

Monetization Strategies for Video Games in an Evolving Industry

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Type: Bachelor's Thesis, Master's Thesis

Language: German or English

Motivation:

Traditionally, video games were usually sold through a one-time purchase, granting players complete access to a game's content and features. However, the landscape has transformed with the rise of online games and the dominance of major distribution platforms like Steam and the PlayStationStore. This evolution has reshaped the business models of game publishers. In recent years, approaches such as freemium models, in-game purchases, and virtual currencies have disrupted the conventional monetization strategies of video games. A prime example is Fortnite, a game available for free download that generated an impressive \$20 billion in revenue in 2022 alone only with in-game purchases and advertising. This transformation has coincided with substantial alterations in game design, all aimed at maximizing player engagement. While this has brought games to players without any upfront cost, it has also raised concerns regarding addictive elements and the potential for in-game gambling.

Goal:

The goal of this thesis is to highlight current trends in the video game industry and their profound impact on the business models and monetization strategies employed by publishers. The thesis should deep dive into how these monetization strategies work, what is special about them in the context of video games and how they affect consumers. Emphasis should be placed on how game designers can integrate these monetization strategies to optimize profitability, considering their interplay with non-monetary game mechanics. Additionally, the thesis will scrutinize potential adverse societal effects, such as gambling and addiction, and explore potential remedies for mitigating these issues. However, while these ideas should provide some guidance, the contents of the thesis can be adapted to the ideas of the student.

Starting References:

Chen, N., Elmachtoub, A. N., Hamilton, M. L., & Lei, X. (2020). Loot Box Pricing and Design. *Management Science*, 67(8), 4643-5300.

Guo, H., Hao, L., Mukhopadhyay, T., & Sun, D. (2019). Selling virtual currency in digital games: Implications for gameplay and social welfare. *Information Systems Research*, 30(2), 430-446.

Huang, Y., Lim, K. H., & Lin, Z. (2020). Leveraging the numerosity effect to influence perceived expensiveness of virtual items. *Information Systems Research*, 32(1), 93-114.

Jo, W., Sunder, S., Choi, J., & Trivedi, M. (2020). Protecting consumers from themselves: Assessing consequences of usage restriction laws on online game usage and spending. *Marketing Science*, 39(1), 117-133.