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Unlocking player lifetime value

The path to profitable growth and player retention

Amid the challenges of recent years, the world turned to technology to stay connected and entertained—with games proving to be an effective escape for many. Now with players facing endless entertainment options, how can game publishers, studios and platforms use technology to boost player retention, loyalty and player lifetime value (player LTV)?

A growing video game player base means opportunities, but obstacles abound

The video game industry's market potential is undeniably vast, a fact underscored by the increasing number of Generation Z, millennials and Generations X dedicating substantial time each week to playing games. An increasingly diversified business model, including in-game purchases and the social and immersive experiences video games provide, has further augmented the market's value.

- The percentage of people playing games increases with each generation: Generation Alpha (94%), Generation Z (90%), millennials (82%), Generation X (67%) and baby boomers (47%).¹
- In the United States, around 60% of our respondents identify as video game players, almost equally split between men and women.²
- The 2024 video game market is projected to reach a revenue of \$282.3 billion. It is expected to grow at an annual rate of 8.76% between 2024 and 2027, resulting in a projected market volume of \$363.2 billion by 2027.³
- \$74.4 million is the projected market value for in-game purchases by 2025.⁴

Despite the increase in the player population, new challenges have emerged regarding player spending and behavior.

- Fickle players in an uncertain economy: The 2022 global gaming market declined 4.3%, with a 6.4% drop for mobile games.⁵ As in-person experiential spending returns after three years of the pandemic, players now have more entertainment options and less money in their pockets due to inflation.
- Churn as a constant puzzle: Players' limited attention span is crippled by the abundance of entertainment options out there, and the churn rate in mobile games is skyrocketing. More than half of the costly acquired players stop being active on the same day of game app install, and 75.4% of players churn by day 30 on Android platforms.⁶
- Challenges to realize player value: While the free-to-play model has become increasingly common with major titles, game studios face challenges to fully monetize in-game purchases with massively untapped potential for in-game advertising. In fact, roughly 299 million players on consoles and 458 million on PCs play but do not regularly spend during their gaming journeys.⁷

To overcome these obstacles and maximize profitability, game platforms must tap into player lifetime value (player LTV), or the value a player generates over the course of their relationship with the platform.

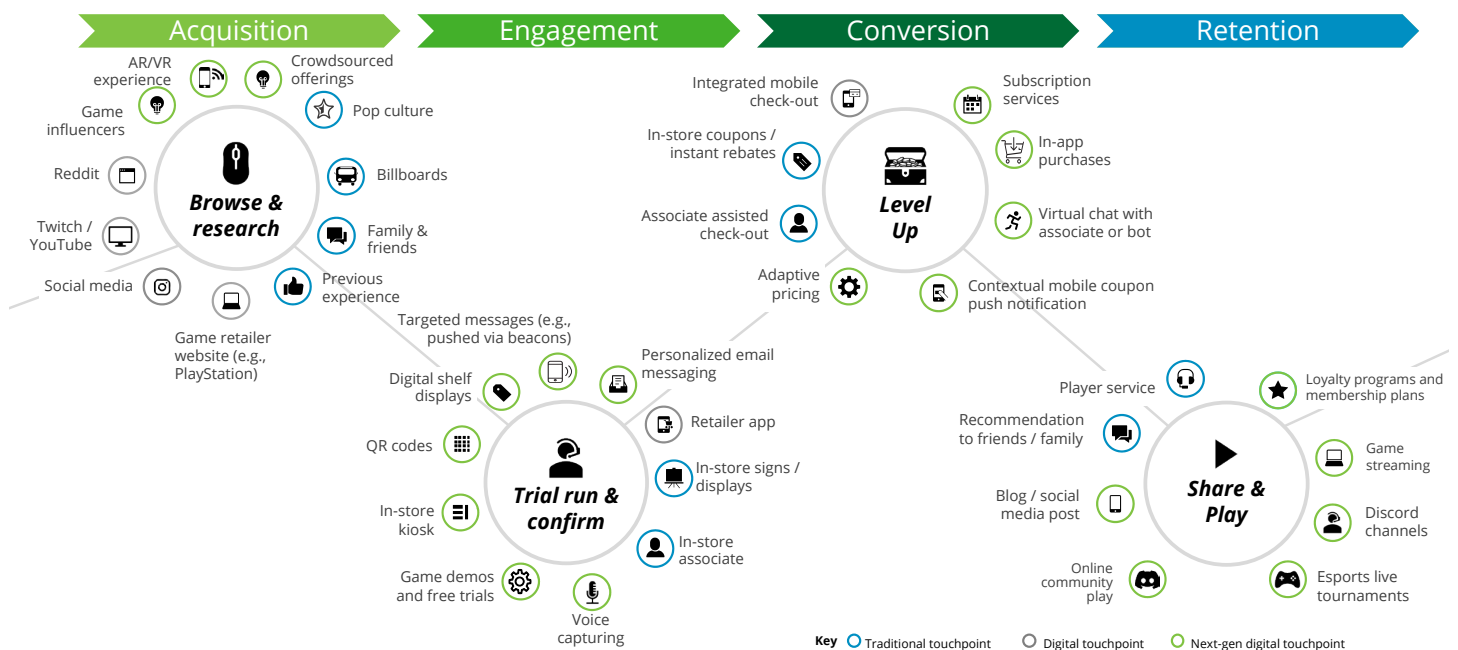
Understanding the moments that matter: Maximizing player lifetime value in games

The longevity and frequency of a player’s engagement with a game platform directly correlates to the value derived, whether realized through subscriptions, in-game purchases or other channels. To maximize player LTV, it’s essential that game platforms deliver a customized experience across all channels throughout the player’s journey—from acquisition to engagement to conversion and retention.

In the modern video game landscape, players connect, interact and transact across a multitude of both traditional and digital touchpoints. These touchpoints evolve into various forms, from email and SMS notifications to Discord chats and in-game advertisements. To boost player engagement and mitigate churn, game platforms should harness these touchpoints to gain a deeper understanding of player behavior and provide a more tailored game-play experience.

After identifying these touchpoints, we can enrich player segments by analyzing these interactions. The interactions offer valuable behavioral data that can help game studios and platforms understand their players better and anticipate their actions, which can enable them to strategically engage at the right moments.

Figure 1. An increasing number of nonlinear moments to engage players in their path to purchase and subscribe online and offline



The solution? Optimize player engagement and enhance player experience through refined player segmentation and AI-enabled 360-degree activation

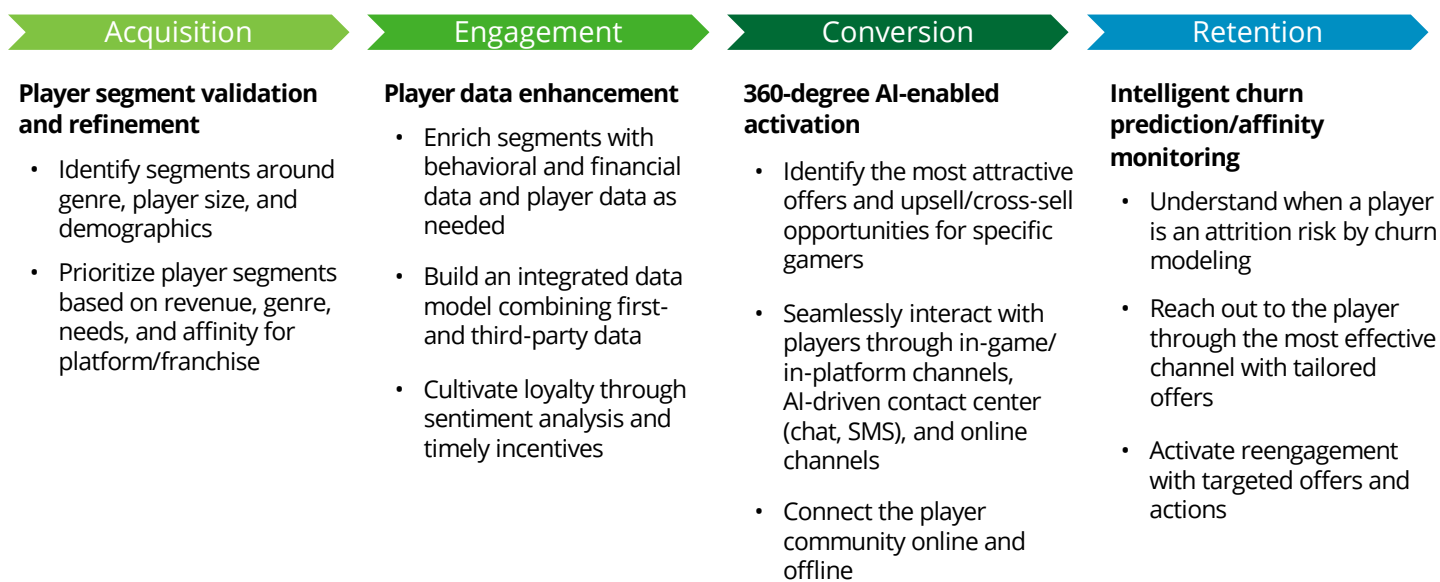
Deloitte’s player LTV offering enables game studios and platforms to aggregate this fragmented first-party data with third-party data, providing a comprehensive view of the player’s journey and behavior. Our end-to-end capabilities allow for a more holistic and targeted approach to player engagement and retention, ultimately driving player LTV.

With the cohort-based data insights, we help game publishers, studios and platforms validate and refine player segments through predictive segmentation. These measures encompass both first-party data, such as number of touchpoints/interactions, retention rates, and CTR (clickthrough rates), provided by the game platforms themselves, as well as third-party data collected through 360-degree player activation channels. This third-party data includes receipts, financial health, web traffic, life stages and need states, and competitor analyses, to name a few. The aggregation of this data results in a more robust data set, enabling a more holistic view of player segmentation and driving the development of a more effective machine learning-based model.

Given these insights, we can leverage an AI-driven churn prediction model to identify which players are at risk. By doing so, we can advise game publishers and studios to adopt proactive measures, including targeted retention strategies, reallocation of marketing efforts toward high-risk players and identifying key factors for elevated churn rates.

In addition to tapping into the power of AI and predictive modeling, by leveraging the 360-degree player activation channels, we can help our clients reach players however they choose and engage with personalized promotions and upsell/cross-sell opportunities.

As the video game market evolves, now is the time to discover how tapping into player LTV can help engage players and boost profitable growth.



Endnotes

1. Kevin Westcott et al., [2023 Digital Media Trends: Immersed and connected](#), Deloitte Insights, April 14, 2023.
2. Kevin Westcott et al., [Introduction to Deloitte's 2024 Digital Media Trends](#), Deloitte Insights, March 20, 2024.
3. Tom Wijman, "[Newzoo's players market revenue estimates and forecasts by region and segment for 2023](#)," Newzoo, February 8, 2024.
4. J. Clement, "[Video gaming market size worldwide 2020-2025, by region](#)," Statista, February 14, 2024.
5. Tom Wijman, "[The games market in 2022: The year in numbers](#)," Newzoo, December 21, 2022.
6. Pushwoosh Inc., [Up your game: Growth guide for gaming apps](#), accessed April 2024.
7. Newzoo, [Global games market report](#), 2022.

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