Game Development 1001

Everything you wanted to know about the game development business...and didn't know to ask.

A few statistics

- 2004 sales of video game software: $7.3B (2x 1996), 248 million units

- 75% of US head of households play computer and video games

- Avg player, age 30; avg buyer, age 37, 95% over 18

- 83% rated E or T

Source: Entertainment Software Alliance

More Stats

- 43% of all game players are women

- Women >18 = 28% of game players

- Boys <18 = 21% of game players

- 19% of people >50 play video games

- 42% play online, 34% on phone or PDA

Growth from 2003 to 2004

- Console Software: 8%

- Portable game software: 13%

- Portable game hardware: 9%

  - (source: NPD Funworld)

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, not from marketing
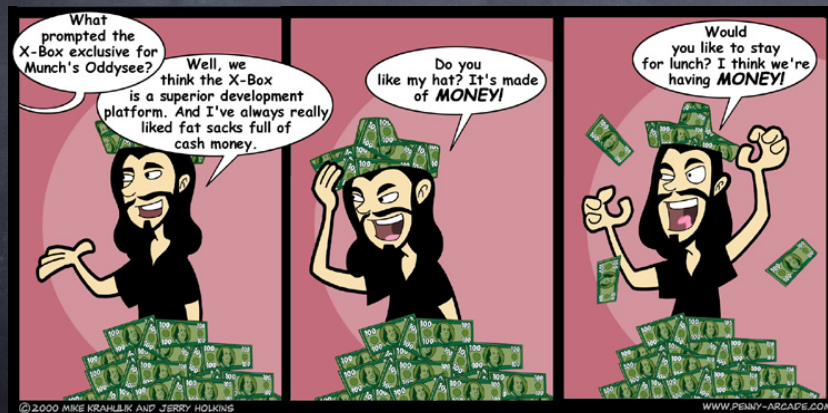
Costs

- Powers of 10

  - $50K -- cell phone game (JAMDAT bowling)

  - $500K -- indie title (MindRover), nice casual game (Peggles)

  - $5M -- "A" title (Titan Quest)

  - $50M -- "AAA" title (WoW)

WoW

- $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
- Toolmaker
- Service Provider
- Publisher
- Distributor
- Retailer

Developers

- Design and implement games
- Responsible for the content
- Analogous to book authors
  - Sometimes first party (part of publisher)
  - Or third party (independent business)
- More later

Publishers

- "To find the publisher in any deal, look for the one who's got negative cash-flow during development" -- Dan Scherlis

- Handle manufacturing, marketing, PR, distribution, support

- Typically specialized in certain markets

- Assume the risk, reap the profits

- Might also handle QA, Licensing, project management

Relationship to developers

- Star devs can bully publishers, because publishers desperate for good content

- Most devs are bullied by publishers, because devs desperate for money

- Publishing swings from big to small and back depending on the market

- Most 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

- Originally, computer stores, then game stores (EB, GameStop), then mass market (WalMart)

- Markup of 30-50% ... but net margins about 6% ... endangered species

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

Industry Leaders

- Hardware vendors

  - Sony, Nintendo, Microsoft, Intel

Software

- Publishers

  - EA, Activision, Sony, MS, Infogrames, Ubisoft...

- Developers

  - EA, Sony, MS (Bungie), Blizzard, Lucas Arts, id, Namco, Square, Valve, Raven, Relic, Red Storm...

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

How the game industry REALLY works:

Exercise

- 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

- 2 minutes to decide on ONE of your ideas

Allocate Points

- You have 14 points

- Split them between:

  - B: Business development

  - E: Engineering

  - M: Marketing and sales

  - D: Design

Roll for:

- How many publishers you talk to (B)

- Whether your game makes it through development (E)

- How effective is the marketing and market timing (M)

- How much consumers like it (D)

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