

Economics of Strategy for Online and Digital Markets

Topics in Economic Theory and Policy, 31C01000

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January 22, 2019

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Lecture 5: Guest lecture

Supercell's Clash Royale Revenue Has Surpassed \$2 Billion, and It's Still Going Strong



In just over two years, [Clash Royale](#) has managed two incredible feats. Feat one: It has now, according to Sensor Tower [Store Intelligence](#) estimates, exceeded \$2 billion in global player spending. Feat two: In doing so, it has cemented Supercell as the first mobile publisher to have more than one multi-billion-dollar title on the App Store and Google Play, the other being its 2012 hit [Clash of Clans](#), which itself has grossed in excess of \$6 billion.

Free-to-play games: Tool for price discrimination



Figure. Linear demand (left). Model for demand in a free-to-play game (right).

- Setting one fixed price at A leads to buyers that could have paid more (C) and buyers that do not pay anything (B).
- Empirically, it seems that few people are willing to pay huge sums of money within the games (like in the demand curve on the right). Free access and in-game purchases provide a way for price discrimination and monopoly rents.
- High-paying customers or *whales* are similar to high-rollers in casinos.

- Discussion on public or private regulation for other popular services (e.g. Google, Facebook).
 - Privacy concerns, discrimination and other misuses (of data) create regulatory pressures.
- Is the gaming industry insulated against such concerns?
- Other possible social concerns:
 - Some video games associated with concerns on repugnant content (e.g. violence).
 - The very mechanisms that make games popular can also lead to overuse (loss of study time!) or even addiction.

Market design

- Auction design
- Ad auctions
- Market design