MEDIA **ORIGINAL**

Fortnite Is the Future, but Probably Not for the Reasons You Think

By MATTHEW BALL February 5, 2019

Much has been said about Fortnite's revenue, users, business model, origin and availability. But these narratives are overhyped. What matters most is instead how these achievements will enable Epic Games and Fortnite to create something truly revolutionary.

In 2018, there was a lot to read about *Fortnite*, and even more to learn from it. And to point, "the game" is indeed the future of entertainment (as well as the greatest threat to today's media giants). But probably not in the way you think. *Fortnite*'s real opportunity is much bigger and more significant than the ways the game is notable today. In fact, most of the existing narratives around *Fortnite* success are overhyped – even if they're critical to its long-term evolution.

There's a lot to unpack, so I'll start by deconstructing the hype before moving into what Fortnite is building towards and why Epic Games is uniquely positioned to realize this potential.

Hype #1: Revenue

To start, consider one of *Fortnite*'s signature achievements to date: its extraordinary revenue generation. In May 2018 (i.e. when the registered userbase was 38% smaller than today), SuperData estimated *Fortnite* was pulling in $318MM per month. To put this in perspective, *The Avengers: Infinity War* (the highest grossing film of 2018) did $2.1B in lifetime revenue at global box office, *Candy Crush* (which, unlike *Fortnite*, is available in China) peaked at around $150MM per month, and the biggest opening in gaming history, *Grand Theft Auto: V*, saw $1B in sales in its first five days (notably, the game was sold via the upfront/one-time payment model). No game has ever pulled in *Fortnite*'s sales figures, let alone month after month.

Except that last point isn't true. Games generating billions of dollars per year have been around for a decade – it's just that few of them have been big in the West. 2012's *Puzzle Drago*n and 2013's *Monster Strike* each grossed more than $7B to date, with *League of Legends* not far behind. 2016's *Honor of Kings* (AKA *Arena of Valor*) is approaching $5B in gross revenue (update: the title pulled in $1B in China in February 2018 alone). *Fate/Grand Order* is at more than $2B (and was developed by DelightWorks, which is 100% owned by a single individual Akihito Shoji), and in 2018 – the year of *Fortnite* and *PUBG* – *Fate/Grand Order* was the year's most tweeted about game. Disney's *Tsum Tsum*, a mobile title based on a Disney line of plushies, has grossed more than $1.5B. And notably, most of these games generated almost all of this revenue from just two markets: Japan and China (though to be fair, *Fortnite* is yet to launch in China). Still, there have been some record-breaking titles that, like *Fortnite*, were also hits in the West. *Pokémon Go*, for example, has grossed more than $2B to date, while *Candy Crush Saga* is at more than $5B.

Hype #2: Business Model

Fortnite's most startling achievement in the eyes of the media business has been its ability to pull in such revenues…without requiring users to pay a dime. A *Fortnite* player need not pay to download, play the game, access any of its features, advance or to help them win. All revenue comes from the sale of purely cosmetic items such as an avatar/costume, or a "Battle Pass" that helps users participate and track their progress in optional challenges that neither advance the game nor advantage competitive play in any way (to all the parents out there, just know that every dollar spent on *Fortnite* is both optional and unnecessary).

But, again, lucrative "free-to-play" games have been around for more than a decade. In fact, it turns out the most effective way to generate billions of dollars is to not require a player spend a single one (all of the aforementioned billion-dollar titles are also free-to-play). Though spending money does help players in some of these games (e.g. via extra lives in *Candy Crush*), they just as often provide no competitive advantage or aid whatsoever (e.g. *Counter-Strike: Global Offensive*).

And notably, *Fortnite* is a far more expensive game to develop and operate – and generates materially less revenue from far more total players – than some of its free-to-play peers, such as *Honor of Kings* or *Fate/Grand Order*. *Fortnite*'s top and bottomlines are certainly enviable, but they're far from without precedent – or even the best examples of the category's potential.

Hype #3: Cross-Platform Availability

Another popular *Fortnite* narrative focuses on the game's cross-platform availability and functionality. The identical (i.e. complete or full) version of the game is available across not just all major consoles, but mobile devices too. As a result, just about anyone anywhere can play *Fortnite* and with almost any device. In addition, every Fortnite player – no matter the device – can play one another. This ubiquitous cross-integration is rarely seen in the game industry. In fact, it was only made possible through the game's extraordinary success, which forced Sony to abandon more than a decade of online isolationism and allow cross-play with Xbox, PC and others (and not just for *Fortnite*).

At the same time, *Fortnite*'s achievements here represent mostly iterative contributions to existing trends. Games have been selectively cross-platform for years, and *Fortnite* is far from the first game to be available across multiple platforms with identical functionality. What's unique is that *Fortnite*'s popularity forced the entire industry to support cross-play and extended availability, not just across all mobile devices, or across all console/PC hardware, but across both – without any compromises in functionality.

That said, these same achievements actually undermine the significance of *Fortnite*'s topline revenue. Each of the other aforementioned billion-dollar titles achieved their sales through only one platform: mobile (or PC in the case of *League of Legends*). *Fortnite* has hit its records using a combination of many platforms: mobile, and PC, and PS4, and Xbox, and Switch, etc.

Hype #4: Popularity

The fourth major thread is *Fortnite*'s obsessive popularity. In November 2018, the game crossed 200MM registered accounts (though active users are unknown), up from 125MM five months earlier. To this end, *Fortnite* likely represents the largest persistent media event in human history. As of today, the game has likely had more than six consecutive months with at least one million concurrent active users – all of whom are participating in a largely shared and consistent experience that spanned multiple "seasons", storylines, and events (contrast this to *Candy Crush*, in which gameplay is isolated and unique to the player). To point, season six's live finale, which took place on November 4, 2018 at precisely 1:00p.m. Eastern Time and involved the explosion of a metaphysical cube that began to emerge in season four, saw 5MM+ active players watching live and close to 4MM other passive or non-player viewers watching via Twitch and YouTube.

These achievements are significant. And unprecedented. But they're not entirely unexpected. Esports as a category has been ascendant for years – with Twitch regularly ranking among the top 30 TV channels in the United States in terms of hours watched.

The notion that gaming's newest obsession is able to amass millions of concurrent viewers around events several weeks in the making shouldn't be a surprise. As a single case study, consider Ninja, Twitch's top streaming personality. He alone streams close to seven hours per day with an average of 50,000 viewers per minute in December, a peak of 600,000 and more than 10MM unique viewers.

Hype #5: Origin Story

Fortnite's most indulged press narrative, meanwhile, has to do with how it was created and by whom. While *Fortnite*'s creator, Epic Games, has a history of developing and publishing games, game creation is more of an R&D and marketing investment behind the company's core business: licensing its Unreal game engine to third parties. It's therefore surprising, the story goes, that such a monocultural hit came from Epic. Yet, Epic has developed several hit games before – including the *Gears of War* franchise, which has sold nearly 30MM copies, grossed more than $1B to date, won numerous "Game of the Year" awards, and is being adapted into a feature film by Universal.

Another popular narrative concerns *Fortnite*'s evolution. The original version of the game, which was released in July 2017 and has been since renamed *Fortnite*: *Save the World*, wasn't particularly successful. The game didn't really take off until a battle royale mode was released in the game three months later (one clearly modeled on *PlayerUnknown's Battlegrounds,* which first popularized the Battle Royale format). As the original *Save the World* mode spent seven years in development only to sputter on release, *Fortnite* is often characterized as an accidental success.

Were this the case, *Fortnite* would be far from the first example of accidental success in entertainment. *Fifty Shades of Grey*, for one, began as *Twilight* fan fiction. Author EL James had neither a plan nor a desire to publish the title professionally (it has since outsold *Harry Potter* on Amazon in the UK). At the same time, it feels unfair to characterize *Fortnite: Battle Royale* as stumbled upon good luck. As an engine provider, Epic's job is to understand and optimize for emerging genres and game dynamics. Furthermore, *Fortnite* was always designed for flexibility. While Epic wanted to preserve the live-or-die urgency of shooters such as *Counter-Strike* or *Call of Duty*, it also wanted to unite and underpin this sensibility with the sandbox nature of *Minecraft*. Accordingly, a pivot was natural to the game (indeed, the speed with which *Battle Royale* launched suggests the mode was in development well before *Save the World* had even launched).

Taking Stock

Fortnite is a groundbreaking game, even if its individual contributions are only iteratively significant. A testament to the game's success was Epic's ability to use *Fortnite* to launch its own game distribution platform (the Epic Store) in December 2018. But even this falls short of breaking new ground. Valve successfully spun *Counter-Strike* into a digital store (Steam) in 2003 (the same year the iTunes Store launched) and has since generated more than $20B (with more than $4.5B now generated each year), yet this story is too old to generate much press attention today.

At the same time, *Fortnite*'s achievements are collectively significant – especially when matched with Epic's broader assets and ambitions. And it might foretell the future of not just *Fortnite* and video gaming, but of entertainment at large.

***Fortnite* and the Challenges of Longevity**

If *Fortnite* is to play an important role in Epic's future (let alone that of media overall), it's important to address its primarily challenge and most common criticism: its popularity can't and won't last.

It's easy to overemphasize the importance, significance and durability of any game – especially when they become part of the monoculture. To point, the most enduring names in gaming haven't really endured in the traditional sense. Instead, they're constantly being re-interpreted and re-deployed in new gaming genres and formats in order to remain relevant.

Consider *Warcraft*, for example. The game started (and is still played) as a Real-time Strategy game ("RTS"), which was the dominant online gaming genre from the late 1990s until the early 2000s. However, it subsequently evolved into a much larger Massively Multiplayer Online game ("MMO" or "MMORPG") as *World of Warcraft*, which led the late 2000s. *Warcraft III,* the franchise's third RTS title, meanwhile, went on to spawn the Multiplayer Online Battle Arena ("MOBA") genre (most famously led by *League of Legends),* with *Warcraft*'s IP being deployed in the MOBA title *Heroes of the Storm*. And since 2014, *Warcraft* has been adapted to a secondary gaming category, the collectable card game genre (e.g. an online *Magic: The Gathering*) in *Hearthstone*. This process bears little in common with the traditional Hollywood definition of franchise reinvention, where a given IP (such as James Bond) sees only stylistic and narrative evolution/changes over time.

Naturally, the emergence of new genres (most recently, battle royale) means that the most popular games tend to change every five years or so. It wasn't that long ago that *Candy Crush* and then *League of Legends* were the talk of the digital media business, and now both titles have been eclipsed by *Fortnite* (though they both remain roughly as popular as ever). Still, *Warcraft* has shown that IP gives a hit game the opportunity to continually sustain itself (and sector domination) through reinvention. But crucially, this advantage isn't definitive. The MOBA genre, for example, was created after a gamer modified *Warcraft III*'s code to create a new title dubbed *Defense of the Ancients*. However, *Warcraft*'s MOBA, *Heroes of the Storm*, is a distant third in the genre behind Riot's *League of Legends* and Valve's *Dota 2* (which was created after the company hired *Defense of the Ancient*'s creator).

Accordingly, it's important to emphasize how story, or even IP, really, doesn't exist in *Fortnite*. While there are narrative seasons which culminate in beautiful moments that are hotly anticipated and watched live by millions, these events mostly surround new features or changes to the game's map. There are no characters, barely any objectives that don't reset after 20 odd minutes of play, and no real explanation for what's happening or why.

As a result, many believe that *Fortnite*'s popularity simply can't endure; that however popular, it will inevitably fall to the next hot gaming category and have no story/character IP through which to pivot. But this read is too narrow.

(Also note that while many believe *Fortnite* is already on the decline, this appears to stem mostly from reduced press attention. In December 2018, for example, *Fortnite* had its best-ever month on iOS, with revenue growing 83% month-over-month and 16% over its prior peak in July). [Update: On 16 February 2019, 12 days after the release of Apex Legends, Epic announced that *Fortnite* had hit a new peak for non-event concurrent players, with 7.6MM. This was only 8% below Fortnite's season six *finale* event in November 2018.]

More than a *Fortnite*

Former Netscape CEO Jim Barskdale famously said that there were only two core business models: bundling (bringing together multiple products and/or services into a single package), and unbundling (the reverse, where you buy just a single thing performing a single task). *Fortnite: Battle Royale*, at its start, was essentially an unbundle – not just of *Fortnite: Save the World*, but of gaming overall. There's no narrative, no characters, no context or story, no "missions", no other modes, such as a single-player or managed multiplayer experience (i.e. you can't choose with whom you do or don't play, nor how many). It was just a 100 person Battle Royale. You land on an island and fight until only one person is left. Rinse, repeat.

But over the past year, *Fortnite* has shown an ability to rebundle much of the gaming industry at large. Today, for example, *Fortnite*'s single map includes multiple terrain types (snow, ice, desert, forest, plains, etc.), each of which is typically a distinct map in shooting games. The game also routinely adds limited time modes, such as riffs on capture-the-flag, the ability to become *The Avengers: Infinity War*'s Thanos, and disco domination (in which you win points by dancing on disco floors spread across the map). There are also recurring evolutions related to the game's seasonal narratives. During season six, which spanned Halloween, the map was overrun with zombie-like creatures generated by purple monoliths spun-off from season five. Every few weeks, *Fortnite* also adds (or removes) new interaction models (you can race go-karts and do vehicle-based assault, engage in airborne dogfights, use balloons and gliders to float across the map and engage in aerial assault, etc.) In addition, players benefit from individual challenges that earn experience points, awards and apparel – for example, asking a player to race across the map to visit various areas without getting killed. In addition, each of these changes benefit from rapid, data-based iteration. The *Fortnite* team is able to closely monitor how any change is adopted, its impact on total play time, game duration, performance, and so on. All to make sure it "works" – or alternatively, to keep the game from ever feeling "static" or "solved".

These changes – even the games fundamental shift from *Save the World* to *Battle Royale* – are what *Fortnite* was designed for. *Fortnite* intended to merge specific shooter dynamics with the sandbox nature of *Minecraft* so that players could define their own style of play. However, this expansiveness threatens a wide variety of games. Why buy a dedicated dog fighting game, for example, when you can already play one in *Fortnite* (and already do so with your friends). While there will always be a new game format or hit game, *Fortnite* is uniquely capable of becoming that game, or expanding into it (and it's worth highlighting that Epic's Unreal business depends on its ability to build/support all types of gameplay).

Matthew Ball @ballmatthew · Dec 7, 2018
Fortnite is Netflix's most threatening competitor.

Matthew Ball
@ballmatthew

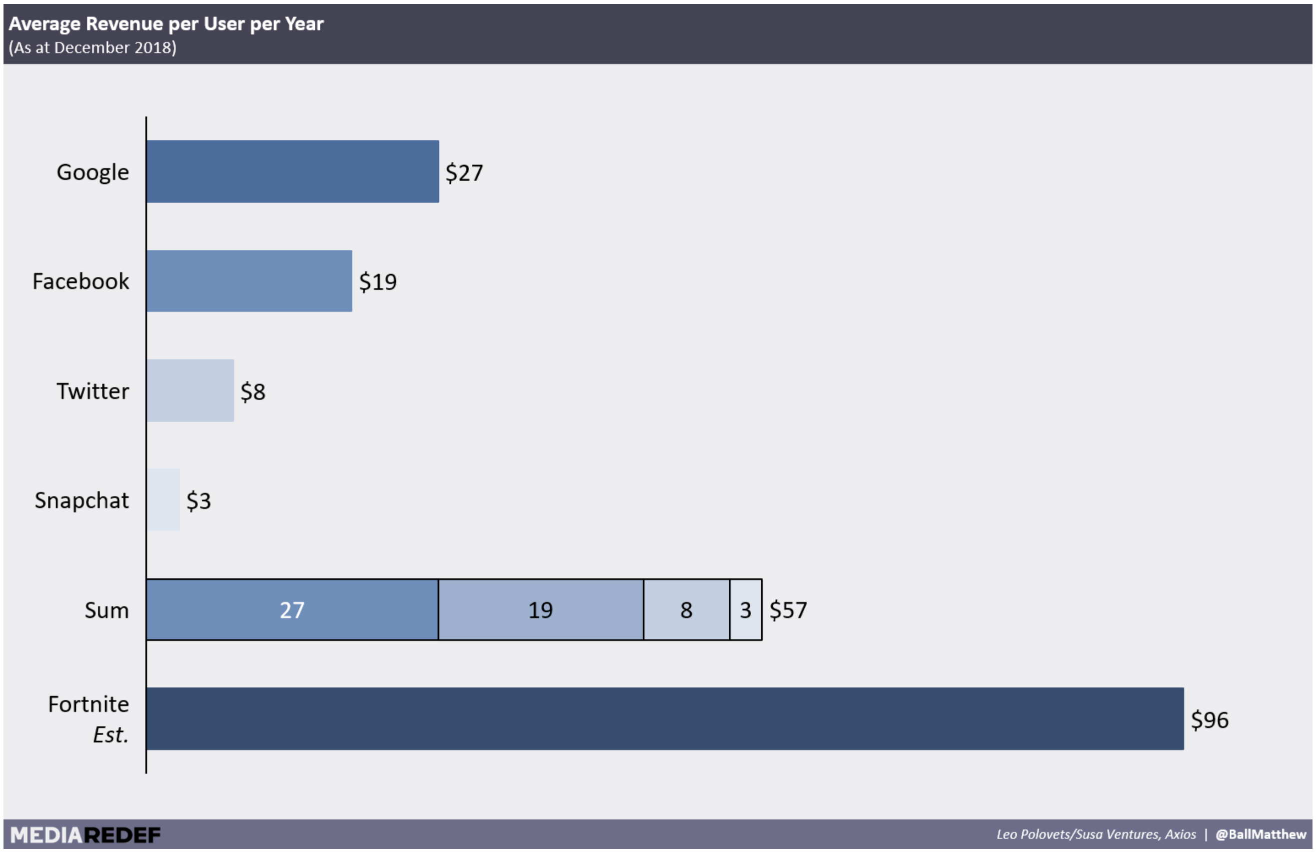
Netflix, 41 days later in its Letter to Shareholders:

"We compete with (and lose to) Fortnite more than HBO."

51 8:25 AM - May 3, 2019

See Matthew Ball's other Tweets

Still, *Fortnite*'s most significant achievement may be the role it has come to play in the lives of millions. For these players, *Fortnite* has become a daily social square – a digital mall or virtual afterschool meetup that spans neighborhoods, cities, countries and continents. This role is powered by *Fortnite*'s free availability, robust voice chat, cross-platform functionality, and collaborative gameplay. Accordingly, examples abound of kids, adults and families simply hanging out or catching up on *Fortnite* while they play. Studies find that *Fortnite*'s players spend one to one and a half hours per day in the game, versus thirty minutes for active Snapchat or Instagram users. *Fortnite* wasn't designed to be a *Second Life*-style experience, or even a digital "third place"; it became one organically. What's more, it is drastically out-monetizing dedicated social squares such as Facebook, Snapchat and Instagram – even combined.



Put another way, *Fortnite* has yet to prove its ability to endure over time. But it has shown its ability to evolve, to become other games, and most importantly, to be a social square. *Fortnite* isn't IP in the traditional sense. But it is a platform. And accordingly, the gameplay is less important than the engagement. *Fortnite* isn't the first game to take on these characteristics (*World of Warcraft* and *Minecraft* both did so in the mid-2000s and early 2010s), but it is the first to do at this level of scale and versatility. More importantly, Fortnite's engagement serves as springboard for Epic Games' (much) broader advantages and ambitions.

Epic's Loot Lake

In taking stock of Epic's assets and advantages, the best place to start is Unreal. While most major developers own their own engines, Epic is unique in that its primary business (at least, historically) was in licensing its engine to 3rd parties. Epic's Unreal Engine 4 is one of the most capable and mass-deployed engines in the world (games include Behaviour's *Warhammer 40,000: Eternal Crusade*, Square-Enix's *Kingdom Hearts III*, and Nintendo's forthcoming *Yoshi's Crafted World*). There's very little from a mechanics or graphical basis that can't be built into Unreal or built from it. It's also rapidly being expanded into other experiences. For example, Fox Sports' NASCAR studio is now entirely rendered live in Unreal, the engine is increasingly used in online or AR-enhanced virtual tours, in architectural modeling, and so on. The company newest frontier is feature-film grade rendering – in its game engine – as evidenced by the company's fabulous 2018 demos at GDC, and recent acquisition of "digital human rendering" start-up 3Lateral.

Second – and in only a year – Epic has also built up another great and particularly hard to establish advantage: some 200MM+ registered user accounts. Each of these accounts is equipped with individual and directly reachable email addresses, in many cases a clear social graph, as well as dual factor authentication via cell phone numbers, and, often, credit cards. This account/ID data is already larger and more diverse than that of any other game (e.g. *Counter-Strike*), console (PS4) or gaming platform (Stream). This is smaller than iOS/Android and the social platforms, but *Fortnite*'s free and ubiquitous availability will continue to drive and expand the company's account reach.

Third, Epic benefits from substantial annual cash generation. And late in 2018, the company raised an additional $1.25B in investor capital. This raise surprised many given 3rd party estimates for *Fortnite*'s annual cash flow. As a result, it's likely that Epic is planning significant investments in its "next thing" – a hypothesis reinforced by acquisitions such as 3Lateral, among others. The idea that Epic is obsessed with something other than Fortnite will surprise those desperate to have a digital presence that successful, but Epic's long-term ambitions have been clear for some time.

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After reviewing Epic's assets, it's critical to consider the company's biggest challenges. For all of *Fortnite*'s success, Epic still defines itself as being in the game engine business. The company's proprietary Unreal engine is licensed to independent developers (typically for a 5% royalty, though this is often bought out) in order to help these developers more easily create their games. Unreal does this by providing core game tools and functionality, such as physics engines and rendering. By using Epic, independent developers are able to focus on the creative needs of their games rather than building all functionality from scratch (think how hard it would be to make a movie if you also had to build your own cameras, pencils, film, etc.). In addition, Unreal standardizes much of its engine across multiple platforms (e.g. PlayStation, Xbox, iOS), thereby allowing a developer to more easily support multiple devices rather than learning and porting each of their games to each hardware stack (e.g. PS4 and Xbox and Mac and PC, etc.).

However, Unreal faces four challenges going forward – three of which are marketplace specific, with one existential. First, Unreal is far from the market standard. None of the major publishers (e.g. Activision-Blizzard) use Unreal extensively. Instead, they typically develop and use their own proprietary engines as this provides greater flexibility and reduces supplier risk (and large publishers can afford to finance their own engines). Second, another independent engine, Unity, remains far more broadly deployed – especially in mobile. Compared to Unreal, Unity is typically seen as less capable – but it's also much cheaper, faster and technical easier to deploy. Given the more modest needs of mobile-only games, Unity is often more than enough.

Third is the threat posed by the shift to cloud-based gaming, which allows a developer/publisher to automatically deploy their games across multiple (if not most) platforms through a single cloud-based streaming solution. Not only does this reduce the value of a multi-platform engine like Unreal, it also creates the opportunity for another company to build a much simpler gaming engine – one intended and optimized for the cloud from day one – and squeeze market share from Epic (and Unity, and Source, etc.). This is particularly true for those with their own distribution models (Amazon, for example, which has been been developing its own engine, Lumberyard, specifically for AWS, also has a forthcoming cloud gaming service which will undoubtedly integrate into Prime and Twitch). And fourth, Epic won't own most of the end-user software infrastructure (e.g. the OS that runs these games, nor the pipes delivering them, nor, necessarily, the customer relationship, etc.) This doesn't mean Epic can't be the standard for cloud deployment, but to do it the company will need to offer far more than greater rendering power (their current advantage) or improved ease/cost of use.

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Finally, we need to consider Epic's stated and implied ambitions. In August 2018, Epic announced plans to distribute *Fortnite* on Android devices outside the Google Play store (thereby avoiding its 30% commission). Given *Fortnite*'s topline, this commission is obviously economically significant. At the same time, there are few web-based games that can better tolerate this haircut – especially given the fact that every dollar in marginal revenue represents close to 100% profit (post-commission and tax). Where this haircut is a problem is in the sale of 3rd party content. For example, imagine Epic selling a $10 copy of *Super Mario Run* through *Fortnite* on iOS – Epic would owe Apple $3, and thus if Epic took anything less than 30% in commission, it would net zero at best. And beyond self-centered economics, Epic founder Tim Sweeney has frequently expressed a belief that the 30% standard is both usurious and harmful to independent innovation (which will matter a lot more later in this piece).

To this end, Epic announced the launch of its own direct-to-consumer digital store three months after its decision to circumvent the Google Play Store – one with a mere 12% royalty (or inclusive of Epic's 5% Unreal licensing fee, if used). Notably, rumors persist that Sweeney had fought for even lower fees, but settled with his board at 12% – a sum he himself admits doesn't always cover operating costs. Regardless, the Epic Games Store reflects a desire to use *Fortnite*'s 200MM+ accounts together with Epic's balance sheet and game engine to become a new, ecosystem-centric platform…a goal consistent with an enduring obsession of Sweeney's: the Metaverse.

The Metaverse

The term "Metaverse" stems from Neal Stephenson's 1992 novel *Snow Crash*, and describes a collective virtual shared space that's created by the convergence of virtually enhanced physical reality and persistent virtual space. In its fullest form, the Metaverse experience would span most, if not all virtual words, be foundational to real-world AR experiences and interactions, and would serve as an equivalent "digital" reality where all "physical" humans would simultaneously co-exist. It is an evolution of the Internet. More commonly, the Metaverse is understood to resemble the world describe by Ernest Cline's *Ready Player One* (brought to film by Steven Spielberg in 2018).

Of course, early versions of the Metaverse will be far simpler – but the foundational elements will go well beyond "gaming". Specifically, we'd see in-game economies (e.g.

trading, bartering and buying items) become more of an industry where humans will literally "work".

"If you look at why people are paid to do things, it's because they're creating a good or delivering a service that's valuable to somebody," Sweeney told Venturebeat in 2017. "There's just as much potential for that in these virtual environments as there is in the real world. If, by playing a game or doing something in a virtual world, you're making someone else's life better, then you can be paid for that."

To this end, a crucial difference between a vibrant game, including *Fortnite*, and the Metaverse is that the latter "should not simply be a means for the developer to suck money out of the users. It should be a bi-directional thing where users participate. Some pay, some sell, some buy, and there's a real economy....in which everybody can be rewarded for participating in many different ways", to further quote Sweeney (A semblance of this has existed for more than twenty years in so-called "Gold Farming", where players, often employed by a larger company and typically in lower-income countries, would spend a work-day collecting digital resources for sale inside or outside of a game).

To Sweeney, the Metaverse represents the "next version" of the Internet – a matter of when, not if. Furthermore, he believes the core technology will soon be available: "The big thing we are lacking now," he said, "are the 'deep inputs' that come from inward- and outward-looking cameras that can capture our facial expressions as well as the environment around us… That technology has already been proven to work at a high-end commercial level costing tens of thousands of dollars. It's probably as little as three years away."

Epic, Fortnite and The Metaverse

The impending possibility (and broader inevitability) of the Metaverse is separate from whether Epic can, should or will pursue it. But it's clear that Sweeney wants to build an open Metaverse before someone else builds a closed one. Many are trying.

Sweeney speaks of the Metaverse in terms of its capabilities to connect humans in new ways. Mark Zuckerberg has often said the same, which was why he acquired Oculus: "Strategically we want to start building the next major computing platform that will come after mobile. There are not many things that are candidates to be the next major computing platform… [Oculus is a] long-term bet on the future of computing…. Immersive virtual and augmented reality will become a part of people's everyday life."

Zuckerberg, of course, wants that platform to be controlled by Facebook, noting, "history suggests there will be more platforms to come, and whoever builds and defines these [will shape the future and reap the benefits]."

This is what Sweeney fears, and what motivates him to have Epic lead as quickly as possible. "As we build up these platforms toward the Metaverse, if these platforms are locked down and controlled by these proprietary companies, they are going to have far more power over our lives, our private data, and our private interactions with other people than any platform in previous history," Sweeney said in May 2017, two months before declaring: "The amount of power possessed by Google and Facebook. President Eisenhower said it about the military-industrial complex. They pose a grave threat to our democracy." (Sweeney has also said that as "founder and controlling shareholder of Epic", he "would never allow" Epic to "share user data…with any other company. We [won't] share it, sell it, or broker access to it for advertising like so many other companies do.")

Why Fortnite Is Uniquely Positioned to Be the Start of the Metaverse

To be successful, any social network needs to start from a place of value or utility to its users – rather than the goal of being a social network. Similarly, *Fortnite*'s great advantage isn't that it was built to be the Metaverse, but that it's already a massive social square that's gradually taking on the qualities of one.

The proof of *Fortnite*'s unique potential was demonstrated live on February 1, 2019. At 2pm Eastern, the Marshmello (who ranks #10 in DJ Magazine's Top 100) held a live concert that was held exclusively inside *Fortnite*. The event, which was live synced to the real Marshmello, was attended by 11MM in the game – with millions more watching live via Twitch and YouTube – many of whom used their characters' user-specific dance moves to join in. The event was stunning. And it showcases the potential of the Metaverse (including payment for performances, music rights, etc.), wherein a user can have potentially unlimited experiences inside a single medium.

Beyond its existing social square, Epic and *Fortnite* have several advantages as they pursue this Metaverse. First is the extent of *Fortnite*'s massive reach, defined by the number of users, multiplied by their frequency of use, multiplied by the duration of use, multiplied by the number of devices used, multiplied by the size of each user's social graph (i.e. friends). *Fortnite*'s ability to cross all platforms is equally important (a virtual world that's only occasionally accessible doesn't really work), as is the ability to monetize without requiring or providing advantages based on game-related purchases (this allows *Fortnite*'s metaverse to be both egalitarian and accessible across all demographics and geographies).

It's also worth highlighting that *Fortnite*'s monetization is itself based on identity – or more specifically, how one *chooses* to portray one's self in the digital world via skins and avatars, tracked via the Epic Account. And to this end, we know that 3rd party IP owners are eager to bring their content into *Fortnite* in order to generate additional revenue, engagement or affinity (hence Disney's integration of *The Avengers*' Thanos in May 2018 and *Wreck-It Ralph* in November 2018, as well as the introduction of official NFL jerseys that same year). These extensions will be critical to *Fortnite*'s ability to sustain interest and broaden its demographic appeal. To this end, *Fortnite* may even endure *because* it has no IP or characters. Watching Thanos or a virtual concert in *World of Warcraft* would be both jarring and lore-breaking.

Further, there are a host of technical considerations. Epic's ability to craft the Metaverse will depend on its real-time animation capabilities, as well as its human and virtual environment rendering capabilities – all of which are being rapidly built out today (with much of this subsidized by Unreal licensees). The Metaverse, after all, will require truly vibrant, extensive and functional representations of the real, non-real and unreal.

Finally, *Fortnite*'s underpinning in Unreal allows Epic to add new functions and capabilities and integrate 3rd party games that are based on the engine – and as Epic's cloud service roadmap denotes, they will be able to support Unity and other engines as well (interoperability will obviously be critical to any Metaverse and has long been a passion point of Sweeney's).

The latter is critically important as the concept of the Metaverse doesn't mean that external IP is brought into a multi-tenant or multi-experience platform (which is what happened with Marshmello). Rather, it means forging connections across and between numerous platforms, content and experiences: allowing a player to literally walk through a door as a *Fortnite* character and be in another world (and using a character custom to that world)—think of Jack Skellington walking into Christmas Land, or Wreck-It Ralph jumping between arcade games. Marshmello is an important demonstration of this potential, but there is a lot more work to be done to enable the reality.

Victory Royale

In the years to come, *Fortnite* may peter out and Epic might fail to launch its long-sought Metaverse. "Three years" is a longtime for any game or consumer service – even one as versatile as *Fortnite*. Alternatively, *Fortnite* and the Epic Metaverse might both survive – but only become footnotes to more popular successors (as MySpace is to Facebook). However, the opportunity in front of Epic is Olympic in size. While a 1v100 Battle Royale might seem like a strange bus to the future, the largest platforms and industry changers of the digital era were rarely built to be either. Facebook was a campus "Hot or Not", after all, and Netflix was about avoiding DVD rental late fees. The difference here is Sweeney is keenly aware of the Metaverse opportunity, as well as a path forward with *Fortnite*. This will not be an accident.

You can reach Matthew Ball at mb.ball@gmail.com or @ballmatthew.

Marshmello's Live Fortnite Concert
(Epic Games)