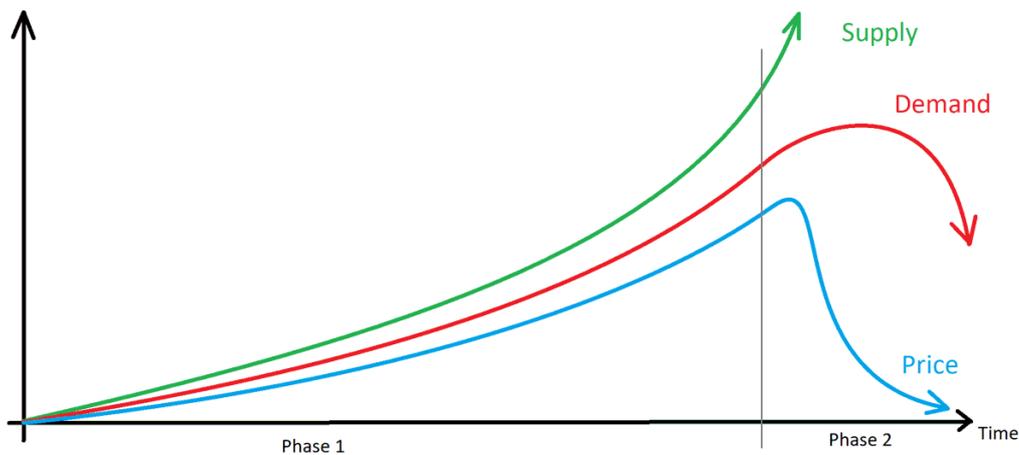




Why most Play-to-Earn models don't work

What can you do to stop the this catastrophic failure?

📄 1/12



Most Play-To-Earn models work by rewarding NFT holders with a token.

The token is burnt to redeem a new NFT in the collection which the player can either hold, rent out or sell on the market.

2/12

To reduce the complexity of the problem we're just going to assume everyone burns their tokens for the NFT.

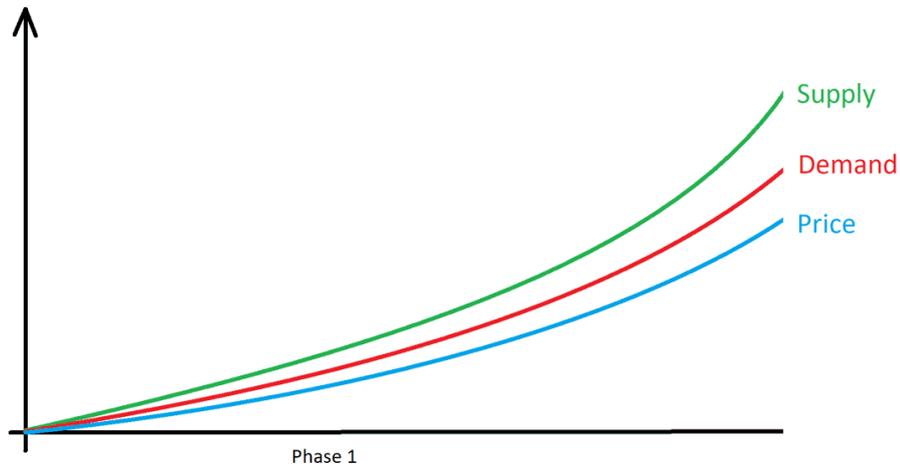
Now we can examine the connections between the supply of the NFT, the demand and the price.

3/12

Phase 1: Ponzi strong

During phase 1 the supply is so small that a 5% daily inflation rate is not that bad as there are only 500 NFTs coming onto the market with a 10,000 NFT collection.

4/12



All the supply is getting stripped from the market and the price per NFT is flying.

We're getting to a point now where we have 300,000 NFT's in the collection but we still have a 5% daily inflation rate, this means we need to find 15,000 new buyers every day.

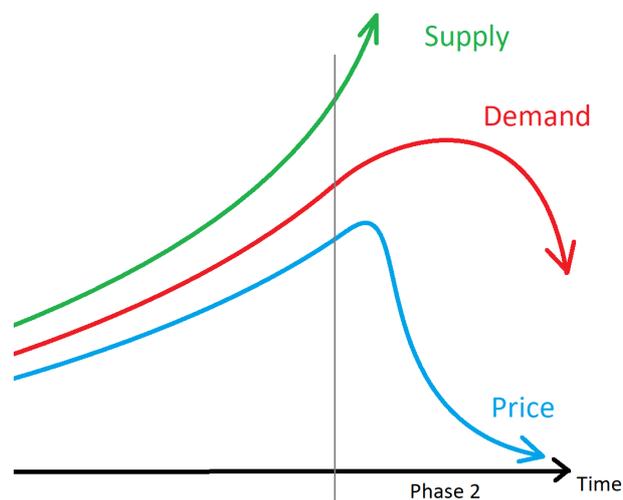
5/12

Phase 2: Inflection Point

Today was the day that the play-to-earn model started to die. The supply was too much for the amount of buyers to scoop up.

We are at 40,000 NFT's coming onto the market but only 20,000 buyers today.

6/12



The problem with most play-to-earn models is that demand needs to increase exponentially because the supply increases exponentially.

Even if the demand was the same every day, because the supply is increasing exponentially the price will inevitably fall.

7/12

Once the price starts falling like crazy demand starts to tank too, exacerbating the issue.

8/12

Sooner or later all p2e games will hit some form of market saturation.

At this point without changing the monetary policy of the game the whole system falls apart.

9/12

So the most important part for all founders or players of p2e games.

What can you do to stop the this catastrophic failure?

🔑 10/12

1. Burn the NFT's asap!

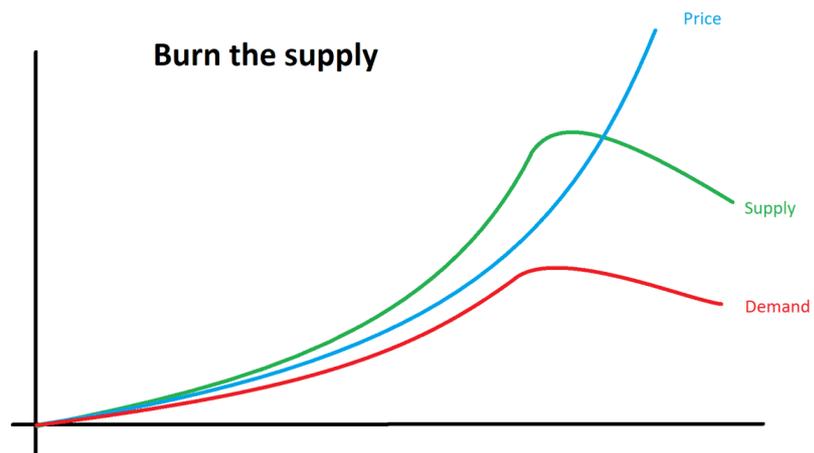
Find ways to make sure the players are incentivized to burn the NFT.

2. Reduce the inflation rate as soon as you see demand wavering.

Allowing the inflation rate to continue exacerbates the issue.

3. Be proactive with the monetary policy.

11/12



What do you think?

Is it too late for founders to save their game once they hit the inflection point?

What else can a founder do to counteract this issue?

12/12

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