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:

The Levels Of Development Hell

Level 4
This level is reserved for people new to the industry.

You'll be working on Lord of the Rings. For Watched.

Is it, like, a digital watch?

No, this is just a regular watch. I'm going to watch it for a week.
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