



Business refactoring

Habbo's social game evolution at 10 years
and going

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Social places where
people meet and interact

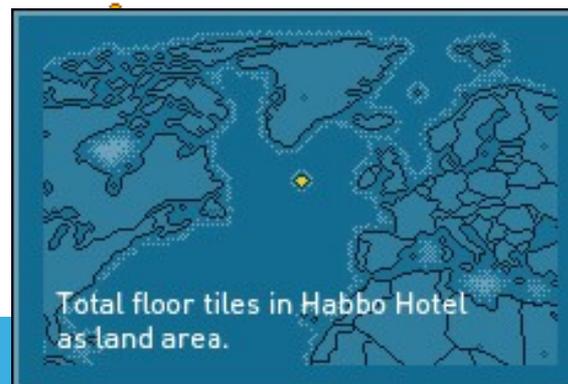
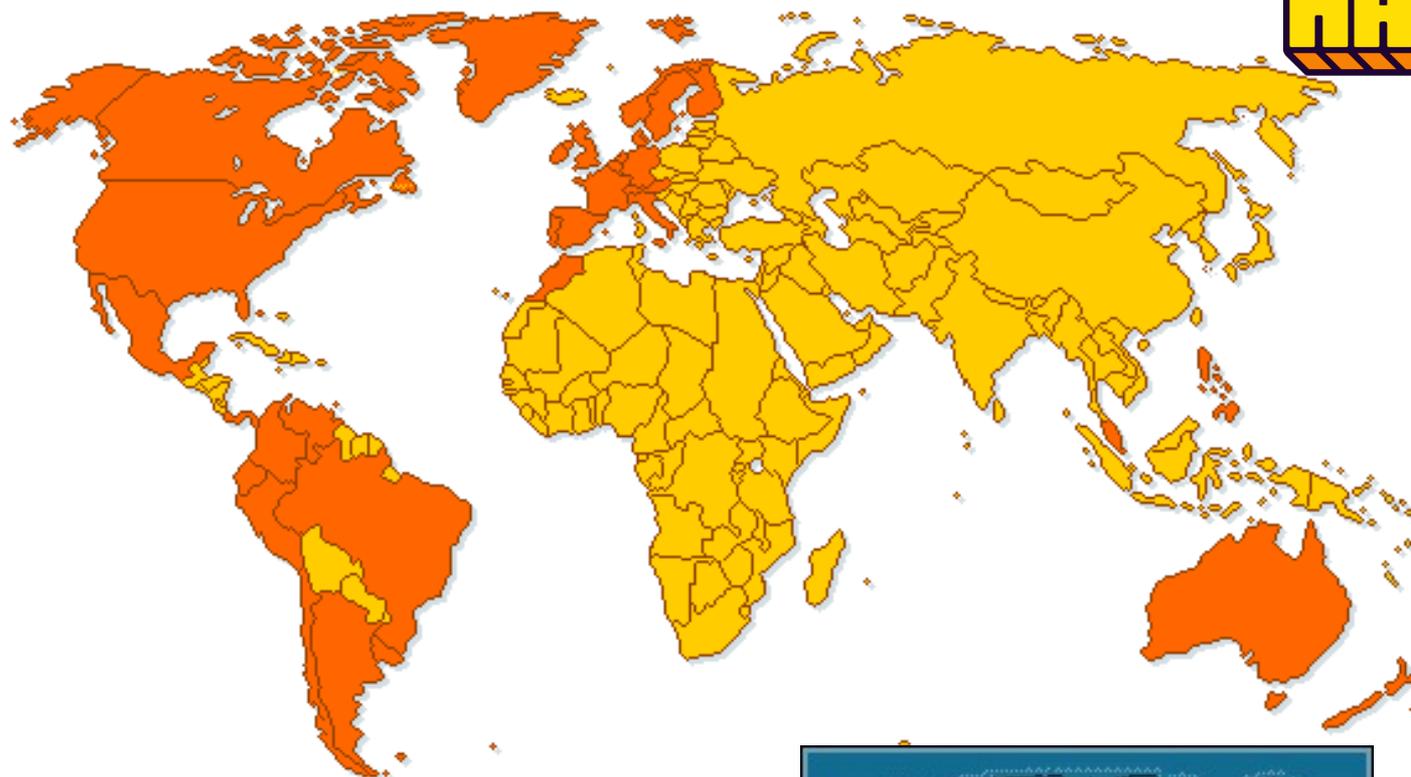
HABBO[®]

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HABBO®



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» 172 million registered Habbo-characters

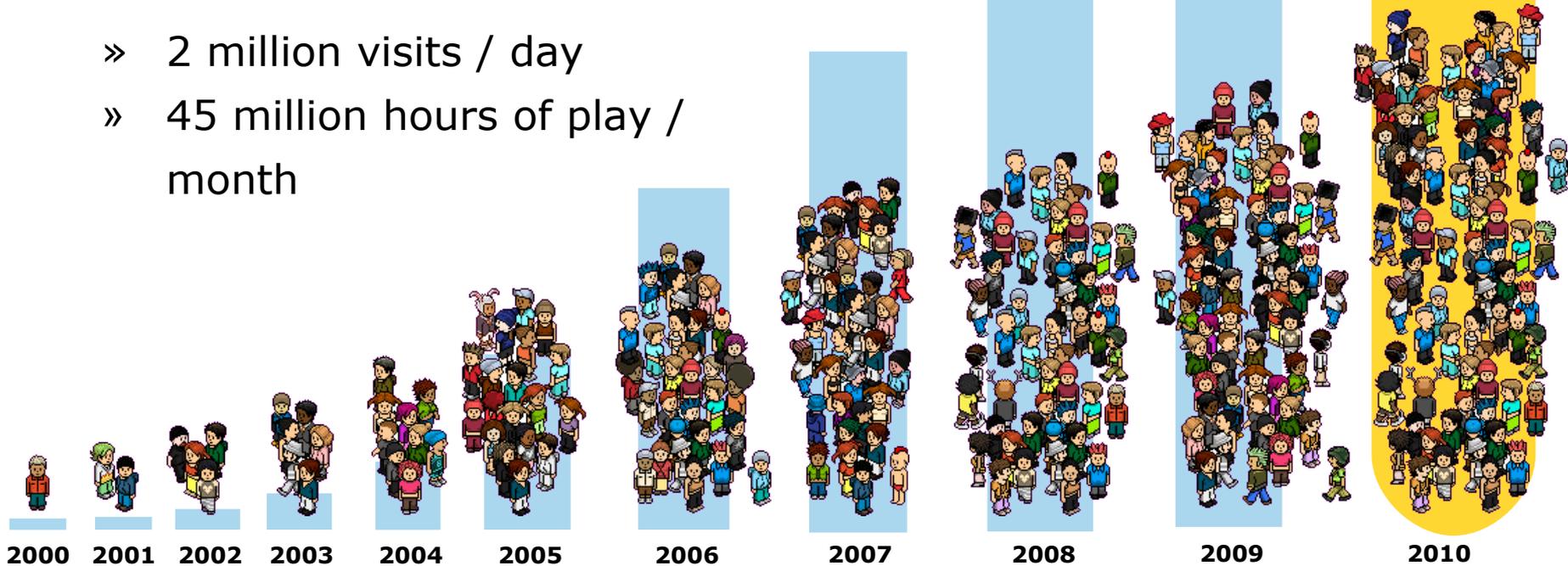
> Source: Sulake Statistics, April 2010

» 16 million unique browsers per month

> Source: Quantcast, Jan 2009

» 2 million visits / day

» 45 million hours of play / month



2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

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7
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Lessons learned..

- ..on ROI of incremental improvement
- ..on planning big technical transitions
- ..on measuring in-game economies

Education material: years #8 and #9 of Habbo



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Social Play

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“Agile” means to us..

Continuous reinvention

Technical
Conceptual
Business focus

Choosing a new tech platform

- Shockwave Player was losing market share and falling behind in productivity
- Considerations for new tools
 - Easy access, easy play – browser-based
 - Developer base and productivity
 - Performance (on modest hardware)
- Final selection: Flash 9 (&10) / ActionScript3

New products or improving old?

Existing userbase, improved performance

VS

New portfolio IP, 0 users, cross-sell challenge

First-year results: Habbo has clearest upside

Three KPIs to rule them all

Conversion rate

Retention rate

Monetization rate

Conversion rate

“new returning users / new traffic”

What's the biggest factor
leading to new users leaving?

Out of all Internet users (in 2008)
58% had Shockwave Player installed
96% had Flash Player 9 or 10 installed

Retention rate

“users returning period to period”

What keeps users coming back?

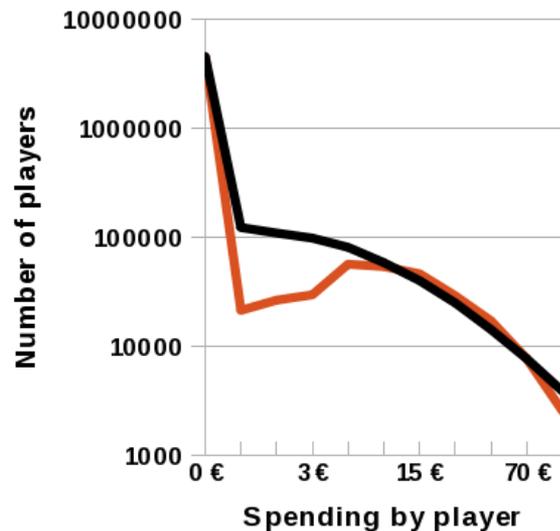
Fun, Friends, Features

..but also performance

Monetization rate

“sales per user (per period)”

Average is easy to use, but hides important behavior



Basics of forecasting

$$\begin{aligned} & \text{Traffic} \\ & \times \\ & \text{Conversion rate} \\ & \times \\ & \text{Retention rate}_{\text{months}} \\ & \times \\ & \text{Monetization rate} \\ & = \\ & \text{Revenue} \end{aligned}$$

Technology transitions

How Habbo's Shockwave to Flash conversion
was planned and executed

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Transition plan

- Work estimate 6 man-years of development
 - Processes tuned for shorter than 1 month cycles
- Client core – object model, base protocol
- Feature-by-feature rewrite
- New testing tools
- New asset / production tools (with old asset library!)
- Deployment pipeline



Phased development

- Small core team to start, most developers continue with old platform
- Move more of the team from Shockwave to Flash over time as work becomes parallel
- Leave only a maintenance team for Shockwave client month or two before launch
- Enabled **continuous re-assessment** of business priorities

Side-by-side compatibility

- Both clients would use the same protocol to the server
 - to a point where server did not practically differentiate between client tech
- Not an obvious choice at the beginning
 - Meant more work on Shockwave side to refactor client where we wanted to change the protocols
- Turned out to be a **critical success factor**
 - Side-by-side play provided confidence of results

No new features

- Only UI improvements, things enabled by higher-performance tech (eg, scaling canvas)
- Same functionality as old client
 - In fact, several features were retired altogether
- Scope management was to minimize schedule
- New features to be added after tech switch

Schedule overview

- Original target schedule: 8-10 months of development, to launch in Q1/2009
- Achieved in 13 months of work, invite-only beta launch in May 2009
 - First beta group helped polish UI, select priorities of final feature set, and talk to other users of upcoming changes
- Open, global beta in June/July
 - All users given access, then set to default
 - Old client retired in October 2009, 18 months after development started

Final evaluation

- **Resounding success**, thanks to
 - Iterative development, allowing re-prioritization when business required
 - Parallel technology removed abrupt cut-off points from the deployment timeline
 - And of course, a skilled, experience team!

Platforms on Internet scale

Social networking & social gaming

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Social games in Facebook context

- 2 minute “check status” sessions
 - Likely to continuously miss your friends by 15 seconds
- Parallel, single player experiences
 - Experiences designed to fit in 2 minutes
- Observing others play the same game
 - Mostly at a distance, eg achievements and requests

A different kind of social game..



<http://bit.ly/habbo-br-cine>

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Connecting Habbo to the social graph



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Connecting Habbo to the social graph

The screenshot shows a Facebook page for 'Habbo Hotel España'. The page features a large vertical banner for the game 'HABBO RUNWAY' with the dates '16/04 - 17/05'. The banner includes the Habbo logo and a cartoon illustration of a city street with various characters. Below the banner is a 'Go to Application' button. The main content area shows a post from 'Habbo Hotel España + Others' with the text: 'Rayo Lucci este juego es muy entretenido se lo recomiendo a todos , y si quieres ir a conocer entra a www.habbo.es y regístrate te estamos esperando'. Below this are several comments from users like 'Ana Maria Muñoz Monzalve', 'Cristobal Felipe Zapata Arellano', 'Nicolás Cordobinho', and 'Cristian Troy'. The right sidebar contains advertisements for 'Toyota Itäkeskukselle', 'Gojlat', and 'Lomudai'.

SNS identity for games

Access without registration .. yet have identities

We're past the "spam all friends" phase, so SNS integration is more an extension of earlier web best practices

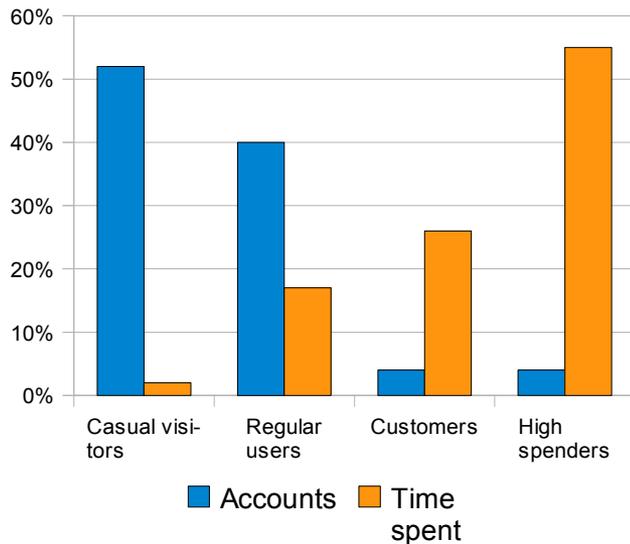
Still need to build a trust with the player

Economies inside game systems

More about the emergent properties ...
... and of the value in systems

What determines an economy?

- Participants must be able to exchange value with each other
- Virtual currencies alone don't create economies
 - Exchange of goods and services do



Virtual furniture items in Habbo Hotel currently *

Floor items	602,599,471
Wall items	134,230,412
Tables	92,435,154
Chairs	71,625,272
Sofas	18,256,369

* May 2010



Habbo's emergent economy

The early years...

- Direct sales of items to users (P-SMS)
 - Already allowed transfer of items between users
- Introduction of Habbo Coins as stored value
 - Not possible to transfer coins between accounts
- Common items as an emergent exchange currency
 - Beginning of an economy, including (external) measurement – google “habbo furni values”

Official support introduced

- Special trading functions to enable safe exchange
- Tradable currency items allows items to coins trades
- Marketplace for posting for-sale notices and unattended trades

Business implications of 2nd market

- Secondary market is much larger than first sales: perhaps \$0.5B annually
- Items stay in active inventory
 - Often even after original owner quits Habbo
- Could mean the world “fills up”, especially if growth slows
 - Requires special design to avoid the problem

Design strategies for working market

- No trading
 - No market, no permanent value
- Items wear out or disappear over time
 - No market
 - “rentable model”
- Persistent items & trading
 - Creates a market, enables collectible value
 - 1% trading fee on value, grow market to 10x size
 - Fee also helps manage inflation

Take-aways

- When implementing big changes, plan for
 - iterative build-out
 - parallel deployment
- Basic measurement model
 - conversion, retention, monetization
- Economic modeling
 - look for emergent behavior
 - invest in analysis



2000

Hotelli Kultakala launched (Finnish Habbo)
- Sony launches the PS2

2001

Habbo Hotel UK Launched
- Dot com crash

2002

1 millionth Habbo registered
- The Euro currency is introduced

2003

Habbo goes truly international
with several country launches
- Second Life and MySpace founded

2004

10 millionth Habbo registered
Habbo Hotel USA opens
- Facebook founded

2005

Sulake among the fastest growing
companies in Europe
- Youtube and Club Penguin founded

2006

100 millionth Habbo registered
- Twitter founded

2007

Major Habbo Hotel site update
- iPhone and iPod Touch launched

2008

Dual currency economy introduced in Habbo
- Facebook Connect launched

2009

Habbo converts to Flash
150 millionth Habbo registered
Facebook connection enabled
- Avatar 3D movie released

2010

Flagship site Habbo.com formed

