Computer games for fun and profit

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Introduction

Although computer games are fun, the potential for profit is as serious as in any other online industry. Here we look at some of the more interesting aspects of turning a profit in the games industry, as well as what IBM is doing to help games developers address their challenges.

The Current State of Play

The computer games market has been evolving and maturing for many years. Historically, computer games were sold as a boxed product. Today, it is not surprising to see the games industry taking advantage of new models made possible by the internet, with online revenue becoming an increasingly important factor. Another changing aspect of the games market today is the platforms involved. The last few years have seen the online games market, which was traditionally dominated by the PC, invaded by consoles and even mobile phones. Research funded by IBM suggests that by 2008, half of computer games might be played online (up from just 15% in 2002) with just 10% of online games running on PCs.

Various Payment Models

One payment model, unpopular outside of internet cafés and video arcades, is metered usage. This model might take the traditional form, where players pay to start a game or an hourly fee, or as something more convoluted and unlikely, such as paying a fraction of a cent for each bullet fired.

One ancient and well understood business model is in-game advertising. Historically, this has meant sponsorship deals and product placement. Sega’s ‘Super Monkey Ball’, for example, featured a monkey collecting Dole branded bananas. In 2002, Electronic Arts gained controversy with ‘Sims Online’ by taking product placement to a new level. It went beyond simply displaying products or virtual advertising billboards and allowed players to equip their characters with Intel Pentium 4 branded PCs in order to positively affect their stats[1]. Sims Online characters were also able to buy (or set up a franchise to sell) McDonalds products[2].

Regular subscription charges are already common for certain classes of game, with players making monthly payments in order to continue their experience. The advantage of a subscription model for the game player is that if the game ever loses its appeal then the player is free to stop paying. The game producer’s benefits are even more obvious; an addictive game ensures a regular monthly income.

The industry has long been investigating such exciting areas as episodic content. This approach is similar to the subscription model, in that the customer continues to pay for as long as they wish to continue the game experience.
Where it differs is that episodic implies a staged delivery of new content. For example, a traditional game might be split into a number of levels which must be completed sequentially. Where a game can be viewed as a story it might make sense to give the player the ability to pay for each chapter as it played. For the game producers, piecemeal delivery means not having to complete a game before releasing the first chapters. For the game player, staged payments mean paying only for the parts of a game which are actually played, potentially a much fairer model.

From the traditional boxed-product model we have begun to see games developers and producers seriously investigating some of these online business models, sometimes using them in combination.

The Emerging Market

Subscription charges have already proved to be a very successful model for massively multiplayer online games (MMOGs). In these games a persistent world is maintained and paid for not by a single up-front payment but through regular monthly charges. The popularity of MMOGs has also revealed an unexpected market in online trading of virtual goods. Online auction houses have witnessed enormous real-money trades of in-game artefacts such as gold, weapons and even houses and castles.[3] Research in 2001 suggested that the real money changing hands for items in Sony’s ‘EverQuest’ would give that virtual world a per-capita GNP “somewhere between that of Russia and Bulgaria”[4]. Since players were making use of third party auction services, Sony themselves were not benefitting from these trades. They have since asserted ownership over the artefacts of their game and banned the trading of EverQuest items. There remains, however, a solid real-world trading market for the artefacts of several online games. Electronic Arts’ ‘Ultima Online’, for example, has a thriving market on eBay[5].

The field of virtual worlds is still emerging and as these worlds emerge and mature, so do their economies. Collaboratively edited by field experts, Terra Nova[6] is working to explore and document their development and their impact on society. Services such as the Gaming Open Market[7] offer game currency exchange services, while the Game Market web log[8] analysing trends in game commodities and offering trading advice for a variety of online game currencies.

Celebrity Trader

The prevalence of trade in virtual goods has encouraged some people to consider taking work as full-time traders in virtual goods. Julian Dibbell is a writer and a journalist. In the first quarter of 2003 he set himself a challenge for the coming tax year:

“I will truthfully report to the IRS that my primary source of income is the sale of imaginary goods -- and that I earn more from it, on a monthly basis, than I have ever earned as a professional writer”[9]

Julian earned $3,917 in the final month of his experiment. He narrowly missed his intended goal but was nevertheless impressed at the earning power of a professional online trader. Furthermore, his experiment proved that trading virtual commodities really can be a viable occupation.
IBM’s Involvement

In the final quarter of 2003, IBM unveiled Business Integration for Games\textsuperscript{10} (BIG). BIG is a new Web Services based framework designed to enable game developers to separate game function from business logic. Released on IBM’s AlphaWorks\textsuperscript{11} technology preview site, it received heavy press attention with News.Com\textsuperscript{12}, Wired News\textsuperscript{13} and EDGE Magazine\textsuperscript{14} all covering the story.

The premise of BIG is that business logic and game logic are different, and should be handled differently. Take the following imaginary example of a first person shooter (FPS) tournament played for real money. Players each pay a small fee to enter the tournament. The winner, who might be the player with the highest score after an hour, is paid a sum of money from the combined entry fees with the remaining amount split between the tournament organiser and a sponsor. The game logic is what determines how fast players can run, how high they can jump, what happens when they shoot, and so on. It affects the way the game looks and what it feels like to play. The business logic involves deciding the cost of entry, the size of the winner’s prize, and how the organiser and the sponsor split the profits.

The role of BIG is to provide a set of simple programming interfaces for the game developer to use inside the game to make use of a variety of online services. For example, in an interview with Warcry.com\textsuperscript{15}, BIG’s architect gave the example of ordering a pizza within a game environment. As described in the whitepaper\textsuperscript{10}, the supported services would initially include a support for payments, commerce, asset management and messaging services but would ultimately be extended to meet the needs of the industry.

Conclusions

The games market continues to evolve and change with new developments. The internet has opened up a number of new opportunities for game producers, who are often half a step behind traditional businesses in adopting internet technology. IBM has shown an interest in partnering with games companies to deliver meaningful solutions in this field, and has already released a technology preview of a framework which might be the first step in addressing some of the challenges.
References