

IMGD 1001: The Game Industry

Hit-Driven Entertainment

- ❑ Games are emotional, escapist, fantasy-fulfilling, stimulating entertainment
- ❑ Causes of success or failure are often intangible (but quality matters a lot)
 - Consumers are smart
- ❑ Hits come from individuals with skill, instinct, creativity, and experience (and some luck), not from marketing

Costs

- ❑ Powers of 10
 - \$50K - cell phone (Bejeweled knockoff)
 - \$500K - indie (Bomberman Live), nice casual game (Peggles)
 - \$5M - "A" (Titan Quest)
 - \$50M - "AAA" title (WoW)
- ❑ WoW - costs and revenue
 - \$50 Million to make
 - 6 Million players @ average of about \$12 / month for 2-3 months = \$200 million a year
 - (Less the cost of running those servers)

How the game industry works:



Roles

- ❑ Developer
- ❑ Publisher
- ❑ (Distributor)
- ❑ Retailer
- ❑ Service Provider
- ❑ Middleware

Development Studios?

Developers

- *Design and implement* games
- Responsible for the content
 - Including: programming, art, sound effects, and music
- Historically, small groups but now often larger
- Analogous to book authors
 - Sometimes first party (part of publisher)
 - Or third party (independent business)
- (More later -- most of this class!)

Publishers?

Publishers

- "To find the publisher in any deal, look for the one who's got negative cash-flow during development"
 - Dan Scherlis (Turbine, EtherPlay, ...)
- Handle manufacturing, marketing, PR, distribution, support
- Typically specialized in certain markets
- Assume the risk, reap the profits
- Might also handle QA, licensing, project management

Publishers relationship to developers

- Star developers can bully publishers, because publishers desperate for good content
- But most developers are bullied by publishers, because developers are desperate for money
- Publishing swings from big to small and back depending on the market
- Most publishers also have in-house developers

Distributors

- Move software from publisher to retailer
- Modeled on book distribution
- Pubs like them because they manage relationship with many small stores
- Stores like them because they manage relationship with many pubs
- Compete on price, speed, availability
- Very low margins (3%) -- dying breed

Retailers

- Sell software to end users
 - But really sell shelf space to publishers
 - Compete on price, volume of product
- Shift in 80's to game specialty stores, especially chains (today ~25%)
 - EB Games, GameStop
- Shift in 90's to mass market retailers (today ~70%)
 - Target, WalMart, Best Buy
- Retailers earn 30% margin on a \$50 game
- Electronic download of games via Internet still in infancy
 - Big but not huge (today ~5%)

Game Retailers?

Service Providers

- Sound, Music, Voiceover
- Artists (2D, 3D, concept)
- QA
- PR
- Advertising

Middleware

- Provide the tools used by developers
 - Small: Game Maker, Torque
 - Medium: Havok, Rad Game Tools
 - Large: Doom, Unreal Engine
- Few customers, large upfront cost, hard to break in...limited growth but profitable

Traditional Game Development

- Developer creates concept
- Developer builds demo
- Developer meets with publishers
- Publisher agrees to fund it (advance against royalty)
- Project gets developed
- Publisher boxes it, ships it, markets it
- Publisher collects money
- Developer MIGHT make more money...if advance is earned out

Traditional Model: Cross Between Books and Hollywood

- Less than 10% of published titles break even
- Sequels very popular
- Development costs rising
- Self-publishing is nearly suicidal
- Retail and distribution control access to customers

Indie Game Development

- Developer creates concept
- Developer turns concept into a game
- Developer finds nontraditional publisher to sell game
 - Sometimes self-publishes
- Publisher responsible for Web storefront
- Developer gets 30-40% of each sale

Exercise: Getting to Market

- 2 minutes to write a one-sentence game description of a game you want to make
- Form up into pairs or teams
 - based on yesterday's pairings
 - based on your new group
- 2 minutes to decide on ONE of your ideas

Exercise: Allocate Points

- You have **14** points
- Allocate 0-6 points for each of the following facets:
 - P**: Prototype/Pitch
 - How much effort you place on developing a solid prototype to pitch to publishers
 - D**: Development
 - How much effort you place on development
 - M**: Marketing/Sales
 - How much effort you place on marketing your project
 - F**: Fun
 - How effective your design is in terms of how much consumers like your product

Exercise: Roll the Dice!

- Everyone stand up
- For each roll of the die, please sit down if the number is greater than the points you allocated for that facet
 - P**: Prototype/Pitch
 - D**: Development
 - M**: Marketing/Sales
 - F**: Fun

Exercise: How Many are Left?

- Yes, luck is a factor
- You can control it some with skill and money
- But there's never enough of either to make it a sure thing