

A close-up of the Fortnite Panda character, a white panda with large green eyes and a red tongue sticking out. The panda is looking directly at the camera with a happy expression. In the background, there is a building with green trim and a red banner. A blue speech bubble is positioned in the upper right corner of the image.

How's it
going?

Global Game Industry: Level 5

(MLI26C738)

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Week 2: how does it look like?

Monday: TODAY

Tuesday: User testing and quality assurance

Wednesday: Consumption side of things

Thursday: Branding, community management + guest talk

Friday: reflections and presentations



Learning outcomes for today: business models and monetization design

Premium = limited monetization directly from the game

F2P and digital distribution = the emergence of business model innovations in the game industry

Monetization: diversification -> consolidation -> what's next?

Where to start? What story to tell?

More ideas

Do one thing at a time

The brain is a sequential processor, unable to pay attention to two things at the same time. Businesses and schools train multitasking, but research clearly shows that it reduces productivity and increases mistakes. Try creating an attention-free zone during the day—turn off your phone, log out of social media sites—and see whether you can do more. If you have trouble untangling yourself, download software that blocks your access to certain websites for a certain amount of time that you specify.

Divide presentations into 10-minute segments

Remember my students who said they got bored in 10-minute segments into a mediocre lecture? The 10-minute rule, which I've known for many years, provides a guideline for how long people can pay attention. I used to give a 60-minute lecture, for which I was named the Hochstetler Award (named after the Teacher of the Year (awarded at one of the largest annual meetings in psychiatry)).

I decided that every lecture I'd ever give would be organized in segments, and that each segment would last only 10 minutes. Each segment would cover a single core concept—always general, and always explainable in one minute. The brain likes hierarchy, and the general concepts naturally leads to explaining information in an archical fashion. Give the general idea first, before diving into details, and you will see a 40 percent improvement in understanding.

Each class was 50 minutes, so I could easily burn through five large concepts in a single period. I would use the other nine minutes

in the segment to provide a detailed analysis of each detail that could be easily linked back to the general concept with minimal intellectual effort. The trick was to ensure that each detail could be easily linked back to the general concept with minimal intellectual effort. This is like walking back to the general concept with minimal intellectual effort. This is like walking back to the general concept with minimal intellectual effort.

This practice, the audience is not aware of the instructor and attempt to download software that blocks your access to certain websites for a certain amount of time that you specify.

After 10 minutes had elapsed, I had to stop. Why did I construct my lectures that way? I knew I had only about 600 seconds to use that way. I knew I had only about 600 seconds to use that way.

something after the 60ist second to "buy" another 10 minutes.

just the look

the students' attention is getting away from me. I know I had only about 600 seconds to use that way.

completely irrelevant cue that breaks them from their thought, making the information stream seem disjointed, unorganized, and paralyzing. They need something so compelling that they blast through the 10-minute barrier—something

Free-to-play

boot boxes

Pay-to-win

Battle passes

Razor and blades

Vertical integration

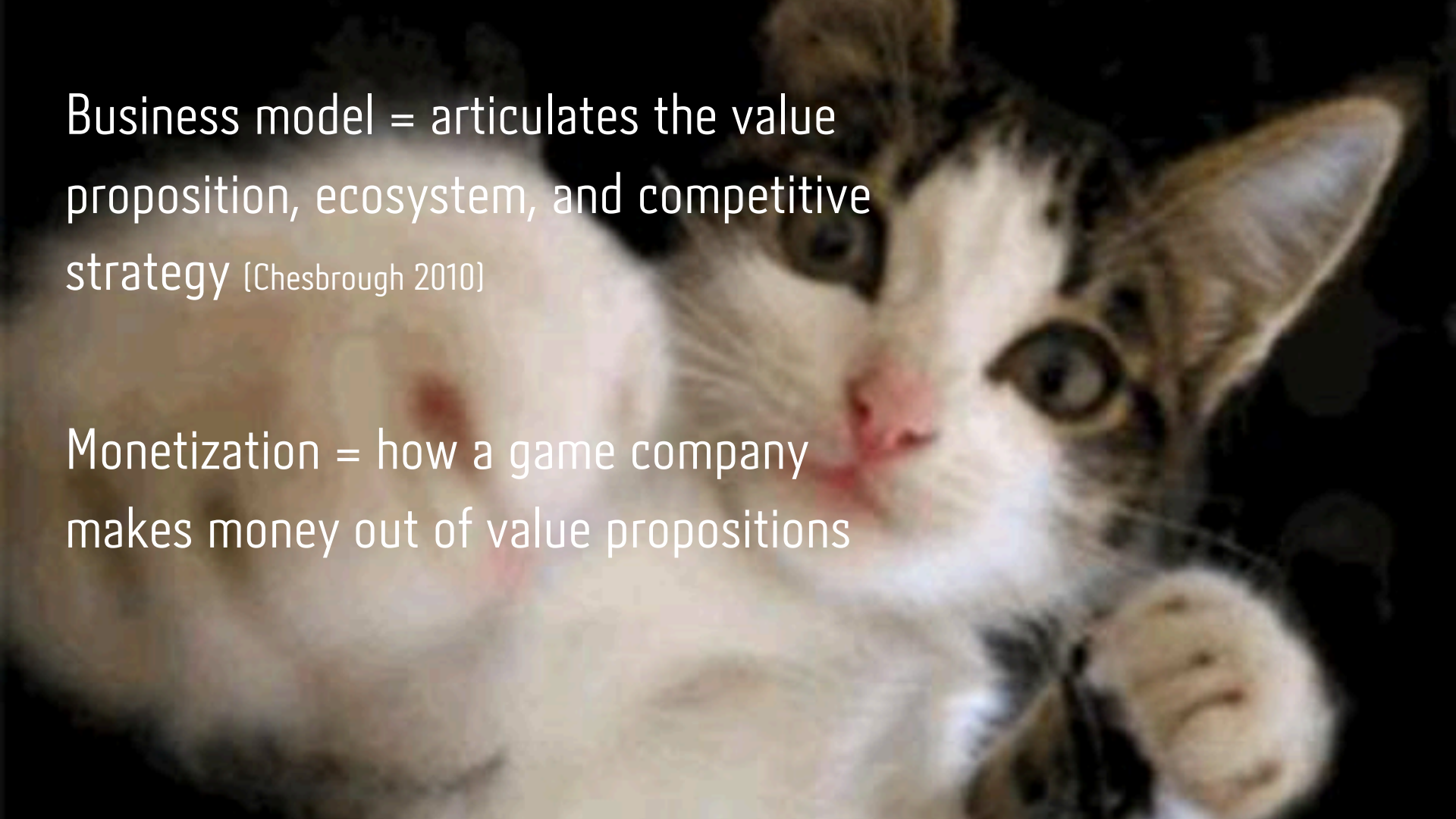
In-game ads

Subscription

Premium

Crowdfunding

Lure-to-play

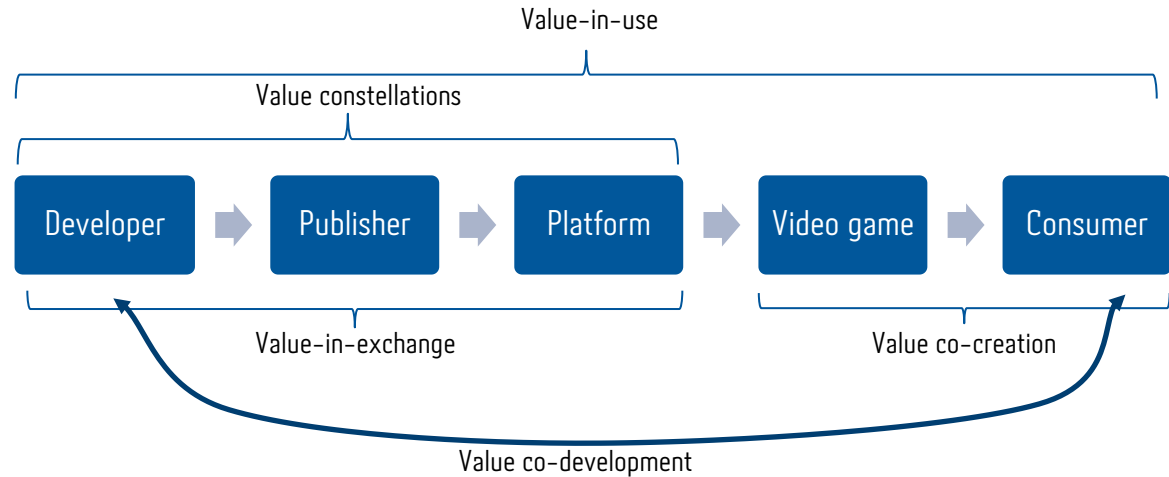


Business model = articulates the value proposition, ecosystem, and competitive strategy (Chesbrough 2010)

Monetization = how a game company makes money out of value propositions



Five value creation mechanisms of the video game industry





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- Value-in-use: game's value comes from the interplay between the game and the consumer
 - Value constellations: value is created between developers, publishers, and other actors – here, consumers are not given primacy
 - Value-in-exchange: value is inherent in the game itself (kinda similar to value constellations, but in these studies networks aren't mentioned)
 - Value co-creation: consumers are innovating based on the company partially opening up their Intellectual Property, building new versions of the game or creating content to it
 - Value co-development: unlike in the category above, here consumers are brought into the actual game development process
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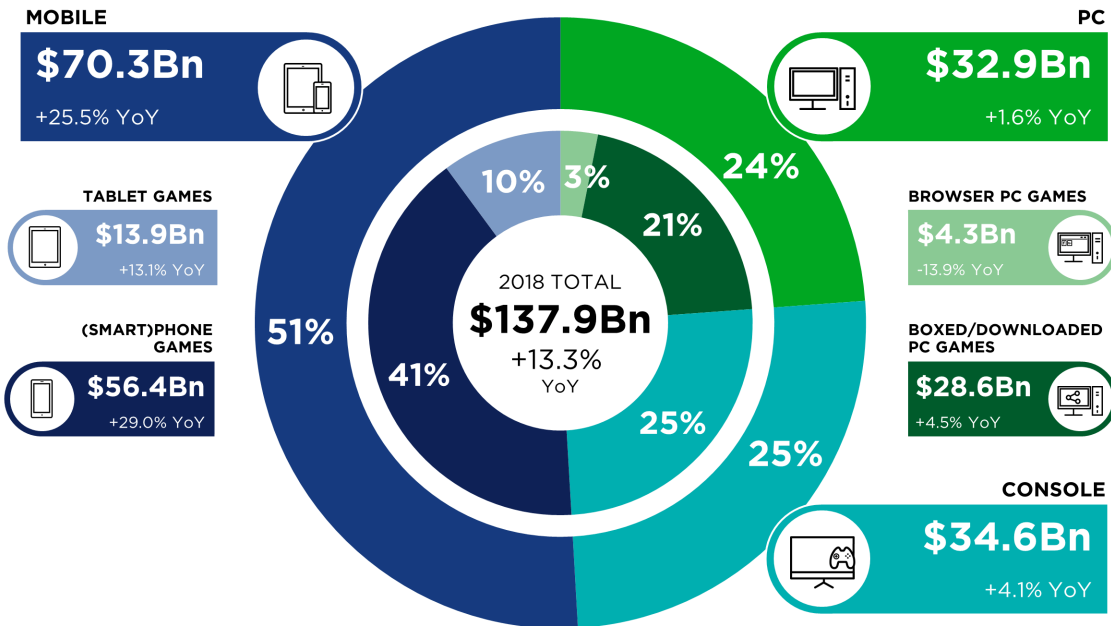


newzoo

2018 GLOBAL GAMES MARKET

PER DEVICE & SEGMENT WITH YEAR-ON-YEAR GROWTH RATES

©2018 Newzoo



In 2018, mobile games will generate

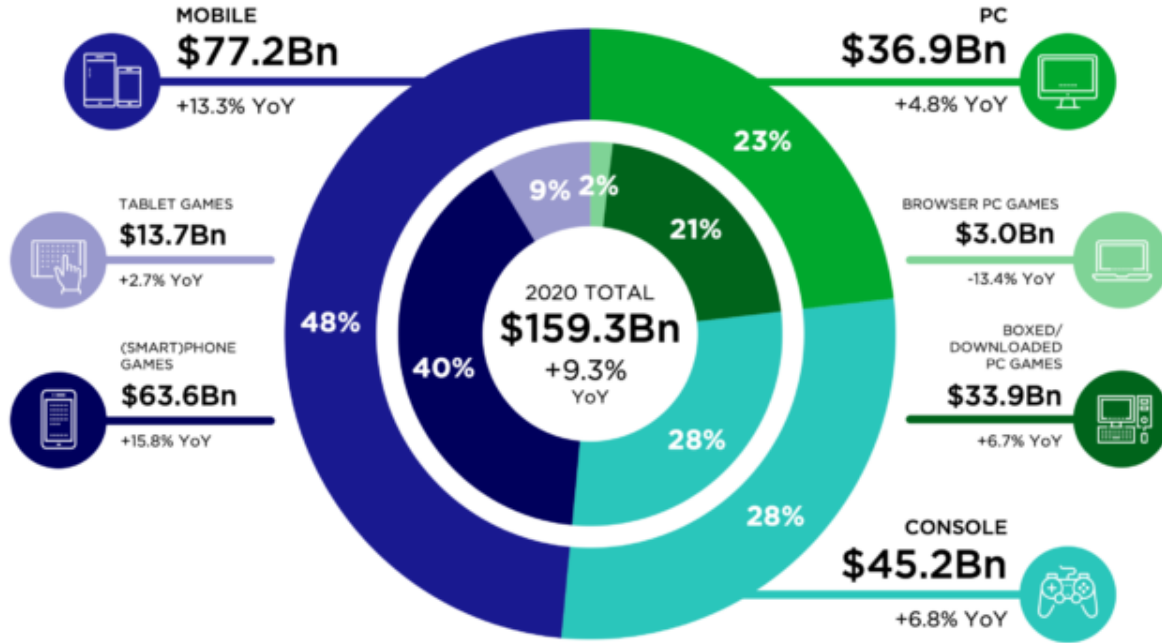
\$70.3Bn

or **51%** of the global market.



2020 Global Games Market

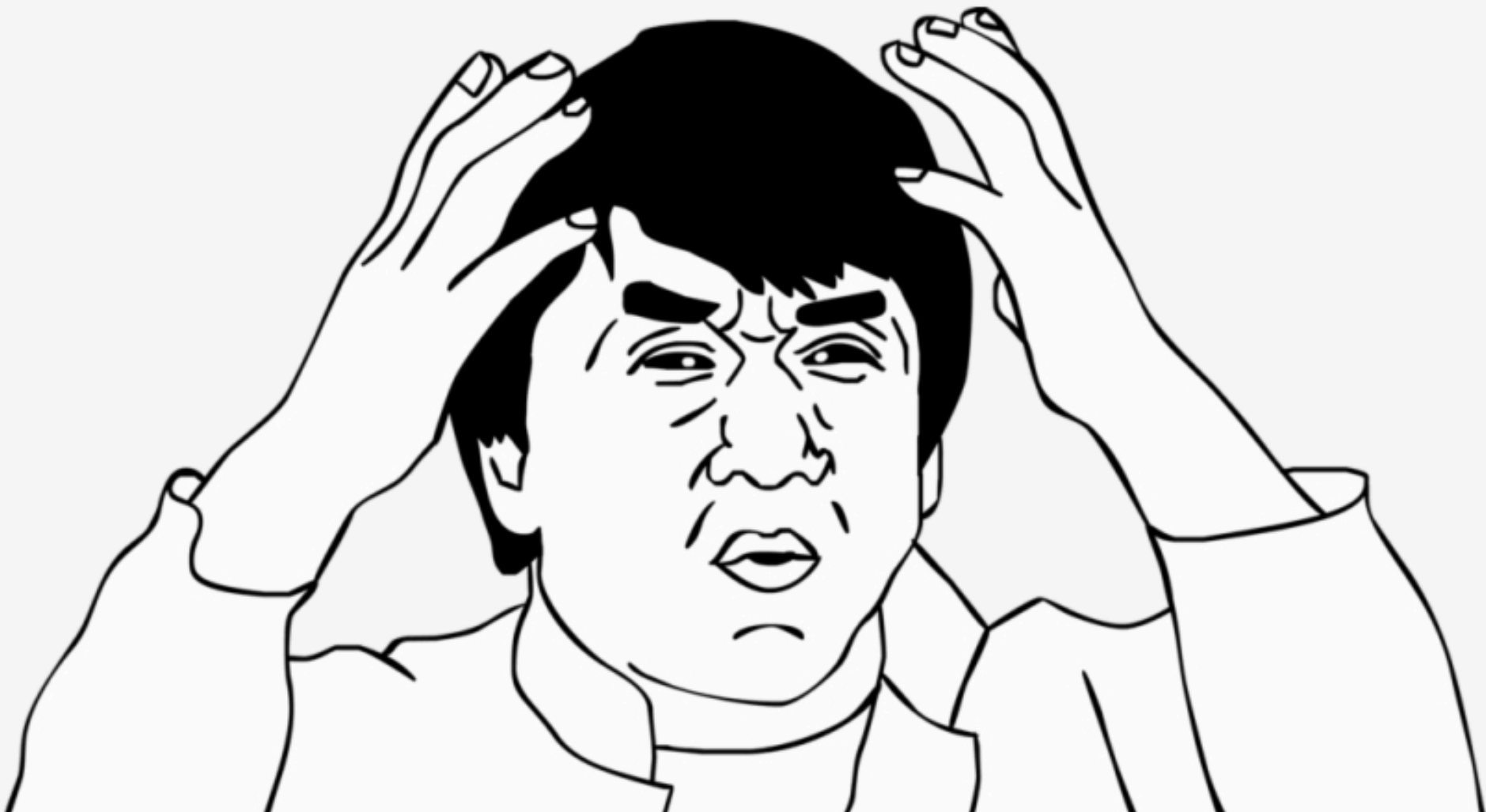
Per Device & Segment With Year-on-Year Growth Rates



\$77.2Bn

Mobile game revenues in 2020 will account for 48% of the global market

Source: ©Newzoo | 2020 Global Games Market Report | April Update
newzoo.com/globalgamesreport





A note on game mechanics and making money

- Game mechanics: space, objects, actions, rules, skill, chance
 - Game mechanics = strip out aesthetics, technology, and story (Schell, 2008)
-

Space

Actions

Skill

Chance

Objects

Rules





A note on game mechanics and making money

- Game mechanics: space, objects, actions, rules, skill, chance
 - Game mechanics = strip out aesthetics, technology, and story (Schell, 2008)
 - Making money out of game mechanics = premium game
 - Making money out of story = DLC
 - Making money out of aesthetics = skins
 - Making money out of game mechanics 2 = pay-to-win
-



History of free-to-play (F2P)

- RuneScape one of the earliest examples of F2P games (2001) in PCs
 - Monetization based on ads: during the dot-com boom money was flowing to digital entertainment and everything Internet-related
 - [Fun fact related to dot-com hype and video games: <https://hornet.com/stories/simcopter-hack-yes-men-history/>]
 - Then iPhone entered the picture in 2007 and free-to-play became mainstream
 - Smaller device – smaller device (or time = money)
 - The great F2P switch (some successful, others not so)
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History of business models in the game industry

- Game consoles: barriers of entry HIGH
 - Mostly because of hardware manufacturers (the great video game crash of 1983) and retail-driven model (logistical issues!)
- Previously dominant business model in the console market?







History of business models in the game industry

- Game consoles: barriers of entry HIGH
 - Mostly because of hardware manufacturers (the great video game crash of 1983) and retail-driven model (logistical issues!)
 - Previously dominant business model in the console market?
 - Nintendo traditionally manufacturing with a profit, but Microsoft and Sony not so. However, production costs do go down.
 - Game industry operates in cycles
 - But this is changing! Now that the hardware has changed, backward compatibility no longer an issue
-



History of business models in the game industry

- Before iPhones and digital distribution?
- Compliance jungle!
- Developer -> Publisher -> Telecommunications company -> Consumer
 - Different operating systems, so developers had to ensure compatibility across devices (even from the same manufacturer!)
- Back in the days, profitability was not stellar, but digital distribution has reversed this
 - Consolidation! Platforms!





LA SUISSE

Multimedia Agency - Cally Leuzinger



Case: Fortnite (not obligatory, but recommended)

<https://www.youtube.com/watch?v=KCW5Hn58EM8>

Also relevant: <https://www.thestreet.com/technology/how-does-fortnite-make-money-14939674>

This one too:

<https://www.destructoroffun.com/blog/2018/4/21/aegai526kyjvsn69xm6uc2x02we48x?rq=fortnite>



Case: Fortnite

- *Free-to-win*: nothing is sold in the game that could impact the outcome of the matches
- Deconstructor of Fun: instead, *pay-to-look-cool*



FORTNITE

2 835 +

4





Case: Fortnite

- *Free-to-win*: nothing is sold in the game that could impact the outcome of the matches
- Deconstructor of Fun: instead, *pay-to-look-cool*
 - Competition and progress communicated to others through aesthetic elements
- Battle pass: " Each season has a matching Battle Pass, which comes with its own set of cosmetic content and rewards. If you don't complete the battle pass in time -- you don't get the content." (DoF)





Case: Fortnite

- Battle Pass (cont'd)
 - Secondary goals and a sense of progress!
 - Engages players both directly and indirectly
 - Direct: game itself
 - Indirect: streaming
 - Logic here: avoiding fatigue by allowing people to watch instead of play -> active streamer base, keeps the content interesting
 - Players / consumers will not forget about Fortnite!
-



When the market is saturated by new games, crucial not to be forgotten!



Monetization design

Hardware sales + accessories	Direct revenue	Licensing deals, 360 entertainment
Indirect revenue	<ul style="list-style-type: none">• Pay-to-pass• Pay-to-win• Subscriptions• In-game ads• Loot boxes, season passes• Additional gameplay content	
<ul style="list-style-type: none">• Streaming• Platform services	Aesthetic revenue	

Transparent development

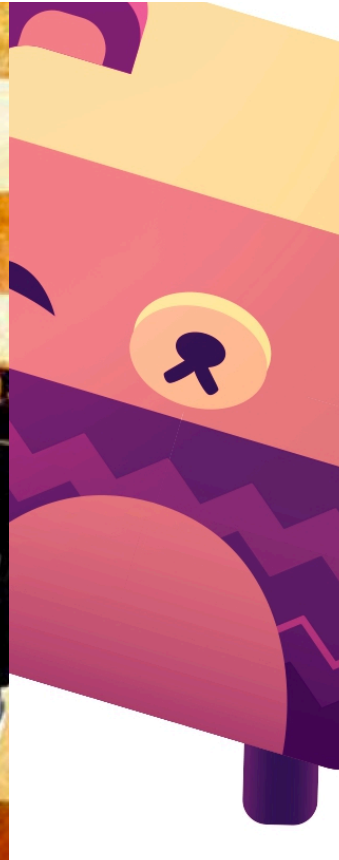
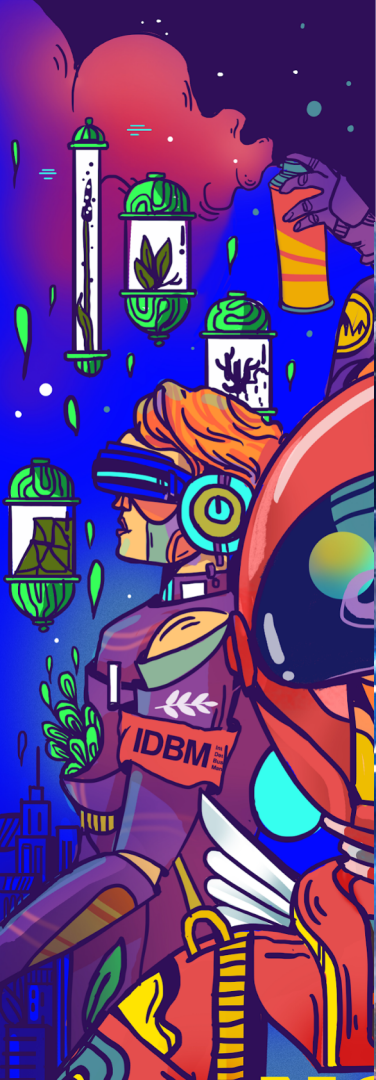


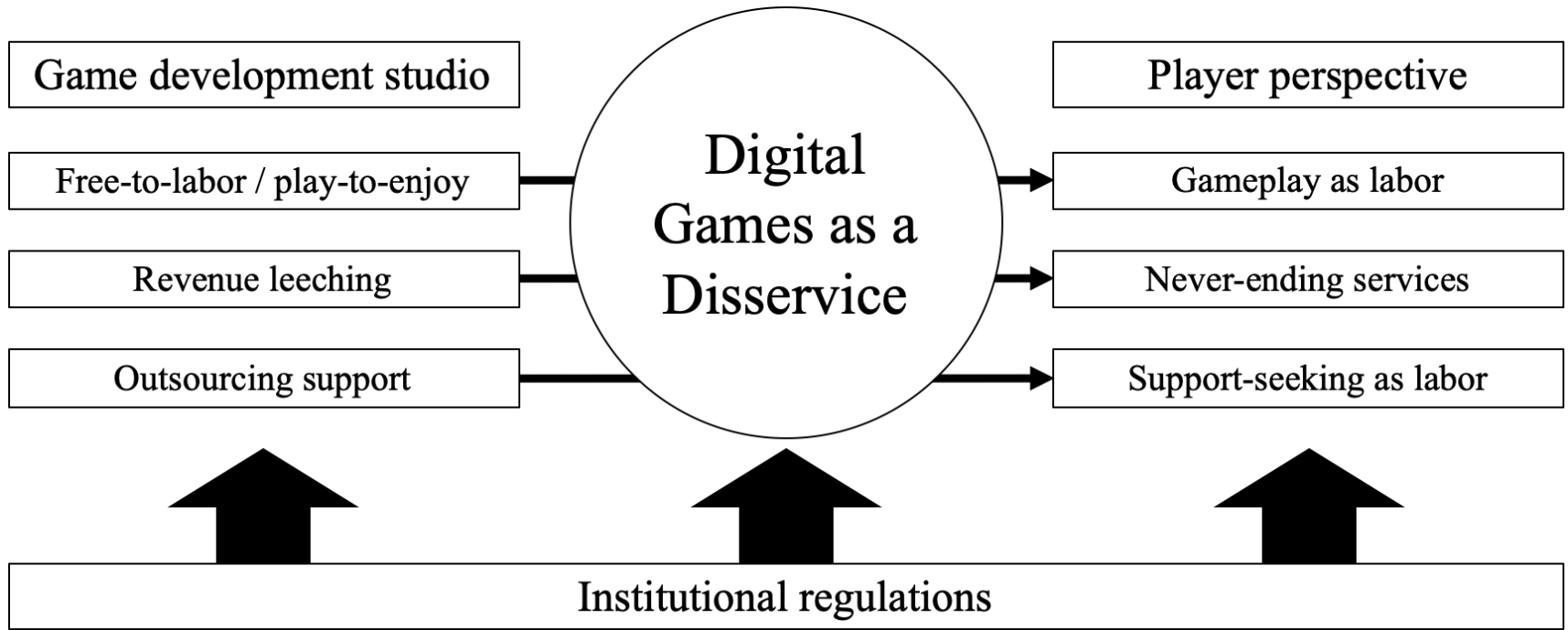
Revenue through development streaming

Engagement -> Retention -> Monetization



Monetization failures and successes







Premium is dead, long live premium?

- Technology has enabled the shift from one-time payment to more continuous revenue streams
 - At the same time, revenue streams can already be designed to increase engagement prior to the launch
 - Balancing act between monetizing on one game and developing the next title
 - Game mechanics still mostly left untouched
 - Except in pay-to-win games
 - <https://www.cnbc.com/2018/05/30/pay-to-win-video-games-differences-between-us-and-chinese-gamers.html>
-



Business models and monetization: some future trends

- Vertical integration increasing
 - Publishers becoming platform owners (e.g. EA, Valve)
 - New value chains, e.g. Valve
 - Licensing its game engine, security services (Jöckel et al. 2008)
 - 360 entertainment
 - Previously games, movies, toys, etc.
 - Now just entertainment
 - Netflix model? Apple Arcade – success remains to be seen
 - AI and games...
-



"The AI is trying to **predict** which players could become a whale," Fong said. "We built a data model that analyses the behavioural differences between people that become whales, and people that leave the game or don't spend any more money. We were looking at characteristics like spending patterns, spending velocity, the amount of time they spent in game, how many sessions, what they would buy, what guilds they're in."

"The funny thing is, I always used to think that if you monetise your audience too hard, they'll leave the game. But it's actually the other way around. Our retention rates for paid users in this game [Transformers] -- 30-day retention for paid users -- is 85%. So once they start spending, they don't leave. They want to stay in the game and preserve their **investment**, and when they stay in the game, they spend more."



BM and monetization: further material (same as before, not obligatory, but recommended)

- <https://www.techradar.com/news/gaming/from-floppy-disks-to-freeware-the-history-of-f2p-gaming-1248467>
 - https://youtu.be/o418Er76_7o
 - https://www.deconstructoroffun.com/blog/2018/4/21/aegai526kyjvs_n69xm6uc2x02we48x
 - <https://www.wepc.com/news/video-game-statistics/>
 - <https://www.youtube.com/watch?v=v-omNoZIN4c>
-

What did you learn today?





Preparations for tomorrow

- Read Bulut (2015)
- Keep up the good work!





CHALLENGER!

Your fists of evil are about
meet my steel wall of niceness

See you on Wednesday!

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