*STEAM - VALVE*

INTRODUCTION

Valve is the creator of *Steam*, the pioneering game platform that distributes and manages thousands of games directly to a large community of people

*Steam* is a digital platform developed by valve cooperation offering digital rights management, multiplayer gaming and social networking. It provides freely available application programming interface called steam works. Developers can use *SteamWorks* to integrate many of *Steam’s* functions into their products including networking, match making in game achievements and support for user created contents through steam workshop. *Steam* also provides the users with installation and automatic updating of games on multiple computers and community features such as friends list and groups, cloud service and in game voice and chat functionality.

*Steam* development began in 2002. Working titles for the product included grid and Gazelle. It was first revealed to the public on march 22nd 2012 at the game developers conference where it was presented purely as a distribution network. The *Steam* client was first made available for public better testing in January 2003.

Though initially developed for the use of *Microsoft* *Windows*, versions for *Osx* and *Linux* operating systems were later released. This website replicates much of the store fronts and social network features of the stand-alone application. Application whose main functions are chatting and shopping have also been released for *iOS* and *Windows* mobile devices.

By November 2015, the service had as many as 12.5 million users and had over 125 million registered accounts. This platform (*Steam*) is the largest digital distribution platform for pc gaming and was estimated by screen digest to have 75 percent of the market space in October 2013. The success of the *Steam* platform has led to the development of a line of *Steam* machine micro-consoles and personal computers meeting minimum specifications and *SteamOS*.

Briefly, the *Steam* platform allows any one to purchase, download, install and play any game on the platform. They also have free games available. *Steam* was the first ever company to come up with this idea. With the *Steam* application, you can participate in the *Steam* community wherever you go or wherever you are.

HOW STEAM TECHNOLOGY WORKS AND ITS SUCCESS

*Steam* uses CDN (Content Delivery Network). Here, large numbers of servers are clustered in various locations across the world in groups called *Datacenters*. Each of these *datacenters* have multiple redundant copies of many games. When you want to download a game, you are routed through the nearest *datacenter* to a server that can provide you with that game.

This structure minimizes the impact of individual failures and provides you with a quicker download wherever you are. *Steam* Machines (*SteamOS*) are stand-alone devices that let you enjoy the *Steam* gaming experience in one box, providing gamers with a hoist of hardware devices at a variety of price points and configurations. Further, it helps you customize a gaming experience that best suits your need while choosing from *Steam’s* thousands of games, user generated content, and more from any room in the home.

The reason why this technology succeeded and very rapidly was because, *Valve* was the first to come up with this idea. Thereby making it easy for people to rather download what ever games they wanted to play online, rather than going to get the games from the actual stores. That, it helped in the idea of digital distribution.

It is also known for selling games made by third parties such as *Skyrim* and *Call* *of* *Duty*. But, *Steam’s* real value lies in the way it gives independent publishers equal footing against big corporate game makers. By the time *Valve* came up with this technology and idea, its competitors had not known about it which thereby made it easier for the technology to become popular and widely used.

*Valve* started out as a small business and created *Steam* as a means of selling games it had developed itself like *Half* *Life* and *Counter-Strike*. Most of these games were known as popular. But now, a massive study of *Steam* users conducted by *Ars* *Technica* shows us the scale of *Valve’s* empire.

The study scraped play and sales data from hundreds of thousands of individual *Steam* user profiles. What the numbers show is that *Valve* and its technology have been incredibly successful in converting its in-house games into hits. *Steam* users have spent a combined 3 billion hours playing *Valve’s* fantasy multiplayer games, *Dota 2*, and many others. The overall gaming universe is huge, and *Valve* is just a part of it making a whole lot of success.

Apart from its very quick and good distribution technology, *Valve* games are mostly games that attract their target market and what their customers would continue to want. This also gives them an upper hand over their competitors. It might seem natural that *Steams* hottest games would be the one that its owner made. But to say that would be to down play the magnitude of *Valve’s* achievements and its position in the market place. With access to 7.5 million active users as compared to it competitors, *Valve* enjoys immense bargaining power with other publishers who want to have their games sold on *Steam*. This is because of the popularity of the company and its technology which equally generates more profits for the company. The company is able to run vast economic experiments on its users, so as the know exactly what they want. And the, *Valve* reaps recurring benefits when people spend money in game purchases in *Team* *Fortress* *2* and other titles.

Valves own games are the sources of its incredible staying power and the reason why business model has now been totally validated.

CHALLENGES

Although *Steam* has been very successful through out the years, it nevertheless faces certain challenges. Some of these challenged are:

# Financial (for the company and User)

**Company:**

The lack of insufficient funds to buy servers all round the world was also a major problem faced by *Valve*.

**User:**

A $700 *Steam* Machine built for high end gaming and a $100-$200 streaming box similar to PS Vita Tv and very different. One works as a standalone product, while the other requires a separate gaming PC. *Valve* has already confirmed that *Steam* machines will hit a range of different prices and specs, catering to individual players and their individual preferences. All of these adds further variation to the *SteamOs* Platform. The original idea for the *Steam* box was unique because it had the capacity to standardize PC gaming, clearing away the confusion that often deters casual players from exploring and adopting the *Steam* digital distribution platform.

The sheer variety of *Steam* machines could simply reproduce this problem. And the performance they expect from this hardware is uncertain.

Also, a high-end gaming PC isn’t cheap. While its possible to build a rig for $500, most people would argue that you need to spend around $700 to get a competitive and reasonable proof setup. Unlike *Valve*, Sony and Microsoft are large corporations with the ability to subsidize their respective systems, banking on the long-term revenue produced by software, services and advertising.

Also, if *Valve* takes the risk to offer high end specs along side an incredibly aggressive price tag, and if the first wave of *Steam* Machines is more expensive than these two consoles and don’t offer a significant or noticeable improvement in performance, that could be a sizeable problem.

# Cultural

At the beginning, there were not too many users of the *Steam* technology because people were used to and preferred going around to get their games by themselves. To get around that they acquired the rights of a very popular game (*DOTA*, rebranded *Dota 2*) and place it free to play within the platform, moving an immense amount of users into the platform.

So therefore, another problem that *Valve* faces is how to get members of the society to become well acquainted with buying their games online, and convincing them that it is more efficient and effective. As we all know, changing the attitudes of people in a society to meet your market supply and see the need and necessity of your product is not an easy task. That’s why *Valve* has a good number of servers put in place so as to try to serve their customers efficiently and effectively and equally attract more to the market.

# Technical and Customer Support

Having servers working 24/7 around the world and also making the interface user friendly, having a good technical support is not that easy to maintain, they faced this challenge with funding.

Because of the increasing knowledge of technology and gaming in the society, *Steam* is required now to play many games for personal computers. its customer service has been highly criticized by its users, with users citing poor response times or lack of response in regards to issues such as being locked out of one's library or having a non-working game redemption key. In March 2015, *Valve* had been given a failing "F" grade from the *Better* *Business* bureau due to a large number of complaints in *Valve's* handling of *Steam*, leading *Valve's* Erik Johnson to state that: *"we don't feel like our customer service support is where it needs to be right now”.* Johnson stated the company plans to better integrate customer support features into the *Steam* client and be more responsive to such issues

# The SteamOS Vs Gaming PC

*Valve’s* main goal is very clear. It wants its Linux based walled garden, *SteamOS*, to take across living rooms across the world. Whereas PC users can install *Steam* along with other competing services such as *Electronic* *Arts*. In other words, *Valve* wants all games to be purchased and played within them.

The problem right now is that *Steam* machines offer no real advantage over regular PCs hooked up to a TV.

# Recommendation

Gaming hardware is undergoing an unprecedented level of convergence. The *Playstation* *4* and *Xbox* one, running on x86 architecture, are similar to PCs. *Valve* with *SteamOs* and Big picture mode is starting to make PC games more like the established game consoles.

*Valve* has a huge opportunity to disrupt the status-quo and bring pc gaming into living rooms. It however need to prove that, there’s a desire from consumers for a platform that’s as open and versatile as *SteamOs*. If it can’t resolve some of these fundamental problems, *Valve* will struggle to gain the support of developers and PC gamers as well as the wider public.

COMPARISON OF BEFORE AND AFTER STEAM

Before *Steam*, the normal way of purchasing was physically in stores. Today, almost everyone purchases online games. Competitors have adapted and launched their own platform (*EA – Origin, Microsoft - XBOX Live and Sony - PSN*). Most PC games providers have an agreement with *Steam* to sell their games there, although most companies now have their own platform.

# In Sector Competition

From its inception in 2003 through to nearly 2009, *Steam* had a mostly uncontested hold over the PC digital distribution market before major competitors emerged with the largest competitors in the past being services like Games for *Windows* – Live and Impulse, both of which were shut down in 2013 and 2014, respectively. Sales via the *Steam* catalog are estimated to be between 50 and 75 percent of the total PC gaming market. *Steam’s* critics often refer to the service as a monopoly, and claim that placing such a percentage of the overall market can be detrimental to the industry and that sector competition can only yield positive results for the consumer. Several developers also noted that *Steam's* influence on the PC gaming market is powerful and one that smaller developers cannot afford to ignore or work with, but believe that *Valve's* corporate practices for the service make it a type of "benevolent dictator", as Valve attempts to make the service as amenable to developers. As *Steam*, has grown in popularity many other competing services have been surfacing trying to emulate their success. The most notable major competitors are *Electronic* *Arts'* *(EA)* *Origin* service, and *GOG.com.* *Battle.net* now competes as a publisher exclusive platform, while *GOG.com's* catalog includes many of the same titles as *Steam* but offers them in a DRM-free platform. Upon launch of *EA's Origin* in 2011, several *EA*-published titles were no longer available for sale, and users feared that future *EA* titles would be limited to *Origin's* service. Newell expressed an interest in *EA* games returning to the *Steam* catalog though noted the situation was complicated. Newell stated, *"We have to show EA it’s a smart decision to have EA games on Steam, and we’re going to try to show them that."* *Ubisoft* still publishes their games on the *Steam* platform, however most games published since the launch of *Uplay* require this service to run after launching the game from *Steam*.

# Legal Issues

*Steam's* predominance in the gaming market now has led to *Valve* becoming involved in various legal cases involving *Steam*. The lack of a formal refund policy led the Australian Competition and Consumer Commission to sue *Valve* in September 2014 for a violations of Australian consumer laws that required stores to offer refunds for faulty or broken products. The Commission won the lawsuit in March 2016, though recognizing *Valve* changed its policy in the interim. The ACCC argued to the court that *Valve* should be fined 3 million Australian dollars "in order to achieve both specific and general deterrents, and also because of the serious nature of the conduct" prior to their policy changes. *Valve* argued that from the previous court case that "no finding that *Valve's* conduct was intended to mislead or deceive consumers", and argued for only a 250,000 AUD fine.

In December 2015, the French consumer group UFC Que Choisir initiated a lawsuit against *Valve* for several of their *Steam* policies that conflict or run afoul of French law, including the restriction against reselling of purchased games which is legal in the European Union. In August 2016, BT Group filed a lawsuit against *Valve* stating that *Steam's* client infringes on four of their patents, which they state are used within the *Steam* Library, Chat, Messaging, and Broadcasting.

# Added Value

Now gamers don’t have to go physically to stores to acquire games at good prices, and have an almost infinite amount of content at their disposal.

The company is also growing quickly. *Valve* announced last year October that it was on track for its biggest year ever, with 200% year-over-year growth. It also said that it had grown more than 100% year-over-year for the past six consecutive years. Given that *Valve’s* numbers and how its tracking against the industry, other analyst more conservatively put the company’s worth at $1.5 billion. A source familiar with the company says that a few years ago, a potential buyer was rumoured to have made an acquisition offer for *Valve* for around $1 billion. *Valve* denies being made actual offers. Thereby confirming that in the past years, it has received more interest in both *Steam* and *Valve* in the past.

But while the company has been PC games and digital downloads, many in the industry may think that the PC market has matured. *Valve* believes the PC games market is healthy and would continue to grow and make more profits.

*Steam* has already begun expanding more onto other platforms as the years go by, launching on the Mac last year in May. And it seems it would continue to do so in the years to come.

# Conclusion

The idea of *Valve* developing *Steam* was and is a very brilliant idea. Because not only has it helped them expand their market, but it has also helped them become very popular and making a lot of profit in the last years. Business in its self is a risk and its always good to try.

*Valve* may have faced and might still be facing certain challenges with its *Steam* technology but yet, it still stands out amongst others. Game players all round the world now use *Steam* to download the games they want to play. Also, other game industries go to *Valve* to help them sell their games on their platform.