

How Steam Employs DRM & What That Means For Your Game

by Jennifer Mendez | Jun 28, 2017 | Blog, Business, Game Development | 2 Comments



Digital Rights Management (DRM) is a corporate attempt at fighting piracy by controlling exactly how and when you use media. There are, approximately, [10,742,489 kinds of DRM](#) and copy protection out there, with almost every company or format having their own take on it. And with a [total estimated revenue loss of \\$74 billion](#) due to pirated games in 2014 alone, it makes sense why DRM is so prevalent.

Valve's Steam is one of the primary examples discussed when mentioning DRM, especially online, where the words "digital rights management" are so controversial. Surprisingly, despite the slack it gets, Steam is one of the most

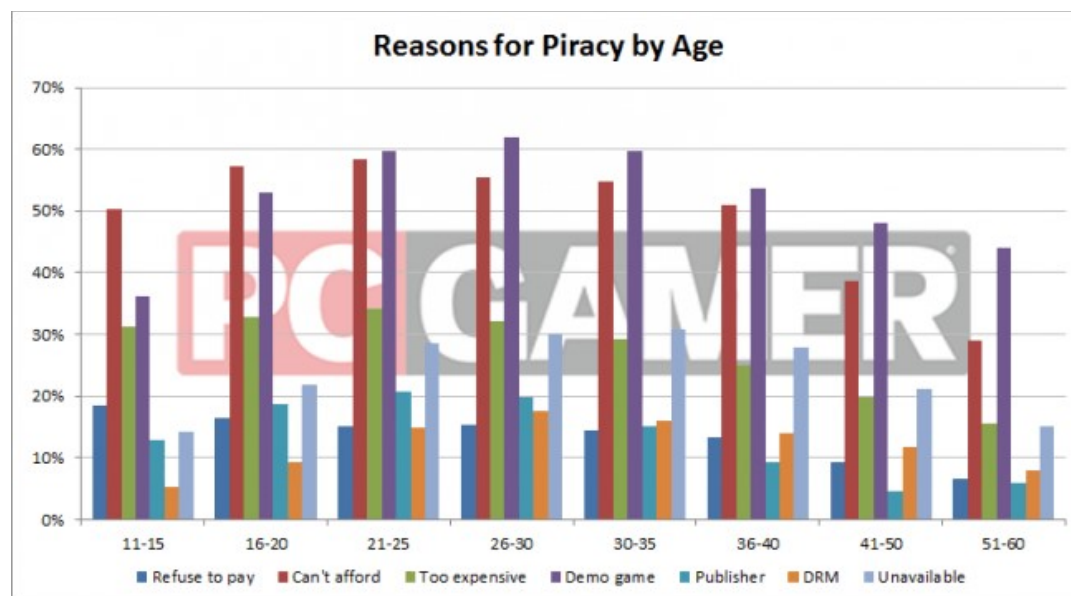
elegant and integrated DRM solutions available. It offers unlimited copies of games on unlimited machines, but only one user can play on an account at a time. Overall, it's a seamless system, like DRM should be.

. . . Or is it? Players who purchase their games cannot use the account on more than one computer at a time, cannot rent any games if they are Steam-activated, nor lend them to others, nor [sell them](#) if they are unimpressed with the game. While it provides an Offline-Mode, players still need to login [every two weeks](#) or so to update and reauthenticate. Plus, if Steam is down, players can't access, download, or play their games. In fact, players are dependent on Steam as a company since they own everyone's accounts. That means players [don't even own their own games](#).

So, what does this mean for game developers? Is it even possible to release DRM-free games, and if so, how does it affect revenues and potential piracy?

In this article, we're going to discuss exactly what selling your game on Steam means, and why [selling on your own official website](#) might not be such a bad idea after all.

A Deeper Look At DRM & Piracy



The popular gaming news outlet PC Gamer conducted a survey last year in which they received 50,742 answers from players all over the world. The question at

hand? Whether or not they had ever pirated a video game. Turns out, [90% of PC gamers have pirated a game](#), and 25% have pirated more than 50.

Turns out there is far more data on this. For instance, younger players between the ages of 10 and 25 were the most likely to pirate, “. . . with that likelihood decreasing about 5% per age group between 16-20 and 51-60.” Also, those earning less than \$10,000 annually pirate the most, at 50%, while those making \$10,001 – \$25,000 fall at about 32.5%. The U.S. alone pirates more games than the U.K. and Canada combined.

When asked if they think it's wrong, 34.8% of the respondents answered yes but that it didn't stop them. This is further explained, however: most players use piracy to demo a video game. Others simply can't afford them.

Most surprisingly, DRM is listed as the second to last reason for piracy. Although complaints about DRM or specific publishers are common, they weren't cited as reasons to pirate. In fact, “Those reasons never rose above 20 percent.”

How Steam Employs DRM

Valve takes the fight against piracy very seriously. In fact, their objective is to lock down “zero day” pirates—players who pirate games between the time when a game goes gold and when it's available for purchase. Valve's Doug Lombardi has even been quoted saying that [he believes well over 50 percent of piracy occurs during that time](#). To help fight this, he's dedicated to creating a good authentication system, which doesn't stand in the way of customers enjoying what they bought.

So, the question is how *does* Steam handle DRM and fight piracy? Well, while Steam does function as a form of DRM, it's pretty light compared to other the forms that older players remember dealing with on the PC games of yore.

Developers who choose to not forego Steam's piracy protection are contributing to the elements of DRM that players love to complain about online. When players open one of these games, Steam launches along with it. If they want to run the game on another machine, they have to do it with that same account. Although the games can run on as many machines as players want, they will always be account-bound. That means no two people can play the same game at a time, whether they're playing online or offline.

The DRM system works with three primary approaches to anti-piracy: [custom executable generation](#), [retail encryption](#), and [valuable platform-dependent features](#). This means your game is account-bound thanks to CEG protection, is protected during day-one releases by shipping encrypted media to stores worldwide, and is published alongside platform-dependent features that pirates simply cannot keep up with, such as constant updates, Steam Achievements, Steam Cloud, and more.

Is DRM-Free Possible?



As previously stated, Steam's DRM is light. It's so light, it's even [optional](#).

Consider [Paradox Interactive](#), the Swedish video game publisher. They are masters of foregoing Steam's DRM. When players download their games through Steam, everything functions as it would with DRM. The game launches just like any other game would. However, if you were to launch the application independently of Steam, you'll find it still works. That means the game isn't Steam's anymore: it's the player's.

This may go against Valve's anti-piracy fight, but it might be a wise move due to competition. Good Old Games, now known as GOG, launched GOG Connect last year—a feature that allows players to re-download DRM-free games from their

Steam library. It has even partnered with publishers such as Deep Silver, TaleWorlds, and Harebrained Schemes to [bring several games to its cross-buy portfolio](#). The only drawback is that the games, and those added in the future, will not be available all the time. Gamers have to keep an eye on which games are available through this feature.

How Retail Handles DRM

Clearly, for better or worse, DRM has taken over. Even though Steam's approach is light compared to others, it's still a DRM-driven platform, and the crown jewel of digital gaming. But what about retail? What about the players who purchase a physical copy in stores like GameStop, Best Buy, or Target?

The news isn't that great here either. When players purchase a PC game from stores, they're not purchasing the full game—at least not most of the time. *Fallout 4* came under fire for this upon launch, after admitting only [20% of the game was on the disc](#). It requires Steamworks to play the game and [uses Steam DRM](#).

Metal Gear Solid V: The Phantom Pain did something similar, since the ["disc just comes with a paltry 8.7MB of data that's just a Steam installer,"](#) according to Gadgets 360. However, this game [uses Denuvo DRM](#), which has been repeatedly accused of not affecting anyone but the players. It's easily cracked, and hackers tend to [take advantage often](#).

In other words, most PC game discs are rendered useless after having to register with Steamworks, Origin, or other digital marketplaces. Sometimes a portion of the game makes it onto the disc, and the rest is on Steam. Authentication is a serious problem that's essentially making game discs irrelevant. The list of games that don't involve any registration through these marketplaces is [dwindling fast](#), much like physical copies in stores—even [GameStop](#).

The most stores can do when selling physical games is to follow suit with that the game's publisher has set in place. That means if a copy of *Fallout 4* is being sold, the DRM comes from Steam, and all a storefront can do is sell the game and warn people of copyrights, DRM, etc.. However, if games are DRM-free and a store sells them, they can create a section for them, [much like Amazon did](#).

This means even if players do manage to purchase physical games, they are still often locked into DRM. While the specifics vary from game to game, it's safe to say the world of PC gaming is facing a never ending battle with restrictions and piracy.

DRM-Free Revenues

Contrary to popular belief, DRM-free doesn't have to mean a loss in revenues. Making games DRM-free does make it possible for players to lend, gift, or even sell these games, but somehow that might not be so bad after all.

Consider the developers behind *Shadow Warrior 2*. Last year, they were interviewed by [Kotaku](#) and were quoted saying that they do not believe in DRM, because they don't believe it works. Furthermore, they do not think it's good for the players. This led to their decision not to use [Denuvo](#), the current strongest defence software defence against piracy.

When asked if they are unsure of sales or potential pirating, Krzysztof Narkowicz, one of the developers at Polish studio [Flying Wild Hog](#), compared DRM to FBI warnings:

"We don't support piracy, but currently there isn't a good way to stop it without hurting our customers. Denuvo means we would have to spend money for making a worse version for our legit customers. It's like this FBI warning screen on legit movies . . . We might sell a little less, but hey, that's the way the cookie crumbles!"

The developers chose to bank on the quality of their game to earn enough money to counteract the lack of revenue loss. The way they see it, pirating cannot be helped, so a developer's duty is to simply accept it and put their best work out there in the hopes that players will purchase it.

It seems their stance paid off multiple times over, as Flying Wild Hog announced that *Shadow Warrior 2* [quadrupled its sales compared to the 2013 reboot](#). To thank the players, they created free content, including the fan-favorite katana, the Nobitsura Kage.

Of course, this isn't indicative of what happens every single time a DRM-free game is sold. The Flying Wild Hog studio invested great efforts into [marketing](#) their game and engaging with their target players. The team has made it a mission to show their work behind-the-scenes, hence giving their projects a [personal, person-to-](#)

[person](#) quality that isn't all too common in the industry. In other words, in order to sell a DRM-free game well, you need to put effort into the business aspects of releasing a video game.

Should You Forgo Designated Marketplaces?



For developers who choose to forego Steam and other game selling platforms, [selling on their own official websites](#) is a godsend. It allows them to sell their games and DLC directly, without being bound to any designated digital delivery system or marketplace. They can sell any game activation codes for Steam, Origin, uPlay and more, and even offer direct DRM-free downloads, if they so choose.

There are many reasons why developers choose to sell their own games. For one, the standard revenue split that can be expected from selling your video game on another platform is [70/30, although there are exceptions](#). If you sell on a platform alongside games that are mostly free, you won't be looking at much of a profit. To sell on a platform not of your own you also need to meet some requirements, like offering a completed game, submitting a product that is in line with the overall genre and type on the platform, etc.. And if selling your game DRM-free is a factor for you, you have to stop and consider what each platform does in terms of anti-piracy.

In Steam's case, there is a flatfee of \$100 to be published on the platform, which then takes 30% of the profits. Meanwhile, GOG does not charge a submission fee, but it also takes 30% of profits, unless you choose to get an advance on royalties. Very few platforms, like itch.io, allow developers to choose what percentage of sales to keep. While both GOG and itch.io are more friendly when it comes to DRM-free, Steam used to allow it prior to January 2017, despite its very public stance on the subject.

The act of selling your game on your own website cannot only increase your profit margin, it can help with the entire DRM situation. If you choose to sell DRM-free, you can do so by offering direct digital downloads [using an eCommerce system](#), which also makes it easy for players to pay you. Xsolla helps developers focus on their craft by handling the game distribution business with an emphasis on game keys distribution. Developers can handle key related integration APIs, generation and delivery, inventory, and management with this method.

If DRM *is* for you, then selling codes for activation on another platform that uses DRM is easy. Depending on what software you decide to use to facilitate this, you could create DLC and special edition bundles, or run promotional campaigns with coupons and discounts.

What About Selling On Both?

The obvious question here is whether or not you should sell on both digital marketplaces and your own website. After all, selling activation codes to outsource a game seems rather incomplete, considering you still need to integrate an eCommerce system to make it possible. Why not just sell direct downloads in conjunction?

Well, nobody is saying you can't. It's your video game, and selling it on your own is just as much a possibility as selling it through Steam, for instance. Using both, you're only expanding a player base. For instance, if a player visits your website and notices you have activation codes for sale, they may choose to purchase one. On the other hand, if they are against DRM, and associate these marketplaces with it, they may want to opt for the direct download. Suddenly, the customer didn't just get the product, they also got something a little extra—freedom. As word of this spreads, as it usually does on forums, your target audience can become much larger.

The same rule applies in the case of developers who simply sell direct downloads on their websites, without bothering to sell the activation codes to GOG, Steam, or other distribution platforms. Assuming the game is available on at least one of these platforms, developers can use more than one means of selling their game. Suddenly, the game is on Steam, it's on GOG, it's on their website. Players have options, and there is more opportunity for them to find the game.

Steam alone has [over 10,000 games](#) available. It's easy for it to get lost in the waves of competition. By selling the game there, in conjunction with direct downloads from an official website, your chances of making more sales rise. Just like players like the option of purchasing DRM-free games, they also like the option to get the game in a variety of ways. After all, if piracy really is a never-ending problem, the best developers can do is find methods of counteracting the revenue loss.

The Pros & Cons

When it comes to DRM, most developers and digital marketplaces see things differently than the players. While most developers want their game to be protected from potential piracy issues and loss of revenue, players want to be able to feel as though they own a copy of the game. They want to know that when they pay to play it, they are entitled to lend, sell, or gift it to whoever they'd like. They want to know it's their property upon the financial exchange.

In an effort to combat and potentially stop piracy altogether, digital marketplaces like Steam have made it a mission to encourage the use of DRM, and have established a complete system to making that possible with every game sale. However, things might not be so black and white. As it turns out, DRM is low on the list of reasons why players resort to pirating in the first place. For most, it's simply a matter of game cost and trying a game before purchasing.

Contrary to popular belief, choosing to sell DRM-free games may not be as detrimental to revenue as commonly thought. As long as you create a game that is both marketable and innovative, players tend to take an interest. The trick here is to actively get your game out there, invest in marketing, and publish nothing but the best.

While GOG, itch.io, and other marketplaces allow DRM-free games to be sold, the primary objective is to take a hefty profit share from the developers, simply for

hosting a game on their platform. The average split is high, at 70/30. Even though there are exceptions to this, the fact is that developers still need to pay to sell their own games. They are still subjected to the regulations set in place by these platforms, and oftentimes need to work around restrictions.

A great solution to both increasing profit margins, while having the option to sell DRM-free games is to sell your games on your own official websites. This gives developers the freedom to sell activation codes for these marketplaces, offer direct downloads, or both. Furthermore, by selling games on official websites, as well as through sources like Steam, developers can expand their target audience. If piracy isn't going anywhere, and DRM has little to do with it, the least developers can do is counteract the problem by offering more methods in which to purchase high quality games.

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