

# The Impact of Experience

## The Influences of User and Online Review Ratings on the Performance of Video Games in the US Market

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### ABSTRACT

Commercially successful video games easily sell more than one million units in the US market alone and gross more than \$ 100 million. Few research approaches have asked the question what makes a video game succeed in the market. This paper focuses on the role of external information sources. As video games are experience goods whose value for the consumer only becomes apparent after he or she has experienced the product, consumers seek external information in form of user and expert reviews to be able to judge if a video game will fulfil their needs or not. Good ratings by users and experts may promote the success of a given video game. Using a sample of 201 top selling games in the US market, a causal model predicting the influence of user and expert reviews on the success of video games in the US market is constructed, indicating that the perceived quality of a video game through external sources may explain up to 15% of a video game's distribution.

### Author Keywords

Experience goods, video game market, user ratings, online reviews

### VIDEO GAMES AND THE EXPERIENCE GOOD PROBLEMATIC

Since the 1970s the video game industry has witnessed an exceptional growth. After a brief decline in the 1980s, the industry has in the late 1990s reached an overall turnover that exceeds the theatrical revenues of movies and closes in on the music industry [27]. Successful video games such as Halo (2001, Microsoft) or Metal Gear Solid (1998, Konami) are able to generate revenues that are comparable to blockbuster movies and easily cross the \$ 100 million mark [18]. The most successful video game on a single platform in recent years, the controversial Grand Theft Auto Vice City (2003, Rockstar), sold roughly 6.5 million units, resulting in gross revenues of estimated \$ 250 million.

This article focuses on these successful video games. By "video games" a form of gaming software is meant that

requires a specific hardware platform (a gaming console) to be played upon. Since the late 1970s when gaming consoles such as the Fairchild F and the more successful Atari VCs introduced replaceable gaming cartridges video games are characterized as typical system goods [9], requiring a hardware platform (the console) to play the software (the game). Video games are troubled by the problem of interoperability. Console manufactures like Nintendo, Sony or Microsoft do only allow games that were especially designed for their consoles to be played upon them [27]. In order to distribute a video game for a certain platform, a licence fee for the console manufacturers needs to be paid and the game has to pass a rigid licensing process that guarantees the console manufactures that only games they approve of make it to their console [7, 28].

On the one hand this licensing procedure is an instrument to cross-finance the hardware sales but on the other hand it is also a measure to control the quality of video games that are published for a certain console. Still, several hundred games are released for successful gaming consoles. The Entertainment Software Rating Board ([www.esrb.org](http://www.esrb.org)) that is responsible for the age ratings in the US market indicates that there are 1.400 titles available for the Sony Playstation and 1.557 titles for the Sony Playstation 2. Only one year after the X-Box 360 was introduced in the market already 180 titles are rated for this platform.

Even if the consumers' choice is restricted by the fact that video gaming consoles are not interoperable they are confronted with an almost overwhelming offer. The consumers' decision is even more complicated as video games are typical experience goods. Comparable to other media products such as movies, music (CDs, MP3-files) the individuals do not know what the value of the product is until they have experienced it [23]. As Chang & Ki [4] argue with respect to movies the experience and enjoyment of the media product is the aim of the consumption experiences. This is equally valid for video games. The experience good problematic becomes even more critical

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for video games when the prices of the product are regarded. In the cinema market the user has to invest two hours of his time and approximately five to ten dollars for experiencing the full product. With respect to video games the consequences are more severe [4]. Prices for video games may range from twenty (budget range) to seventy dollars (full range) and playing time easily exceeds 20 hours and playing may require several hours to adequately judge the quality of the game. The decision to buy the wrong game thus not only sacrifices a higher proportion of a user's entertainment budget than going to the movies but may require the user to spend some time before he realizes that the game he bought does not fully gratify his entertainment needs or that another game would have been better to satisfy this need.

As a result of the consumer decision for video games, the market for video games can be described as a 'market of super stars': A small number of "star" products account for the majority of revenues while a large number of products contributes only marginally to the overall market performance [22]. According to estimations, one fifth of the games released is responsible for four fifth of the cumulated revenues [28]. The question remains, what makes a product such a star product.

#### **SIGNALLING VIDEO GAME QUALITY**

As many media products such as video games are experience goods the users look out for external sources of information that may reduce the uncertainty their consuming decision is based upon. Research in reference to the film and movie market has indicated that these instruments may be genre [10], or the signalling function of a star [6] or an award [21]. Research also points at two aspects that are of particular importance to reduce uncertainty with respect to experience goods: the reviews a product receives from critics and the word of mouth it receives through the evaluation of other users [2, 3, 8, 13, 15, 16]. The risk to see a movie or buy a game one does not like is minimized if it has received good reviews and other people have already made good experiences with it.

The gaming industry has already acknowledged the importance of this signalling function of user and expert reviews for video games. A whole range of different magazines and website are devoted to the evaluation of video and computer games. With respect to the gaming press, Müller-Lietzkow and Urban [20] argue that it fulfils five functions for the consumer: They...

“inform the players about new games, test and rate them”

“entertain and inform the reader about the industry”

“test game hardware”

“give additional advices, cheats, and hints to win the game”

“offer advertising space” (2006, p. 6).

Thus, the gaming press fulfils several functions that aim at reducing the uncertainty in the consumer's buying decision. Müller-Lietzkow and Urban [20] are able to outline, that the industry is indeed aware of this signalling function of a game's quality for its economic performance. Publishers are therefore interested in receiving high rating in the gaming press and may even try to influence the rating process of the independent gaming magazines. Bounie et al. [4] carried out indigenous research on the role online reviews may play for consuming decisions. Based on a self-selective sample of online users they found that those who use information sources often are more likely to buy more games. Overall, they state “people who often consult internet sites and forums prior to making a purchase have a higher propensity to purchase video games”.

With the exception of these two approaches the role of the gaming press for the performance of video games has not been thoroughly analysed yet. Müller-Lietzkow and Urban's [20] article focuses on the relationship between game ratings and advertising expenditures. An empirical test of the influences of game ratings on the economic performance of video games is still missing while Bounie et al.'s [4] approach focuses on the influence on part of a very restricted set of customers (French students). Still, their research illustrates that the traditional gaming press is under pressure from a range of different websites such as [www.ign.com](http://www.ign.com), [www.gamespot.com](http://www.gamespot.com), [www.mobylgames.com](http://www.mobylgames.com), or [www.eurogamer.net](http://www.eurogamer.net) that provide the interested consumer with the same information as the gaming press but at a more regular interval. These online rating boards also offer additional services ranging from user comments and evaluations to video documents and game trailers. The website [www.gamespot.com](http://www.gamespot.com) for example rates thousands of games, provides the visitor with up to date news on game releases, and includes game-play footage and user reviews. Online sources, henceforth labelled as online press, seem to be one of the most important sources of information for gamers.

As a conclusion, it can be stated that the influence of game ratings through the gaming press, online sources or other users may be a central instrument to reduce the uncertainty in the consuming decision for a video game and may therefore be seen as a factor that impinges on the success of a given video game. This article focuses on this aspect. It is assumed that, good ratings (user and online press) will increase the attractiveness of a video game and will therefore result in higher sales figures for the game. The aim of this research paper is to deduce a model that describes the influence of the user and expert / critics ratings (press, online) on the economic performance of video games:

RQ1: Is there an empirical relationship between user and (online) press ratings and the economic performance of video games?















