

Hard Markets

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2-3 minutes

I had a fascinating chat with a founder in the mobile gaming space this week: why have mobile games in EU/US not moved into a non-pay-to-win model the same way it has in PC? What does this teach us about entering a new market with a business?

Specifically, EU/US cos build pay to win mobile games because they have to, not because they want to. It's a solution to a fundamental problem that the entry fee keeps going up as cos get better at monetization, and retention is generally not high enough to create strong networks

In order to create truly amazing, non-pay to win, multiplayer experiences like the ones we have on PC, your entry fee is basically $(CPI \times \text{Average session time} \times \text{minimum required concurrent players})$ with the CPI generally going up.

Therefore, it is unlikely for circumstances to change unless we see

- 1) a fundamental technology shift (higher base retention)
- 2) a fundamental behavior shift (e.g. users moving from Facebook to Snap or TikTok)
- 3) games that retain like networks and/or become networks.

On PC however, the behavior is different (much higher session times), and you had platforms like steam, which opened up their social graphs to developers. Plus, you can use your phone while you're on PC, so the immersiveness you can design for is much higher. It's solid by design.

So the lesson here is that before investing, or pursuing a strategy, I will be asking myself:

- 1) Is a market in its current state by design, or as a solution to a fundamental problem? 2) What fundamental shifts need to happen?
- 3) Is a solution within reach?
- 4) Who will build it?

Great markets to build in are in a state by design, not monopolized/fragmented, and ripe for disruption. The worst markets are lots of companies chasing a flywheel built on a problematic foundation, but there are massive and hard wins in shifting a problematic foundation.

Thanks for reading!