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Tactics to create a sustainable Web3 game ecosystem

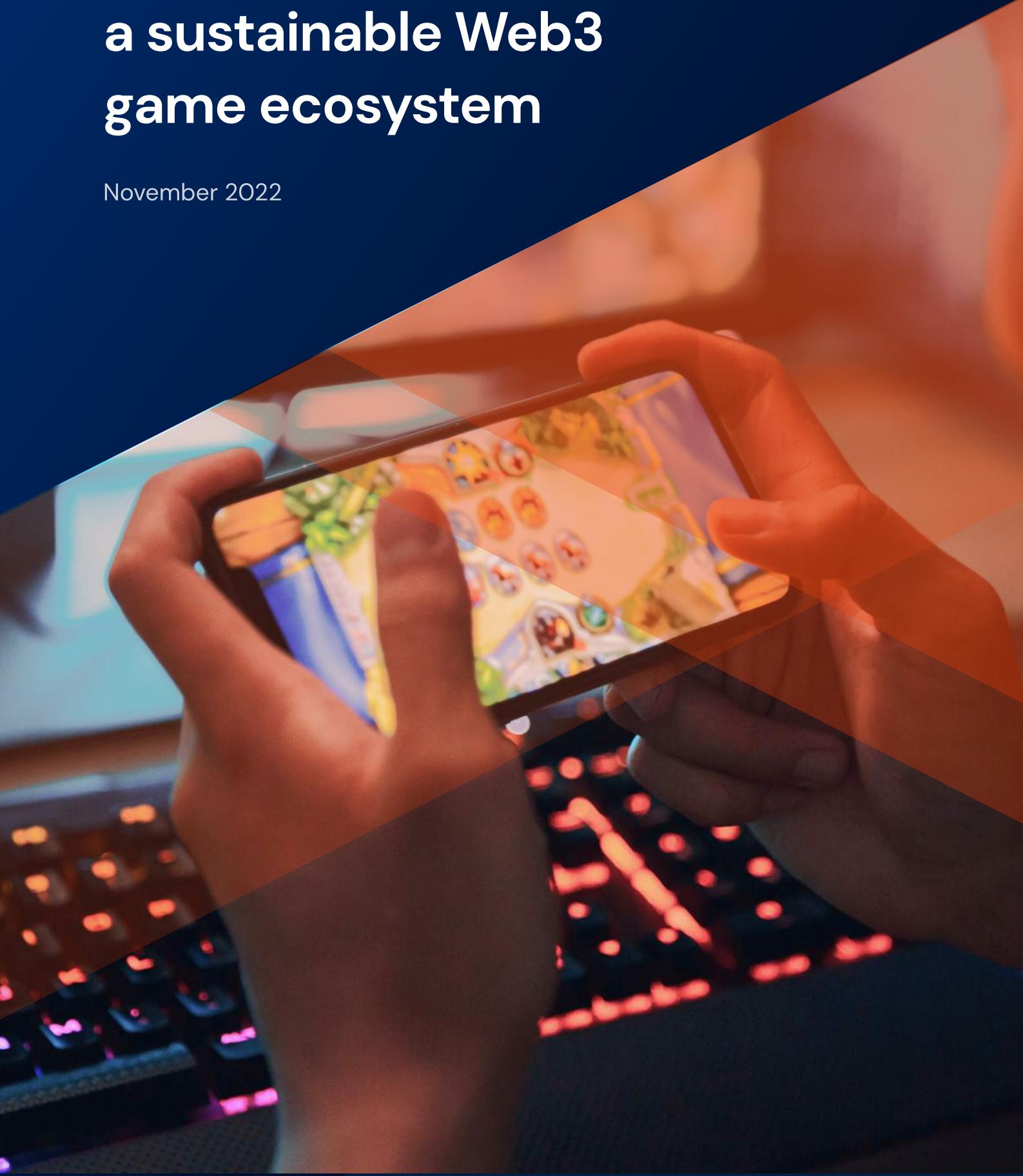November 2022

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1. Web3 gaming at a glance

Market potential

Still at an early stage of development, the Web3 game industry leaves ample room for exploration and growth ahead. While the traditional gaming market has reached its maturity with a growth prediction of only 10% CAGR from 2021 to 2025 (source: Accenture), the number for Web3 gaming is 10 times bigger. At a **CAGR of 100%**, the market is expected to grow from $1.5 billion in 2021 to $50 billion in 2025, and from 1 million to 10 million daily gamers involved (source: Bitkraft Ventures & Naavik and Dizon).

Traditional Games	Web3 Games	AR/VR Games
9% CAGR — $267B	100% CAGR — $50B	30% CAGR — $13B
$173B	$1.5B	$3.5B
2021 — 2025	2021 — 2025	2021 — 2025

CAGR prediction for gaming platforms in 2025

This ambitious growth takes into account not only new Web3 gaming projects but also **the shift of major traditional games** to the blockchain space. While some are still hesitant, the movement is already happening, with corporations like Atari (market cap: $72M) and WeMade (market cap: $640M) issuing their own crypto tokens named ATRI and WEMIX respectively, and Bandai announcing a $130 million investment to build a Gundam-themed metaverse. Even Apple, who had put a complete ban on NFT, has now allowed in-app purchases!

naavik.co

asia.nikkei.com

forbes.com

The Web3 game ecosystem

Virtual goods and in-game currencies in Web2 games have been the norm for years, with full control and profit going to game developers and distributors. However, Web3 has the ability to change how these goods and currencies are owned, evaluated & exchanged once and for all.

▶ **The core that ultimately makes Web3 gaming succeed is the power shift to users with an open economy.**

As for game developers, they may lose a fraction of control over the game to players, but the added-on benefits surely can compensate for it. Web3 opens up unprecedented opportunities that go even beyond the in-game ecosystems, making it much more attractive to potential users.

For investors and players

- Have actual ownership over in-game assets
- Price and trade assets with real market value
- Build personalized assets, collections and experiences
- Vote on the game direction as a recognized stakeholder

For game developers

- Grow and engage the community since the early stages of development without having to wait until the official game release
- Appeal to a larger customer base, thus increasing the retention rate with either entertainment or financial motives
- Incentivize gamers to spend more to earn blockchain assets
- Facilitate trading to other games and platforms

And that's just the tip of the iceberg – the feasible applications of blockchain and NFT technologies are limitless.

Stakeholder mapping of the ecosystem

The chart above sums up the relationship among different stakeholders of a Web3 game. With the right governing, a sustainable game ecosystem is achievable, where everybody gives something and earns something throughout the process.

2. The problem with 90% of Web3 games

The masses remain skeptical about Web3 games, especially when most of them are short-lived successes. Hundreds of Web3 game projects come out every year, yet only a few can retain their value in the long run. The rest are volatile by nature – let's find out why.

For any new games, asset purchases from new users are the main demand driver, but as the hype eventually slows down, they need other sources in order to keep pricing stable. And for some without an enough-engaging dynamic, this means introducing new assets into the economy, gradually displacing existing assets.

The nature of Web3 games also attracts quite a number of players who only go after profit rather than having fun – the type that invests and exits early, disrupting the economy as a whole. Consequently, games with high entry barriers, unexciting gameplay and poorly designed tokenomics will go through a brief surge in player adoption, then suffer hyperinflation as their number of users and asset values drop in a blink of an eye.

▶ **The biggest risk Web3 games can fall into is prioritizing the "earn" aspect over "play".**

There are also other factors we need to take into account. "Interoperability", a term often seen going around, has presented little practical use with a too extensive list of blockchain platforms, coins and tokens. The user experience in Web3 transacting still comes with a lot of network issues, not to mention the hacks, scams and frauds waiting to happen anytime you are not careful.

Supply & demand imbalance	Asset inflation	Disruptive players	The myth of inter-operability	Chain instability

3. Tactics to create a sustainable web3 game ecosystem

#1 **Move away from the P2E model**

Let's take a step back to examine **what makes Web2 games succeed** in the first place. There is virtually no entry barrier, gamers keep returning because the game is fun and engaging, and revenue is gained via in-game currencies and assets – all these can be applied to the Web3 landscape!

The P2E model has proved itself unsustainable, as well as its spin-off model P&E (Play-and-Earn). Game developers are now experimenting with P&O (Play-and-Own), F2P (Free-2-Play) and F2O (Free-2-Own), the three models that have little to none entry barrier, prioritize fun gameplay, asset ownership and then economic value.

Evolution of Web3 gaming models

2021
Play-2-Earn
↓
Q2 2022
Play-and-Earn
↓
Now
Play-and-Own
Free-2-Play   Free-2-Own

The baseline for player retention is gameplay, which must be great no matter what. Then comes tokenomics design to minimize inflation rates and incentivize users – more to be discussed in our case study of Splinterlands in the next section. And lastly, developers must stay close to the community to gain real insights into their traits, goals and motivations.

#2 Develop an inclusive ecosystem

A game's ecosystem should be built not only for players but also for project stakeholders. The goal is to get them **socially, financially and personally invested in the game** and keep them involved even after exiting. NFT has made this possible by attaching exclusive utilities and benefits for buyers (e.g. voting rights, membership, merchandise, offline events & so on).

#3 Engage with your community

A tight-knit community of like-minded people is the booster your game needs to succeed. Communities create in-game friendships, foster rivalries, and promote clan allegiances. This helps maintain the interest of devoted players, which ultimately **drives up user retention and revenue potential.**

Our recommended tactics:
- **Increase engagement** with daily reminders & rewards, personalized communication and in-game activities
- Encourage **user-generated content** across both in-game and social platforms
- Form **decentralized autonomous organizations (DAOs)** to govern your game in a way that benefits all stakeholders.

Community platforms:

4. Closing thoughts

Fact is, the majority of current Web3 games are still in a monetization obsession. Moving towards sustainability, developers need to turn the banter of Web3 gaming into "fun games to play with earning potential", while building an inclusive, engaging ecosystem that offers real values to its stakeholders.

However, getting there is not without challenges. If your company is looking for an experienced partner in game and blockchain development, then look no further. Ekoios Technology offers end-to-end **Web3 game solutions:** from game design, blockchain integration to ecosystem development, with world-class quality and service to guarantee your project success.

Let's start by discussing your idea! **Book a free consultation with us** →

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markets worldwide

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</> Web & web app

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- NFT minting
- Cross-chain bridge

- Crypto exchange
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