

CHAPTER I

INTRODUCTION

1.1. Research Background

The advancement of technology has affected the game industry, particularly in the expansion of gaming platforms such as PCs and mobile phones has significantly transformed the game industry and its market. The development of technology in the game platform has allowed the game industry to increase its accessibility for its customers. The previous limitation of the game industry that affected its accessibility was the fact that the game required a dedicated game console such as PlayStation to be used as described by Zhan et al. (2020). Due to this, the accessibility of the games was affected by the player's decision to spend an initial investment to purchase a dedicated game console that only can be used to play video games. According to Ling (2023) with the development of platforms in PCs and mobile phones, these limitations are significantly reduced. The development of PCs and mobile phones has created a new game platform that is more versatile to be used by the player for many different purposes ranging from communication, work, and entertainment purposes. This in turn created a new platform that can easily be accessed by many people. The accessibility that this platform provides naturally allows the games industry to grow its market.

The increasing accessibility of the games industry and its expanding market have intensified competition among developers and publishers, driving both innovation and challenges. With game platforms such as mobile games becoming more accessible, a wider range of companies including indie developers can now enter the market and compete with established studios. This can be seen as the global mobile gaming market, which was valued at \$90.6 billion in 2022, is projected to reach \$269.8 billion by 2032, growing at a CAGR of 11.7% according to allied market research analysis (Kumar, 2023). The growth of the mobile games market can be associated with how people generally has a positive view on the perceive the value and willingness to adopt this platform as stated by Ramírez-Correa et al (2019). While this growing competition leads to more diverse and innovative gaming experiences, it also raises challenges for smaller studios trying

to gain visibility in an increasingly crowded market. The increase in competition within this industry has made game developers adopt a different approach to their games.

One of the approaches that was developed will be the free-to-play(F2P) business model. Free-to-play was a business model where players could download and play the games without needing to pay for the games, instead, the revenue and profit of the games will be centered around microtransactions and in-game activity. By removing the upfront cost, F2P games lower the barrier to entry, allowing developers to reach a much larger audience compared to traditional paid games. This model is popular among mobile and multi-player games that rely on engagement and player retention for their long-term profitability. The microtransactions that are often involved within the free-to-play games range from virtual items (such as characters, skin, and equipment), in-game currency or resources, and exclusive features such as speed up and no advertising. The revenue for free-to-play games also comes from in-game advertising. According to Chen et al. (2021) free-to-play games could also offer advertising options that reward players after watching advertising. In turn, benefits the player from improved gameplay functionality, the supplier earns more money, and the ecosystem's advertising benefits as well.

Among many types of games that utilize the free-to-play model, Gacha games are one of the games that heavily utilize this. Gacha games itself were Free-to-Play (F2P) games that use a randomized reward system to monetize gameplay. It utilizes a "lottery-style " mechanic where users can purchase characters, goods, or enhancements with unpredictable outcomes by using in-game currency. According to Chen & Fang (2023) The gacha game focuses on selling a draw to pull a specific chance for the buyer to win a reward from the gacha reward pool. This reward usually comes in the form gacha banner where the user can pull a certain character or item within a certain time. to keep player engagement and purchase incentives, variable reward schedules and collection mechanics are often implemented in gacha games. By implementing the F2P model, gacha games attract a large player base and generate their revenue primarily from a smaller percentage

of dedicated players, often referred to as "whales," who spend significant amounts to obtain rare content..

Based on data from The Gacharevenue website, the gacha game genre has generated approximately \$651,808,750 in revenue, showing a growth of 0.18%, with a total of 29,624,500 downloads across Android and iOS platforms. This impressive revenue is primarily earned through various monetization methods, including the sale of battle passes, cosmetic items like character skins, and paid rolls for gacha banners, which offer randomized in-game rewards. These strategies highlight the effectiveness of the gacha model in converting player engagement into consistent financial success.

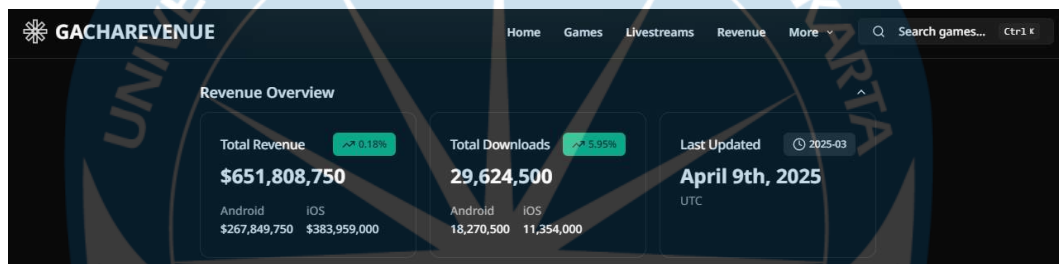


Figure 1. 1 Gacha Game Revenue

Source: <https://revenue.ennead.cc/> (2025)

Gacha games monetize primarily through a mechanic known as the "gacha role", where players spend in-game currency that could be earned through gameplay or purchased with microtransaction. These rolls will then be used to receive randomized rewards such as characters, items, or skins. These rewards are often distributed through limited-time gacha banners, which feature exclusive or high-value content with varying drop rates. This system encourages repeated spending as players attempt to obtain rare items before the banner expires, leveraging psychological triggers like fear of missing out (FOMO) and variable reward schedules to drive monetization.

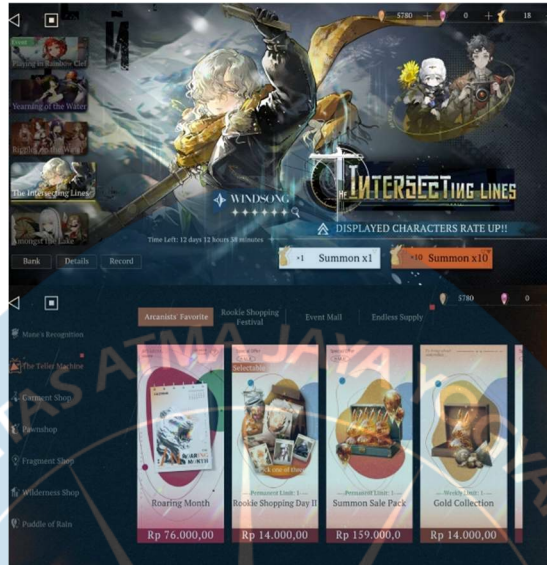


Figure 1. 2 Gacha roll Monetization

Source: Gacha game: Reverse 1999 (2025)

Gacha games also monetize through the sale of character skins, which are cosmetic items that alter a character's appearance without affecting gameplay mechanics. These skins are often available through special in-game stores and limited-time events. These skins can only be purchased through the in-game store by players using real money or in-game currency. By offering exclusive, visually appealing, and time-limited skins, Players are encouraged to spend money by developers to customize their characters and stand out in the game's community because they instill a sense of urgency and prestige.

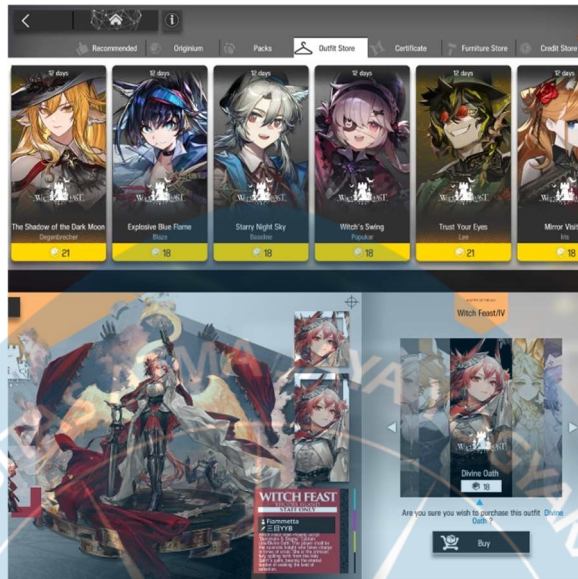


Figure 1. 3 In-game skins store in gacha game

Source: Gacha Game Arknights (2025)

Another common monetization in the gacha game will be through the battle pass system. This system offers a tiered reward system that incentivizes continuous play and spending. Players usually can access a free tier with basic rewards. Meanwhile, the premium pass usually needs to be unlocked through microtransactions. The premium battle pass usually offers exclusive items, currency, and cosmetics as its reward. As players progress through levels by completing daily or weekly challenges, the battle pass creates a sense of progression and value, encouraging players to stay engaged and maximize their investment, thus increasing player retention and monetization over time.

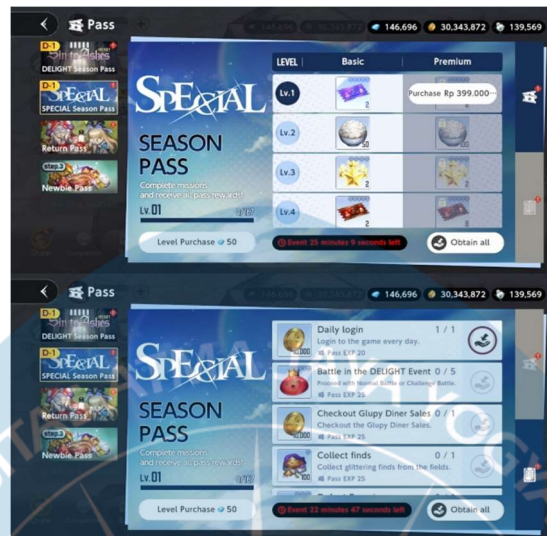


Figure 1. 4 Battle pass system in gacha game

Source: Gacha Games Browndust 2 (2025)

To maintain player retention, gacha game emphasizes in the use utilizing virtual items to keep the player. Based on Rentia & Karaseva (2022) one of the aspects that keep players engaged in playing a gacha game is through the story and world-building of the story. This indicates the telepresence aspect that contributes to maintaining player engagement. The previous study also indicates player enjoyment in the games such as collecting characters, skin, and limited items (Rentia & Karaseva, 2022). This study is also supported by Hamari et al (2020) which concludes the more enjoyable the players perceive the service to be, the more they are willing to use it. Other studies also indicate that the skill and challenge that gacha games provide affect player engagement (Zhang, 2024). In general, we can see how gacha games implement aspects of their game to keep their player in a state of focus and engage with their games.

In the context of video games, the term player, according to a previous study by McKechnie-Martin et al. (2024), refers to an individual who not just performs isolated actions but as someone engaged in gameplay activities through game systems, rules, mechanics, dynamics, and interfaces in order to achieve goals or

experience entertainment. Players are not merely passive consumers of digital content but active participants who make decisions, solve challenges, and engage with the game environment. In gacha games specifically, players take on the dual role of both participants in gameplay and consumers within a microtransaction-based ecosystem. This dual role highlights the importance of studying player motivation, since purchasing decisions are influenced not only by in-game mechanics but also by the psychological experiences that drive continued play.

1.2. Research Gap

Previous research regarding the effect of Flow on the player purchase intention on game microtransactions previously has been studied by Ghazali et al (2023). This study by Ghazali et al (2023) investigates the factors that contribute to the development of flow within video games. This factor consists of the enjoyment, skill, challenge, and Telepresence. The flow that was formed was then tested to see the effect on the player's purchase intention. The study also uses the effect of continuous intention and the enjoyment of buying as mediating factors between the flow and purchase intention. The result of this study shows that all the contributing factors to the flow have a positive influence on forming the player flow. Further, the flow of players also has a positive influence on the player purchase intention with the effect of continuous intention also proven to have an effect.

Despite offering valuable insights, the previous study has several limitations. One of the limitations will demographic of the respondents who are mostly from Europe, with few respondents from Central America and the Caribbean. Furthermore, there was also an issue regarding the consistency of factors that contributed to forming the flow in player. An example of this inconsistency is the study conducted by Anandya et al (2023). Within this study Anandya et al (2023) explores similar research with a focus on different games within the same genre with the demographic of this respondent from Indonesia. This study found

that Challenge and telepresence do have a positive influence on flow while skill doesn't have one.

Another limitation that researcher wish to emphasize is that, in studying player purchase intention in the context of gacha games, it is also important to distinguish between motivation and behavior. According to Patzer et al. (2020) motivation and behavior are define as the following. Motivation refers to the underlying psychological drivers that influence players' decisions. In the context of video games, it will center around various things such as the enjoyment of gameplay, a sense of skill mastery, or immersion in the game world. Behavior, on the other hand refers to persistence in performing certain actions on a repetitive basis that reflects the observable actions players take, such as making in-game purchases or engaging with specific game features. While behavioral studies provide valuable insights into what players do, they often fail to explain why players in gacha games continue to engage with the games despite the microtransaction nature that quite pays to win. This research emphasizes the study of player motivation, as understanding the psychological factors behind engagement offers deeper insights into how flow is formed and how it leads to purchase intention. By focusing on motivational aspects rather than merely behavioral outcomes, this study aims to provide a more comprehensive understanding of the mechanisms that drive player spending decisions in gacha games.

With this limitation in mind, this research will replicate the previous research to test the consistency of the previous research regarding the factors that contribute to the flow of players in games. This research also will explore a different genre of games that will be the gacha games instead of MOBA games that were explored in previous research. The reason will be due to the different nature of microtransactions between both genres. The microtransaction that happens within the MOBA games revolves around a cosmetic item that doesn't affect player power. On the other hand, the Gacha game's microtransactions revolve around the items or characters that affect player power in games.

1.3. Research Question

1. Does enjoyment influence flow in gacha games?
2. Does skill influence flow in gacha games?
3. Does challenge influence flow in gacha games?
4. Does telepresence influence flow in gacha games?
5. Does flow influence player purchase intention in gacha games?

1.4. Research Objective

1. To investigate how flow is affected by enjoyment.
2. To investigate how skill affects flow.
3. To investigate how challenge affects flow.
4. To investigate how telepresence affects flow.
5. To investigate how flow affects purchase' intentions in gacha games.

1.5. Research Benefit

1. Academic Benefit

This research can be used in the academic field to understand player behavior in free-to-play (F2P) game models, particularly in gacha games. In turn, benefits the player from improved gameplay functionality, the supplier earns more money, and the ecosystem's advertising benefits as well. It offers empirical evidence of the ways in which elements like enjoyment, skill, challenges, and telepresence impact flow on player and how they continuously affect their purchase intention. Furthermore, the study explores the mediating role of continuous intention, offering a perspective for researchers interested in behavioral models and purchase motivation within digital entertainment platforms.

2. Practical Benefit

This research offers valuable insights into the factors that drive in-game purchase intention. By understanding how enjoyment, skill, challenge, and telepresence influence and engage player motivation, developers can craft more effective monetization strategies. Moreover, identifying the role of

continuous intention helps in designing retention systems that encourage repeated engagement and spending, which is critical for the sustainability of F2P business models.

1.6. Research Systematic

1. Chapter I: Introduction

Chapter I will contain an introduction to this research. In this chapter, the background of the study, problem statement, research objectives, and research benefits will be explained. This chapter is expected to provide an overview of the rationale behind conducting the research.

2. Chapter II: Literature Review

Chapter II will contain a literature review and previous studies related to the variables used in this research, Such as how enjoyment, skill, challenge, and telepresence could affect the flow, and further how the purchase intention was influenced.

3. Chapter III: Methodology

Chapter III will contain the research design implemented in this study. It includes the data collection methods, determination of the sample size, and how the researcher analyzes the data using analysis tool such as SmartPLS..

4. Chapter IV: Result annd Discussion

Chapter IV will contain the discussion about the results of the data obtained by the researcher. The collected data will then be analyzed to test the hypotheses proposed in this study.

5. Chapter V: Conclusion and Recommendation

Chapter 5 will contain the conclusions drawn from the research data analysis. In addition, this chapter includes the study's limitations, recommendations, and managerial implications based on the research findings.