

What makes the free-to-play games future proof?

GAMING

VIRTUAL WORLD

IDENTITY

The enormous success of free-to-play battle royale games such as PUBG lite, Fortnite and, more recently, APEX Legends has broken record after record, both in terms of active users and in terms of revenues. We don't know how long the popularity of these games will last. However, these games have become more than just a game and are based on several design principles that might make them future proof.

Our observations

- Although users don't pay for games like *Fortnite*, free-to-play games **represent** 80% of the \$110 billion videogame market. The biggest free-to-play games gather revenues from in-app purchases by players, sometimes providing players with a competitive edge, therefore named pay-to-win (e.g. an extra level in *Candy Crush*), but most of these purchases serve merely "cosmetic" purposes (e.g. "skins" in *Fortnite*).
- The top eight grossing free-to-play games all earned more than the highest grossing premium game (games for which you only pay an initial fee, such as *Assassin's Creed* or *Red Dead Redemption*). *Fortnite* heads the list and made an estimated **\$2.4 billion** revenue last year, thereby even beating the highest grossing Hollywood movies. In comparison, *Avengers: Infinity War*, the highest grossing movie of 2018, made around \$2 billion revenue. *APEX Legends*, *Fortnite*'s biggest competitor, hit over **50 million users** a month after its release and is seen as the biggest competitor in the battle royale genre. Battle royale is a 1 vs. 100 battle in a big arena in which the last man standing wins. Currently, it is the most popular game genre.
- Currently, free-to-play games use in-app purchases to earn money. Given their market share, it seems like a strong business model. However, new business models are arising and old ones are reinventing themselves. As we wrote last week, Google and Apple introduced their games-as-a-service (GaaS) with big promises: high-quality streaming and direct playing links through video. Moreover, premium games, the revenue of which also rose 11% last year, remain relevant. Offering outstanding gameplay with added value from aspects such as cinematic qualities (*Red Dead Redemption*) remains a viable business strategy. Therefore, we observe the co-existence of multiple business models, all with their unique offerings to gamers.



Connecting the dots

Free-to-play games are often criticized for their monetization strategy based on loot boxing. These are addictive gambling mechanisms implemented to extract as much revenue as possible from youth, an easy target group susceptible to short-term rewards and the excitement of loot boxes. Society at large has attacked videogame companies about this disputable practice. And there is another monetization strategy that faces a lot of critique. However, contrary to loot boxing, this strategy is strongly criticized within the gamers' community. The so-called pay-to-win monetization strategy - pay to receive a competitive edge without doing anything for it - opposes two fundamental gaming principles: a level playing field and, more generally, fairness. It is also extremely contradictory to the egalitarian principle of free-to-play. Based on the criticism both strategies face, loot boxing and pay-to-win are not likely to succeed. So, if not with these business models, how will free-to-play games be able to make money?

Loot-boxing and pay-to-win cannot fully explain the profits generated by free-to-play games. Game developers who put these strategies at the core of their game reduce gamers to the small set of psychological needs of an individual and undervalue the gamer as a social person interacting in a social sphere with others.

The real strength of free-to-play games lies in the monetization of virtual social behavior. Several free-to-play games from the battle royale genre (e.g. PUBG lite, Fortnite, APEX legends) have realized this in the past years. Fortnite, for example, soon realized it isn't just a game, but also a place. It became a virtual afterschool meetup, a global hang-out space that plays an important role in the social lives of youth. In this sense, it doesn't only compete with other videogame companies. Traditional social media and other media companies in the attention economy are also challenged by it. Netflix, for example, already mentioned Fortnite as a [bigger competitor](#) than HBO. It didn't become a virtual hang-out space overnight, but [organically](#) grew to be one. Being a virtual hang-out space isn't exclusive to battle royale games, it is a common thread to all the popular free-to-play games (e.g. Pokémon GO, League of Legends). However, developers of battle royale games quickly made it the core principle of their game and continuously updated themselves based on this idea. What makes them special is the fact that they first start with being an [unbundled game \(only one game mode, no character development, no storytelling\) as well as being a social hangout place](#). Next, they re-bundle based on several design principles. These design principles might explain why free-to-play battle royale games take such a big market share and might give us some insights about what makes them future proof.

First, free-to-play battle royale games make sure people like to play without getting bored. Playing should be an end in itself, i.e. "gamers game to play". It looks self-evident, but often free-to-play games are way better at this than regular games. To make money out of free-to-play, the first condition is to get players playing and keep them playing.

One cannot overlook the importance of an accessible, yet fun and challenging game mode. An ever-changing world, cleverly managed "seasons", new side challenges and properly planned new game modes are all important elements of this which Fortnite masters. Equally important is that the free-to-play game offers a minimal play-goal. Battle royale games begin with one attractive game mode to attract a large player base. This is a big difference with other companies which also focus on establishing a virtual hang-out space but not offer a specific play-goal (e.g. Second Life). Telling people "There is a virtual hang-out space, go there and do whatever you like" only works for a very small group of people. (This "sandbox nature" may even be preferable, as it is extremely flexible and modular, but there is always a minimal game element necessary to deliver meaning to gamers).

Second, free-to-play battle royale games allow people to compete with friends or people all over the world. More importantly, they give players ways to show how they are doing and facilitate the competition worldwide in special leagues and events (impressing). Leaderboards, live streams, esports tournaments and competitions all fall into this category. This makes sure people keep playing and therefore are able to spend money, but also demands investment. It is a crucial design principle for all games, but Fortnite providing [\\$100 million](#) to fund esports competitions shows they are strongly aware of this.

Third, battle royale games such as APEX legends and Fortnite soon realized the game is more than a game. Therefore, they created endless possibilities for gamers to express themselves. Players of battle royale games are willing to spend large amounts of money without gaining any competitive edge, on skins, costumes, dances and other cosmetic items. However, in the digital world everybody could have everything. Therefore, this requires creating artificial scarcity in the digital world. It is an impressive and paradoxical design principle of the current videogame industry. Other videogame developers have created artificial scarcity related to the achievement of players, but letting people pay for scarce or temporarily objects without a competitive edge is quite unique to the current battle royale games, at least at this scale.

Fourth, free-to-play battle royale games acknowledge the importance of a sense of belonging for gamers, even though the main game mode contradicts this principle. They enable people to cooperate in missions, offer seamless communication between players and let them create their own groups, leagues and crews. If people feel at home, they want to come back and dwell in the game. We have seen this in a lot of games of the past decades, in which gamers can have an extreme sense of belonging while they are playing a game. However, Fortnite even managed to create a sense of belonging with events 'outside' the game. For example, this was illustrated by fans saying "[I was there](#)" at the recent virtual concert of DJ Marshmello hosted in the Fortnite world visited by 11 million people.

Implications

- The virtual concert of DJ Marshmello and other non-game-related events can even be seen as manifestations of a preliminary stage of a [metaverse](#). One of the ultimate goals of EPIC's CEO Tim Sweeney is to develop Fortnite into a metaverse. In this sense, the battle royale game mode is not an end in itself, but simply a mean to reach something else and bigger.