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Episode 3: Activision Blizzard Knows The Video Game Industry Hasn't Done Enough to Cater to Big Brands, But Jonathan Stringfield is Working to Change That

Mike (19s):

Hey guys, this is Mike Shields and this week on Next in Marketing, I got to talk to Activision Blizzard, Jonathan Stringfield. We discussed the state of video games in the advertising business, why he believes the COVID-19 crisis may open more brand's eyes to the medium and what he sees to the future of eSports Now that most major sports leagues are on hold. Let's get into it. Jonathan, give me your title and then maybe, can you talk about what this division is? I don't know if everyone in the world knows that big game publishers have another group like this.

Jonathan (47s):

Yeah, for sure. So Jonathan Stringfield, vice president of global business marketing measurement and insights across two business units at Activision blizzard. One of which is our media business, which is a say advertising and the other being our eSports business. So the differentiation between the two is that the media team, as you might suspect, essentially works with advertisers to put in game ad placements and sponsorships within the actual game properties with an emphasis on mobile games, but something that we're, we're evolving as a function of time, the eSports team does more traditional sponsorships adjacent to our eSports content.

Jonathan (1m 23s):

So integrations within the matches and the streams and what have you. So between the two, I lead a team that works with the advertising community to demonstrate the unique power of gaming and gaming enthusiasts via research analytics, and in general industry outreach.



Mike (1m 38s):

Game publishers in general have varying levels of interest in advertising. Is it unusual that you have the standalone business that's separate from the publishing division?

Jonathan (1m 47s):

I don't know if it's, I don't think it's necessarily unusual to have a standalone team, a fully functioning business unit, possibly, which I think on the one hand, you could look at that in two ways. One of which is that, okay, are we arbitrarily setting a bit of a division between advertising and what have you through game production, which, I don't think is the spirit of what we're doing. It's more symbolic that Activision blizzard has multiple publishing houses within it.

Jonathan (2m 17s):

Obviously Activision publishing being one blizzard or entertainment, King digital entertainment. What have you. So by being an independent entity and allows us to kind of weave between all of the publishers in a way that's, that's rather fluid and therefore work with them in a way that's kind of a step back a little bit and consultative, but also with a priority on what makes sense for Activision blizzard at large, right? What makes sense for our overall community of gamers? So in that respect, it's a little unique, but I think it embodies that, that fine balance between finding these opportunities that are potentially interesting for advertisers while also preserving our core business, which is of course making games

Mike (2m 54s):

Let's maybe step back. Cause I wonder if the average person in the ad world, they probably know Disney makes Marvel and Star Wars, but they don't. And they know there's a bunch of big game publishers, but I don't, I don't know if they know who's who so help us figure out who's or what's Activision, what's Blizzard with King and maybe give us the lay of the land in this industry.



Jonathan (3m 13s):

Yeah, definitely a good call out in candidly. Probably one of the things that we spend, one of the our, our biggest problems to solve is making that linkage between Activision blizzard as a publishing entity versus the titles, because a lot of people heard the titles, but not as many people have, have heard of the game. So if you start with Activision, that includes games like call of duty, which is arguably the biggest gaming franchise in the world, crash Bandicoot, Spire the dragon, lots of, lots of classics on that side. Blizzard has a long history of blood franchises, including World of Warcraft, perhaps the most famously Overwatch, Diablo, Hearthstone, many kind of typically PC oriented games and then King for his is our mobile publisher, which makes Candy Crush and Bumble, which saga.

Jonathan (3m 59s):

And there are too many household name games. So between all of them, the, the footprint we have is amongst I think last I checked eight independent billion dollar franchises. So you, you, you kind of, take that up against like a Disney or what have you. And in some of these franchise at the time were bigger than star Wars or Marvel, or what have you, which that too, we, we tend to talk to advertisers about because what we're finding. And I think this is, a good thread in general for us, is that a lot of what we do is try to find those similarities of what they know. I E the entertainment industry at large, and then the specifics of ours and understanding that a lot of it's more similar than they think, including these big blockbuster franchises that have perpetuated for years.

Mike (4m 39s):

Yeah. I wonder it's, it is interesting because I wonder if brands generally realize, we all love to before in a pre COVID world, we would love to break down like the box office. We weekly box office number is who, which movies hit, which didn't often be game releases are way bigger than some of the bigger movie releases, but I don't, I'm not sure everybody grasps how large the industry is overall.

Jonathan (4m 60s):

They definitely don't. And I mean, it's, it's one of the reasons that, that I was lured here because I've, I've worked at technology platforms. I've worked in advertising for a long time, but



throughout all of this, I was a pretty hardcore gamer by, by most accounts. So having a natural interest in the industry and, and definitely kept an eye on it. And, and I always thought it was curious even being at platforms like Twitter or Facebook and working with agencies and brands and what have you, these you'd see these headlines, right. And, several years ago it was like, Oh, the gaming industry is bigger than the box office this year.

Jonathan (5m 30s):

And everyone in the ad land would kind of lean black. Huh. That's kind of interesting. And then the next year, Oh, Hey, the ad industry is bigger than the music industry. Everyone kind of knows right now. Oh, that's kind of interesting. And then more recently the game industry is bigger than the box office and the music industry combined and so on and so forth. And that trend has kept continuing. So, I would, it's in my mind always been a little mystifying and confusing that this is large scale entertainment. This is a, millions of dollars, billions of dollars of expenditures that, the ad industry for the most part, if, if not having a blind eye towards his certainly chosen not to engage with it, I think in, in line with the, the sheer amount of entertainment in eyeballs and, and people that are engaging with the industry.

Mike (6m 15s):

Yeah. It's not, it's interesting. Cause it's not for a lack of trying, we, you and I talked about this recently, there is a history of the ad world sort of trying to flirt with getting into gaming, more dabbling in different models. And there's been a lot of fits and starts, but it advertised your interest nor the spending definitely does not match the participation or the size of that business. I guess that's a big, broad question, but why do you think that is historically?

Jonathan (6m 40s):

I mean, it's, I think there's a multitude of reasons and, and candidly, that's our single biggest hurdle right now in terms of outreach to the ad industry, is that you, you encapsulate it quite correctly, that the, the overall feeling is that if they do have recognition or at least some sort of idea that like, okay, gaming's big, then they fall back on. But ah, we tried that or like not really for our brands or, wax on, on some sort of excuse that have been there, done that, et cetera, didn't really work out. And I, and I think typically where the, the, the big problem in the past has been, again, we could sit here and probably, talk for a solid hour just on that.



Jonathan (7m 15s):

But the two that popped in my mind are one certainly in the passenger, certain degree now, but I think we're making headways that at times it can be difficult to integrate or integrate in a way that's that's appropriate. So I think a lot of brands felt like it was a little forced in terms of like, okay, I can start to reach out to this

audience, but it's not in the way that I'd like, it doesn't feel on brand. It doesn't feel natural at the game or what have you. And that would be a bit of a deterrent and, understandable, right? Like you want to make sure that you're, you're talking to the audience in the correct way, the second way, or the second barrier would be, in the past.

Jonathan (7m 47s):

And I think this is particularly true on the mobile gaming side. I mean, we can call it what it is. A lot of ad experiences, not good, very spammy inventory, very low quality advertising, often a lot of cannibalization of just essentially in app installs for, for other games. So if you're representing or in an ultra premium brand, you'd kind of be like, well, no, I don't want my inventory. It's not for me. Right. So that that's certainly is a big blocker and candidly one that we're still dealing with today and the third and in here too. I think if you look at the work that I've done, that my team has done over the past couple of years, probably our single biggest drive is simply around education on who a gamer is and what a gaming enthusiast is.

Jonathan (8m 28s):

Because even now, today with, with some, I think I'd fairly say that gaming has kind of moved from the periphery to more, to the center of the cultural zeitgeist. There's still a lot of misconceptions about who are the, who are the folks that game and that, that whole like imagery, that stereotypical imagery, but just being like a teenage boy that plays games in their parents' basement is so persistent, but it's a real barrier. So what I hear from advertisers is that, we can go and we can talk to them, educate and be like, Hey, we have call of duty, candy crush, just like millions and millions of people.



Jonathan (8m 59s):

And the response is like, well, we don't really have a gaming strategy, right. In air quotes. We're not trying to reach young males. Therefore this isn't for me even talking about hyper casual games, which that's not the audience,

Mike (9m 10s):

Right. That is not young dudes in the basement playing candy crush. Certainly that's a whole different demographic. It's almost there. We're almost talking about two or three different markets, because I think it's funny when I wrote about this space recently, and I kind of just started with like, the gaming industry has never really had a huge interaction with the advertising business. It's still pretty small. And a couple of people came back me and Twitter and said, what are you crazy? You realize how much Mo mobile in game advertising there is. And I was almost treating that as a different universe. And, but maybe you could talk about how those are two different things.

Jonathan (9m 43s):

Yeah. I mean, Well, I think when most in the ad world had thought about, what are the possibilities in gaming? It almost has been completely centered on in app, mobile games, because it gets back to some of those, the, that same three problems we talked about before, well, an audience is probably one of the, in the mix, but to realistically the access, right? Like they could get into mobile games fairly easily. Right. Like

Mike (10m 10s):

Mobile games were built with advertising from the start for generally speaking. Right?

Jonathan (10m 15s):



Precisely. So in that world, like, yes, there's a ton of advertising. And again, that, that's almost perhaps the problem is that in some games there's too much advertising, but the distinction that, that, that I would pick out and, if I was to get in those Twitter fights with folks and let me know if you'd like me to, cause I'm game for it

Mike (10m 31s):

This is probably not the word, the fight without I'm going toward it. For sure. Maybe we have a lot of time on our hands

Jonathan (10m 37s):

Exactly. That, sure. There's a lot of money going in there, but is it, is it commensurate with social? Is it commensurate with, what's being spent on YouTube? Is it the same level of engagement and spend and concentration in terms of the ad units and what have you that you'd see on other premium mobile apps? I would challenge them and say that it's probably not. And in, in, in there too, that, that might get into a bit of an argument. Well, okay. So there's different worlds within mobile gaming or what have you, but okay, now we're getting to the core problem, right?

Jonathan (11m 9s):

Like no one knows how to think about this space. And, if, if were to fall into that trap of just thinking about it's all just, fairly low quality inventory, then we're missing. And more specifically big brands and agencies are missing a real opportunity to be integrated in high quality experiences, reaching a high quality audience in a way that doesn't necessarily detract from the experience, but potentially adds to the experience.

Mike (11m 33s):

Right? So yeah, if you're talking about mobile games, it's that market, the advertising experience and the market may be a little rough around the edges. It may be dominated by apps, marketing, other apps or games, trying to get you to install another game. But it's not as though the engagement is it, maybe it's not the same as Fortnite. It's not like it's, it's not significant



Jonathan (11m 56s):

A hundred percent. And I think the, of course I couldn't be more biased on this point, but the easiest way to get around some of these issues is that, if you go through, a major supplier and are buying just game inventory, somewhat undifferentiated, I mean, who knows what you're going to get, and you're going to get some smaller titles and ones that are probably designed more to be an ad platform than a game. And that that's part of the risk, but then if you work with the publishers, right, if you will come directly to the folks making the game, that's a very different conversation because we take the game much more.

Jonathan (12m 27s):

I mean, I don't want to say that we take the game more seriously than ads, but like, if it comes down to it, if we had to pick one, we're going to pick the game. Like we are first and foremost, a games company,

Mike (12m 36s):

That's everything you have is your, your gamer experience.

Jonathan (12m 39s):

Right. And, and this, and that's, for kind of a selling point that we go out there with is that, listen, I represent a game company that is doing advertising and marketing experiences. I do not represent an ad platform that has some, that that's true.

Mike (12m 53s):

It's just going to take your money no matter what. Right. It's a really different, different mindset. Okay. So let's talk about the obvious thing you, you alluded to it earlier. Gaming was already a huge, medium growing, like crazy. You're a year growing solidly. Now we've had the, several months of, most of the country locked down at home. We've all seen these big spikes. Right. T talk



to me about what you guys are seeing in terms of, since, since we're all stuck at home with his spending, like what's going on with, with your, with your games and you're in the gaming world overall.

Jonathan (13m 23s):

I mean, it's, it's exactly what you expect. And then exactly what's been, I think hypothesized and, to a certain degree, even what we disclosed, last week or during earnings that, things were going well early, early part of the year, but really around that inflection point of call it March ish, things that were already rising or what have you, they, they really kind of took up into the right. So, they're, and again, a lot has been written about it and, I won't cite specific numbers, but like the levels of engagement and the peaks of like concurrent viewership and users.

Jonathan (13m 56s):

And what have you that we're seeing is, is, it's exactly what you'd expect in a world where, we're all kind of locked down and there's, we're, we're kind of facing ourselves with, with two different problems that on the one hand, maybe we just have more entertainment time that we're, that we're looking to to fail. And then on the other hand, maybe we were looking for different types of entertainment than, than what we'd been previously consuming, because of all the factors of stresses of what's going on

Mike (14m 22s):

Escapism is at a premium socially. It's finding ways to be social is, is paramount for a lot of people.

Jonathan (14m 29s):

You got it. So between the two and, again, I, for any given person, it's a little of one or both, or probably some to some degree of mix, it's kind of a perfect storm. So, you take that and then, you add on the, the final layer to your point is that this is one of the few entertainment mediums that are, that, you can have a meaningful interaction with someone like, sure. You and I can jump on a



call and chat and have a good time and maybe a drink or what have you. But, we could also like have a conversation over something, right?

Jonathan (14m 60s):

Like playing a game. And then there's various types of ways that we can interact with from fully immersive worlds, to something that's a little bit more light touch that we can do while we're conversing. So, as you find folks that are not only looking for more or different entertainment, but also entertainment through which they could engage with friends and loved ones that, they, they really desire that connectivity. Then these are all the, the super powers of gaming that are really coming to a four now.

Mike (15m 24s):

So from what you guys are seeing, is it your existing audience is playing a whole lot more, is it a bunch of new people all the above? Like, what is it, what are the patterns look like?

Jonathan (15m 34s):

I mean, given the, the breadth and depth of the portfolio, it's, for any given franchise, it's a little of one or the other, or both depending on it. But yeah. I mean, I think what you're going to see is that it is, both of these types of audience, both folks that have been longstanding players that are kind of doubling down and, really kind of, kind of engaging in their pastime and others that just might be brought back into the funnel that for whatever reason in the past, either they didn't have time, which was, the stereotypical excuse or, or what have you, like, weren't engaging with it.

Jonathan (16m 5s):

It's like, well, okay, this is, I can watch Netflix for another night or, I could play a game with my buddy down the street that I haven't seen in two or three weeks.

Mike (16m 14s):



Okay. So given that's where everyone's reading the gaming sort of having this moment where everyone's talking about, and it's the, when other media is struggling with, with this recession and the pandemic, it's a bigger audiences. You have breakout things like animal crossing that are kind of non traditional gamers. I imagine this is opening brand's eyes if they weren't already open, but at the same time, brands are in this very weird place where they don't know whether they're supposed to advertise or not. Is this helping your cause or making it harder? What's, what's kind of going on. I think

Jonathan (16m 45s):

Net helping and here too, like depending on the brand and what have you, like, you're going to get a different response. But I think what's happening is that all of the PR and, and all of the conversations that have been occurring in terms of like the level of engagement with gaming, the benefits that it's providing to folks, because again, like we, we often talk about losing, the mental health detriments of gaming. We don't talk enough about the positives of it, inclusive of like relaxation and things like that, which, we're, we're very happy to provide to folks in that light.

Jonathan (17m 16s):

What I think has happened is that, whereas gaming might be something that a buyer had to go explain to their COO or wherever like, Oh, why are you doing that? That's, that's kind of weird. It's like, isn't that, 17 year old boys, or what have you, it's becoming safer. Right. And I don't mean in terms of brand safety though. Certainly we have that. And that's, that's a good thing, but the fact that it's like, feels like more of a sure thing that, Oh, of course. All right, well, everyone's locked down, so they're not seeing out of home, so, okay. Well, we probably don't need to do that. And what are people doing right now? Well, they're watching a lot of Netflix or, their OTT or they're playing games.

Jonathan (17m 49s):

Okay, cool. Of course we need to be in gaming. So, if, if nothing else, I think like that, that use case that, if, if an agency or brand is properly following the ebbs and flows of culture, like, cool, this feels safe. And a thing that, that of course, right, right.



Mike (18m 4s):

We're not sticking their neck out. Like they would have, maybe in the past, I felt like they were precisely who do you? This is probably an age old question for this space. And it's probably changes all the time, but who do you reach out to, or are you talking to CMOs? Are you trying to talk to you, the gaming specialist at X agency, the media guy, the digital guy, who do you, or gal, who do you, who do you usually talk to you and how, and what's the most effective path to get people that try this medium?

Jonathan (18m 29s):

Yeah. I mean, the, the flippant answer is always like, whoever will talk to us, but, I think, it's, it's, it's really a combination of, that, that little bit of getting your foot in the door. And I think like even, fairly transactional stuff, like, trading video ads, programmatically in our games, like, that's kind of one of those things where it's like, eh, a little bit of an edge in and helps us normalize a little bit. And they see the benefits in terms of the completion rates and all the other

Mike (18m 56s):

Plan a little bit. And then you're kind of in the door. Maybe

Jonathan (18m 58s):

You got it. So there's, there's kind of like that, that ground up, opportunity. And the other one that, here too depends on the agency. The brand's a bit of a top down that, either independently, someone at the brand will be like, Hey, we need to get in gaming. Of course, like, who do we talk to? Hey, why don't we talk to one of the biggest publishers of gaming that, that feels like a good idea and, or, we can kind of reach out proactively and, just kind of know, like, listen, how about that eSports thing? Right? Like that's always a nice door opener because I feel like that's kind of this amorphous cloud that surrounds gaming that, regardless of what people think about in game advertising or game properties in general, they hear, and they keep seeing, they keep thinking about eSports and I think more than fewer, like they're confused by it.



Jonathan (19m 41s):

Maybe even a little scared. So when someone goes in and says, Hey, let's we want to talk to you about this? Like, Oh, of course, like it's another one of those of course moments. Oh, I shouldn't be in e-sport. So please tell me a little bit more of it. And then that's another way that helps instigate these conversations.

Mike (19m 55s):

Okay. I want to ask you about eSports, but, but I want a couple more questions on this topic. So I imagine you probably get a couple of the similar questions all the time measurements plus, and or ROI do you most advertisers want you to make? Can you, can you translate gaming into television numbers or do they want it to look like digital or do you have, does does gaming warrant its own set of numbers that are, that have to be plugged into the various ad models that everybody uses?

Jonathan (20m 26s):

So, on the one hand with the, what I'll say is just kind of like an overtures that, measurement is something that we take super seriously. And I think it's evidenced by the fact that I'm here, right? So like my, my background and what I've done traditionally throughout the entirety of my career is indeed measurement for advertisers in terms of dimensioning ROI that they're getting from their ad buys. So in that respect know since virtually day one, we wanted that installed. We wanted to be at the forefront and we wanted to be very clear about the type of impact were given to advertisers. So in say, our mobile games and the mobile app world, that was very quote unquote, easy, that the same types of measurement, whether it's brand impact, whether it's sales impact, whether it's foot traffic, whether it's affinity of some sort, we have that ready to go since virtually

Mike (21m 10s):

Cause it, it, it just, it functions much like digital advertising or mobile advertising. It's



Jonathan (21m 14s):

Exactly correct. And, and, and, it became here too very easy in air quotes that, something we could do is just go to a given advertiser and be like, Hey, your video assets you're using on mobile, we'll take them, right. So we have a perfect environment for it. And we will give you the same types of measure with the same degree of rigor, if not higher rigor than what you're getting from any of these, these, these mobile apps. So that end of itself is something that I would say we almost had to do in terms of being able to have some of those like ground up, get your foot in the door conversations because can't leave the burden of truth is on us.

Jonathan (21m 46s):

Right. So that's, that's something we want to be very clear on. Now, if you think about, like, in terms of overall standards and comparisons to TV and what have you like, there's, there's a lot to be said in the digital world and like how digital content ratings and things like that have tried to make it analogous and there too, like that's something that we think about and are exploring, but I think the biggest drive that we that, and at Activision blizzard pioneered was the concept of the average minute audience metric around eSports viewership. And that is supposed to be something roughly analogous to TV viewership to kind of try to make that a little bit more comparable because one, the, the folks that are buying eSports sponsorships are typically the same teams and folks that are buying traditional sports sponsorships.

Jonathan (22m 29s):

So they want the little bit that a one to one, and then to candidly, like the eSports measurement in terms of like viewership and the numbers that would get tossed out here, the wild, wild West. So like having some degree of standardization working with Nielsen to say, okay, this is the metric that we're all gonna agree upon to use, to get away from these more bombastic numbers that aren't helping anyone, but this is the way

Mike (22m 51s):



Typical of a new medium. You always have these ridiculous numbers and no one understands, and then it gets noisy. So you want something that's kind of, kind of standard,

Jonathan (22m 58s):

Right? So you want substance below that, that first kind of like sexiness and sizzle and what have you. So in that respect, I often say this because, we're, we're serious about, and again, it's, it's good job security that, we want to always be at the forefront of research and measurement. We want this to be something that is substantive for advertisers. So however, and whenever, or wherever they, they like to mention ROI, we want to be doing that. And we have the team installed it to help them do it, whether it's something off the shelf or more customized.

Mike (23m 30s):

Okay. So that makes sense to me in eSports, why not just use a similar, take a Nielsen tag or a comScore tag, and just, just treat traditional video games like television and measure them the same way. Does it just not lend itself to that at all?

Jonathan (23m 43s):

I mean, it, shouldn't, there's, there's situations where we tag in other situations where we can tag and we'll do that. But, often I think what, what, what we're finding is that, having that kind of check Mark that it's like, okay, we can do it like no problem versus working with them and kind of pulling out the inference and the insight from it. I E to dementia and independently, what this potential by either the binder games did for them. Obviously that's something that we're doing to kind of demonstrate the overall value, but also kind of necessary given that, if we're in that kind of like a morphous experimentation budget, gaming strategy, or whatnot, as noted before burden of proof is super high, so

Mike (24m 24s):



Graduate out of that bucket. Right. So you need to be able to not just measure the audience, but Hey, this did X to my ROI, whatever I care about. Right.

Jonathan (24m 31s):

Exactly right. And the good news is that the, the, the overall advantage we have is that this media, for a lot of reasons that, we can, we can certainly get into it tests extremely well. So we want to tell that story, because as it pertains to like brand impact and, more kind of like sundry things like viewability and what have you, we're typically top class. So if nothing else, like it certainly plays in our favor because, the honest truth is this, this media is effective and therefore something that brands should be taking that much more seriously.

Mike (25m 1s):

Okay. So that you kind of led me to my next question. The obvious thing people are going to wonder about, I'm sure that most brands won't doubt that viewability makes sense and, and engagement are very high. You're, you're playing a game. You're not doing anything else for the most part, but there's this ongoing perception that gamers hate advertising. They do not want to be interrupted. They don't want you there. I've seen lots of research that tells me otherwise, but what do you see? What do you tell brands when they ask you about that?

Jonathan (25m 27s):

Yeah, I mean, the, it's often a very well asked and often asked and fair question. That's, if, if you're saying that, you have all of these franchises that people have been playing for years, and you really care about your players, well, how do you do at experiences in that world? And my answer is always carefully, right. Very, very carefully. And by that, I mean, whenever we do advertising, and I'm gonna, I'm just gonna use that word, very kind of clumsily across all of the various marketing touchpoints. We have an Activision blizzard, they are integrated in a way, and this is the other kind of operative term that makes sense.

Jonathan (26m 3s):



Right. So someone isn't going to be playing call of duty, right. And then all of a sudden have a pop up ad

Mike (26m 8s):

You yanked them away from the battle.

Jonathan (26m 10s):

Yeah. That is a bad experience. I don't care who you are or how much you like call of duty or non, like, there's no argument that that's terrible not going to fly. Now, on the other hand, if you're offering them say, on, in call of duty, mobile, and opportunity to watch an ad between matches when they're in the lobby to get more credits, to buy, new skins or upgrades, or what have you, no. Okay. That sounds a little bit better. Same think on something like a candy crush. If you're offering them and note the operative term here, offering not forcing them. Right.

Mike (26m 39s):

the opportunity to watch very clear.

Jonathan (26m 42s):

Exactly. So, you know what, we're, we're very upfront with this that, we essentially all, but tell them directly. And we use various iconography, and this is obviously something that we, we test quite a bit that, Hey, if you click on this, we're going to show you an ad or we're going to give you a booster at the end of it. So it's being very clear in terms of what you're in for and what you're getting out of it. And, and there's, there's a lot of ways that we can think about it, but really what I think we land on is that we're essentially respecting people's time. Like if you want to play the game, we don't want to stop you from playing the game, right? Like if you, if you just want to jump right in, great, because again, we're a games company.

Jonathan (27m 14s):



We want you to play the game. We want you to have fun. We want you to be engaged, but if you want to watch the ad, if you find value in that booster, like great, like we can offer you something for that time that you're taking away from the gameplay experience, that then will enhance the gameplay experience. And then we get a bit of a virtuous cycle because the folks that tend to watch ads and get boosters and other, deeper engagements, they do tend to play the games more. So it's, it's, it's basically kind of this ongoing cycle of rewarding these behaviors.

Mike (27m 40s):

You alluded to call of duty earlier, and you, you guys recently released, you have a, you have a mobile version of the game, but you also recently released a, I would describe it, I guess, as a battle Royale type gaming, it's free, like a fortnight ask thing for lack of a better term. Yep. Talk to me why, why, why do that, what what's, what's attractive about that model and how, I don't believe you started with any advertising there, but maybe talk about why and whether you might change your point of view there.

Jonathan (28m 7s):

Yeah. I mean, I can only speak so far as to the, the product roadmap, because that's not the side of the business I've worked on, but yeah. I mean, we, we did a full, battle Royal type game called war zone, the first true free call, not including the mobile side of it, call of duty, which ended up itself was I think very exciting for folks and, the, the rationalization for it, like, again, this is, this is more kind of speaking on my opinion than official standpoint. Cause I don't, I don't work, for, for the game studios, but it's people love call of duty.

Jonathan (28m 37s):

Like that's the one thing I can say certainly helps. And like people want to play it in, in different ways. And I think when we've tried earlier experiments in terms of like battle Royale type engagements and, bringing the mechanics of call of duty and bring the same, frameworks of like, building them to build your character and experience and progression with your friends, with your friends from modern warfare, like it just doesn't seem like a natural move. So in that respect, it's just, more call of duty, can't be a bad thing. And if it's, we're always looking for ways to, to, further engage our fans.



Mike (29m 8s):

What's the business model for that game. And maybe we can just talk about the, the business model for free to play and where do you see it kind of going?

Jonathan (29m 15s):

I mean, that's free to play in and of itself is that I think it falls in that category of we as we, as a business. Right. And I would maybe even take a step back and say, we, as a game industry really need to make sure that we have full options for different ways for folks to interact with us and transact with us. Right. Because, I think as gaming expands, that means that the, the ways in which, and the opinions and the level of depth and investment that people will want to put into the, into the game in environments is going to expand that much more.

Jonathan (29m 48s):

So on the one hand, will there always be folks that want to pay money up front for ultra-premium games? Like, yeah, like that's, that's something that I don't see

Mike (29m 57s):

Console or PC gamer that is always wants. It could be the first one to get halo or Madden or whatever.

Jonathan (30m 2s):

Yeah. And all the features, and maybe they want the collector's edition where they get extra MacGuffin is in the game and, all, all that good stuff. So, we'll, we have that kind of core business. Right. And then there's going to be others that are going to be a little bit lighter touch and want to kind of like maybe weave in and out of the games and maybe ads make more sense. And then, and there's different other, multiple different models, but other free to play models, like, okay, you can just buy, add ons to the game. Like, that that's a whole other type of environment that some



people find very attractive and would always joke about, particularly for these, shooter games where they're offering free to play, where it's essentially everything you're buying is optional with the, the, the real, I think proper term there being that it has to be optional, right?

Jonathan (30m 46s):

Like the minute that you start to sell things, to give a competitive advantage, you're going to get toasted.

Mike (30m 51s):

Or if the game totally sucks without any, without paying for anything. That's, that's not going to fly.

Jonathan (30m 56s):

You're yeah. You're, you're, that's a bad news territory right there. So, if you emphasize like the cosmetics, like that kind of just gets into like very standard, like gamer psychology, and this is more coming from like also my background is just being someone who loves to play games. Like, people like to do two things and these competitive games, right. They want to win and they want to look good. And in gaming culture has such, I would say overall, like ties back to like, collecting in geek culture and comic books. And what have you, that people like things of distinction that are hard to get.

Jonathan (31m 29s):

So therefore, like if you make these things desirable and rare and hard to get, like, you're just getting all of those nice psychological triggers that like on the one hand certainly plays well to gamer psychology. But I think like just human psychology as well. So, these 10 types of models tend to like, I think create a really nice environment of giving it, like, you can choose to transact here or not like enjoying the game. And if you want to get some nice things to go along with it,



Mike (31m 54s):

Great, correct me if I'm wrong. But historically, when you had free games, whether there a mobile PC, whatever the complaint in the industry was perhaps, well, it's there, they're a good business, but you're only monetizing a really small percentage of your audience. And that's kind of hard to sustain. I believe that changing with some of these bigger, free to play titles, but how, how, how does that work going forward?

Jonathan (32m 15s):

I mean, I think that on the one hand, that's just kind of the reality of any model of this type, right. In the same way of like, maybe it's a clumsy analogy, but like ad blockers in a web browser, there's always going to be some folks that are just never going to transact

Mike (32m 29s):

Pay for Hulu. And then some of them don't want to add at all. That's just the way that's, that's never going to be the dominant form.

Jonathan (32m 34s):

Exactly. And I, and I think like, that's just part of the economics of it now, how much that has changed in some of these free to play like candidly, I'm not sure, but my guess is it's probably not string that far from like, it's a smaller amount of folks, but even if, if you have, tens of millions of people playing a game and even if just 10% of them are spending a single penny on it, and again, to be clear and completely making up these numbers like that, that's still feels okay. Right. That's certainly enough to kind of keep that model going. Particularly if you're adding the features that kind of keep people coming and playing and wanting to invest more in what have you.

Mike (33m 7s):

Yeah. I mean, the, the reason I'm asking some of this is there's, there's been the, I've heard from folks in the industry. There's a, there's a theory that now that free to play is becoming a bigger model that opens up advertising more theoretically. And might we might, we see a genre of games that are built for TV, like advertising, where they have like a natural interruptions and that's



part of the deal and to get, to get to monetize a much bigger piece of the audience. Do you think that's crazy reasonable? Where do you see things going?

Jonathan (33m 35s):

I certainly don't think it's crazy. I think, with, with, with everything as it pertains to integrating advertising and these games, it just, it would have to be something where it, again, that magic phrase makes sense. And then two is integrated in a way where if not disruptive, it's ugly, not something that's going to jar and bring someone out of the gaming experience. So in that respect, it's hard to think about like, could we take, any given shoot or like a fortnight or whatnot and put commercial breaks in the middle of it like that, that ship has probably sailed.

Jonathan (34m 5s):

It's too late for that. Yeah. Too late. And the behaviors have been built in the expectations have been said, like that, that's going to be a, it's not impossible, but that's, that's a hard transition. If you build a game from the ground up with the idea of like, okay, we're going to have these naturalistic breaks built in, right. That through play testing or whatever metrics we want to use, we know like players either need a break or want a break and then put something in there that, advertisers can potentially buy as an ad spot or what have you then. Okay. Then, then I think we're a little bit closer to that world. So definitely not crazy.

Jonathan (34m 36s):

I think it will just require the right amount of thinking and insight to make sure that we're striking that balance between the player wanting to engage with the game and the advertiser message integrating within that game experience.

Mike (34m 45s):

It's like, right. I mean, I could see the advertiser point of view. There is, that seems a lot easier to turn on. Then I don't know, like my kids love to on may the fourth fortnight had lightsabers in the game. I imagine that's not something you can do overnight. That integrations are probably not that quick.



Jonathan (35m 1s):

Yeah. I mean, in, in there. So I think there's like, there's a, there's almost like a scale here. Right? So like similar to what we were talking about before, like, mobile games in terms of video advertising, like, whatever you got, we can do that almost immediately. And we can take most, most video formats. Then you talk more about a sponsorship, right. So maybe that's, having a product placement in a stream, maybe that's, having your brand sponsor a play of the game of whatnot a little bit easier. Right. So I think that that's something that like, maybe some degree of customized assets, but some that can be turned around pretty quick, then you have kind of something that's a little bit more fully blown, like, okay, the studio that's developing the game to develop something, to put it in the game.

Jonathan (35m 39s):

And that's a little bit of a higher lift. So I think w even there, it's just kind of understanding the continuum in terms of like how much investment is required, both from the advertiser and the studio and the timelines required for that and to do it well relative to what you're trying to accomplish. And I think, there's probably a right strategy for any one of these, depending on the given brand and what they're, what kind of metrics that are trying to push them or what type of metric they're trying to push through.

Mike (36m 2s):

I don't want to forget, I keep saying I'm going to come back to eSports. Tell me about that part of your job. And maybe if you could walk me through where things were a few months ago before COVID broke out and then maybe we'll get into like, where I think what's been happening since what's the state of eSports for your company and marketing.

Jonathan (36m 20s):

Yeah, for sure. So at the start of the season, Activision blizzard obviously has a number of games with a long legacy of eSports, right? So you have everything from StarCraft, which is considered by many to be one of the, the essential founding eSports to roll to Warcraft Hearthstone, and then notably for, I think we're, we're doing a lot of the more advertising and facing opportunities,



Overwatch league, and call of duty league two separate leagues of eSports ostensibly built around the games, call of duty and Overwatch, and between the two.

Jonathan (36m 51s):

And I'll speak more about Overwatch league, but then returned to call of duty league momentarily. they had a plan this year that candidly was maybe one of the more ambitious ones to ever come forward in the eSports world that, Activision blizzard set out with this vision of having, city-based teams, right? So again, very closely mimicking the whole idea of like traditional sports in terms of having a team,

Mike (37m 16s):

You follow the Yankees and the Knicks and they get it. If you have your local game team, I should, I should interrupt you by the way this we appoint. We should probably address you guys. Not every, there are eSports leagues that are independent, more akin to pro sports. You guys are perhaps different that you're involved in league ownership and development. Right?

Jonathan (37m 34s):

Correct. So I think we're, there's, the, the eSports system in and of itself is massively complex in, in here too. Something we could spend, potentially hours talking about. But, often you have the game developers that make the game, right. You have the eSports tournament, which may or may not be supported by the game developer. Right. And then some of them even have like more formalized structures in teams built around them. And some of these teams may play multiple games. So, team liquid's a good example or faze clan is perhaps one of the more famous ones that they have multiple players across multiple games playing on multiple teams.

Jonathan (38m 8s):

And it's in sometimes then multiple leagues where we've kind of differentiated is that, one, we, we obviously publish the game, but then we've also created the league structure. Right. So I think other brands and other games and studios are kind of trying to get towards that, but that, that's kind of where we had that initial spark of innovation that it's like, all right, we're going to create a league that you can buy franchises into like traditional sports that will be city based. Right. Right.



So like really kind of structuring the, the overall, not just controlling a turn it, but a series of tournaments, a series of games here too much, very kin to, to traditional sports.

Jonathan (38m 46s):

So that w you started roughly three years ago for, for Overwatch league, had a couple of seasons where of course we were innovating from the format from, from year to year, but realistically, right, exactly. So for one, for several years where had twitch as our principal media distribution center, also some linear television deals who went through Disney XD and a few others. So, really kind of like, trying to, to have Overwatch league, both kind of traverse both the world where, folks have traditionally consumed theseSports, which is on like streaming sites and what have you, but also start to move into linear, right?

Mike (39m 21s):

You want to, you want to be a legitimate to both crowds kind of

Jonathan (39m 24s):

More or less. And ultimately if not legitimate than just reach fans wherever, and however they want to watch it and have that surface area. Right. So in line with that vision and, getting back to, to 2020, we, the, the team really came out with, again, what I would fairly say is one of the more ambitious ideas for, for eSports that it's like, okay, we're, we're going to keep streaming online. Right? And then this year we signed a deal with YouTube to be our exclusive distributor of, of those outside of China. And, we're S we're still gonna, do live matches.

Jonathan (39m 54s):

But instead of having all of the matches in our own studio blizzard studio in California, we're going to go to the cities, right. We're gonna start doing what we're calling home stand events, where, the matches will be played in homesick.



Mike (40m 8s):

Let's take the show on the road and go big.

Jonathan (40m 10s):

You got it and bring it to the fans. Right. So, I mean, like, what we saw is that our fans are super, super passionate. And again, that's something that can be said as a blanket statement across all of gaming's that these fans are passionate, but not all of them can get on a plane to go to California to see those matches or wherever we happen to be, hosting the finals, which would usually be outside of California. So we're going to put the show on the road, we're going to bring it to fans. And boy, if we couldn't pick the worst year for that to happen, because, we're up and rolling and had several home stand events for, two or three months, and then COVID 19 happens.

Jonathan (40m 44s):

And we had to put the brakes on that, the entirety of that plan.

Mike (40m 47s):

So, yeah, so this was going to be a massive breakout. You were really going to go local, go get out there. And the very idea of doing anything live or events is just off table for a long time. So what's happened since have you completely shut down? Have you had to be improvised what's been going on?

Jonathan (41m 5s):

Yeah. And, and I, and so, on the one hand, obviously super disappointing and we, we were very excited to go and meet fans and, and be out out there. But, the reality of the world is, that just wasn't feasible. And we sure as hell weren't the only ones that, of course, every major sports league, figure it out. Yeah. Trying to figure it out and put a stop on their season. But here too, as, as this is one of these, these situations where I think some of the superpowers of gaming could



come through that we certainly had a stoppage, right. We were, I think offline a week or two, and then we got the right people in place to start to do these matches fully online.

Jonathan (41m 40s):

And that's, I think, has always been, one of the key factors of eSports in general and one that, here too, but just shining forth particularly well, that this is one of the few types of competition that can be played at the highest level with all physicality removed. So now we're in a situation where, we are back online,

Mike (41m 59s):

You don't have to put 300 people in Vegas in a bubble or anything like that. This can be done.

Jonathan (42m 3s):

We don't, in fact, we don't even need the players on the same team to be sitting next to each other. Right. Nor do we need,

Mike (42m 8s):

there is no degrade from the experience at all.

Jonathan (42m 10s):

It doesn't. So, I mean like certainly there's logistic challenges and what have you, but, we're, we're back online. We're having matches every weekend. And, we have commentators, they're commentating the matches from their own houses. We have players playing the matches typically from their own houses or whatever housing situation that they're sheltering in place in, or what have you and the show's going on. So, if nothing else, whereas before I think we're really looking, just kind of set like, and, if I'm to be bombastic for a minute, like really kind of make history and eSports and do all of these, like very cool and innovative, like, in, in city events that



didn't work out and now we're doing something kind of just as amazing and cool, which is like, get this whole thing back in right.

Jonathan (42m 53s):

Sized, just in a format that is fit for the world we're in now.

Mike (42m 57s):

Yeah. On the one hand it's, it's, it's a humongous bummer and stinks for the company and the fans that you couldn't do this break up. But at the end, on the other hand, you've got this a moment where nothing else is going on. It's, it's an opportunity for breakout. What have you seen in terms of fandom?

Jonathan (43m 12s):

I think it's one of these things where, the, the feedback that we get from fans is that they are, I would say very happy and grateful that like their entertainment, their sport is, is, is back online and continuing on. And, and like is as most companies do, we certainly reach out and talk with them via various means inclusive of research. And, we want to know like how, how has this impacted the overall experience? Because our fear was, well, man, if we, if we take away like the shots panning to the crowd and people cheering and they got the thunder sticks and all that, is that going to take away from the experience.

Jonathan (43m 45s):

And, I think we're finding that like, sure, like we, we, the, with that, doesn't take away from our long term vision of, bringing it to the fans and what have you, but, people are understanding right now. Like, they're like, I kind of get it. Hey, I'm just glad the matches are on right now. And, candidly, all the core components are here. You have the pro players, you got the pro teams, they're still, driving towards the finals. They got the commentators and personalities that they love. They're still commenting on the game. Like, for the most part, all the core pieces are they're so great.



Jonathan (44m 15s):

So, and again, I think that it kind of falls in line with where we are as a, as a company overall, in terms of these times of like, if we can provide entertainment to folks, we can provide that same high quality product, even during a time when so many other things are kind of like going a little bit sideways, then that's great.

Mike (44m 32s):

Jonathan, I want to make sure we wrap soon here. We have a couple more questions. The obvious ones are with eSports. I imagine in some ways that's like, you kind of mentioned this earlier. It's a little easier for the brand that doesn't know gaming that well, it's very, the analogies are very obvious to traditional sports. So does the sale mirror that, are you kind of just selling sponsorships and TV slots and it's similar, or what does marketing look like? And then maybe let's talk about where it's going more or less

Jonathan (45m 1s):

And I think that was something that even long before, I got a little bit closer to the eSports business. Those teams were doing extremely well, like in, in, it would probably surprise absolutely. No one that a lot of the folks that we have that are working with advertisers on that team come from the traditional sports world, right? Like they're ex NFL, ex NBA. They know the people at agencies and brands, they know how to talk the talk. So essentially they're becoming a translation layer. Right? So like, when, when we're talking about exit actually means why in those terms. And I think that's one of those things where it's been a big gap bridger for the ad industry and kind of pull that back even towards, more traditional gaming, like that's more or less the function that all of our teams inclusive of mine are playing, like sure.

Jonathan (45m 42s):

eSports is one example, but across the board, we are just doing translation. Right. And, it's yeah.



Mike (45m 48s):

Your ambassador slash evangelist slash translator a little bit.

Jonathan (45m 52s):

Exactly. And to a certain degree, it's fair. Right? Like, there's a lot of things that are, I can understand are quite confusing about gaming and the gaming world and who, and why interacts with, and what have you. And, we just need to be in a position to, to, educate there. So that's really, I think been the crux of, of what's worked well with the V sports is that, sure. There was something about the fandom in terms of like making it a more traditional league structure, but it paid dividends. And so far that it made it that much easier for us to also talk with marketers in the ad world in terms of how to integrate with theseSports when it's in that same typical mold.

Mike (46m 26s):

And then have you, have you heard from brands in the past few months, who are saying, I don't have, I don't have the, I don't know the NBA right now. I don't have major league baseball. Can you help me out, like have you've gotten more calls?

Jonathan (46m 39s):

I don't know if I'd necessarily say it's, it's more calls. I think it's w we, we obviously have like a lot of long term relationships that are obviously still ongoing and there are some things that we can still do pursuing these relationships and some things that we can by merit of shifting to this online format. I think the, the overall take would be that, brands are probably not going to look at eSports and be like, Oh, well, this is a direct replacement of the NBA or NFL, but as a means to get in front of an engaged audience, as a means to if they have a brand, which, for whatever reason seems to resonate more with something that's live and exciting, and what have you, then we provide an outlet for that.

Jonathan (47m 18s):



So like so many things it's probably not like a direct, like copy and paste, but it's certainly something that, those that had been already engaged with the space. they're probably looking at that much more seriously, those that hadn't been, it's like, okay, now this might be something that we need to consider given, all the changes and, if nothing else than just the, how the future of entertainment,

Mike (47m 40s):

Right. It's time to get to know the space, at least exactly. I want, I want to just wrap it on this. It's so hard to predict where things are going right now with, States opening up and the economy being in such flux, but what, where would you, like, what do you expect to see in the next six months in, in this, in this arena? Or are you, are you just kind of hoping to taste a few more brands every few months to try and get them to open their eyes to this power of this space? Do you want it, do you see big shifts happening? Where, where, where does the rest of 2020 look like if you can at all look forward?

Jonathan (48m 9s):

Yeah. I mean, of course it's, it's, anyone's, anyone's guess at this point, but, I would say that my feeling would be, is that how the, the adoption of gaming by the ad industry is, is probably not going to be entirely dissimilar to like, some of those game metrics they were talking about before, right. Like they're always kind of up into the right. And then, we kinda got a hockey stick. So my suspicion is that, on the one hand, if we were to imagine a world where COVID 19 didn't happen, or what have you, like, there's a little bit of an eventuality and inevitability to this, right?

Jonathan (48m 40s):

Like gaming, isn't going anywhere. It's only increasing in terms of the fandom, the scale, the money that

Mike (48m 46s):

They were going to have to reckon with this as eventually they been grants.



Jonathan (48m 50s):

Yeah. Like exactly. Like, it, it, like, it's truly something inevitable that unless you kind of stick your head under a rock, like you're, you're, you're going to have to interact with this world. So on the one hand we have that kind of working, as a force, but then you have something like COVID, which could be seen as a little bit of an accelerator that it's like folks personally interacting with them, more folks, seeing the, the stories about people in, in how metrics of have picked up and what have you. So, I think on, either which way, 2020 was going to be a year where, gaming continued to gain prominence and importance to advertisers.

Jonathan (49m 23s):

I think that's still the case. Now it's a question of how much, and there too, I think it's somewhat debatable, like all things with, with the COVID COVID-19 in terms of, are we going to see a dramatic shift or are we just going to kinda go back to being all that same up into the right?

Mike (49m 36s):

Yeah. And that's going to be, it might be a week by week answer for everybody as is everything.

Jonathan (49m 41s): Precisely.

Mike (49m 42s):

All right. Well, that was a terrific conversation, Jonathan. Thanks so much for your time and great chatting with you.

Jonathan (49m 47s):

Yeah. Thanks for having me. I really enjoyed it.