Infinite Free Plays: The Rise of the Freemium Game Development Model from a Global Perspective

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This paper discusses the rise of the Freemium game development model in South Korea, China, and the United States as a result of both government and private industry forces. In determining the causes of the rise of this model, this paper hopes to determine what forces work to drive innovation in the larger game design industry.

One Media Form, Many Models

Much like any popular art form, video games are shaped to a large degree by their creation community, and video games can be created in unique ways by different communities. In the United States, most games fit into one of two categories: "AAA" (referred to within the industry as "Triple-A") games from a major studio and "indie" games, from developers not associated with a publisher. AAA games frequently cost millions of dollars to produce and generate millions of dollars of revenue in sales, [1] while "indie" games are marketed to a much smaller audience and produce smaller revenues, if any at all, for their developers. Both types of games are sometimes played on a PC or mobile device, but in the United States they are most frequently played on a dedicated piece of hardware, such as the video game consoles released by Sony and Microsoft.[2] However, recently large-scale games publishers creating AAA games have encountered difficulty with generating revenue, as the ever-increasing costs of development have crept into their profit-margins along with the difficulty of predicting whether investment in developing a particular game will be financially successful.[3] In addition, both AAA and indie games have difficulty combating the distribution of pirated games, which leads to further sales losses. Finding ways to overcome these problems will be crucial to the future success of the industry.

Because of video game industry challenges specific to the Asian market (excluding Japan, which was involved in the video game industry since the 1980s,) a new type of game development practice has emerged distinct from the Western model of game development. [4] This model spawned from the online PC-oriented game market in Korea, and achieved a great deal of success in China,[5] a critical emerging market for many different kinds of industries. Under the moniker "Freemium," these games give away the game software for free (completely circumventing the problem of piracy) and rely on charging the players for services that enhance their experience. [6] Because "freemium" games require developers to constantly be creating new content that they can sell to their existing customers, this design concept

requires a radical shift in game developers' mindsets from being in a product-oriented industry to being in a service-oriented industry.

In this paper, I will outline the circumstances under which this particular style of game design emerged by examining the growth of the freemium model through the lens of both government public policy and the private video game industry. I will focus on three separate countries: South Korea, China, and the United States. Both government and industry players in these three countries made decisions that helped or hindered the development of this game design model. In addition, the gamers in these three countries created different video game market conditions with their game play choices. Taking all these factors into consideration, the success of the freemium model depends on government's engagement with the complicated nature of games as a cultural product and the industry's adaptability to different market conditions.

Background of Modern Games, Offline and Online

Although video games have been around since the 1960s[7], they have only recently evolved from entertainment to be considered an art form on par with movies or music, since the total revenue generated by the video game industry reached $20.66 billion in 2011.[8] Already, some video game releases in the United States generate more revenue than major movie box-office hits,[9] and in-depth analyses of game design as an artistic medium are available to read.[10] For the purposes of this paper, the term "video game" will be defined in two pieces. Firstly, the term "game" implies that this form of media content must require active participation from the player, and these actions must influence the resulting experience. This form of "play" is different from reading (written media) where the reader does not change the words already present on the page, and watching or listening (recorded media) where the act of participating in consumption of the media does not influence the flow of the content.[11] However, like other media content, a game is meant to provide entertainment value to the

participant(s).[12] The term "video" is meant to exclude games that do not involve electronic systems in any fashion, such as card games, dice games and board games. While there are many other ways to refer to this type of media content, "video game" fits most specifically to the topic at hand.

For the purposes of this essay, the term government will refer to the regulatory bodies of a nation, such as lawmakers, deciders of government policy, and courts which influence how the laws are interpreted. The "industry" will be the video game industry as a conglomeration of game developers, game publishers, and game distributors, with a focus on game developers. The "market" is comprised of game buyers and game players, with a focus on game players. As for video games being a cultural product, games will be considered to be a form of culture much like a television show or a pop song, while not always intending to illustrate a certain country's culture, the factor of being produced within a certain environment lends the product certain characteristics.

The arcade video game *Pong* began the start of video games' emergence into the conversation of popular culture. While this game triggered the public's interest in video gaming as an entertainment pastime, video games started becoming immensely popular and profitable with the introduction of home consoles.[13] After the video game industry crash of 1983, Japan's Nintendo game console captured the home console market previously dominated by US game designers and console manufacturers, resulting in an industry with an emphasis on Japanese design.[14] Another large revolution in games came with the development of the internet, which allowed geographically distant players to interact in real time. Through the internet, three distinct models of "online" games were developed to take advantage of this new technology.

The first truly successful high quality graphics online game was *Ultima Online* in 1997, which showed the possibilities of games being constantly connected to the internet. This game defined the term MMORPG (Massively Multiplayer Online Role-Playing Game,) and made the fantasy genre a staple of future online games. After the game software was bought by the player like an offline game, it

required the player to pay a monthly subscription fee because the cost of managing the online components of the game was so high. Most future MMORPGs followed this model to provide immersive, community-driven gameplay experiences, but they faced a constant struggle making sure they had enough subscriptions to turn a profit.[15]

At the same time, the internet was not the sole domain of AAA MMORPG games, as the freedom of distribution enabled through the internet allowed smaller game developers to contribute to online games through online "Game Portals" (webpages with games that were played in a web browser, most frequently using Adobe Flash.) While these games were "online" in the sense that you needed to go online to play them, they were primarily single-player games of low quality relative to AAA titles. However, most of the time players could play the games for free, and the game developers hoped to generate revenue through ads on the site. This model achieved a small amount of success, but struggled to succeed because of low advertising prices. [16]

The freemium game model emerged as a third method of using the internet to create, distribute, and maintain online games. It uses the game portal model of letting the user play the game for free, without a subscription or an up-front cost,[17] and generates revenue by allowing the player to purchase a "premium" game playing experience with cash. For a freemium multiplayer tank battling game such as *World of Tanks*, this can mean paying $12 a month for a premium account which allows you to gain more experience and progress through the game faster, or buying more powerful ammo that you can use to defeat your enemies.[18] For a freemium single-player puzzle game like *Candy Crush Saga*, players can purchase items which make winning certain difficult levels easier.[19] Quality for these types of games can range from high level AAA titles down to games with very basic gameplay, so the model's success depends on how the designer chooses to price the premium incentives and how they affect gameplay. In order for freemium games to succeed, the game designer can either choose to create high-quality or low-quality titles. If they go for the high-quality route, they need to make sure that their game is

competitive with subscription online games. If the game is low-quality, it would be able to be marketed to the widest audience, but this audience might not necessarily be inclined to pay money at any point for their game experience. Therefore, the freemium model can be used with a variety of different types of games, but all of the decisions the designer makes regarding this model will influence the future success of the game.

Bear in mind that not all games might choose to exclusively follow one model. Some games might require a subscription fee while allowing the user to purchase goods in the game with real cash, taking a part of the subscription model and the freemium model. Another approach might be to show ads in addition to offering merchandise for sale. Therefore, while it can be informative to separate these models and illustrate their differences, they often are used in tandem with each other, so it is important not to recognize them as exclusively independent.

For all of these models, the crucial element of their success is the game player's access to an internet connection. For MMORPGs and game portals, the user must have a constant internet connection to play the games, even though for a high-quality MMORPG a greater connection might be required than a very simple game played on a game portal. For freemium games, while a constant internet connection is not always necessary for those games that are single-player freemium games, internet access is crucial to allow players to purchase the upgrades that finance the game. Therefore, the first step for a country to have a large amount of freemium game players is the distribution of internet access across the nation.[20] As most nations' governments are highly involved with the responsibility of managing internet access for their citizens, government involvement plays a critical role in at least one of the factors for success in freemium game development. Therefore, this factor will be the first factor examined in regards to government engagement with the video game industry.

Government Engagement and Games as Cultural Products

Governments of nations have varying degrees of involvement with their private industries, and their decisions depend on what they consider to be the right level of involvement to promote their national goals. There are a few ways that a government entity can choose to influence the game development industry.

The government can choose to take an active role in the artistic development of video games, focusing on them as a culturally important product. At first glance many popular video games have themes of violence and sexuality and might not have many positive values the government would like to support. However, games that teach players to positively solve problems based on community values—such as living a healthy lifestyle or being an entrepreneur—might be of interest to lawmakers. Games can also promote the government's ideas abroad, by creating positive attitudes to culture disseminating from the country.

Another aspect of government involvement is viewing game design as positive economic influence, since creating them is a knowledge-economy business that provides employment and generates tax revenue for the state. In this way, they could provide video game developers with subsidies and tax breaks to encourage them to develop games in their area. Since video games often require only simple office space to create, the initial investment for video game developers to relocate to a new area is minimal. The government can also create conditions in their area that are conducive to game development. This can mean supporting industries that are tangentially related to video games, such as digital artists, programmers, and sound designers. They might also enact policies that improve competitiveness for their local game industry, such as creating restrictions on the local game market to protect their game developers from foreign developers' products.

Government involvement influences the rise of freemium games through a few key factors. The most crucial development for the freemium model to succeed is a constant internet connection with

speeds that enable players to play games through an online network. This element is crucial because of the principle that users only have the opportunity to pay (and thus, the only way the business can generate revenue) when they are connected to the internet. While the development of the broadband internet industry depends on the country, every government has made decisions regarding broadband, so looking at policies on internet development will help determine whether or not it aided the rise of freemium gaming. In addition, the government may provide protection factors to the types of businesses that use the freemium gaming model, guarding them from market competition. Finally, governments can provide both financial support to businesses that use the freemium model directly or indirectly as well as legal support to the industry, through policies that allow game developers to be free from concerns about restrictions. There is no one single reason government involvement will make the freemium model succeed within a country's gaming population, but when looking at individual national-level cases these are a few factors that allow us to take a closer look at the possible causes for the rise in this game development model.

National Differences in Government Engagement

South Korea

In South Korea (referred to henceforth as "Korea"), the development of broadband internet resulted from both supporting early development of the industry and allowing competitive market forces to provide affordable high-speed internet access for Korean citizens. The government began outlining a new plan for cross-country high-speed internet in 1995.[21] While Korea Telecom had a monopoly in the telecommunications market, in 1997 the Korean Ministry of Information and Communications selected competitors to challenge their position in providing broadband services.[22] Two companies emerged as competitors within the industry, and by 1999 competition for providing

broadband services was primarily in the hands of these three companies.[23] Since the government did not enact any requirements or restrictions for these broadband providers, their competition drove prices down[24] while at the same time the government promoted internet use through various programs.[25] Therefore, the Korean model for broadband internet diffusion, which would provide the foundations of the online game industry, was allowing private companies freedom to compete for customers without government restrictions, while at the same time showing their citizens the value of internet use through their programs, creating demand which the companies could use to reinvest in better value internet networks.

Korea's particular relationship with Japan provided the backdrop to create protectionism for the early Korean video game industry. Japan colonized Korea in the early 20th century, as a precursor to the second Sino-Japanese war[i]. Because of fear of Japanese cultural invasion, the government banned Japanese cultural products until 1998.[26] At this time, competition in the video game industry was defined by three Japanese companies (Sony, Sega, and Nintendo.),[27] so by the time that Japanese console developers could enter the market (and still be fighting against cultural discrimination) the Korean game market had already had a chance to get off the ground with the release of the popular online game *Lineage*.[28]This would lead to Korean gamers looking to places other than traditional video game consoles to play video games.

The Korean government supported the games industry through financial and legal means as a way to develop local cultural producers. In 1999, they founded the Integrated Game Support Center to assist game developers in exporting their games to global markets.[29] Video games were viewed as a consistently profitable technological sector[30] and in 2005 the government invested $20 million in auxiliary game industries, such as the development of advanced graphics to support more technically advanced games. [31] In addition to financial and institutional support, the government developed laws to

[i] The title used for the Japan-China conflict occurring before and during the Second World War.

make sure that the online game industry was protected from policies that would put restrictions on the gambling industry, since previously both industries were categorized as simply "gaming."[32] The Korean government had a vested interested in keeping the video game industry successful as it is a key cultural export product for the country.

Putting all of the previous decisions together, the Korean government provided a highly fertile ground for the development of the freemium game model. Their ability to both disseminate broadband internet access as well as promote its use among its citizens meant that Koreans had become very familiar with using the internet as a part of their everyday lives. The way that the government kept out foreign game consoles meant that Korean gamers had time to develop their own tastes for games without having a heavy foreign influence on their gaming tastes. Therefore, Korean game developers would be free to try lots of new types of game design strategies. In addition, by directly supporting the online game industry through both financial and legal means, the industry was given a push to be innovative and know they would have government support if they took more risks with their game design strategies. Therefore, Korea represents an approach that is simultaneously hands-on and hands-off, focusing on creating an environment for games while not dictating how game developers should create them.

China

In China, the context for internet development occurred in a different manner than Korea. Instead of intense competition among industry providers enabling internet access costs to decrease, the Chinese government both regulated and controlled the key telecommunications companies.[33] One key driver for the rapid adoption of broadband internet in China from 2000 leading up to 2008 was its role in staging the Olympics. As "Olympic Fever" swept the nation, the government invested over $12.1 billion in broadband networks and equipment across the country. [34] In the pretense of putting on a good face

for the world for the Olympics, and as a result of the government's direct control over the industry, broadband access in China proceeded rapidly, and by 2006 the average Chinese internet user could access the internet in a net café for about 13 cents an hour. [35]

China's protectionism of its video game industry took on a slightly different form from its Korean neighbor. The Chinese government banned foreign console sales beginning in 2000 due to concerns about "moral corruption."[36] Since many popular foreign games had themes of violence and sexuality in them, it was relatively easy for government officials to write off a large part of the foreign game industry as morally corrupt. This would allow Chinese developers to become influencers in the local market. In addition, game developers that wanted to distribute their games in China needed to go through a major Chinese game distributor, which would copy these foreign games to make their own games.[37]

While the government had a negative view of foreign games and their influence, they did support local game developers. Around 2008, in hopes of developing over 100 original online game titles, the government invested $242 million in the local games development industry. [38] The lack of homegrown talent in China also proved difficult for the development of the industry, so the government provided training programs for online game developers and designers.[39] Having both educational experience and government financial support meant that Chinese game developers, while new to the game design market, had the resources they needed to create games for the Chinese market.

Overall, the Chinese government had a critical direct influence in creating conditions that were viable for a freemium model to succeed. Because the Chinese government has a relatively tight grip on the key infrastructure of the country, they were able to rapidly disseminate broadband internet access throughout the country. In addition, their policies regarding foreign games forced game developers to focus on online games, since most other game types were not legally permitted. Since Chinese game developers originally simply ported foreign games to the Chinese market, they would have a greater knowledge of what types of games would be popular before creating their own games. The most

important influence would be the government's call to action of a large amount of online games in the market. Not all of these games would be able to compete by using the subscription model, so the freemium model allowed all of these online games to exist within the same space and gain support over time, rather than requiring market dominance through subscriptions to survive.

United States

In the United States, the government made decisions regarding high-speed broadband that resulted in the system being closed to many competitors. [40] This meant that there were few effective start-up companies competing with the main companies on price, so that broadband internet did not have the rapid diffusion coming from the private industry as in the Korean model. At the same time, the government did not have effective control over the actions of the suppliers of broadband such as in China, so the suppliers only chose what they viewed to be profitable regions to deploy broadband services. [41] Because the American regulatory system lacked a consistent direction, the diffusion of broadband was slower than in other countries.[42]

The US government had little role in regulating the game industry at the time of internet adoption, aside from a few cases involving the regulation of violent games due to concerns over their influence on minors.[43] Ultimately, court cases decided that first amendment protection applied to video games, so these attempts at regulation were unsuccessful.[44] However, the government did provide some financial support to the games industry, since the US government highly supported the development of games as training tools for the US military.[45] In addition to being military simulators, some of these games actually influenced commercial products.[46] In this way, perhaps the US government led to a rise in the popularity of shooting games in the market, thereby providing support for a specific genre of game.

Looking back to the 80s, the government did have an influence in the legal environment of game design. In a lawsuit involving Activism, which was a game design company with programmers who left hardware manufacturer Atari after they learned how little they were paid relative to how well their games sold, the court ruled that independent game developers could develop for video game consoles. At the time, most of the popular game consoles were from the United States, and the developers of games for these consoles worked for the hardware developers. This case meant that anyone was free to develop games for these systems, so the glut on the market from poor quality games contributed to the video game "crash" in the early 80s. What this would mean in the future would be that independent developers in the United States would be the primary producers of game software, instead of hardware manufacturers.[47]

In the United States, the government's interaction with the video game industry was minimal, so the development of the freemium model in the United States likely had little to do with government involvement. While broadband internet access slowly became more widespread, it has been at a much slower rate than in Korea and China. In addition, the way the government did choose to support the video game industry was for simulation development, which had relatively little to offer in the way of inspiring a new commercial model for video games. Because of the government's hands-off approach regarding the video game industry, aside from the aforementioned court cases that did little to influence the industry in terms of the way games were designed, the US government's engagement with the video game industry did not to a great degree influence the rise of the freemium game development model in the United States.

Private Industry Adaptability

All types of private industry must adapt to changes in their markets, and in game development, developers must react to certain parameters that define their local market. First, they examine the

demographics of the game players as well as what they choose to play. This allows a game developer to make broad judgments of what types of games are popular with which audiences, and tailor the creation of their product accordingly. On a deeper level, the developer examines where gamers play games and with what type of hardware. Games played at home, at an internet café, at a video arcade, or on the morning commute all have different requirements. For example, playing a game on a morning commute requires the game have low graphical requirements to fit on an easy-to-carry piece of hardware, while games at a video arcade can have elaborate hardware setups, as the gamers do not pay for the hardware to play the game. Another possible parameter is examining why gamers play specific games, such as players of fantasy games wanting to feel like a hero, or players of a city simulator wanting to see what it feels like to be a mayor.

By looking at these parameters, private industry game developers can choose how to adapt to local market conditions when developing their games. They could choose to find the most popular game type and try to copy or slightly improve it to gain a percentage of the market share currently held by that popular game, thereby adapting a style that conforms to current gaming trends. If they feel the market is oversaturated and a similar game will not be successful, they can attempt to create a new game type to create a new market niche within the same audience of game players. This type of adaptation to oversaturated markets brings new game styles that give the industry new directions. If they feel a market is oversaturated but are unwilling or unable to create a new gameplay style, they might take a certain gameplay style and bring it to a new market that other game designers have ignored, either a new demographic or a new hardware system. Game developers' choices of adaptations shape how the overall market is transformed and determine what types of games are played by the market's gamers.

While some game designers may not have intended for the freemium model to become popular, it arose partly as a result of design decisions made by these developers. Because the freemium model

depends on a consistent internet connection, developers that pushed for online games drove the technology network that freemium games would take advantage of. By choosing to put games on systems which have minimal hardware costs, developers reached a larger audience, and could afford to make less money on each user because of a wider potential player base. However, developers especially needed to adapt a new way of allowing users to pay for games (since cash, the primary currency of purchasing video games in retail stores, cannot be paid over the internet,) so the creation of online payment methods would also be required for the development of freemium games. All of these types of adaptations occurred for different reasons in different markets, so once again individual markets will be examined to see how their private industries developed.

National Differences

Korea

In Korea, the rise of internet cafés[ii] contributed to the growth of online games, as developers looked to take advantage of the rapid diffusion of internet technology. The number of internet cafés rose from 100 in 1997[48] to over 20,000 in 2003.[49] This private industry could only come about with the proliferation of internet technology throughout the country as well as a high enough user demand to warrant this many places to find net access.

Because of the model of providing internet through net cafés, Korean gamers became very accustomed to paying hourly fees for usage of computer terminals. Therefore, Korean game developers sought to create payment methods that were tailored to the way that gamers paid for their computer usage. [50] This way of paying for online experiences was different from the MMORPG payment model

[ii] In most literature on this subject, internet cafés in Korea are referred to as *PC bangs*, even in English research on this topic, due to fear of misperceptions of their cultural relevance within Korean society. In my opinion, it is enough to know that these are far more popular, and entertain a far greater variety of uses, than what Westerners tend to think of as a "net café".

developed in the United States with *Ultima Online*, which was based off of a monthly subscription to the game service.[51] Eventually, major online game companies started licensing their games to the internet cafés, allowing users to play for free at these specific locations, which the café owners used to drum up business.[52] This adaptation to the market meant that game developers were able to see the effects of a "free-to-play" style of game, and look for new ways to generate revenue by allowing purchases made from inside the game world itself, not just creating a monetary barrier to access it.

As discussed in the prior section, government regulations meant that there were no video game console systems being sold in Korea. Therefore, game developers needed to develop for PCs, a system that was relatively easy to access thanks to the rapid proliferation of internet cafés. However, developing for PCs in a distributed environment, where the user of the PC does not actually own the system, means that user's data cannot be stored on the system itself. Therefore, developers needed to adapt their games to the particular hardware limitations by storing users' data on a separate server, so they could access it as long as the computer they were using had the software (which was freely distributed) to play it.

The Korean private video game develop industry's adaptation to the local market of gamers that played games at internet cafés led to the focus on freemium games. Since the internet café was the primary gaming space for video game players in this market, game developers needed to find ways to convince these players to play their game over other games. By working directly with the internet cafés, they were able to find a model where both the game developer and the internet café would receive a benefit from offering video games for free to users. Therefore, this mutual cooperation would mean the primary metric of success for a game was how many people played, and the only challenge was turning those players into paying customers. By offering additional service via the freemium model, the internet cafés could put these games on their PCs at essentially no cost and use them to increase business, while game companies would generate revenue by letting these gamers want to pay to make better use of

their internet café gaming time. This type of experimentation within the market was crucial for the rise of the freemium model in Korea.

China

In China, many forms of culture today still deal with the effects of the One-Child Policy, where because of a government policy many children in China born after the 1980s grew up in families without siblings. Therefore, in adapting to the market, Chinese video games attempt to focus on establishing a community for peer-to-peer interaction. [53] Therefore, online connectivity developed as an effective way to have large amounts of social interaction in a game, whether with complete strangers (as a way of becoming part of a new community) or playing online with your in-real-life friends (by joining the same online space simultaneously).

Piracy held the Chinese video game market back for a long time. Estimates place piracy of packaged game products at ninety to ninety-five percent,[54] which meant that it was incredibly difficult for Chinese game developers to succeed by simply selling game software to their local market. Therefore, before the development of online games, for single-player Chinese developed games to turn a profit they needed to have access to the global video game market. [55] By 2001, game companies had started to sell gaming time on pre-paid cards, instead of selling packaged software, and Chinese game players started playing games at internet cafés.[56] These online games were more affordable than single-purchase games, and more accessible to a wider range of users because gamers did not need to invest in costly gaming PCs to play them. [57] Therefore, these internet cafés began to tailor their selection of computers to allow high quality gaming experiences.[iii]

[iii] From my own experience in China, I realized that not all computers at an internet café are created equal. While most of the computers were general use for browsing the internet and watching streaming video, a portion of the PCs were much more powerful and were dedicated gaming rigs.

In China, game developers needed to find a fix to the piracy problem in order to effectively tap into the Chinese market, and the freemium model allowed the most effective method of distributing their game while still generating a profit. Much like in Korea, internet cafés played a critical role, and companies experimenting with new payment models helped to solve the piracy problem. In addition, the social aspects of freemium games attracted many new gamers who might not have otherwise considered themselves gamers. By creating games for a broader market, game developers realized that using the freemium model while taking artistic influence from foreign games would create games with the most popularity.

United States

As in-game purchasable content first entered into the US video game market, game developers experienced a backlash from many game players. For games where the content related to the single-player experience, video game players felt that this content (referred to as DLC) would add to their experience. However, they also felt that in games where multiplayer competitive play was a critical part of the game, this type of purchase would give some players an unfair advantage and create a "pay-to-win" scenario.[58]However, although these "hardcore" game players did not like playing in a freemium model, freemium games began to take off when they expanded to gaming platforms that were more widely accessible. In 2009, the release of *Farmville* on Facebook created a huge upswing in casual freemium games available on social networks. Because these consumers were less concerned with notions of competitive fairness in their gaming experiences, there was relatively little backlash against the monetization strategy by the creators of *Farmville*.[59]

After the success of the freemium model for casual players, more and more different kinds of games started using the lure of "free-to-play" to attract these casual game players to more traditionally hardcore experiences. Some large budget MMORPGs that launched as subscription-based games found

themselves switching to a freemium model soon after release. In addition, other game developers used the freemium model to attract gamers to new game genres. For example, *League of Legends* was created based off of a new game genre that had not yet become widely popular, but because it started out as a freemium game, it developed a very large fan base in a short amount of time. [60]

The developed nature of the US video game market meant that the freemium model did not spark much interest in people who were already playing games. By presenting games that were free to these gamers, they might have felt that they were of lower quality than console games they purchased, or that they came with some sort of a catch, since they were not used to receiving game products for free. However, the industry adapted in two ways, by bringing the freemium model to new markets through new gaming platforms and improving the quality of freemium games. While the private industry in the United States did not start off as quickly as Korea or China using the freemium model, by finding where there was potential for the model to succeed they brought the model to greater acceptance within the US gaming community.

The Fate of Freemium

After evaluating the past actions of government involvement and private industry adaptation, there are a few key questions that can be used to address the larger meaning of the rise of freemium gaming. Firstly, governments must evaluate the rise of freemium gaming to have either a positive or negative impact on their citizens. This can be seen through an economic lens, asking if this game model promotes economic activity, through an individual lens, asking if freemium games create good citizens, or through the global cultural lens, asking if freemium games contribute to the spread of national culture. For the private industry, a few different questions must be addressed. Firstly, does this gaming model represent a fundamental shift in the way games are developed? Will the future of gaming be entirely freemium? If so, what can game developers do to better prepare themselves? What new

challenges are game designers going to face in the future because of freemium games? Looking at how this model came from Asia, how should game developers perceive the Asian influence on games in the future? In the end, game developers must also be able to address how innovation occurs in the game design industry, from where it has previously come from to where it will come from in the future.

The dialogue about video games' influence (which should be addressed by the government) usually revolves around two major topics. Firstly, does violence in video games drive the people who play them to violence? Now that freemium games are available to anyone for free, far more people are going to be playing them, so they will have a larger influence on a country's citizens. While some lawmakers have tried to block the distribution of violent video games (especially to minors,) the prevailing response from court cases in the United States has been that video games are protected under free speech rights. The freemium model might have potential as a future for educational video games. Because of free distribution, a large amount of consumers might be able to learn from the game's content, while the users that pay for faster progress in the game help to finance other players' education, in a sense. However, a difficult balance would need to be struck regarding what users would pay for and how it would alter their learning experience, and this depends on the creative finesse of individual game designers. Therefore, the government's decision whether or not to support freemium game development does not particularly depend on influence on gamers.

Freemium games might help a country's economy by promoting more smaller-scale developers as small businesses. While developing games for a paid release, unless the game designer is hit by an incredible stroke of luck, a large amount of the game's budget must be spent on advertising the game brand to convince the user to spend money to make a single purchase. However, in the freemium model, gamers can try out the game and decide for themselves whether or not they would like to "purchase" them, therefore intense brand recognition is not as neccessary for consumers to make the first "trial run"

of the game. However, a small-scale developer might encounter potential downsides, as freemium games require a larger server-side presence, so it is more difficult for a small-scale developer to get a freemium game to the market as well as continue supporting it. However, as freemium games expand the potential pool of customers for a game, they have a generally positive impact on the economy by creating new jobs in computer programming and digital design fields.

Freemium games will have a generally positive impact on the cultural perceptions of the country of origin. Whether freemium games are a positive or negative influence in disseminating a country's culture depends on the aptitude of the game's designer. This depends on whether or not the people playing the game think that the game is a good value. Prior to the freemium model of game development, this was done by making a direct comparison of how fun a game was with its purchase price. Since the purchase price of a game is now essentially zero, the positive value of a game is compared with how fun the game is relative to the time spent on it, as well as how much the freemium purchases enhance the play experience. Should these two factors not live up to the game player's expectations, then the player will not develop a positive perception of the game, and thus develop a neutral to negative perception of its country of origin. The second factor in this perception is the uniquely cultural components of the game. For example, a game such as *Oregon Trail*, which takes place in a uniquely American setting, or a *Romance of the Three Kingdoms* game, causes positive associations with the culture being examined by the game. In terms of the freemium model, incorporating the setting with positive interactivity is key to being a good cultural distributive tool for government purposes.

The freemium game model does represent a shift in the way that games are designed, and requires private industry game designers to come up with new ways to address the qualities of what makes a "good" and "fun" game. In particular, game designers need to reimagine the idea of game "flow". In the past, game designers looked at the whole of a game and decided whether the experience

in its entirety from start to finish was fun. However, freemium gaming breaks up the model of value by either requiring the player to wait and finish the game over a period of time or making them pay money to unlock all of the game's content. This requires a very careful balancing of content freely distributed and what the player will deem "fair" to spend money to unlock. Because of this, testing these types of games is more difficult, as the act of playing the game requires decisions with fiscal consequences that fundamentally alter the gameplay.

While the freemium model of game development has brought higher quality games to a wider range of players, the traditional console markets still rely on retail sales. The freemium model performs best when capturing new consumers to a brand, but in today's market, many brands have already built a large fan base of players who are willing to invest in new iterations of a game franchise. For these games, adopting a freemium model for their distribution might not be the best option, because as players are not paying for the experience, they might value it less. In this way, their brand loyalty would decrease after participating in the product. Freemium has had its greatest impact on the mobile gaming market, as with the advent of technologically advanced cell phones, nearly everyone who has a cell phone also has a gaming device. However, because these people might not have much knowledge about video games, they would not be willing to make a game purchase on a cell phone, but would be more than willing to try out a game for free. They might then make a small in-app purchase, as it would be relatively similar to the way they would purchase other forms of media, such as music, on their cellular device.

In addition to the challenges of the game design itself, community management is a crucial part of freemium game design. Because the revenue from freemium games comes from a dedicated user base, game developers need to make sure that their decisions are communicated effectively with the people who play their game. A community manager's role is to ensure that the community knows what changes are coming to the game and get their feedback on directions for the game developers to go in

the future. Without a community manager, a freemium game developer will lack the ability to understand what types of content users are looking for and what they are willing to pay for. Therefore, this community manager keeps the game in a constant state of revision based on community demands. While in single-ship development games go through extensive quality assurance tests, a freemium game is in a constant state of quality assurance, therefore making sure the game development team has someone in charge of this is crucial for the game's success.

The Asia factor is also a relevant point of discussion regarding the importance of freemium games in the future. Video games are a difficult cultural product to produce, so they usually only come from highly economically developed countries. As China and South Korea's economies developed, they were able to use their unique culture to create a new type of video game experience, which then became popularized all over the world. There have been some criticisms of Chinese game developers simply explicitly copying Western game design, but in reality Chinese game developers have simply been able to adapt Western game design to their particular culture. Therefore, because games are a cultural product, foreign governments should be sure to judge the contents of these types of games based on cultural criteria. While the Chinese government has always been highly attuned to the influence of foreign culture on their populace, the US government might take a more active stance in the future to determine the positive and negative influences of foreign developed games as they grow in popularity.

In the United States, gamers are largely focused around the issue of ownership, because they feel that games that they buy should be "theirs". However, gamers in China and Korea do not have any of these assumptions, since their gaming markets are relatively young. Once the freemium model succeeded in Asia, developers in the US market also attempted to use it for their games. While it was initially viewed with skepticism, eventually gamers learned to adapt to this new model. This shows an interesting case of cross-cultural adaptation, where US game players learned how to play through the

Asian model. Because of this, while initially it might seem counter-intuitive to bring a game design model to the United States that does not mesh with already established US culture, it should be noted that gamers are adaptive to new models if game developers position the advantages of the model in a positive light. This does not mean it is always correct for game developers to impose these types of standards on their local gaming markets, but that local gaming markets are remarkably adaptive so long as an effective communication strategy and value proposition is created to prevent confusion with their player base.

Conclusion

Freemium is poised to revolutionize the video game industry. By allowing access to a wide variety of users and presenting an entirely new paradigm of value to video game players, video games are now more widely played than at any other point in history. In Asian countries, through favorable policies and support by national governments it has captured a very large share of the video game market. In the United States, while the console wars among Nintendo, Microsoft, and Sony are heating up again, the specter of a freemium future hangs over the heads of makers of high-quality game devices. While there are still many people willing to spend a large amount of money for a high-quality game experience, the freemium model has crept into the market with higher and higher-quality experiences.

Governments are faced with largely the same questions they were faced with when video games first entered the market, but now the questions about video games will be addressed on a much larger scale. Whereas previously the government only needed to address video games as they related to male teenagers and other such “hardcore” gamers, in a world where theoretically every single person plays games, their influence is more akin to broadcast television than to a niche hobby. While the game industry has largely been self-regulatory up to this point, in the future the government will play a larger role in both managing the cultural influence of video games and evaluating their economic impact. For

freemium games in particular, the government must decide whether to let market forces play out and let the strongest type of game win, or support one game type which they view will have the greatest positive impact. While the video game industry has the opportunity to bring about jobs and revenue, the impact of domestic and foreign games, as well as games with positive or negative messages, will be key talking points in politics in the future.

The private industry also must learn how to adapt to the changing international perspective that the freemium gaming model created. In South Korea and China, the private industry game developers needed to find a solution to create games that would achieve success in their local markets. In Korea and China, the overwhelming popularity of online games created a market where game developers needed to find a way to allow for more competitors in the market to avoid simply having one large monopoly on all of their markets' gamers. In the search for these market sectors, the freemium game model has proved essential to the success of Korean game developers. In China, the desire to be able to compete with foreign products meant that Chinese game developers needed to find a way to make their games competitive with high-quality foreign imports. Therefore, Chinese games moved to free-to-play as a way to avoid competing with the monthly subscription costs of Korean, Japanese, and US games. These types of games are now highly successful thanks to the way game developers were able to adapt to local circumstances. In the United States, game developers were met with incredible skepticism when they first introduced this model, but as they were able to find the proper market for freemium games, the ability to generate revenue from the model presented itself. The important thing to realize about game developers is that they are constantly trying to innovate with their games, even if innovating along the lines of business strategy takes longer than innovating by creating more advanced graphics or more sophisticated systems of play.

The final call on the success of freemium, of course, rests heavily on how much fun gamers feel that these freemium games are to play. Unless they are willing to get involved with the community of

freemium games, and are willing to make repeated purchases in these games that support the industry, the development of this innovative new model of game design will mean nothing. To that end, game developers need to remember, at all times, that a “fun” experience will ultimately trump all discussions over monetization and adapting to markets. The freemium model is highly expandable, and will put more games into the hands of people all over the world than ever before, but without fun, these experiences will remain shells of the potential of what games can be.

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