

Funding Strategy

[Sad Pumpkin Games](#)



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Assignment 4.1

Introduction

This document will cover the full funding strategy of indie game development startup Sad Pumpkin Games, including a description of the company, the types of funding being considered, the overall goals, and the reasoning behind those goals. This document hopes to address common concerns in startup funding by paring down the funding needed to exclusively those things required to achieve the startup's year-one goals through lean startup methodologies and strict budgeting. These guidelines for Sad Pumpkin Games' funding mirror the studio's mentality of lean development and fail-fast methodology, using market sentiment to gauge success early and often in development.

In addition to a description of funding goals and strategies, this document will provide an itemized cost breakdown for year one of Sad Pumpkin Games. These costs are based on projected needs for the development of two minimum-viable-product (MVP) game titles that are ready for crowdfunding and/or investor pitching in order to complete polished, shippable games. If either MVP title garners enough support to continue development, the studio will grow to accommodate the needs of the title. But, if neither title gains traction with the market or investors, Sad Pumpkin Games will return to minimum operations mode in order to develop new MVP titles that hope to appeal to new segments of the market. This focus on minimum-viable-products aims to reduce reliance on large upfront investments for games which have a questionable likelihood of success, instead opting for a slow-growth approach.

Sad Pumpkin Games

Sad Pumpkin Games is an indie game development studio startup founded by two veterans of the professional games industry. The studio's overarching goal is to create small, niche games that serve targeted audiences based on holes in the current industry. Sad Pumpkin Games knows that not all

gamers are created equal and not all market segments have the same needs or wants and hopes to democratize game development by making the design and development process as transparent and open as possible to anyone interested.

The founders of Sad Pumpkin Games have a total of over twenty years of combined experience in the professional game development industry, with credits on titles ranging from small to large and across dozens of genres. The founders hope that their experiences across different levels of game design, development, and production give them valuable insight into the process of making games effectively and efficiently, hopefully avoiding the very real pitfalls of devoting too much time and money to a 'good idea' that doesn't have market viability.

Funding Methods

There are three primary funding methods which Sad Pumpkin Games will use throughout the different stages of its growth. During the initial minimum-viable-product development phase, the studio will be funded under a lean bootstrapping model. This period, which for the sake of this document we will call *year one*, will be funded directly by the founders. During *year one*, the founders will only be able to devote their spare time to the startup due to keeping their current jobs in the game industry, but as such will have access to the capital required to hire outside contractors for any tasks not well suited to the founders' skillsets, including contracted art, audio, and quality-assurance. The flexibility of this approach means that *year one* may not necessarily be a calendar year, but instead will end when the developed MVP titles have reached the desired level of doneness and are appropriately suited for pitching.

The second stage of growth, referred to here as *year two*, is the phase in which active, full-time development on a title commences. Once an MVP title has achieved the appropriate level of doneness to be pitched to the market, it will be taken to investment and/or crowdfunding sources in order to seek

phase two funding for the complete final development of the title. This development and its associated costs will of course be variable based on the MVP title's complexity, its current level of polish, and the market demand for features and mechanics, but for the sake of this document we will assume phase two development will take a whole year. As a studio focused on the needs of niche market segments, Sad Pumpkin Games will prioritize investment from crowdfunding sources over that of equity investors, which will drive the studio to best cater to the audience being asked for funding.

Funding Goals

The first and second year of development have very different funding methods and goals, as the scale of development in each phase are so wildly different. Below is a rough itemized breakdown of each phase's costs and funding goals, annotated with the purpose and level of necessity for each given item.

Year One

Expense	Cost/Unit	Total Cost
Business Costs		
Establish LLC	\$500	\$500
Web Domain	\$20/year	\$20
Software Costs		
Google Firebase	Pay-Per-Use	<variable>
Google Workspace	\$12/user/month	\$288
Unity	\$399/user/year	\$798
Employee Costs		
Developers (Founders)	-	-
Misc. Development Costs		

Audio Composition	\$100/audio-minute	\$1,000
Additional Art	\$100/piece	\$6,000
External QA Testing	\$15/hour	\$1,400
Marketing	\$1,000/month	\$3,000
Total		\$14,006

The first year's funding for Sad Pumpkin Games focuses primarily on the cost of outsourcing per-piece and per-hour work to contractors specializing in fields not part of the founders' skillsets. During this phase, the founders will be responsible for funding as well as development. As such, employee costs are nil during this phase, which greatly reduces the overall funding need for *year one* at the expense of full-time devoted development muscle. Minimal business and software costs are required during *year one* funding, as the small team size and lack of employees removes the need for payroll software and reduces the overall cost of per-user software subscriptions.

The majority of the *year one* funding goal covers the cost of outsourced work. Using services such as Fiverr and personal connections, the founders will contract character and environment artists capable of delivering affordable art at a quality level befitting both the MVP nature of the titles and their expected presentation to crowdfunding investors. While a true MVP mindset, one in which art and polish are unwarranted, would be more affordable the founders understand that investors and consumers primarily gauge the quality of a game based on its aesthetic features.

In addition to the costs of outsourced artistic development, the Sad Pumpkin Games *year one* funding goal accounts for a relatively sizeable marketing budget. As MVP titles enter their final stages before crowdfunding, they will need to be advertised to the market segments that the title was

designed to appeal to. Crowdfunding campaigns with no external marketing effort are statistically much more likely to fail, as those campaigns without must grow organically.

Year Two

Expense	Cost/Unit	Total Cost
Business Costs		
Web Domain	\$20/year	\$20
Payroll Service	\$20/month	\$240
iOS Developer Program	\$99/year	\$99
Android Developer Program	\$25	\$25
Software Costs		
Google Firebase	Pay-Per-Use	<variable>
Google Workspace	\$12/user/month	\$576
Unity	\$1,800/user/year	\$7,200
Employee Costs		
Engineer	\$60,000/head/year	\$120,000
Artist	\$40,000/head/year	\$80,000
Misc. Development Costs		
Audio Composition	\$100/audio-minute	\$2,000
Additional Art	\$100/piece	\$2,000
External QA Testing	\$15/hour	\$5,400
Marketing	\$1,000/month	\$3,000

Total	\$220,560
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Year two funding, funding for the full-time active development of a title from MVP pitch to completion, compounds on the added costs of employees into the funding goals for *year one*. The cost of labor in any business is the largest factor, and that holds true in the budget for Sad Pumpkin Games. Ninety percent of the phase two funding goals are the cost of employing full-time engineers and artists to complete the development of a crowdfunded MVP title. These costs are based on the average market rate for early-career professionals in the given field working remotely to obviate the need for additional facilities costs. In addition to the new employee costs, per-user costs increase correspondingly with the number of added employees, but the relative cost differences are negligible compared to the cost of labor itself. Depending on the needs of the MVP title being pushed into *year two* development, the allotted costs for engineering employees might either cover the founders devoting their full-time efforts to development or the cost of employing two additional junior engineers to work full-time on the project while the founders continue to contribute development resources on a part-time basis.

In addition to the employment costs in the *year two* funding goal, there is additional outside contractor work accounted for. Hiring a full-time composer is untenable for a project of nearly any size, so audio is still contracted out on a per-minute basis for any music required in the title. The budget accounts for a small number of per-piece art contracts from external sources, which will help to supplement the skills of in-house artists and provide important pieces for marketing and launch of the game. External QA testing costs get a large boost during *year two* development, due to the increased need of finding bugs as well as performing validation tests on feature development. In addition to the outsourced QA testing, user-tests (focus tests, A/B tests, alphas, etc.) will be regularly performed to both inform the development team of user sentiment and to find bugs.

Vendor Choice Reasoning

Google

Google's suite of products including Firebase, Google Domains, and Google Workspace were chosen for their seamless interconnectivity and their clear pricing structure. Google Workspace includes all the tools required for a remote startup to operate online including per-user company email accounts, document storage, and support for chat and meetings. The use of Google Docs, Sheets, and Drive will keep all of the business's important documents in a single, accessible place that can be accessed whenever they're needed. Additionally, Google Sites and Google Domains integrate seamlessly to allow for the low-cost creation of a custom website for the company and its products.

Firebase, Google's equivalent to Microsoft's Azure and Amazon's AWS, integrates seamlessly with the rest of the Google suite of products, and allows for the easy integration of authentication, user accounts, analytics, and other features into game titles. Google Ads, formerly AdWords, also integrates seamlessly with the rest of Firebase and Google Workspace, allowing for easy implementation of both in-app ads to generate revenue and online ads to generate buzz for upcoming releases or crowdfunding campaigns, all from a single dashboard.

Fiverr

Fiverr is a good resource for all manner of outsourced gig work, but especially for per-piece creative works. Fiverr was primarily chosen as the avenue for securing outsourced specialist work due to the ease of its interface, the vast size of its talent pool, and the inherent clarity in the pricing structure for each individual contractor. Time and resources that would otherwise be spent locating, contacting, negotiating with, and managing external contractors manually can be better allocated into product development by using a third-party service like Fiverr to handle contractors.

Investor Targeting

Game development startups not attached to a big name in the industry are generally very difficult to fund through traditional investment due to their overwhelming likelihood of failure no physical inventory to liquidate in order to recoup losses. As such, Sad Pumpkin Games is planned around the lack of outside traditional investment, as the saying goes ‘hope for the best, plan for the worst’. To account for this lack of expected outside equity investment from traditional sources, Sad Pumpkin Games aims to focus on a lean methodology to bring minimum-viable-products to the attention of crowdfunding investors and non-traditional indie game investors.

For crowdfunding solutions there are multiple viable options, some of which cater to game development. Kickstarter is the crowdfunding platform with the largest name recognition and userbase, though the proliferation of products (both gaming and otherwise) make it difficult for any title to stand out without significant outside marketing support. Smaller platforms like Fig offer a crowdfunding experience more tailored to the gaming market, as well as allow for equity crowdfunding in addition to pledge-based funding. Sad Pumpkin Games’ primary target for crowdfunding would be to pitch to Fig, and failing that would be a Kickstarter campaign.

As either a replacement or supplement to crowdfunding, Sad Pumpkin Games will pitch MVPs and their corresponding business plans to indie game investment groups such as Indie Fund in hopes of securing investment. Groups like Indie Fund offer non-equity investment to indie game studios with clear expectations of success-based-repayment and a long, combined history of successful game releases. These groups generally have a much smaller investment cap than traditional startup investors, due to the inherent risk of gaming startups, so Indie Fund would likely only serve as a secondary source of funding in the case of a game’s failure to secure crowdfunding.

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