

A Critical Evaluation Of the Different Monetisation Techniques Used In The Games Industry

Callum McLaughlin - 24678805

Abstract—This article will be focused on critically evaluating the different monetisation techniques used within the games industry as well as looking into the history of games monetisation and how it came about. There will be a focus the different types of monetisation such as season passes and loot crates. This article will also explore the advantages and disadvantages of these monetisation techniques.

I. INTRODUCTION

Monetisation is a heavily debated topic within the games industry. From players to developers, everyone has their opinions on it, and they usually tend to lean far to one side and rarely does someone sit in the middle when it comes to their opinion on games monetisation and micro-transactions. Throughout this article there will be discussion on how monetisation both benefits and detracts games studios, the games that it is used in and the games industry as a whole. The benefits include increased revenue for the developers which leads to more money being available to be invested back into the games and this money can fund continued development of the game. A great example of this would be Activision Blizzard releasing their quarterly report which detailed that the company had a total revenue in excess of \$1 Billion due to digital purchases [3]. The detracts will also be evaluated, an example of which would be when monetisation/micro-transactions turns the game into a "Pay to Win" business model which the majority of players tend to dislike. This will be discussed in more detail later in the article.

A brief history of games monetisation and the different types of monetisation will also be evaluated as well as the debate of "Do the benefits of games monetisation outweigh the negatives" which will be the focus of this article. The morality issues surrounding games monetisation and the legal issues it faces in some countries will also be evaluated.

II. LITERATURE REVIEW

A. History Of Monetisation

The history of video game monetisation can be traced all the way back to the commercialization of real-world games prior to the invention of the computer. A game is often made up of participants, tools, and rules. The tools for the game were manufactured by experienced craftsmen, generally out of expensive materials. Meaning that long before the emergence of video games, selling gaming tools for money became a logical business.

B. Pre 1980s

The origins of video games may be traced back to the 1970s and 1980s, when arcade video games were popular across the world. Most arcade game machines were played by inserting coins into them for every play, following in the footsteps of the first arcade game to charge a quarter per play, Periscope, an arcade game from the 1960s. Players would have to insert more coins for more lives or playtime depending on the game. This can also be categorised as a type of micro-transaction and was highly successful during the golden age of arcade games. One of the most popular and influential arcade games, Taito's Space Invaders was reported to cause a shortage of 100-yen coins in Japan, 1978 [9].

C. 1980 - 1990

This was around the time of the emergence of home computers and the computing industry had no shortage of competitors. Home computers started proving their gaming capabilities not long after they were released to the public, being capable of running multiple game programs. In comparison to the arcade machine, people had the freedom to switch between games on the same device and play at home. However, from 1983 to 1985 the North American game console market had a major crash but was then revived by the release of third generation video games consoles, most famously represented by the NES Console [13]. Throughout the 80s most games were sold by way of retail purchase from "Brick and Mortar" stores, through the medium of ROM, Cartridge, Floppy Disk or even Compact Cassette.

D. 1990 - 2000

A new way of game monetisation emerged throughout the 1990s and although other retail mediums from the 80s were still selling strong, the CD-ROM and other optical discs began taking the place of the cartridge and eventually became the major medium of retail games. Another major step forward was the development of web technology and bandwidth in the late 1990s which made many online games possible. There was also a web-based game called Adventure Games Live which had shown the possibility of the game running purely on a web page, free of charge. Handheld gaming devices were invented long before the 1990s but the Game Boy was a milestone on portable gaming history. In the early 1990s, online gaming was only starting to emerge as consumer use of the internet had yet to take off. One of the first examples of a Massively Multiplayer Online game

(MMO) was "Acaea, Dreams of Divine Lands", a text-based multi-user dungeon which was released in 1997 which also had micro-transactions which could cost hundreds of dollars, an example being, "Fully mastering your character's skills at level 80 will cost you \$511.99." [10]

Instead of launching with subscription fees like most MMOs today, the creator Matt Mihaly sought other ways to earn revenue. After offering a few high-quality in-game items for real money at an auction, he realised a way to make even more money. From that, Mihaly designed what is believed to be the first micro-transaction, "Dual Currency" system, where two different types of in-game currency were available to the players, one that was earned in-game and one that was exchanged for real money into premium currency that could be used to purchase "Virtual Goods" in the game.

E. 2000 - 2010

The boom of e-commerce, as well as hardware, software, and other technology advances, had a massive impact on game monetisation at the turn of the century. Faster Internet allowed for the connection of a wide range of online and multiplayer games. The popularity of MMORPGs has made the subscription model a viable way for game creators to make money consistently and is still used today more than 20 years later. The 2000s also introduced the concepts of Micro-transactions and downloadable content (DLC). DLC was seen to extend the potential revenue from these games. In 2005, Microsoft envisioned the ability to buy digital add-ons for Xbox 360 games through the Xbox Live Marketplace, allowing players to purchase extra content they wanted at a relatively low price, usually ranging anywhere from £1-£10, rather than having to buy a more expensive complete expansion.

This concept was cemented with the release of the "Horse Armor" pack for Bethesda Softworks's The Elder Scrolls IV: Oblivion in 2006 and resulted in many similar content packs being released over the next few years. While many players expressed outrage at the cost of what was only a decorative item in-game, the horse armor pack [15] was one of the top ten expansions that Bethesda sold for the game by 2009. Oblivion's Micro-transaction model was considered extremely successful and was replicated in many other games that followed, with the infamous "horse armor" pack establishing player acceptance of micro-transactions in non-mobile games.

F. 2010 - Present

Starting in 2010, game monetisation strategies based on micro-transactions and indirect monetisation rapidly matured. After the fight for player attention got fiercer, game development shifted away from focusing on monetisation strategies. As a result, the industry has shifted its attention in game design away from revenue measures and toward metrics like player retention and daily active users. The fall in the valuations of numerous famous free-to-play developers, as well as the variations in game design for top free-to-play games, demonstrate this. Online passes first became prevalent in 2010, largely as a way to counteract the second-hand

game industry. While publishers could not stop players from selling and buying used games, they realised that by including a one-time code in a new game that was required to access online features, they could generate more revenue by providing these online passes to players who had purchased the game used.

For their planned releases that year, Mass Effect 2, Dragon Age: Origins, and Battlefield: Bad Company 2, Electronic Arts (EA) had created the notion of "Project Ten Dollar," [4] which included adding content to a code bundled with the game. After becoming successful in this area, EA shifted their focus to prohibiting players from playing online unless they had purchased the game new or acquired the game's online pass for a used copy, beginning with Tiger Woods PGA Tour 11. This was claimed by EA as required to keep their online servers running for certain games. Ubisoft followed suit with their "UPlay Passport" system, which was quickly adopted by several of other companies. However, due to changes in digital rights management for the forthcoming eighth generation of video game consoles and user concerns, EA discontinued their online pass service in 2013, with other publishers joining the fray in the following years.

G. Types of Monetisation And The Controversy Surrounding Them

There are a number of different types of monetisation within the games industry such as Retail Purchases, Digital Distribution, Subscriptions Models, Micro-transactions, Player Trading and Advertising, which is an indirect form of monetisation. Through describing each type of monetisation, the controversy surrounding them will also be explored in this section.

H. Retail Purchases

The conventional way of purchasing games from brick and mortar stores or online sellers is known as retail buying. Customers pay in-store for a physical copy of the game as well as any other game-related peripheral devices. Retail purchases had accounted for the majority of game-related transactions in the past, but they have been on the fall in recent years as digital distribution and mobile gaming have risen in popularity. In 2018, 83% of all video games were sold in digital form but in contrast, only 17 percent of video games were sold in physical form [2]. This is a dramatic turnaround from less than a decade earlier, when 80 percent of video games were sold as physical copies. However, the value of physical gaming stores as gathering places for gamers to show off their skills and passion endures. Furthermore, to entice customers away from digital downloads, certain retail purchases may include collector boxes and possibly in-game items.

I. Digital Distribution

Also known as digital download, digital distribution is similar in practice to retail purchasing but instead of acquiring a game through a "Brick and Mortar" store, consumers will buy their games online and download the game directly to their

device. Many games that are sold through digital downloads are distributed by third-party services that operate in the same way as a physical store, selling a variety of games from many different developers in one location. An example of one of these third-party stores would be the Steam Store for PC.

J. Subscription Models

This is a business model that requires the user to have a subscription in order to play. Ongoing payments which are usually monthly are charged for access to the game. Players can usually choose from a variety of subscription models such as Monthly, Bi-Annual and Annual payments. Some games also offer "Game Time" which offers a set amount of time, usually 30-180 days, for a one-time payment which also is usually cheaper than a monthly sub. An example of a subscription model game is Final Fantasy XIV Online.

K. Micro-transactions

Micro-transactions allow the player to pay for additional aspects to a game. These aspects range from new playable content, in-game currencies, cosmetic items and otherwise restricted or unavailable game play advantages which at the moment are a highly controversial topic of conversation. Usually, these purchases are rather inexpensive but have a lot of variety. Micro-transactions are often common in mobile games and MMOs where the potential customers may not want to purchase a full game and are more at ease with numerous small payments over time. Free to play games generally find the most success with a business model that focuses on micro-transactions as customers are more likely to pay for these extra items when they have not already invested any money in the game so to speak.

L. Player Trading

Player trading is a business' model that allows for in-game digital currencies and items to be traded between layers on the games market or from player to player directly and allows the publisher to get a cut on the transactions that the players make. In the majority of games with this business model, the publisher can get a percentage from every transaction made in the game, such as the steam community market, or from a difference in buying a selling price of the in-game currency like in Final Fantasy 14.

M. Advertising

Advertising is not a direct form of monetisation, instead it this type of monetisation generates revenue from other sources that do not directly come from the player. Usually this comes from the developer's placing adverts within the game itself. The adverts can vary from a simple banner inside the main city or hub of the game, or it could be an actual cut-scene of video played through a break in play. Games that rely on advertisement for returns usually are free-to-play or games that have already had their produced subsidized by a sizable amount.

The fact that Pay to win micro-transactions, loot boxes and cosmetic micro-transactions have become more common in recent years is no secret. The reason for this is people taking part in their growth and contributing to more investment in this area by developers, in short, people may say it is controversial and that they do not like it, but the statistics speak for themselves and they say people buy them regardless.

Whilst current literature mostly agrees that regardless of consumer opinions on micro-transactions they will always be a successful business model and are needed for certain games business models [14], some articles display a view that loot boxes are being slowly phased out or at least reduced in frequency and are being replaced by battle passes which some view are better. There are other articles however that support the view that loot boxes will still be a big part of gaming for years to come [16].

III. DISCUSSION

A. Critical Evaluation of types of Monetisation

After exploring all the types of monetisation used within the games industry, there are two that this article will focus on as they are the most controversial and widely debated. Most of the types of monetisation are widely accepted by the majority of players/customers in the games industry. The two that bring the most controversy and debate are Micro-transactions and Subscription Models. In order to critically evaluate the two fairly, they will be discussed separately and then evaluated.

1) Micro-Transactions: Micro-transaction are one of the most debated topics within the gaming industry in recent years. There have been many controversies surrounding them, the most infamous of which would be the Star Wars Battlefront Two loot-box ordeal, where the developers had designed the game around locking away major content behind randomised loot boxes which players would then have to spend real money on if they want a chance at getting the content they wanted. EA quickly seen their mistake after fans gave a huge backlash and were infuriated at the business model. EA's chief design officer, Patrick Soderlund even came out to say "We got it wrong" in an interview with The Verge in April 2018 [8].

An example of how bad it was for players to get the content they wanted was having to play for hours just to unlock a character like "Luke Skywalker" who was one of the main selling points of the game, either play for hours or you could pay, hence the outrage. Despite the controversy surrounding Battlefront 2, the game was still a sales success, but it did comparatively worse than its predecessor. This would be an example of a very bad implementation of micro-transactions from a customer point of view but of course speaking from a business point of view if the customers were fine with it, EA would have made a fortune off of it but they lacked the insight to see that was not what players wanted, people would rather earn new items and characters in games

if they have the time rather than have them gated behind purchases or have them be unobtainable unless you put in a serious number of hours which is not possible for a lot of players.

On the opposite end of the spectrum, an example of a game with a very good micro-transaction system would be League of Legends which generated \$1.75 billion dollars in 2020 [1]. If you want to purchase a new hero, you can save up the currency you earn through playing the game and buy them or you can use real money to purchase a premium currency which will also allow you to unlock that hero. This system does not give anyone an advantage over other players for buying better hero's as they can both be earned through playing the game or buying with real-world money. League of Legends also had a very good cosmetic system which leans more on trying to get players to buy the skins they want with Real World money but that is understandable as the game is Free-To-Play. You can however earn these skins slowly over time, but it is random. You get skins shards dropped which you can then redeem when you have enough to get a skin of your choice. League of Legends (Riot Games) has the best business model of micro-transactions in the games industry. Although it is most certainly not the only game to implement this type of micro-transaction model, it is probably the most well-known and widely accepted form.

2) *Subscription Models*: Although subscription model games are widely accepted today, some people still refuse to play them as they may believe that you should only have to pay once for a game and are against the subscription model. Some consumers who may even be very interested in the game in question could be put off completely by the subscription model and therefore never buy/play the game. Other examples of subscriptionbased services include the Xbox Game Pass, EA Play and Ubisoft+ which enables consumers to pay a "small monthly or annual fee" in order to play all of the latest games on the respective 3rd party launcher/store. The Xbox Game Pass has been especially successful as it often runs special offers like "£1 for first month" which gets people to try the subscription and a lot end up continuing as they learn the value of it. Xbox game pass currently has over 23 million subscribers and it is likely far above that now as it jumped from 18 million to 23 million from January to April of this year [5].

An example of a less successful subscription model is the basic pass/premium pass model where players will pay a basic rate and only receive games that have been out for usually a year at least but if they pay for the more expensive premium pass which can sometimes be double or more the price of the basic pass, they then get to play new release games. Although some services are reasonably priced like EA Access Premium where you can play all new games that come to the origin launcher for £15 a month, the price difference between premium and the EA Access Basic which is £5 per month [1], is enough to put people off buying it. If EA were to market EA Access as and all-encompassing, play

every game on our launcher the day it is released and all our older games for a fixed fee per month, they may have a lot more Subscribers and be as successful as the Xbox Game Pass is.

IV. EVALUATION

There are many forms of micro transactions used within the games industry and they all have one thing in common, they exist to increase a games company's revenue. It is a genius idea when you think about it in the most basic way, companies are creating content that only needs to be created, no production is required, yet they have infinite stock of this product and can consistently generate revenue because of this, especially when talking about in-game currency. An example of how important micro-transactions are to large companies would be to take a look at EA's £1.1 Billion games sales from April 2020 to March 2021 [11] which was dwarfed on by their £4 Billion through what they class as "Live services and Other" which was made over the same 12 months, this can be boiled down to micro transactions on their games such as FIFA Points on the FIFA Ultimate Team game mode for their FIFA Franchise.

Some people will see monetisation in a video game and outright disagree with it regardless of the motive of the company or the service it provides. There are those that also believe that games companies implement methods that can be classified as predatory, such is the believe of a study conducted under this pretence which concludes that games companies implement methods in which to appeal their micro transactions to each player individually and at a personal level by collecting data on that player and using this to tailor the special offers and in-game items etc shown on the store so that the player is more likely to purchase it. The study also reveals that games companies use limited offers to create a sense of urgency in the consumer which is also heavily debated to be immoral in some ways [7].

Regardless of people's opinions the one sure thing is that micro-transactions will exist for years to come because they have been hugely successful even considering all the controversy surrounding them. They are an amazing source of post launch revenue for a multitude of video games that would otherwise generate no additional revenue after the initial game launch. This allows for continued development on the game in question in many cases which leads most people to the conclusion that micro-transactions are a necessary evil of sorts as they are predatory in many ways in design but in the end part of the revenue generated from them goes back into continued development of the game and new features for the game which is a win-win for both consumers and the developers alike. A great example of this is the aforementioned League Of Legends micro transaction model whereby the game is free to play but is also consistently updated with new content and characters, all possible because

RIOT games income from League Of Legends is purely from micro transactions [6].

V. CONCLUSION

The aims of this project were to critically evaluate different monetisation techniques used by games companies in the games industry as well as explore the history of games monetisation and how it originated. This article focused on each individual types of monetisation and outlined what each entails as well as critically evaluating the two arguable most popular forms, Micro-transactions and Subscription models. The aims have been met well and there is much useful knowledge that can be taken away from this article as it explores several different types of games monetisation as well as the history behind monetisation itself from the pre-1980s to present time. As for the questions "Is monetisation a justified and beneficial business model for the games industry when compared to the controversy and upset it can cause when implemented poorly", the findings of this article suggest that when Monetisation is implemented as a way for players to purchase cosmetic items that do not affect gameplay, there is little to no downside to this, whereas when monetisation leans towards offering players an advantage over other players for real world money, this becomes a highly frowned upon business model and although it is widely debated and usually the majority players don't like this type of monetisation, the main argument to be made is time.

There are people who have more time than others to play video games because of other commitments, the biggest one and most common being work. Children, teenagers and young adults have the most spare time as their commitments only extend so far as their studies. Gamers spend an average of 7.1 hours each week playing video games but 34% play more than 7 hours per week with 19.6% playing more than 12 hours per week. The most surprising figure being that only 9.2% of all gamers in the world, play more than 20 hours a week on average [12]. This figure alone gives you an idea of the number of players these monetisation techniques target when related to pay-to-win mechanics. Most games nowadays require more than the average hours play to obtain the best gear or items. To conclude, Monetisation techniques are a great business model that allow companies to generate additional revenue post game launch. This additional revenue allows them to further develop the game and create more content for the players which could be seen as a direct benefit of micro-transactions. However, when micro-transactions are implemented in a predatory way, such as giving players tailored store offer based on what their analytics have heard them talk about through the game's chat systems, this is where most players have a problem and begin to voice their discontent. There are many advantages and disadvantages to games monetisation but as this article shows, it will in all likelihood continue as it could be argued one of the greatest business models ever created within the games industry.

REFERENCES

- [1] Julia Alexander. *EA Access and Origin Access will combine under new EA Play banner*. URL: <https://www.theverge.com/2020/8/14/21368737/ea-access-origin-subscription-rebrand-exclusives-price-drop>. (accessed: 29.10.2021).
- [2] Entertainment Software Association. *Distribution of computer and video game sales in the United States from 2009 to 2018, by delivery format*. URL: <https://www.statista.com/statistics/190225/digital-and-physical-game-sales-in-the-us-since-2009/>. (accessed: 08.11.2021).
- [3] Activision Blizzard. *Quarterly Results*. URL: <https://investor.activision.com/financial-information/quarterly-results>. (accessed: 05.11.2021).
- [4] Tom Bramwell. *EA's Project Ten Dollar explained*. URL: <https://www.eurogamer.net/articles/eas-project-ten-dollar-explained>. (accessed: 08.11.2021).
- [5] Steve Clist. *Subscription-based gaming is growing, but cancellations are not in the plan*. URL: <https://www.pcinvasion.com/subscription-gaming-model-games-pc/>. (accessed: 29.10.2021).
- [6] Mike Colagrossi. *How Microtransactions Impact the Economics of Gaming*. URL: <https://www.investopedia.com/articles/investing/022216/how-microtransactions-are-evolving-economics-gaming.asp>. (accessed: 05.11.2021).
- [7] David Zendle Elena Petrovskaya. "Predatory monetisation? A categorisation of unfair, misleading, and aggressive monetisation techniques in digital games from the perspective of players". In: (). URL: <https://psyarxiv.com/cdwhq/>. (accessed: 05.11.2021).
- [8] Ben Gilbert. *'We got it wrong': EA exec apologizes for 'Star Wars' loot box fiasco, promises 'to be better'*. URL: <https://www.businessinsider.com/star-wars-battlefront-2-ea-apologizes-for-loot-box-fiasco-2018-4?r=US&IR=T>. (accessed: 23.10.2021).
- [9] Game Informer. *Classic GI: Space Invaders*. URL: https://en.wikipedia.org/wiki/Video_game_monetization#cite_note-38. (accessed: 20.10.2021).
- [10] Mark Mills. *Achaea: the game where microtransactions cost hundreds of dollars*. URL: <https://www.rockpapershotgun.com/achaea-the-game-where-microtransactions-cost-hundreds-of-dollars>. (accessed: 08.11.2021).
- [11] Ronan Murphy. *How much money does EA Sports make from FIFA and Ultimate Team?* URL: <https://www.goal.com/en-gb/news/how-much-money-does-ea-sports-make-from-fifa-ultimate-team/r1tbutqcbjhx19gkz54rtp68>. (accessed: 04.11.2021).
- [12] Limelight Networks. *THE STATE OF ONLINE GAMING – 2019*. URL: <https://www.limelight.com/resources/white-paper/state-of-online-gaming-2019/>. (accessed: 07.11.2021).
- [13] Joey The PM. *What was the Great Video Game Crash of 1983?* URL: <https://www.bugsplat.com/blog/less->

serious / great - video - game - crash - 1983/. (accessed: 07.11.2021).

- [14] Joshua Robertson. *MICROTRANSACTIONS ARE GOOD FOR THE GAMES INDUSTRY*. URL: <https://www.keengamer.com/articles/features/opinion-pieces/microtransactions-are-good-for-the-games-industry/>. (accessed: 27.10.2021).
- [15] Brendan Sinclair. *Oblivion's Horse Armor was ahead of its time*. URL: <https://www.gamesindustry.biz/articles/2016-04-06-10-oblivions-horse-armor-was-ahead-of-its-time>. (accessed: 08.11.2021).
- [16] Mike Wright. *Video gamers will be spending £50 billion on 'gambling-like' loot box features by 2022, according to analysts*. URL: <https://www.telegraph.co.uk/technology/2018/04/17/video-gamers-will-spending-50-billion-gambling-like-loot-box>. (accessed: 28.10.2021).