Why Is User-Generated Content Going To Take Off?

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Art By Sahir Jamez

Why Is User-Generated Content Going To Take Off?

This research reveals the current state, difficulties, and prospects for the evolution of user-generated content in games.

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User-generated content (UGC) has become a new trend and a prospective area of investment in the game industry. 80.lv's Instagram poll shows that **59% of people working in gamedev want to have UGC in their own games.** The increasing interest in users creating content supports the fact that game creation and sharing platforms are reporting significant growth of daily active users. This year, Roblox's growth was up 17% from last year.

UGC is advantageous to companies due to the economy of scale (initial investment in the tooling for UGC and its maintenance pays off as the same system works for many creators). Another benefit is the opportunity to use community forces without the need to hire. Amateurs with fresh perspectives can come up with great innovative ideas and solutions that big companies would've never thought of. **Creators can improve a game and bring the main value for regular players — replayability.** People spend a lot of time online and want more immersive experiences that can keep them entertained.

Easier recognition, accessibility for developing mods, and participation in a studio's game creation process are the pillars of creators' motivation. Creators are ready to experiment with Web2 and Web3 Metaverse platforms, which demonstrates their economic interest and the importance of gaining an immersive content creation experience.

78% of people working in gamedev want to have UGC in their own games*

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The collaboration models between developers and creators include different stages of work with content: from optimization, scaling, and launch to marketing, distribution, support, and even overall management of creators' properties across platforms. The developer/publisher may buy the rights to copyrighted content or pay a share of the sales. Forms of UGC creator support include giving creators a fair chunk of royalties, allowing them to move the content from one platform to another, and hiring them as independent contractors or actual employees of the company. This kind of collaboration greatly simplifies the recruitment process for game studios/platforms and, at the same time, it provides a great opportunity for developers to level up their resumes.

*According to 80 Level Audience Poll

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The **main challenges of UGC are technical and legal complexities.** Developers face the problem of providing their platforms with moderation, security, and monetization tools to allow users to create content. The majority of large game studios don't have special skills for building these processes and want to create their own content even if UGC is cheaper or free. There may also be a risk of plug-in incompatibility when implementing monetization on a platform. From a legal point of view, the interviewees noted the difficulties of arranging UGC payment processes. The reasons for it are the high overhead costs (requirement) and maintaining fairness for creators and enabling growth for users.

Even if a company manages to build a platform for UGC, another problem can appear - gamers' reluctance to use it. There is a "network effect": developers attract players to the platform through content creation, but players only choose services that already have content. So, the studio should make an effort to motivate people to use its platform.

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The question of **content ownership becomes one of the central dilemmas** as a consequence of the number of different stages of interaction between developers and content creators. There are two perspectives on who the end owner of content created by one party and managed/promoted by another party should be.

Some platforms do not recognize or own the majority of legal rights (and users' Intellectual Properties) to the content (e.g. Roblox, Activision), whereas others do encourage and support content creators (Mod.io, Valve, Paradox).

A proposed way to **solve the question of legal ownership is an automated smart system** which helps creators receive payouts legally and states all the details of such a partnership.

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UGC creators are important to game studios, so there are ways to retain creators via monetization. **Game studios offer payouts to content creators** if their content is included in official releases or DLC. Additionally, the developer can upload their content to the game's workshop and receive a share of its revenue. Game studios express interest in implementing mass payout solutions to UGC creators. Developers believe that content creators' work should be rewarded.

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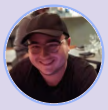
User-generated content will become more widespread in the future and will be implemented in many games. There is a constant demand for content, and UGC will become a solution to satisfy it and to prolong the lifespan of games. Interviewees predict that in 10 years, 5 of the top-10 games will be player-created. The popularity of UGC is growing, so individual creators will collaborate more with each other and create UGC more collectively. However, **UGC probably won't work for some AAA companies**; some enterprise developers might want to sell their own content and have all the rights to UGC belong to the studio, which is rather controversial for creators.

Whom did we interview?

Tal Shachar
CEO & Co-Founder
INFINITE CANVAS

Tobias Enholm
CEO & Co-founder
DIMS UGC PLATFORM

Scott Reismanis
CEO & Founder
MODDB, MOD.IO



Jon Higgings
Former Business Development
NEW WORLD INTERACTIVE

Kevin Østerkilde
Software Engineer
ALGOLIA

Mikael Palmer
Product Manager
PARADOX INTERACTIVE

Ted Riese
Mobile Game Developer
CRAFT-E-PAWS

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Key Takeaway #1: Advantages of UGC

User-generated content (UGC) has become a new trend and a prospective area of investment in the game industry. 80.lv's Instagram poll shows that **59% of game developers want to have UGC in their own games.** The increasing interest in users creating content supports the fact that game creation and sharing platforms are reporting significant growth of daily active users. This year, Roblox's growth was up 17% from last year.

UGC is advantageous to companies due to the economy of scale (initial investment in the tooling for UGC and its maintenance pays off as the same system works for many creators). Another benefit is the opportunity to use community forces without the need to hire. Amateurs with fresh perspectives can come up with great innovative ideas and solutions that big companies would've never thought of. **Creators can improve a game and bring the main value for regular players — replayability.** People spend a lot of time online and want more immersive experiences that can keep them entertained.

Easier recognition, accessibility for developing mods, and participation in a studio's game creation process are the pillars of creators' motivation. Creators are ready to experiment with Web2 and Web3 Metaverse platforms, which demonstrates their economic interest and the importance of gaining an immersive content creation experience.

Tal Shachar
Infinite Canvas
CEO & Co-Founder

Due to Infinite Canvas, creators can launch their properties across Web2 and Web3 Metaverse platforms. The service cooperates with the developers or creators on a day-to-day basis and provides them resources and support to enable their projects to be successful.

The beauty of the gaming industry is that there are strengths and weaknesses for every approach. There are plenty of incredible AAA titles that don't have any user-generated content, and they're great on their own. However, there are also many equally amazing gaming platforms like Roblox, Fortnite Creative, and Minecraft which enable content creation by users.

For most companies, when they built these AAA projects, the core part of the games which they were really excited about were built for themselves. Then, they might have added tools for creators and let people play around, but they never really saw themselves as platforms; they always saw themselves as products. Lately, though, big developers and companies are recognizing how valuable and important these user-generated creations are, and they are investing more into the tooling and technologies.

There are really successful cases of integrating UGC into games (Minecraft, Fortnite, Roblox), so we shouldn't be surprised if other big studios with big properties and titles start enabling this kind of ecosystem on top of their games. We're also seeing a lot of venture-backed companies, especially in blockchain and crypto, that are trying to build their own version of something like Roblox, Minecraft, or a Metaverse where people can create and, ultimately, monetize their experiences.

One of the reasons Tal is excited about what's happening with Web3 is that there are so many people experimenting and trying different approaches to ensure that creators have an economic interest in what they create.

Tobias Enholm
Dims UGC platform
CEO & Co-founder

Tobias thinks that the reason interest in the UGC niche is so huge is because many people live large parts of their lives online, and there is a need for experiences and content on every level.

- *It is profitable to have a community that creates content. As the respondent said, "the economy of scale."*
- *True innovation comes from creative communities, where mods prolong the life of games, but the potential of UGC is not fully revealed as it is difficult to bring innovation to the game on top of everything.*

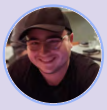
Reducing friction is the main aspect of content sharing. Also, easy recognition can be a big motivator for creators when they can imagine their work as a great title.

Scott Reismanis
ModDB, Mod.io
CEO & Founder

mod.io enables creators to do everything officially, in partnership with game studios. They provide the engine plugins (for Unreal Engine, Unity, and custom engines) and in-game SDKs, allow for community management of content, assist in moderation, provide discovery tools, and have a monetization system in development. Anything that a studio needs to engage with their community to enable UGC is what mod.io provides.

Scott gives an example of UGC that ended up officially added to a game because the studio released creation tools directly to the consumer. This space continues to grow as digital distribution services continue to make it more accessible.

Utilising UGC creators and their content is the perfect way to achieve what studios are setting out to do: Finding new ways to engage and entertain their players. This is becoming more important as studios are becoming increasingly dependent on releasing new content; and it achieves this without any additional lift on the studio.



Jon Higgins
New World Interactive
Former Business Development

From a developer perspective UGC can be economically beneficial for studios. When successfully incorporated into the development pipeline of a title, it enables a steady stream of fresh, replayable, post-launch content, which can retain (and even acquire) users without needing to dedicate a large number of internal resources or outsource development to external studios.

Kevin Østerkilde
Algolia
Software Engineer

The main value of UGC is replayability. Users come back to your game because they can tweak it to their liking. Mods can make visuals, sound, and gameplay more interesting and eye-appealing, and modders can even create a whole new storyline within the game.

Mod.io incorporates mods into consoles, and Kevin thinks it is sad that not many companies take advantage of it. Even though adding UGC support to your game requires a lot of work, it can bring a lot of value to the game if it's done correctly.

Mikael Palmer
Paradox Interactive
Product Manager

Mods are crucial in Paradox's games. The company has a large modding community and makes its games very mod friendly. Moreover, a very large percentage of Paradox's players play every session with mods enabled.

Key Takeaway #2: Developers & Creators

The collaboration models between developers and creators include different stages of work with content: from optimization, scaling, and launch to marketing, distribution, support, and even overall management of creators' properties across platforms. The developer/publisher may buy the rights to copyrighted content or pay a share of the sales. Forms of UGC creator support include giving creators a fair chunk of royalties, allowing them to move the content from one platform to another, and hiring them as independent contractors or actual employees of the company. This kind of collaboration greatly simplifies the recruitment process for game studios/platforms and, at the same time, it provides a great opportunity for developers to level up their resumes.

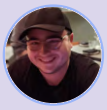
Tal Shachar
Infinite Canvas
CEO & Co-Founder

Infinite Canvas exist to help optimize, grow scale and launch creators' properties across Web 2 and Web Sometimes that means partnering on a day-to-day basis with the developers or creators and just giving them kind of resources (for marketing and distribution) and support that enables them to make their properties as big and successful as possible. Sometimes they get involved a little bit more, manage everything, while creators just act as art directors.

It's technologically difficult to build a platform that allows people to create, distribute and monetize their creations.

Tobias Enholm
Dims UGC platform
CEO & Co-founder

Tobias noticed that the main opportunity of this model is risk weighting because the company can calculate what it needs: change modders, find new developers or make a symbiosis of specialists. It's not necessary to hire employees for a long time. Moreover, people will create something valuable for the company.



Jon Higgins
New World Interactive
Former Business Development

Today, as the amount of open educational resources grows, the quality of UGC improves too. In his previous role at New World Interactive, Jon's team would often buy this content or hires developers from the community to make future content for them. Sometimes there is no relationship between studios and creators and studios just get benefits from mods

Kevin Østerkilde
Algolia
Software Engineer

The relationships with creators are organized differently, depending on the company. As an example, Valve has an SDK that can be publicly downloaded and be the base for mods. On the other end of the spectrum, there are companies that are against modding, Activision being one example of this. The third view can be described by the example of Microsoft and Halo. You can create a Halo mod as long as you're not using any of Microsoft's assets. If you recreate them from scratch instead then you can upload it.

Mikael Palmer
Paradox Interactive
Product Manager

The company has had a bunch of different initiatives, and the primary one is content creator packs. Paradox partners up with creators and scopes a piece of UGC out together with them based on a need that the studio sees in one of their games. Then, the creators' content releases just like any other DLC. Work with creators depends on the game and userbase, but there is usually a pretty manual approach. For example, when it comes to premium UGC, the game team identifies a creator and then they discuss the project and collaborate around the scope for it.

As for mods, the company has sessions with groups of modders and talks to them. Also, there are a lot of collaborations with modders who come to marketing events or view streams.

Scott Reismanis
ModDB, Mod.io
CEO & Founder

Studios often recognize amazing creators from their community, and that's how a lot of people got their job in this industry. Today, if a game studio wants to commercialize content, the safest approach is to start working directly and officially with their mod creator community. It means using something like mod.io - a solution that's designed to build a bridge between a studio and their creators, offering everything from integration with their plug-ins, to a custom built monetization service.

Key Takeaway #3: Challenges

The main challenges of UGC are technical and legal complexities. Developers face the problem of providing their platforms with moderation, security, and monetization tools to allow users to create content. The majority of large game studios don't have special skills for building these processes and want to create their own content even if UGC is cheaper or free. There may also be a risk of plug-in incompatibility when implementing monetization on a platform. From a legal point of view, the interviewees noted the difficulties of arranging UGC payment processes. The reasons for it are the high overhead costs (requirement) and maintaining fairness for creators and enabling growth for users.

Even if a company manages to build a platform for UGC, another problem can appear - gamers' reluctance to use it. There is a "network effect": developers attract players to the platform through content creation, but players only choose services that already have content. So, the studio should make an effort to motivate people to use its platform.

Tal Shachar
Infinite Canvas
CEO & Co-Founder

Lots of big games (Dota, World of Warcraft, etc.) came out of some sort of modding community. Historically, the challenge for big developers was the fact that they just weren't set up to create the tooling for UGC. To keep developers from the modding community on their platform, they would have to have built creative tools, monetization tools, and moderation tools, which is hard.

It's technologically difficult to build a platform that allows people to create, distribute, and monetize their creations. This platform also has to have moderation and safety tools to ensure that people aren't being taken advantage of, and that they're not creating things that would violate various terms of service or certain social mores. This is a very big challenge for developers.

Also, just because you have a platform doesn't mean that everybody will want to use it. It's important to incentivize people to do it. If you think about it, there's usually a bit of a two-sided network effect for these things: you need developers to make content to attract players, but players only want to go somewhere where there's already content made by developers. So, this is another challenge.

It's not only difficult from the technology standpoint, but also from the legal side. It's hard to come up with the right rules for handling the payment process (whether it should be done through some legal entity, individually, etc). It's hard to define what's fair and what will allow people to grow and succeed. Giant corporations that build these platforms also have their own incentives and goals which don't always align.

Tobias Enholm
Dims UGC platform
CEO & Co-founder

Complexity and costs are crucial drawbacks of the UGC model. If you have developers all over the world, it will be hard to pay them from a legal point of view. It is a big overhead.

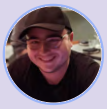
Ted Riese
Craft-e-Paws
Mobile Game Developer

Ted would like to give payments to a lot of users, but it depends on the software that he's working with, highlighting the problem of plugin compatibility.

Scott Reismanis
ModDB, Mod.io
CEO & Founder

Game studios primarily focus on processes related to the content they build. So, they aren't necessarily engaged in the compliance processes for UGC - such as reporting, taxes, community, collaboration, moderation, safety, discovery, and monetization.

These challenges can be an entirely different beast than what developers are used to dealing with. This is why platforms like mod.io are growing. Dealing with all these processes is what mod.io was created to do. From reporting and content discovery to monetization and taxes, mod.io is solving these challenges for studios.



Jon Higgins
New World Interactive
Former Business Development

UGC makes sense for many types of games; however, there may be a reluctance for AAA titles that rely heavily on DLC and Microtransactions to embrace this model. Developers and publishers that monetize through the sale of in-game items may not wish for their user base to have access to tools to create their own in-game items, for fear of cannibalizing the sale of official content

Key Takeaway #4: Content ownership

The question of **content ownership becomes one of the central dilemmas** as a consequence of the number of different stages of interaction between developers and content creators. There are two perspectives on who the end owner of content created by one party and managed/promoted by another party should be.

Some platforms do not recognize or own the majority of legal rights (and users' Intellectual Properties) to the content (e.g. Roblox, Activision), whereas others do encourage and support content creators (Mod.io, Valve, Paradox).

A proposed way to **solve the question of legal ownership is an automated smart system** which helps creators receive payouts legally and states all the details of such a partnership.

Tal Shachar
Infinite Canvas
CEO & Co-Founder

What creators actually own or don't own is a very complicated question that really differs based on the platform. Most platforms own users' Intellectual Properties to the characters or other content they've created. Creators use the platform and its tools to make something, so they give up the license and power to control it to the platform.

Right now, some interesting and potentially really cool things are happening on some of these Web3 crypto platforms. Thanks to the way they're structured, in a lot of cases, creators truly own their content and can move it from place to place.

Tobias Enholm
Dims UGC platform
CEO & Co-founder

There is an issue with intellectual property rights between companies and modders, so an automated system can help creators receive payouts legally since it can be treated as a business opportunity.

Ted Riese
Craft-e-Paws
Mobile Game Developer

Ted has been looking into how to create NFTs inside games. It would depend on the user agreement as well as on the games. For example, in some games it is important to allow users to keep their own content, but in other games it is better to reserve those rights.

Scott Reismanis
ModDB, Mod.io
CEO & Founder

When it comes to content ownership it has been a bit tricky in the past. mod.io is developing a system that enables monetisation where the revenue share between the studio and creator is decided ahead of time, and up to the studio. This is the safest approach - for the studio to work directly (and officially) with their creator community.

Kevin Østerkilde
Algolia
Software Engineer

A smart contract system is needed because, even if you made something on top of an existing build, you still made the initial work and deserve at least some of the credit.

Key Takeaway #5: Payouts to content creators

UGC creators are important to game studios, so there are ways to retain creators via monetization. **Game studios offer payouts to content creators** if their content is included in official releases or DLC. Additionally, the developer can upload their content to the game's workshop and receive a share of its revenue. Game studios express interest in implementing mass payout solutions to UGC creators. Developers believe that content creators' work should be rewarded.

Tal Shachar
Infinite Canvas
CEO & Co-Founder

More people are experimenting with different ways of giving people the tools and then helping them monetize it to earn money off of those creations. It's great in the long run, although not every strategy is going to work.

Tobias Enholm
Dims UGC platform
CEO & Co-founder

The interviewee gave an example of Roblox that uses the model of users creating mods successfully. Roblox pays modders not as a contract, but as a reward.

The reward model can be scalable if the company understands how to combine this model with recruitment; that is, establishing a contractual agreement with workers.

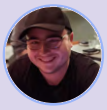
The interviewee thinks that receiving payments in in-game currency is a step away from getting people motivated to create something. Direct deposits reduce friction and are the smartest way for companies to pay creators.

Contracts can limit creators' dreams, but it doesn't necessarily have to be a worse bottom line for the businesses. The company will evolve if it can monetize people and incentivize them to invest a lot of time, love, and energy into things in order to create quality content.

Scott Reismanis
ModDB, Mod.io
CEO & Founder

Companies can use a monetization system or platform like mod.io to decide the rules for how content is going to be commercialized. There are a number of business models that apply to that, whether that be patronage or a UGC marketplace. They could also incorporate modded content into a season pass or the next DLC update, then pay the creators who contributed to that package.

Scott knows that creators are incredibly important to game studios, and this value can be multiplied exponentially if monetization is available for the creators. This allows the creators to act in a more professional capacity, thus creating better content over longer periods of time. Monetisation enables UGC creators to stay in a gaming ecosystem while continuing to grow and expand it - in partnership with the studio.



Jon Higgins
New World Interactive
Former Business Development

Another way to form meaningful relationships is for game studios and publishers to work with UGC creators to help them bring the content up to the quality level that would be good enough for a standalone release. It's also important to grant the UGC creators the rights to the content or a share of the revenue from it.

Jon gives an example of the DayZ Mod and ARMA 2. News sites report that ARMA 2, got an estimated 300,000 additional sales when the Day Z mod launched because people who wanted to play DayZ needed to own ARMA 2, the base game. The mod later gained enough traction for the base game's developers (Bohemia Interactive) to commercialize it and launch the standalone title Day Z.

Jon thinks it is appropriate to pay creators a percentage of sales, but if developers want consistent, high-quality community content, it is important that UGC creators are able to transition their hobby into a stable career. Until UGC revenues can support a full-time role, it is often better for studios to hire creators and work with them in-house.

Kevin Østerkilde
Algolia
Software Engineer

They encourage creators to add mods to their workshop; some of them can even be officially added to the games, and creators can get a commission based on sales.

Mikael Palmer
Paradox Interactive
Product Manager

At Paradox, mods are separated into normal UGC and premium UGC. Very active creators are asked to collaborate on what is treated as the production of regular DLC at the studio.

Right now, the company uses different systems and platforms for doing payouts across the world, but it is trying to streamline this process and "put everyone in the same bucket for this solution."

Key Takeaway #6: Future of UGC

User-generated content will become more widespread in the future and will be implemented in many games. There is a constant demand for content, and UGC will become a solution to satisfy it and to prolong the lifespan of games. Interviewees predict that in 10 years, 5 of the top-10 games will be player-created. The popularity of UGC is growing, so individual creators will collaborate more with each other and create UGC more collectively. However, **UGC probably won't work for some AAA companies;** some enterprise developers might want to sell their own content and have all the rights to UGC belong to the studio, which is rather controversial for creators.

Tal Shachar
Infinite Canvas
CEO & Co-Founder

Tal is assured that UGC is going to be a huge driver of growth for the industry as a whole. The reason why we're seeing more and more people and developers open up to these types of tools and creative abilities is simply that there's a lot of creativity and talent in the world.

Lots of people could make amazing experiences or content, they just didn't have an opportunity to do it before. When you give people the tools, and make it easy for them to create and distribute their content, they can come up with stuff that a big company might not have ever thought of.

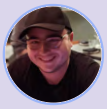
Platforms will have to balance between their own interests and the interests of creators and players. There's going to be a lot of experimentation. Shachar hopes that creators will continue to own and retain more and more control over their IPs.

Tobias Enholm
Dims UGC platform
CEO & Co-founder

In Tobias' opinion, in IO years, 5 of the top-IO games will be player-created.

Scott Reismanis
ModDB, Mod.io
CEO & Founder

As for the gaming space, it will take quite a bit of time to take place. Scott thinks that there will be companies that assist and create tools for UGC because they will probably want creators to make their content into a "betterverse."



Jon Higgins
New World Interactive
Former Business Development

UGC makes sense for many types of games; however, there may be a reluctance for AAA titles that rely heavily on DLC and Microtransactions to embrace this model. Developers and publishers that monetize through the sale of in-game items may not wish for their user base to have access to tools to create their own in-game items for fear of cannibalizing the sale of official content, in addition to legal issues with ownership. In order to solve this problem, developers often put a point in their terms of service stating that everything created with their tools belongs to them, or at least that they have the rights or license to the content.

For Games As A Service (GaaS) titles, players constantly want to see new content, so if the developers can substitute or supplement official content with UGC, then it makes sense to add the ability for the community to create content. Still, Jon doesn't see all multiplayer/live-service titles using as a store or ecosystem like in Roblox, but that many developers may follow a model more like Counter-Strike, with popular UGC being officialized in updates. For platforms like mod.io, UGC can be optional — like schemes to support creators.

For games with a large need for regular content. Having UGC in your game can make sense economics-wise because you don't have to hire teams or rely solely on internal resources. But, at the same time, many complexities come with non-curated content (extra moderation, ownership rights, etc.). A lot of companies might jump to a "hybrid" model with both official and community content being part of post-launch updates. While content may be created by single mod developers, as quality and scope increase, it's more likely that developers will use independent mod teams (set up as micro-studios) similar to those already found in Roblox or Minecraft and establish some kind of a monetary relationship between UGC creators and the developer or publisher.

Kevin Østerkilde
Algolia
Software Engineer

UGC is going to become more widespread because more and more companies are starting to use the Unreal Engine, which has built-in mod tools. The usage of the Unreal Engine and mods can prolong the lifespan of a game, and companies may realize that, even though some of them consider mods to be a violation of IP.

80 Level team:

Feel free to contact us if you have any questions.

Kirill Tokarev
Business Head
K.TOKAREV@80.LV

Viktoria Steshina
Research Manager
V.STESHINA@80.LV

Anna Gulyaeva
Research Specialist
A.GULYAEVA@80.LV

Averyan Anchugin
Research Specialist
A.ANCHUGIN@80.LV

Irina Ignatova
Research Specialist
I.IGNATOVA@80.LV

Elena Sitnikova
Junior Research Specialist
E.SITNIKOVA@80.LV

Anna Librekht
Junior Research Specialist
A.LIBREKHT@80.LV

We can make a custom research for you! Contact 80 Level Research Team to learn more.
research@80.lv