From playing to paying: The art of monetizing games in Asia

With so many different gamers to reach, market nuances to consider, and ways to drive revenue, choosing the right monetization model to succeed in Asia is challenging but crucial — especially in the wake of COVID-19.

The third installment of our new series of insights on Asia's gaming market, commissioned and organized with Niko Partners, explores how monetization models are evolving to serve Asia's diverse, growing user bases. Discover where certain models are thriving and why more developers are embracing a hybrid solution.

Asia's most commonly used monetization models

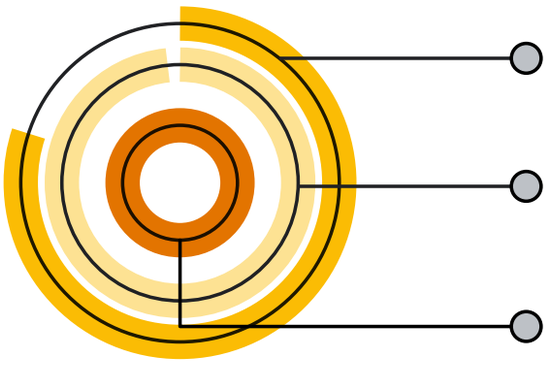
As Asia's gaming market has evolved and expanded, new ways to monetize games have become more widely adopted. The most popular models fall under three categories: **free-to-play (F2P), premium, and subscription.**

F2P

The most successful model for mobile games

Players can access most of the game for free, so revenue comes from downloadable content (DLC), in-game items, or in-game ads.

F2P games in 2019



80% of **digital games** revenue globally

98.5% of **mobile games** revenue globally*

100% of Asia's **highest grossing mobile games**

**Excluding third-party Android app store sales in China*

Premium

Historically geared toward PC and console

After paying a one-time access fee, players can purchase additional DLC or expansion content that continues the base game with new storylines and gameplay updates.

While premium games are gaining steam across Asia, they're most widely embraced in console-heavy markets like Japan where gamers are familiar and comfortable with paying higher prices.

Console game sales in 2019

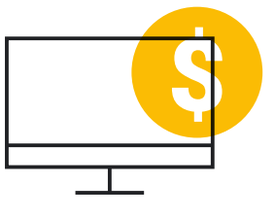
Sales of domestically licensed games

Subscription

Evolving from one game to multiple

Players pay a monthly fee to access a single game or several. Subscriptions are used on all platforms but they're currently more common on PC than console and mobile.

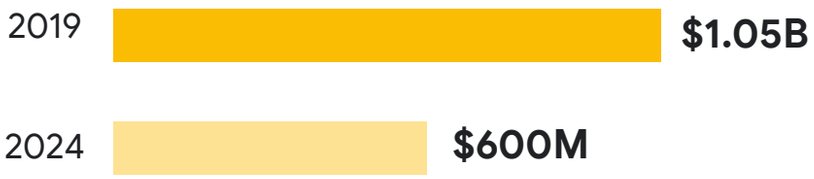
11%

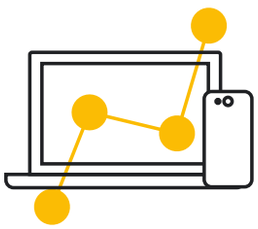


of all digital **PC game revenue** in 2019 was driven by **subscriptions.**

Single-game subscription revenue has been declining in recent years as more players gravitate toward F2P and premium games. However, **multi-game subscriptions** that offer access to **several games for one fee** (e.g., Apple Arcade, Google Play Pass, PlayStation Now, Xbox GamePass) are becoming more popular with console gamers.

China's single-game subscription revenue

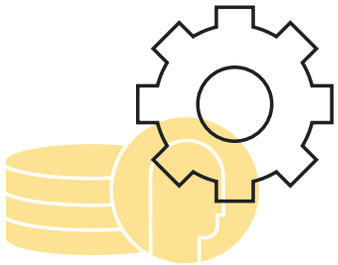




Keep gamers coming back

Different platforms have historically lent themselves to specific monetization models. As more gamers join the ranks and gameplay evolves, developers have more freedom to experiment and engage a wider base with exclusive in-game content, premium mobile experiences, and enticing PC and console subscription offers.

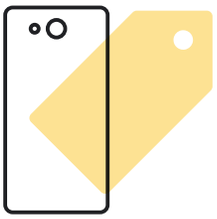
F2P unpacked: How developers drive revenue behind the scenes



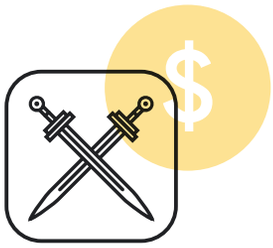
As Asia's most popular and prevalent monetization model, F2P will be central to the growth and evolution of Asia's games market. Below are a few of the most common tactics:

In-app purchases (IAP)

"Pay-to-win"/"play-to-win," gacha, and battle pass



In 2019, Asia's **1.2B mobile gamers** generated **$39.4B** in revenue ...



... and the **top 10 grossing games** utilized a **F2P model** with **IAP**.

IAP that gives players an advantage — i.e., "**pay-to-win**" — has been widely accepted by players motivated by competition or completion.

Meanwhile, multiplayer online battle arena games (MOBAs) and battle royale titles have sparked a desire for "**play-to-win**" experiences that remain the same for everyone regardless of spend.

Play-to-win vs. Pay-to-win

Play-to-win

Items to share or show off with no boosted gameplay

Messages and announcements

Player skins

Gifts for other players

69% of gamers find **cosmetic microtransactions** acceptable as long as they **don't affect the core gameplay**.

Pay-to-win

Items that give players a competitive advantage

Boosted stats

Faster rewards

Player enhancements

24% of mobile gamers in China, Japan, South Korea, and India have **paid for special equipment** to gain a **competitive advantage**.

Gacha

Based on Japanese *gachapon* vending machines, gacha models **appeal to collectors** who want to complete character or item sets by purchasing "rolls" (e.g. pulling a lever or spinning a wheel).

Gacha isn't as effective in **casual games** where players are **more averse to aggressive monetization**. Plus, each country in Asia has laws on reward items and gacha mechanics that developers need to understand and comply with.

Battle pass

Similar to subscriptions, battle passes charge players a fixed cost to access extra benefits, boosts, and rewards for a set period of time.

365%

After launching **Royale Pass**, "PlayerUnknown's Battlegrounds (PUBG) Mobile" saw **365% higher spend** globally in the **first week** compared to the **prior three weeks**.

In-game ads

In-game ads are most commonly used in **casual titles** like puzzle and strategy games. While IAPs as a whole typically drive more revenue, in-game ads **open the doors for everyone to play**, whether they're interested in buying items or not.

Hybrid monetization

A flexible mix of in-game ads and purchases

Relying on IAP

Risks alienating gamers who don't want or can't afford to pay

Relying on in-game ads

Risks limiting revenue from clicks and views

A hybrid model

Allows for engaging a broader player base with the experience they prefer

Combining in-game ads with IAP gives developers an opportunity to reach more users without relying on a single revenue stream.

Keep gamers coming back

The rising popularity of F2P titles means developers have to get more creative to drive revenue and improve the experience for players. Explore implementing a hybrid model to offset the impact of COVID-19 on mobile ads and succeed across Asia's economically diverse markets.

Monetizing in Asia's biggest gaming markets

Succeeding with gamers in Asia isn't a one-size-fits-all solution — gaming habits, genre preferences, and purchasing power vary from country to country. Here's a closer look at some notable insights from across the region:

Annual revenue generated by mobile gamers in 2019

China

F2P with a side of premium

93% (637M) of China's gamers are mobile gamers.

In 2019, **F2P** accounted for **+90%** of China's games revenue **across all platforms.**

While F2P is thriving, the popularity of PC's traditional massively multiplayer online titles is **dwindling due to the closure of internet cafes** (icafes) during COVID-19.

57% of Chinese gamers surveyed in April said they **don't plan to return** once icafes reopen.

Japan

The most valuable mobile gamers in Asia

Premium models are popular in Japan's well-developed console market, but **mobile gamers** are by far the largest and most valuable audience.

Mobile gamers in Japan generate **10X more annual revenue** than the average gamer in Asia.

Southeast Asia

A sandbox for F2P experimentation

Southeast Asia's fast-growing mobile-first audience can't get enough **F2P games**, which lead most of the region's countries in **total downloads** and **annual revenue**.

In Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam, all of the **top 10 mobile games** with the **most downloads** and **highest revenue** in 2019 were **F2P**.

South Korea

A diverse range of F2P tactics

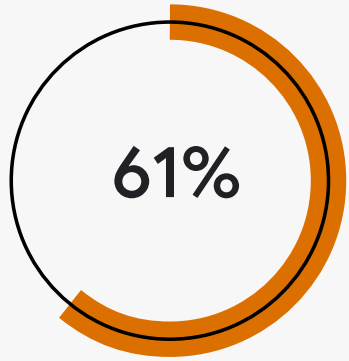
Similar to Southeast Asia, **the top 10 games** in South Korea with the **highest downloads** and **revenue** in 2019 were **F2P**. More than half of the country's **top 10 highest grossing mobile games** were MMORPGs.

India

A savvy F2P audience beyond its years

India's mobile-first gamers quickly embraced core genres and advanced monetization models, but **always on F2P titles.** Developers in India have adopted advanced mechanics more quickly than other countries, which shows how **monetization tends to leapfrog** in emerging markets.

5 of the top 10
grossing games in India in H1 2019 featured a **battle pass.**



of "Mobile Legends" total revenue (**$307M**) in 2019 was **generated in Southeast Asia alone.**

Keep gamers coming back
The differences in gamers' buying power, spending habits, and genre preferences create a launching point for developers to succeed in different markets. As mobile-first regions like India and Southeast catch up to the traditional gaming leaders, cross-platform titles that appeal to both casual and hardcore gamers can capture a wider audience.

Tips to score with the right monetization model

Consider these three steps when choosing the right model for your game:

1. Start with your core audience and platform

F2P is clearly the most widely embraced model in Asia, but premium titles can thrive in console and PC-heavy markets where gamers are familiar with paying a higher cost.

2. Experiment with a hybrid approach

Find the right mix of IAP and in-game ads to delight both spenders and non-spenders and offset the potential risk of declining ads revenue due to COVID-19.

3. Create more dynamic experiences

Innovation in monetization opens the doors to innovation in development. Invest in creating engaging, immersive titles that players can enjoy in short, casual sessions or longer, in-depth sessions.

Sources

1 Google/Niko Partners, "Level Up: A Guide to Succeed in Asia's $70B Gaming Market," June 2020.