An Ethical Discussion of Common Monetization Tactics in Mobile Games

The purpose of a product is profit maximization – a balancing act of product quality, cost of production, and the final marketing tactics. Perfect software is unachievable. To reach that level of quality, the cost of production and the timeframe of development outweigh the profits that can be gained from the final release. Either the customers won’t be willing to pay what the software itself is worth, or the window of need for the product will have already passed, and the demand will not support the kind of profits that would deem the software ‘successful.’ In the case of our software, the timeframe was set, the quality goals well defined early on. The success of this software is not dependent on profit, but on the quality of effort put in by our team. However, in an effort to be true to the business model of product development, here we will explore monetization options and the ethical value of each.

Mobile applications have their own slew of distinct money-making tactics, not unique to the platform, but often tied to its identity. We will be focusing on games. Looking through any app store, a vast majority of the mobile games you’ll see are “free-to-play.” This means the product is free to download and install, and to play the game itself – if even in a limited sense – requires no payment. It’s unusual to see games that run more than one or two dollars, only rare ported games able to charge higher, but still a fraction of what the game would cost on PC or console (Minecraft: $6.99; Stardew Valley: $7.99). So how do the developers or companies that release these games turn enough of a profit to keep the industry booming?

The most traditional way to make a profit on a product is to charge for use. This is self-explanatory. To download, install, and play the game, some cost must be filled. For mobile games, this is a comparatively low cost, with the majority only costing $1, and the bigger titles, as mentioned above, not reaching above $10 where console games are regularly $60 each. So how can they afford to charge so little? Mobile is an incredibly accessible medium for software. As of 2018, 326,767,000 people in the US alone had personal smartphone devices ([wikipedia](https://en.wikipedia.org/wiki/List_of_countries_by_smartphone_penetration)). If a company charges one dollar per purchase of their software, the possible profit worldwide is nothing to sneeze at. When combined with some of the other monetization options we’ll discuss, it’s no wonder there’s a constant stream of mobile games through our phones.

On its own, this is likely the most ethical of the options. The cost is clear, paid once, and the customer is given full access to the software. It’s a perfectly viable business plan, as well, if the company is up to date on the market and can release a few successful games back to back, charging a few dollars each they can easily meet the levels of profit to denote the software successful.

What about the free games? This is where it starts to become more predatory. A company needs to make its profit somewhere, and if they’re not charging for the software itself, the consumer show strive to be aware of *where* that profit is coming from.

Profit could be coming from something relatively harmless, such as advertising revenue. Anyone who has played these free mobile games is familiar with the banner ads at the bottom of their screen, or the videos that play between levels. There’s no cost to the user but time, and perhaps some annoyance, but the company is making their money by allowing advertisers into their games. To make a profit, though, they need to have users to see them. The lack of cost is a big draw for a lot of users, and many of the mobile game audience are used to this give and take required for their free games. Still, it’s easy to go to far. Too many ads, or ads poorly handled in the software can outweigh the benefit of the game being free. One of the more effective ways to handle ads in a mobile game is to pair it with “pay-to-play” sensibilities, giving the users in game rewards for choosing to play an ad.

There’s nothing distinctly unethical about advertisement in a product where the advertisement is clearly defined as such. Mobile games are transparent about their use of advertisement as a source of revenue. They’re either banner ads, separate from the game itself, or they’re clearly marked video ads – often skippable after a set amount of time. While I’m certain it happens, this version of advertising is not product placement, and the software itself shares no affiliation with the ads it displays. The only negative to this option is possible annoyance to users, which can be balanced out by rewards, frequency of ad placement, and overall compelling gameplay.

We mentioned “pay-to-play” briefly while talking about advertisements. Pay-to-play games are free to download with limited functionality. The profit comes from users demand for game mechanics locked behind a pay wall. Games that offer memberships to access certain items, locations, game modes, etc. are considered pay-to-play. It’s still a fully functional game without these added elements, but there’s a clear benefit in dropping a few extra dollars or a monthly fee to have a leg up.

At its core, pay-to-play is very similar to outright buying a product. If the customer is discerning, the cost is clear – usually a one-time payment, or a well defined monthly fee that can be cancelled at any time. The danger in pay-to-play is for younger audiences with access to their parents modes of payment. If marketed often enough in game, a child could and would be drawn in, and with games being directly attached to accounts with credit card information, signing up for subscriptions requires no authorization from a parent. Luckily, it’s a lump sum, not a value that can build dramatically if left unsupervised, as is the case with pay-to-win.

Pay-to-win is one of the most predatory monetization tactics we see in mobile games today. It isn’t the lump sum unlockable that pay-to-play offers, but a series of unending microtransactions that “improve” the playability of the game. It’s buying in game currency with real world money or shortening wait times on countdown timers, buying exclusive gear or items that give you an edge in multiplayer combat or on leaderboards.

Pay-to-win thrives on the same scenario mentioned for pay-to-play, but with in game currency bundles often being sold for $100 or more, those often unrefundable costs rack up. A discerning user can limit the amount of money they spend, choosing the price they want to pay for their entertainment, but a child – often the true intended audience – won’t often consider the real-life monetary cost they accrue. Even for adults, a series of one-dollar price tags is easy to forget about, racking up to much more considerable values over time. Pay-to-win is a strategy that lulls the user into a sense of control by giving them a free game with built in name-your-own-price feature. They offer rewards initially for the user to get used to, and when those resources run out, offer them for a real price.

The last form of monetization we’ll discuss here is the ever-popular Loot Box or Mystery Pack. These are in game collections of items – usually, but not always cosmetic. It’s common for an in game feature to give a certain amount of loot boxes, and a certain amount of loot, through gameplay. This is enough to get people hooked, at which point, additional loot boxes are available through purchase – bonus if you can buy them with in game currency purchased through the pay-to-win scenario!

Surface level, this seems fine. Assuming the loot boxes offer cosmetic items only, they have no bearing on the game, so users can fully enjoy it free of charge. And this is true. Maybe a player only acquires loot boxes through the game’s mechanics and has no desire to further purchase them – this is a valid choice. The audience loot boxes prey on are not these people. The audience this tactic preys on are completionists, gamblers, and children. If the only way to collect items is through the loot boxes, there will always be an audience of completionists or collectors buying them to collect every item – they’re the most ethical audience this tactic has. Children and people with gambling addictions have less choice in their pursuit. Loot boxes offer instant gratification with diminishing returns. New or rare items are easy to get initially, before the user has any items at all, and as they collect more and more, new items are harder to come by. Like microtransactions, the costs rack up.

For our software, there will be no monetization. However, if we were to consider our options, contemplating both the ethical weight of each and the profit that could be gained, we would choose either a traditional, outright payment, or the very common ads between levels you see in mobile games. We had talked about loot boxes as a mechanic but would never consider monetizing them. They would be earned in game, and could be gained through no other method. This could be a bonus for ad revenue, as it would hopefully inspire players to continue playing and therefore, interact with more ads. This too, preys on the same audience as monetary loot boxes, but it can’t hurt the users in the same way. We would not be accruing a cost at their expense.