I often proclaim at digital media and gaming conferences that gaming (2.0) will save us all. By this, I don’t mean that we will spend our leisure hours reaching level 68 Dark Elf Druids in *World of Warcraft*. I mean that well-proven, hybrid revenue models from the cutting edge of Gaming 2.0 will revive traditional media industries, many of which have been disrupted by digital formats and irreversibly fragmented by the Internet.

Gaming 1.0 is the traditional packaged-goods, retail-based model we are all familiar with. Historically it will be remembered as the domain of nerdy, young males playing old-school downloadable and ad-based online products. The hits-based business model of Gaming 1.0 was as unpredictable as the hits themselves. Gaming startups had difficulty scaling up to large, standalone businesses. The success of Electronic Arts and a few others was overshadowed by countless business failures. Gaming 1.0 companies spent fortunes to make products that might or might not make money. As with the movie business, Gaming 1.0 companies increasingly bet the farm on “tentpole” titles, often sequels of prior successes. They did not invest in newer and riskier products.

In contrast, Gaming 2.0 makes games frictionless, ubiquitous, social, and service-oriented. Gaming 2.0 provides critical clues and guidance toward new, sustainable business models that could benefit social media, content, and e-commerce businesses in the future. Gaming 2.0 evens the playing field for game startups. It is not just the application of new computing and Internet technologies to old gaming paradigms; it combines new technologies, new designs, and new business paradigms. It is fueled by major changes in consumer behavior:

- **Rise of the Digital Natives**: Consumers under the age of 30 have grown up with the Internet, social networks, instant messaging, email, search, blogs, P2P downloading, and podcasts. These users spend more time on Web 2.0 sites like YouTube and social networks like Facebook and Twitter. They eschew broadcast TV for online video services like Hulu. Digital natives favor online, digital formats instead of visiting retail outlets to discover and purchase their media. They are adept at seeking out new offerings, and they share their findings virally.

- **Irreversible Fragmentation and Short Attention Spans**: The Long Tail theory suggests the Web allows every user to find offerings that suit his or her particular tastes. Such wide choice makes it increasingly difficult for a publisher or media company to reach mass audiences effectively. This is borne out by dying formats such as broadcast TV, radio, and newspapers. Thousands of niche offerings replace a few massively popular hits that everyone likes. On top of this there is a very short attention span from users faced with unprecedented options and the ability to surf instantly on to the next site or link with
a single click if faced with something that isn’t instantly appealing.

- **New, Open, and Lightweight Platforms**: The most exciting new formats for interactive experiences include the iPhone (for which there are now more than 100,000 applications, of which more than one-third are games) and other smartphone platforms, social networks such as Facebook and MySpace with open application support, and increasingly powerful Internet browsers capable of rich-media experiences, streamed fully in-browser, without the need for heavy downloads or additional software. These formats are widely available and have experienced wide adoption, attaining huge active audience bases worldwide.

In light of these disruptive changes, we’ve entered what many consider to be a Renaissance Era of Indie Gaming, in which small upstart teams have just as much a chance to launch a profitable title directly into the market as the large traditional publishers. In many cases the startups are innovating much faster than the incumbents, who continue to fight the Gaming 1.0 battle under pressure from a slowing retail-based model.

More specifically, the following innovative drivers define Gaming 2.0:

**Ubiquitous Gaming.** The most exciting aspect of Gaming 2.0 is the rise of games on new, popular platforms with mass audiences such as iPhone and Facebook. Through these gamemakers can reach whole new audiences willing to try out games, but who would never self-identify as the stereotypical “gamers” who only make up 10% of the population. At least two-thirds of iPhone and iPod Touch owners have downloaded and played a game. Most did not expressly purchase the device to play games, as opposed to those who purchase of a dedicated game console, but a mass market of non-core gamers is now investing significant amounts of time and money in lightweight games, expressly built for these non-dedicated and ubiquitous platforms.

**Approaching Frictionless Distribution.** Gaming 2.0 is about bringing games to the broader market of non-core gamer consumers, so the games themselves need to be as easy as possible to try out and play. Typical practices from the Gaming 1.0 world, such as asking prospective players to first download heavy client software, register to play, or purchase the game upfront, represent friction points for user adoption and scare off many consumers. The gaming market is giving way to browser-based, thin-apps and free-to-play frictionless models, aimed at getting the consumer to try out a game quickly and get hooked on the experience, eventually resulting in deeper engagement, viral sharing, and monetization. Frictionless gaming also emphasizes direct-to-consumer publishing, without the need for retail distribution or a packaged game product. Many experiments in Gaming 2.0 involve open platforms such as Facebook, MySpace, iPhone, and Xbox Live Community Games, which enable startup developers to release games into the market unfettered by traditional gatekeepers or distributors.
Many aspects of Gaming 2.0 can be transported to music, broadcast TV, print journalism/magazines, and packaged media in general.

The art of the “meta-game” will be the most important long-run design skill for Games-as-a-Service (GaaS): when each piece of content or activity ultimately becomes a “mini-game,” it is important to design the meta-game wrapper around everything to encourage users to level-up, collect, share, buy/sell/trade, explore, and try again.

Games as a Service. Games packaged as “fire and forget” releases are quickly becoming an obsolete. Online pioneers such as a Blizzard (World of Warcraft) and Nexon (Maple Story) have proved that GaaS and Cloud Gaming are viable new paradigms. Content creators must rethink how they design their offerings, moving away from discrete offerings sold and handed off to players, and toward establishing ongoing relationships with their users.

Games are increasingly “living” on Internet servers as ongoing experiences in which players touch each other frequently across a multitude of devices (Web browsers, consoles, iPhones, and even within social networks). This shifts expenses, planning, and spending priorities. Only half or less of budgets will be spent on “launch,” with increasing amounts used to “operate” the ongoing service. Activities such as community management, expansion packs/dynamic content updates, microtransactions processing, virtual goods refreshes, and related activities become more important. This is an early case study for the shift of media overall toward Media-as-a-Service (MaaS). Imagine subscribing to all-you-can-eat on-demand music services instead of buying individual songs or albums, or think of the emerging online Netflix model. Getting content into the hands of the audience is just the first step; the real trick is keeping the consumer engaged over the long-term, continually monetizing the relationship and cross-promoting other offerings.

Reinventing the Business Model for Media. MaaS as inspired by the gaming industry is the new Holy Grail for media. The reinvigoration of the music, TV, movie, and print media industries will come from adaptations of this model. The model blends revenue streams, including free-to-play, microtransactions (around virtual goods and virtual currencies), and premium membership and subscriptions. A healthy model shows what I call the “85/15/2” pattern: the majority (85%) of participants plays for free, and do not engage in microtransactions or subscriptions. They can be lightly monetized via ads, but they contribute indirect value by enriching the game world and experience for other players through their participation. A smaller fraction of participants (10%–15%) pays small amounts for microtransactions. A very small fraction of participants (1%–3%) pays for premium services or subscriptions. Subscribers might engage in microtransactions for rare items, collectibles, vanity goods, and so forth. A parallel scenario in the music industry would have ad-based “free to play” for a limited on-demand streaming music experience; per-song and per-item microtransaction purchases; and all-you-can-eat unlimited subscription services with additional perks and benefits.

Many aspects of Gaming 2.0 can be transported to music, broadcast TV, print journalism/magazines, and packaged media in general. Gaming is the first media market to shift successfully toward MaaS (Media-as-a-Service), and is a terrific poster child for how content and entertainment might transition toward XaaS (Everything-as-Service).

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