Roblox Growth Strategy – Case Study

About Roblox

Founded by David Baszuki and Erik Cassel in 2006, Roblox is an online platform where users come together and engage in experiences, create experiences, and socialize with other users. Roblox is different from other game platforms in that it does not create experiences but allows users to create their own through the proprietary IDE (Integrated Development Environment). As its user base grew consistently, the COVID-19 pandemic accelerated this growth, and in 2020, daily active users increased by 85%.

Roblox revenue is generated by its own digital currency, Robux (R$), which requires users to buy "in experience" items and "platform items" to add to their experiences. In 2022, Roblox began experimenting with the Metaverse and creating an immersive user experience.

Business Model

The Roblox business model is unique in that it provides a platform for users to create their own experiences, invite friends to join it, and not charge users to use it. It's monetized by offering add-ons that are purchased by its own cryptocurrency. This model allows users of any age to interact with each other and expand worlds exponentially.

Success In Driving Growth

In response to the need to monetize the platform, Roblox turned to high-end brands to sell virtual items. Brands like Gucci, Nike, Vans, and more allowed Roblox to create exclusive items that forced users to purchase Robux to get exclusive access to them. These items appealed to users, both young and older. Once launched, many other brands created ways to monetize the virtual platform by creating experiences around their brand.

One example is Chipotle and its Burrito Builder, allowing users to roll a burrito and earn Robux to redeem a free burrito in real life. By merging the virtual and physical worlds, users helped monetize both brands, and it was automatic advertising without having to create ads to promote these actions.

Roblox invited brands and celebrities to create virtual concerts, attend yoga classes, and other exclusive in-platform experiences to attract older users. Creating multiple ways to interact with brands and celebrities is seen as a way to interact exclusively with people's favorite brands and celebrities.

Roblox attracted third-party developers by allowing them to earn Robux by selling avatar items or in-experience items that created engagement-based payouts as a reward for highly engaging experiences. Once a certain number of Robux was earned, developers could convert it to real dollars.

Business Problem

Because Roblox's target users are children and young adults, they either don't have access to Roblox or have the expendable income to purchase it. This lack of funding created a problem because Roblox needed to find ways to sustain the platform financially. To mitigate this, Roblox started looking into brand advertising. It wanted to attract high-end brands to advertise inside the game and generate additional revenue. However, required ad watching or blatant advertising did not appeal to young users and might cause many users to abandon the platform in search of one that didn't require those types of ads. In addition, Roblox wanted to attract older users who wanted the same immersive experience but didn't necessarily want to create their own experience.

However, Roblox failed to bring the virtual to the real world and provide all items sold in-game in physical form. The attempt at creating a secondary market didn't resonate with its users. It failed to make additional income for collectors who wanted to sell or auction off the exclusive physical items purchased through the platform. The adage "the value in an item is only worth what someone is willing to pay for it" definitely applied to this attempt to create a secondary market.

Roblox Target User

The core demographics for Roblox range from 9 – 24 years old, with a relatively evenly split between males and females. However, its main user base is children under the age of 16. Roblox appealed to kids because they wanted to socialize after finishing their school days, doing extracurricular activities, and doing homework. An example of Roblox's target users is:

Name: Jamie Turner

Age: 14

Location: Suburban Midwest, USA

Education: High School Student

Interests:

- Enjoys creative activities like drawing and building models.
- Loves playing video games, especially sandbox and multiplayer games where they can interact with friends.
- Interested in learning basic coding and game design.
- Active on social media, especially platforms where they can share their creations.

Personality:

- Curious and loves to explore new worlds and ideas.
- Socially active, enjoying making new friends online and offline.
- Competitive but also values teamwork and collaboration.
- Enjoys personalization and expressing individuality through avatars and customizations.

Technology Usage:

- Comfortable with smartphones, tablets, and PCs.
- Spends about 2-3 hours daily on gaming.
- Engages with online communities related to their interests.

Goals:

- To find a gaming platform that offers a variety of games and allows them to express their creativity.
- To learn the basics of game design and coding in a fun and interactive way.
- To connect with a community that shares their interests in gaming and creativity.

Pain Points:

- Frustration with games that have limited options for creativity and personalization.
- Overwhelmed with too technical or complex game development tools.
- Difficulty finding a safe and welcoming online community.

Roblox Engagement:

- Jamie would be drawn to Roblox because of its vast array of user-created games.
- The platform's tools for creating and publishing games would be a major draw, offering an accessible entry point into game design.
- Social features that allow Jamie to connect and play with friends and even make new ones who align with their social interests.
- Roblox's customization options for avatars and worlds would satisfy Jamie's desire for personalization.

Behavioral Attributes:

- Likely to become a regular user, logging on to Roblox daily.
- Could become an advocate for the platform among friends.
- Might spend money on in-game purchases for unique items or experiences.

Recommendations

Roblox has created many ways for brands to advertise on its platform. From exclusive items for sale to virtual billboards and events, it has provided a new way for brands to interact with potential customers. Additional ways Roblox can monetize its platform would be to continue working within the metaverse and partnering with virtual brands to provide real-world products. One example is [virtual restaurants](#) (Cuboh, 2023). Users can enter a virtual restaurant, order food, and deliver it to their real-world door.

This concept could be applied to many brands – furniture, clothing, shoes, jewelry, etc. Not only does it generate revenue for the brands, but it saves them money on having a full-fledged brick-and-mortar location. These cost savings allow more startup businesses to enter the market and succeed against larger established brands.

I see Roblox partnering with Airbnb or VRBO to sell vacations in highly desirable locations to attract older users with more expendable income. Not only could they experience the "vacations" virtually, but they could purchase a real-life vacation and have the ability to replicate the adventures found in the game.

References

Israeli, A., & Tempest Keller, N. (2023, February 15). Roblox: Virtual Commerce in the Metaverse. Cambridge; Harvard Business School.

Cuboh. (2023). *Virtual brands: What are they and why should you care?*. Cuboh. https://www.cuboh.com/blog/virtual-restaurants-brands