

VERTICAL INTEGRATION, EXCLUSIVITY AND GAME SALES PERFORMANCE IN THE US VIDEO GAME INDUSTRY

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SUMMARY

- ▶ This paper analyzes the relationship between vertical integration and video game performance in the US industry
- ▶ Literature focuses more on network effects and pricing/marketing strategies
- ▶ Here focus is on vertical integration and exclusivity

- ▶ Why can VI matter?
 1. VI games are released in "better" periods
 2. Transaction costs/contractual frictions in development of games
 3. Publishers market or advertise VI games better
- ▶ Results:
 1. VI increases Revenues, Sales and Prices
 2. Exclusivity decreases Revenues and Sales, while increasing Prices

DATA

- ▶ The paper uses data from NPD
- ▶ Good data
 - ▶ Sales
 - ▶ Revenues
 - ▶ Publisher
 - ▶ Platform
 - ▶ Genre
 - ▶ Collected data on identity of developer
 - ▶ Collected info on M&A
- ▶ What I would collect (if you can)
 - ▶ Consumer Ratings for games
 - ▶ Consumer ratings for consoles
 - ▶ Ratings from specialized publications (if you are concerned about endogeneity)

DEMAND ESTIMATION

- ▶ Binary discrete choice problem
- ▶ Games are bought independently
- ▶ Utility of i from game j at period t is

$$U_{ijt} = X_j\beta + \alpha p_{jt} + \xi_j + \gamma(t - t_j) + \phi_t + \epsilon_{ijt} \quad (1)$$

- ▶ Here you could include Ratings of game j as explanatory variable (also interacted with age)
- ▶ Include age squared or other nonlinear specifications

ADDITIONAL QUESTIONS

- ▶ VI for distribution is not possible at all?
- ▶ For PC Games (and now Mac) large part of the distribution from Steam
- ▶ Exclusivity implies that there is no PC version?
- ▶ What about substitution among console and PC?