



# Impact of COVID-19

## **The global response to the COVID-19 pandemic and its impact on society has been unprecedented.**

In a matter of weeks, we have transitioned to a new reality and way of life that is unpredictable in the way that it will affect the global market in both the long and the short term – and this rings true of the gaming industry as much as any other.

Over the last few years, gaming has consolidated its position as the dominant form of entertainment – with annual revenue increasing by 10% to \$150bn last year and eclipsing the revenues generated by the television and digital music industries, as well as the film box office.

As mobile became the dominant screen (the average UK citizen now spends 3 hours 52 minutes a day on their smartphone), the mobile gaming market grew accordingly. At the beginning of this year, AppAnnie research showed that Mobile Gaming claimed a 56% share of the global App market.

In the current situation, as people increasingly shelter in place, it would make sense that different forms of digital entertainment (including games) are seeing an increase in engagement, and we have been able to test this hypothesis by tracking the immediate impact of the pandemic on the gaming vertical, and in so doing, understand what this means for advertisers.

## **HOW DID WE DO THIS?**

ironSource's SDK is used by thousands of mobile game developers (including the majority of the top charts), reaching c.85% of the global gaming market. As leaders in the mobile gaming space, we are in a unique position to be able to compare key gaming KPI's in countries most affected by the pandemic both before and after the lock down. This shows us the change or potential impact of Covid-19 in each market.

When looking at the data, it's important to differentiate between weekends and weekdays, which would normally see fluctuations (with weekends showing higher KPIs across the board). While both weekends and weekdays rose in our data, for the purpose of this analysis when we refer to data increases we're talking about weekday increases.

Also, it's important to note that the outbreak of the virus in several markets coincides with holiday periods when we would expect a spike in all of the KPIs anyway (for example: in the UK it coincided with half term), so we analyzed the potential impact once the holiday season was over.

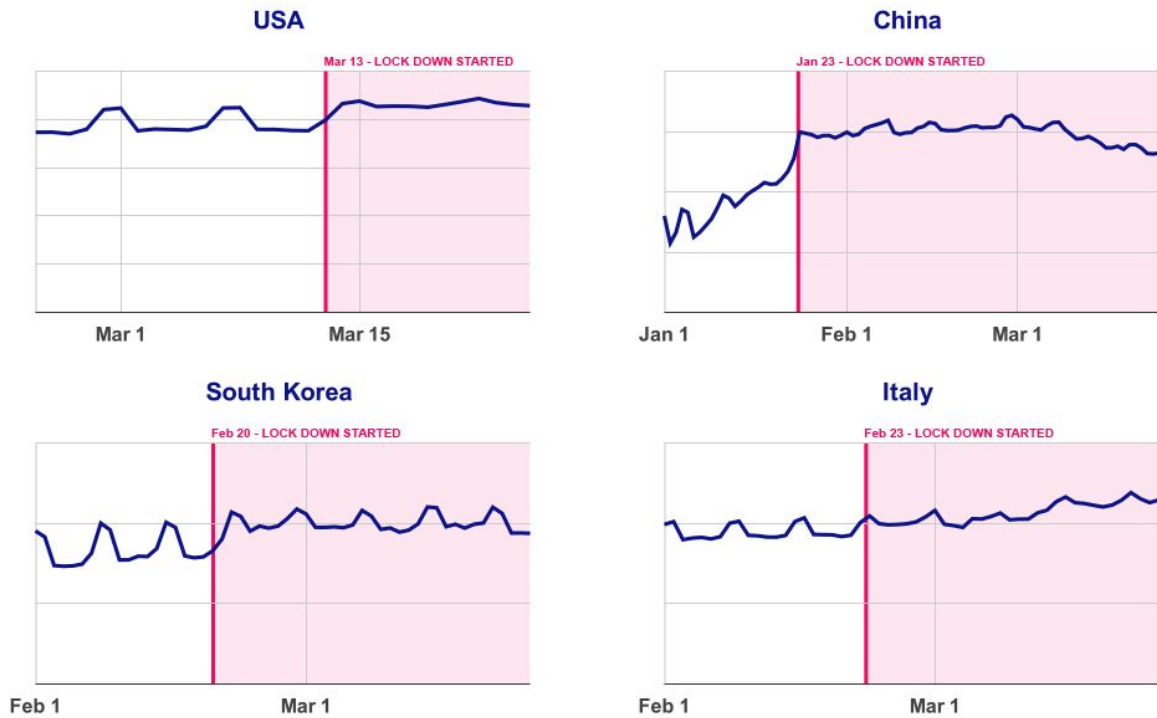
## **DATA TREND #1: MORE PEOPLE ARE PLAYING GAMES**

Unsurprisingly, as people are forced to spend more time indoors and look for ways to pass the time, they are increasingly turning to games. According to Verizon, gaming saw a 75% week-over-week increase in data usage over its networks this March, and according to AppAnnie, March 22, 2020 was the biggest week for mobile game downloads ever at a record 1.2 billion downloads.

In ironSource's data, we saw an increase in DAU across the board, with a 12% increase in the UK. The increase in UK users was similar with the US (13%), but lagged behind Italy (15%) and South Korea (23%).

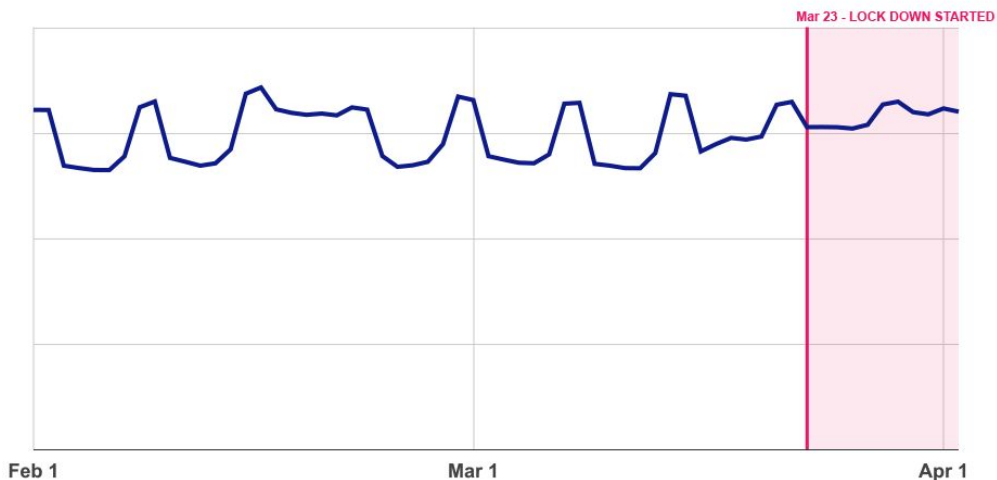
China saw a massive 60% increase. This can to some extent be attributed to Chinese New Year, which caused an initial big jump in DAU, but we saw that DAU remained high after the New Year period instead of decreasing as expected.

**CHANGES IN DAU**



**CHANGES IN DAU: UK**

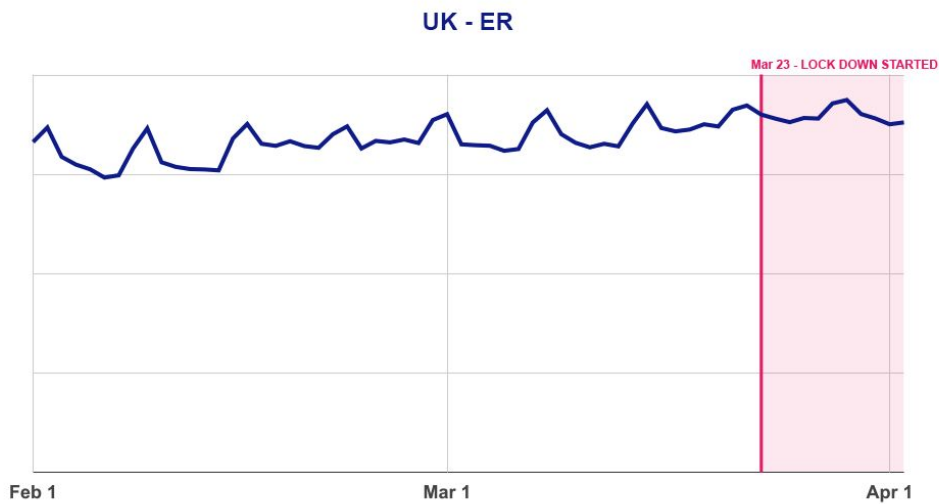
**UK - DAU**



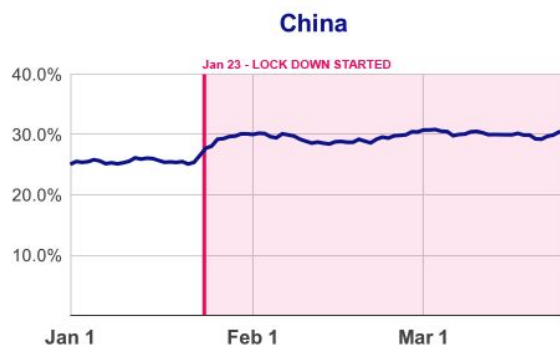
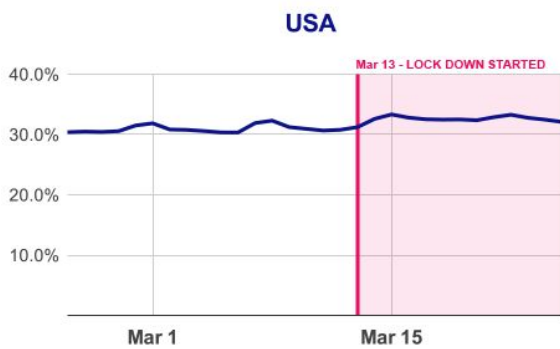
**DATA TREND #2: MORE PEOPLE ARE ENGAGING WITH ADS IN GAMES**

We also saw engagement rate — the ratio of how many unique daily active users are engaging with rewarded video — rise. A rise in ER demonstrates that a higher proportion of the people playing games are also engaging with ads during play. This is likely because as people are playing more, they are also more engaged with a given game and therefore more likely to engage with rewarded video ads. In the UK, it rose by 6% – exactly the same as the USA – while in China it rose 15%, in South Korea 6% and 7% in Italy.

CHANGES IN ER: UK



CHANGES IN ER



### DATA TREND #3: PEOPLE ARE NOT ENGAGING WITH MORE ADS IN GAMES

In contrast to the rise in engagement rate, usage rate — or the number of ads engaged users watch daily — did not go up significantly. That said, the UK outperformed all other markets against this benchmark - increasing by 3.2% while other markets stayed flat.

The implication here is that while more people overall are engaging with ads, they aren't necessarily watching more ads per person.

### ANALYSIS & CONCLUSIONS

In a recession, marketing budgets are often the first thing to get cut, and outside of the game vertical specifically, that's proving true. Beyond our own data, Singular reports a 38% drop in ad spend by the travel sector, according to eMarketer, whose estimates are based on China's ad market who was the first to be hit, global ad spending will be up from 2019 but down on the initial predictions for 2020 before the crisis began, and according to Cowen & Co, Facebook and Google will see a \$4 billion drop in ad revenue in 2020.

Closer to home, we're seeing broadcasters cutting costs amid warnings that the UK TV ad market will drop c.50% in April and May, and UK agencies warning that revenues will drop 30% in Q2.

As marketers look to spend their budgets in a more efficient fashion during lockdown and beyond, as well as ensure that digital campaigns adhere to brand safety guidelines, it becomes increasingly important to utilise channels that are seeing increased levels of consumption and engagement and are free from COVID related articles or fake news. In-app entertainment properties, and by association, gaming, answer all these concerns.

Alongside this, at a time when consumers are becoming increasingly aware of the value of their attention, there is an increased opportunity for brands to provide a value exchange in return for time spent engaging with advertising. Opt-in video advertising is an ideal way to provide this. According to research by Kantar Millward Brown, rewarded video formats are the preferred video format across all generational groups, and outperforms all other video formats against brand metrics (3.5x higher than the Nielsen Digital Brand Effect Mobile Benchmark for brand awareness) as well as sales uplift (26% higher purchase intent than all other ad units, 5x the national benchmark)

We still don't know what the long-term impact COVID-19 will have on the global economy and on society itself, but in the short-term at least, this data can provide a guide for managing our new reality.

**Neil Bruce | Senior Director, Business Development - Brands EMEA | [brands.ironsrc.com](https://brands.ironsrc.com)**

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