



# UBISOFT'S NEW DIRECTION AND WHAT IT MEANS FOR GAMERS

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In the past two decades or so, Ubisoft had kept gamers (and themselves) very busy by releasing at least one AAA single-player title every year – namely, entries from the Prince of Persia, Assassin's Creed and the Tom Clancy franchises. In the earlier days, they did a very good job of juggling the workload as most of their games would be acclaimed by gamers and critics alike.

However, with increasing development times and costs because of the continually improving hardware, Ubisoft started losing their touch. After waves of underperforming sequels and new IPs, they realised that they needed a course correction. This reflects perfectly in their recently released quarterly report. The report analyses the company's financials for the third quarter of the fiscal year 2017-18 and hints at a revamped business model formulated based on recent market trends.

According to the new model, Ubisoft is going to stop making "games". The last sentence has probably got your eyebrows raised but it is not really as drastic as it sounds. Ubisoft is now dubbing their products as "live services". This means that there will be fewer releases every year but they will be made to last longer through regular updates, DLCs and micro-transactions.

The rationale behind this decision is not very difficult to comprehend. Ubisoft has been enjoying more success from its "live service" based games such as The Division, Rainbow Six Siege and For Honor than it has been from its other titles. Even the latest Assassin's Creed game, Origins, is performing significantly better than the previous entry, Syndicate, in terms of sales and concurrent players. The success of Origins can also be attributed to its DLCs and updates. It is also worth noting that DLCs and updates

require significantly less R&D cost and time than standalone releases.

Ubisoft's case strengthens further when you look at the numbers. In their previous model, games would be able to earn only 13 percent in the second year of what it earned in the first. The picture becomes entirely different when they adopt a "live service" model. Games that adopt the new model are able to earn 52 percent of its first year earnings in the second year – a sharp 39 percent increase. The monthly active users (MAUs) of Ubisoft's games have increased by 34 percent in the last year, and that too excluding mobile users,

Microsoft, Sony and Nintendo) in retail sales whereas they only need to pay the platform owners when selling digitally. This finding may encourage Ubisoft to push gamers to purchase digitally instead of retail.

The company is also gaining popularity among PC gamers, with sales up to 18 percent of the total from 7 percent five years ago. Even though most of Ubisoft's sales comes from PS4 users, PC has the highest number of concurrent players and thus it is easier and more profitable to attract them with DLCs and updates.

"DLC" and "Microtransactions" are



thanks to the "live service" model. Player recurring investment (PRI) was up 87 percent year-on-year to 319 million Euros. Digital sales and PRI represented respectively 56 percent and 27 percent of total revenue, up from last year's 47 percent and 21 percent.

Another breakdown in the report shows that the company earns only 55 percent per unit on retail sales versus 70 percent per unit in digital sales. The reason behind this is that Ubisoft has to pay commissions to both the retail stores as well as the platform owners (read

probably the most controversial terms in the world of gaming. Therefore, Ubisoft's plan to emphasise more on these may create a backlash among gamers. With fewer releases each year and each release staying around for longer periods, games may start to feel less and less diverse. Many gamers, myself included, are not exactly open to the idea of having to pay for playing more of the same game.

However, it would be wrong to say that the "Live Services" model doesn't have any positives. Increased development times mean that games will be more

polished and content-heavy at launch. Regular updates and DLCs will ensure that gamers get more value out of each game. While microtransactions and loot boxes sound like a very bad idea, Ubisoft CFO Alain Martinez labels them as a "question of quality and choice". He further stated that Ubisoft needs to deliver the right quality for people to be interested, and at the same time, customers "need to feel that they are really free not to buy it," and that they have an actual choice.

Ubisoft is not the only one contemplating the "live service"-based model though. Activision earned \$4 billion last year just from microtransactions. Though EA faced a lot of controversy for packing microtransactions and loot boxes in the latest Need for Speed and Star Wars games, they too have been benefiting greatly from the "live service" model through their sports titles. Rockstar has also been enjoying a lot of success with GTA Online, so much so that they have not released a new game since 2013. Square Enix's annual report for the year 2017 states, "Gone are the days in which single-player games were of primary status and multiplayer games secondary. Lately, multiplayer games have taken the lead, and it is the standard for games to be designed for long-term play."

It is pretty evident that "live services" are the new big thing in gaming today and will continue to be for the foreseeable future. While I like the prospect of games having increased development times and receiving developer support for an extended period, I am worried about the future of AAA single-player titles.

*Nony Khondaker is an introvert who complements his non-existent social life with video games, Netflix and a whole lot of ice-cream. Send him memes and cat videos to cheer him up at [fb.com/NonyKhondaker](http://fb.com/NonyKhondaker)*