declining annual growth rate between 2007 and 2012 at -0.1%. This was due primarily because of the recession as consumers looked to save money by having meals cooked at home or eating out at fast-food venues. Although the past five years have declined, the annual growth rate between 2012 and 2017 is expected to increase at 3.6%.

Single-Location Full-Service Restaurant Industry. The industry experienced a 0.6% annual growth rate between 2007 and 2012 and is expected to grow by 2.7 through 2017.

Bar Industry. The annual growth rate between 2013 and 2018, is projected to grow at 2.5% (between 2008 and 2013, the industry's growth was at 0.0% annual growth) (See Tables 1-3).

Key External Drivers. TNP customers are affected by four external drivers: consumer spending, consumer sentiment index, household income and per capita alcohol consumption (Table 4). Recession and economic downturn cause consumer spending to decline. Through 2017, the consumer spending index is expected to increase by an average annual rate of 2.8% in single location restaurants and in the chain restaurants but only by 1.1% in bars and nightclubs. Per capita alcohol consumption is expected to increase, however, there has been increased awareness of excessive alcohol consumption, which portends the bar and nightclub industry in the long-run. Chain and single location full service restaurants usually draw their customers from households earning more $100,000, which will grow in number. The future of these industries is optimistic with expected expansion through 2017. The lowest annual growth is expected in the bar and nightclub industry at 2.5% compared to chain restaurants at 3.6% and single location full-service restaurants at 2.7% (IBISWorld, 2013).

III. RESAERCH METHODOLOGY AND DATA COLLECTION

Historical client data (n= 588) was collected to analyze existing customers profiles and demographic, economic, geography and other pertinent variables using the 2010 Census and 2011 American Community Survey. Secondary data was augmented with available sales information based on TNP's database on current and past customers to identify current areas of success and potential growth opportunities regarding: i) Current areas of growth within sales of the legacy product, ii) Test results of preliminary usage of the new product, iii) Restaurant/bar chain customers that have an increase in subscription volume, and iv) Independent restaurant/bar registration data

Customer Profile. Figure 1 and Figure 2 show the geographic areas of growth by way of new installations were primarily the same geographic locations of cancellations and loss. While there were high numbers of registrants in the Pacific Midwest, the number of game plays per registrant was around average. Similarly, the number of registrants in Florida and North Dakota was not particularly high however; these players were the most active with numbers of game plays per registrant. *Taken together, the end-users visiting customers that were likely to remain with TNP were not particularly geographically clustered.*

We then analyzed the registrants to see if they visited a particular type of establishment. Bar/Restaurants have a higher average number of registrants than other categories. Moreover, customers with high seating capacity were likely to have higher numbers of registrants due to their high traffic levels. Finally, former customers did not significantly differ from current customers and no significant differences were found between the former and current clients in terms of their use of social media, e.g., Facebook, Foursquare, or other marketing venues noted by TNP. Large Chain customers were significantly more likely to remain TNP customers than independent, small franchise, and medium franchise customers.

With the Independent customers, TNP was most successful in retaining clients that are located in wealthy areas that have a high population in the service areas along with a large number of housing units. These areas will have a high proportion of the senior population; consist of a larger female population, high household density and high household income. A large proportion of the population in these areas drives to work alone. The population in these areas is also likely to be engaged in white color employment rather than manufacturing.

With Medium Franchise customers, TNP was most successful in retaining clients that are located in areas that have a relatively low income. A high percentage of the population in these areas is likely to carpool to work, is engaged in high-end service industries, low homeowner vacancy rates and high rate of college-educated professionals. With large chain customers, TNP was most successful in retaining clients that are located in well-populated and wealthy service areas where the ethnic diversity is low and are predominantly white. These areas also have high housing occupancy rates, high number of family households with married couple families, married with children and family with kids. A high percentage of the population in these areas has some college education.

Optimal Product Features. We selected the five top TNP customers, based on highest monthly average amount paid to TNP, for one-on-one interviews. These interviews were conducted by phone after receiving authorization from customer and interviewee. The point-person for the interview was the individual responsible for the market or customer experience at the restaurant/bar. The goals of the interviews were to determine which product features TNP's customers were interested in and assess expectations of future sales should they implement the new products.

Customer Interviews. Interviews consisted of approximately ten questions such as: customer information (feedback, demographics, frequency of visits, etc.), sales changes, desired product features, and brand impact of TNP. With regards to the product features, the following were discussed with each interviewee: i) Digital signage, ii) Arcade-style games, iii) Trivia-style games, iv) Social media capabilities, v) Branded TV with compelling video and localized content (news, weather, real estate, high school sports), vi) Loyalty programs, and vii) POS system that allows customers to pay their tabs through the new device.

The potential product features were ranked on a 5-point Likert scale of Not interested (1-2) and very interested (4-5). The features that elicited the most interest were: digital signage, arcade-style games and trivia-style games. *The feature with the least interest was POS.* This was primarily due to the fact that the staff would lose interaction with their guests which caused a perceived loss of relationship between the venue and its customers.

Customer *Survey.* A survey was administered to determine the purchasing intention, purchasing behavior and demographic characteristics of the potential customer of the new device. The survey had three sections. In the first section, respondents were categorized by asking questions about the type of venues that the customers prefer, the frequency of visits to these venues and the average check amount.

In the second section, the concept for the new product was introduced with an image of the device and a short description of what the device could be used for. A series of questions were then posed to understand the respondent's value perceptions of the different features of the device. In the third section, demographic information of respondents was captured. The survey was created using the Qualtrics system and was pretested for logic and for clarity. The goal was to obtain 250 responses and to encourage participation; the survey was incentivized by a chance to win one of three $50 Visa gift cards. The Qualtrics survey was kept open for a week and a total of 1,240 responses were recorded which translates to a 6.2% response rate. Data analysis was performed using ANOVA. A heat map was also generated from the IP addresses logged into the survey to determine the geographic distribution of the survey respondents.

IV. FINDINGS

Tables 6, 7, and 8 depict demographic and psychographic information of the respondents. The average check amount for 88% of respondents is under $60. As seen in Table 9, iPhones and Androids are the most popular types of mobile phones that customers carry while very few use a Blackberry. Nearly 45% of the respondents use mobile phones during a bar or restaurant visit. Respondents do not value live trivia events at a bar or restaurant as 31% indicated seldom attending such events.

Once the concept statement along with an image of the new device was revealed, questions followed to establish customers' purchase intentions and preference for features. Research found that the concept did appeal to a wide audience. Table 10 summarizes the findings. Regarding willingness to pay $0.50 per game to play high quality arcade-style games on the new device during their bar or restaurant visit, only 15% of the respondents agreed to pay. Similarly, only 1% were willing to pay $1.00/ song to hear a song of their choice in the bar or restaurant

In terms of the demographic information of the respondents, 70% of the respondents were male 65% of the respondents being 42 years or older, most respondents do not have children, the average annual household income of 26% of the respondents was in the $30,000 to $60,000 range while the average annual household income of 25% of the respondents was in the $60,001 to $90,000 range, 57% were married or in a domestic partnership and 27% were single. Of the respondents, 35% have a Bachelor's degree while 33% have some college degree as their highest level of education completed. Almost 91% of the respondents were Caucasian which is consistent with the conclusion from the analysis of TNP's client database.

Frequent visitors of family-style establishments were likely to have more children than less frequent visitors. These customers were also less likely to use their mobile devices at the establishment and liked the trivia games and loyalty program features more than frequent customers of Irish/British pubs. Frequent visitors of fast food establishments were likely to have lower incomes and spend less per visit than their less frequent counterparts. Frequent customers of Irish/British pubs were likely to spend more per visit than their less frequent counterparts.

Most factors examined did not affect the customer's willingness to pay for games or songs except for the education level, the willingness to use the device to entertain the customer's child, and the type of mobile device owned by the customer. Less educated customers were more ambivalent to paying for games and songs than more educated ones. Owners of iPhone, Android, and Blackberry devices were more willing to pay for games than respondents who indicated that they were owners of 'other' or 'no mobile devices'. Owners of 'other mobile devices' or 'no mobile devices' were even less willing to pay for songs. No significant difference was observed in the interest levels of male and female customers in terms of using the device to occupy accompanying children.

Customers of independent/single location establishments were older and had fewer children than customers of chain establishments overall. A significantly greater number of customers were likely to visit independent/single location bars and Irish/British pubs than chain bars and Irish/British pubs. The opposite was true for family, casinos/hotels, and billiards/bowling locations, where chain locations were more highly frequented than independent/single location establishments. Customers of chain locations visited their favored location more frequently than customers of independent/single locations, but there was no significant difference in the amount spent per visit. Finally, customers of chain locations liked the overall product concept more than customers of independent/single locations, especially with regards to the ability to order and pay, play trivia games, and participate in a loyalty program through the device. No difference was observed between the customers of independent/single location establishments and chain establishments in terms of the interest levels for checking the news, social media accounts, or paying for games or music.

V. RECOMMENDATIONS

1. Ideal Customer Profile (ICP) - Large chains and independent venues matched the characteristics of the ICP identified previously. This is of key importance because these groups of customers have proven to be the least likely to cancel TNP's service. The retention rate of TNP's Playmaker has not been sufficient to support consistent sales growth. Focusing on the ICPs identified will increase the likelihood of building up a loyal, consistent base of customers for the new device. Building this base of loyal customers is vital to TNP's financial future. Targeting only large chains and independent venues will ensure that the start-up costs that TNP incurs for new customers will pay off sufficiently. TNP can help increase the loyalty of its "new" customers through several strategies. First, it can offer favorable contract terms and focus its sales efforts on venues that fit the ideal customer profiles to encourage product adoption. Second, it can focus support and service efforts on new customers that fit the ICPs to encourage retention. The research shows that TNP customers with the most complete data were more likely to remain customers of the company than the ones with less information.

2. Features - TNP has investigated a large variety of features to offer on the "New" device. However, the research shows that only the trivia-style games and loyalty programs were desirable to both patrons and TNP customers. TNP should also investigate further opportunities for digital signage, as customers were particularly interested in incorporating this feature into their venues.

Encouraging the use of paid features is an integral part of the financial success of the "New" device. TNP can promote the use of these features with the following strategies. First, TNP could offer free games to new users to encourage customers to try the service. Customers may be less resistant to paying for future games once they see first-hand that the games are of high quality and are enjoyable. Second, TNP could encourage competition between customers by implementing a scoring system for arcade games. TNP could also encourage customers to follow the existing TNP Playmaker strategy of holding competitive arcade game nights. These nights could have the effect of building a loyal base of paid arcade game users. Third, TNP could encourage paid feature use by having nights where the cost of these features is reduced. Customers may be encouraged to try these features at a lower price and then go on to become regular paid feature users.

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Tables & Figures are available upon request.