Why NFTs Will Shape the Future of Gaming

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Video games are one of the few mediums in which people freely collaborate regardless of race, ethnicity, gender or geography. This universal appeal stems from the ability to enable players to travel across different dimensions and build their own narrative as they unlock characters, weapons and other in-game items. The allure of creating a whole new identity in another world fosters a deeper interaction with users, far beyond that of any other form of media.

Unfortunately, as it stands today, gaming applications are built on centralized infrastructure with all in-game assets, user data, game logic, etc., stored on closed systems where complete ownership lies solely with the gaming companies. This means that these games predominately operate by perpetuating a flow of value where players invest their time and money only to increase the profits retained by game developers such as Activision, EA and Epic Games, to name a few. The gaming industry is expected to yield nearly $200B in revenue in 2022 alone, showing no signs of slowing down in the coming years.

To restructure the one-sided economic systems imposed by traditional games, a blockchain technology called NFTs can empower players to contribute to an equitable ecosystem that embodies the values of ownership, interoperability and transparency.

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Ownership

The famous first-person shooter game Call of Duty generated an estimated few hundred million dollars in revenue on in-game purchases in 2021 alone. Despite having paid for these digital assets, if Call of Duty experienced some downtime or were discontinued altogether, players would have no way to use their assets as they were only accessible within the confines of the game. Thus, players never actually experienced ownership over any of their assets.

In contrast, NFTs exist independently of any individual gaming ecosystem and live directly on the blockchain. As a result, regardless of what happens to a game, in-game purchases in the form of an NFT can always be bought, sold or traded on public marketplaces.

The autonomous nature of NFTs enables many use cases outside of just commerce. For instance, an NFT can be displayed outside of the game it originated. This can allow owners to include their NFT on their social profiles to build a reputation as an elite gamer, collector or degen. Gaming NFTs enable owners to expand utility far beyond entertainment and become part of a much larger effort to create a unique digital identity.

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Interoperability

Up until the introduction of blockchain gaming, games exclusively existed on centralized servers. As a result, in-game assets could only exist within their own game-specific systems, unable to communicate with other online applications.

For example, most people will eventually get tired of a single game and move on to another. When this happens, they can not transfer any of the content they unlocked within the game,

thus abandoning all of their efforts. Is it fair for all their time, money and effort to be rendered useless?

This lack of interoperability, caused by siloed ecosystems, effectively fragments the gaming world, ultimately punishing gamers. Instead, games have the opportunity to design for interoperability, thus opening their ecosystem up to network effects as players from other games can also interact with their application. For instance, two games built on the Binance Smart Chain network can logistically support the same in-game assets such as characters, weapons and vehicles. As a result, games could see an increase in customer growth, engagement and satisfaction.

Transparency

When players earn or purchase any in-game item, they cannot objectively assess its rarity, authenticity and scarcity. Therefore, there exists an implicit need for game developers to operate as honest actors.

On the other hand, NFTs will spark a new era of transparency in gaming. In-game assets, in the form of an NFT, can enable owners to freely access helpful information such as specifics around the NFT's uniqueness, the total number in circulation and indisputable proof of the NFT's validity. This level of transparency will drastically increase trust between buyers and sellers, likely giving birth to a vibrant secondary market. Further, NFTs can provide even more advanced data for avid gamers. For instance, NFTs contain information including the number of past owners, average hold time, previous sale prices, asset creation date, etc.

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Conclusion

The difference between traditional gaming assets and gaming NFTs is quite significant. A quick dive into the fundamental differences between the two reveals how much more effective blockchain-based assets can be in creating a more player-driven ecosystem.

For the first time, in-game assets as NFTs will enable games to offer utility far beyond what was previously thought possible. The beauty of in-game NFTs is they bring the gaming world a little closer to the real world. And isn’t that the endgame?

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