

Business Plan

# **Chameleon Games**

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## 1. Executive summary

Chameleon Games aspires to create special, meaningful and enjoyable interactive experiences, furthering the art and science of video game creation. We aim to artistically craft games so that the content and moods are unique, based on themes of the world's nature and wildlife, bringing a little magic into people's lives. We aim to evoke an emotional response in the player by carefully refining the game mechanics and atmosphere to achieve excellent quality. Our products are designed to be accessible to as many as possible, but primarily to the gamer demographic.

Our business will take advantage of new and improved digital distribution channels and the possibilities afforded by new ways of paying for content. We will exploit the lack of innovation at the high-end of the gaming market, and the lack of depth and sophistication at the low-end through innovative "mid-core" offerings at affordable prices. We target underserved game genres and platforms with higher barriers to entry and follow a range of cost reduction strategies to create the best experiences at lower cost. This includes using an episodic or reduced-content game format enabled by the lower overheads of digital distribution.

Technology partnerships with middleware vendors will give us access to use and customize the most advanced technologies in the industry while leading to lower production costs and quicker time to market. A multiplatform strategy during game development will maximize opportunities for market accessibility.

We focus on building valuable original IP and developing a competitive advantage in advanced games and 3D graphics technology. Our location in Taiwan allows us to develop at lower cost, while we supplement top talents from Taiwan with world-class specialists from Europe.

We will seek out partnerships with platform holders in need of innovative software to increase their hardware sales and where our products can achieve the highest visibility in the rapidly growing market for digitally downloadable games.

## 2. Market

### 2.1 The games industry

The global market for video games has seen strong growth during the last two decades with a compound annual growth rate of 26% [1]. And it is expected to grow from \$67 billion in 2012 to \$82 billion in 2017 [2]. We have chosen our position in the market based on the following industry developments:

### 2.2 Growth of digital distribution

Digital game and downloadable content sales are growing at a rate of 33 percent year over year [3]. This is in contrast to retail games which are seeing a decline. The digital distribution model provides substantial cost savings. The digital distribution model:

1. Eliminates costs for producing physical copies and their shipment.
2. Eliminates costs for the storage of the items in a retail store
3. Lowers marketing expenses
4. Can be sold directly to the customer on their device, so a publisher may not be necessary

Our business is focused on the digital distribution model, offering products at lower prices to benefit consumers. *The improvement and opening up of new digital marketplaces is a great opportunity and a cost effective way to enter the interactive entertainment market.*

### 2.3 Lower consumer choice in the high-budget market

The increasing hardware capabilities and market for video games has led to competition and spiraling costs that approach Hollywood-levels. This has in turn led to a severe aversion to risk, and a serious “sequel-problem”, with companies rarely betting on creating anything new.

*“The poster children for limiting consumer choice are Activision, Electronic Arts and THQ, with each company offering 50 percent as many titles as they offered several years ago, with only one new intellectual property launched among the three companies over the last year,”*

- Wedbush Securities analyst Michael Pachter

A few months later, THQ ceased to do business. With the budget sizes of large studios, which are funded by publishers, games can be considered a commercial failure at sales numbers of 1 million. This has caused an

extreme reliance on “hits”. *This could be an opportunity to satisfy the market with new original IP in a period of creative stagnation among high budget productions.*

## 2.4 The rising popularity of independent games

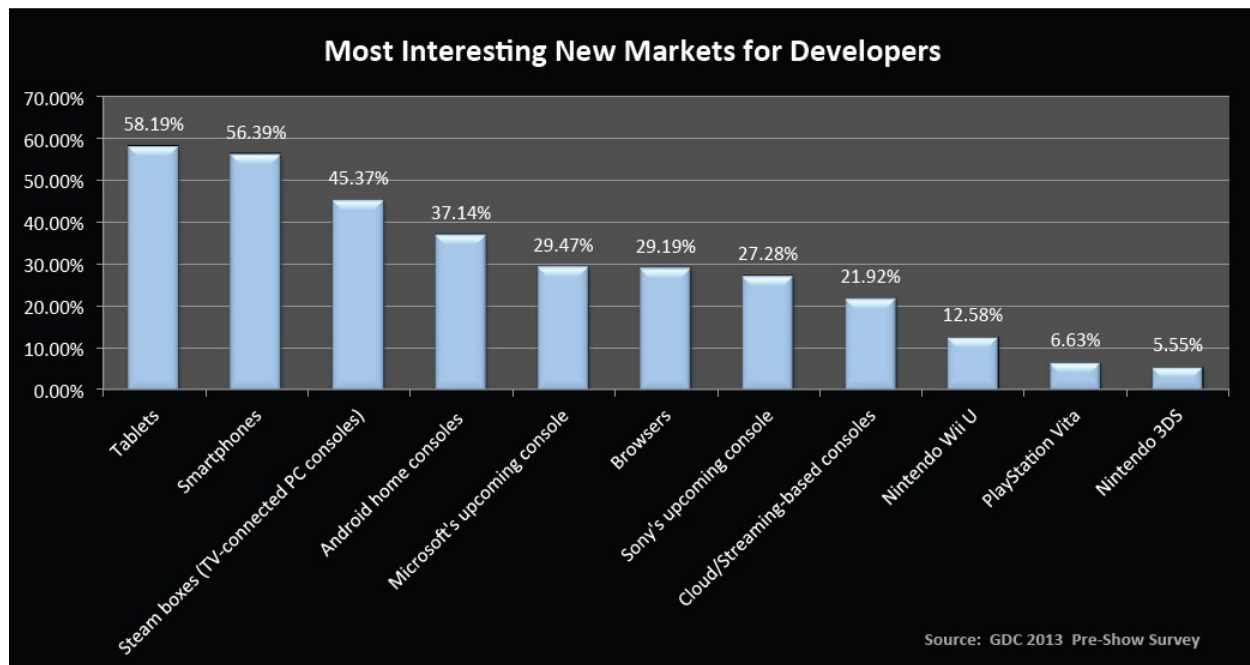
Currently, independent games studio are the ones willing to take the risk of introducing new products, and many have reached success doing so. These include Journey, Limbo and Fez. Most of these don't have as high sales numbers as the blockbuster high budget games. However they have much smaller production budgets and many have a percentage-wise much higher return on investment.

*Our business strategy will focus on trying to produce smaller “hit” products that can achieve excellent returns on a mid-sized production budget.*

## 2.5 Explosion of developer interest in the growing mobile market

Much of the growth is happening in mobile markets, such as tablets and mobile phones. A recent report by IDC expects the tablet market to reach “a new high” of 190 million shipment units this year, with year-on-year growth of 48.7 per cent [5].

The rise and popularity of these digital markets coupled with very low barriers to entry has created a huge surge in developers wanting to develop for mobile platforms:



The mobile games market is a market with very large earnings potential but also higher competition and is a very crowded market. According to a recent survey [6], there is a large gap in earnings among mobile developers. The data shows the top 1% earning 36% of revenues, and the bottom 80% earning 3%, where 60% of survey correspondents are full-time developers.

We are not focused on the low-end of the market, such as mobile phones that cannot provide high-end experiences. Tablet capabilities are becoming increasingly powerful and we will continue to keep an eye on this as a possible market to convert or release games on.

However, the recent social network games implosion and the shift to mobile have left the traditional console environment relatively underpopulated. According to a Game Developers Conference survey conducted in the beginning of 2013, only 11 per cent of those surveyed are developing for the next-generation game consoles, which is historically very low [7]. This may mean less competition for those that intend to service this market.

*Our primary strategy is not to choose channels based on market size, but to find underserved areas of opportunity, both in channel and in content.*

## 2.6 The transition to a new console generation

The console market consists of three main competitors, Microsoft, Sony and Nintendo. These manufacture hardware and follow a razor and blades business model, where the profit comes from software releases. A console cycle historically lasts about 5 years, except the current cycle which has been a few years longer. Sony and Microsoft are releasing new hardware during 2013/2014. Development on console hardware requires specialized development hardware and a more strict software QA approval process. Microsoft predicts that the total console market will increase by 30% in the following years [8]. We see this as an interesting market for our products because:

- Higher barrier to entry and a less saturated market means higher visibility and more consistent sales numbers. Numbers indicate product releases per year per platform are approx. 30-150 with a high probability of sales between 50.000 – 500.000 for quality titles.
- Platform holders are facing a lack of software to drive hardware sales, and are increasingly seeking to attract independent developers to their platforms through easing of entry barriers as well as funding and marketing programs.

- A more targeted customer segment of gaming enthusiasts in demand of deeper, quality experiences and an expectation to pay for it.
- The new generation has new and improved digital marketplaces compared to the previous generation. This creates a viable market for titles with alternative business models such as titles at \$20 and below, and the possibilities of microtransactions.

*“..the gates to console development are standing open in a way they never really were before”*

- Rob Fahey, editor, gameindustry.biz

The high-end gaming market we are looking at consists of:

- X-Box (Live Arcade)
- PlayStation Network
- Wii U eShop
- PC (e.g. Steam)

We are currently considering developing for PlayStation 4 and to later release on premium distribution channels on PC, such as Steam, GOG and GamersGate. The expected outcome of this strategy is to give our product higher market visibility, and to reach our target segments efficiently.

*Visibility is a key success factor in marketing and selling our products, and we will look for the opportunities to maximize this, either through a marketing and publishing partner or the direct support of a platform holder to self-publish.*

## **2.7 The rising sophistication and cost-savings of middleware tools**

The rising sophistication of game technology has seen the rise of middleware, software that can be used to provide a lot of advanced technologies as building blocks, allowing a game developer to focus on the specific functionality and uniqueness of each application. Therefore we will be able to produce a higher quality product at lower cost.

The market conditions change rapidly and it is important to be agile in the choice of platform. Fortunately, various hardware platforms are converging to a more PC-like architecture. This combined with these middleware tools that act as a layer between the hardware and our software can fast-track our market entry onto multiple services. *Empowered by this new flexibility, we reduce development cost and have the option to efficiently release on multiple platforms in succession to reach a wider audience.*



## 3. Product

### 3.1 Long term product plans

Our goal is to create unique and differentiated gameplay experiences. This is achieved by:

- Innovation in content, design and technology
- **Content:** Stories, audiovisual themes and atmosphere that is different to competition. We aim to build these into valuable new intellectual property and franchises.
- **Design:** Developing the field of game design by improving upon or creating new ways of playing games. For example through software that makes use of hardware inputs and capabilities in a new way
- **Technology:** We aim to specialize in 3D graphics technology to differentiate our product, for example through the advancement of 3D rendering techniques

We aim to continuously refine the art of making unique interactive experiences and ways to help our customers enjoy themselves. To do this we employ high caliber personnel to create high caliber products. Research and development is a pillar of our business.

Our goal is to grow so that more than one product can be developed concurrently in order to minimize specific product risk.

Long term, we should have established a small set of established intellectual properties. We can then iterate on and refine the features and mechanics of these experiences for subsequent releases to create the best gameplay experiences possible.

### 3.2 Short term product plans

Our short term approach is more conservative in order to minimize startup development risk. In sum:

- Innovation ambitions in content, but a more conservative approach in design and technology
- Focus on content quality and differentiation
- Create a unique positioning in the artistic direction, themes and moods of our creations
- Build up our technology foundations and pipeline tools

Therefore for the first product we have chosen to find insufficient supply in the market by looking at historically popular game genres and hit products that still have a large following, but which are being overlooked by the current offerings. Then we seek to update and refresh these designs with new original ideas and current trends. We have identified an opportunity within the 3D platforming genre.

This plan emphasizes the first 2 years of our business and the development and release of our first product, tentatively titled “Tamarin”.

### 3.3 Business model

Our products are to be value-priced in the \$10-\$20 range, with up to 50% price reductions during promotions.

We reduce costs by following an episodic game format, whereby the game content is reduced as compared to a larger title. Game content amount is then at around 20-30% of a full title, allowing a more rapid development cycle and responding to customer feedback.

Games will take advantage of microtransactions to increase revenues and provide value added service. In order to satisfy customers’ wish that they purchase a “complete experience”, this will only be done for non-essential game features that are not required to complete the games. They are either aesthetic enhancements or tools to artificially change game difficulty or game parameters.

*Please see appendix for business model canvas.*

### 3.4 Product features

Key features:

- Created for gamers who enjoy **action and exploration**
- Uniquely charming and **fluidly animated tamarin monkeys** in the key roles
- **Beautiful environments** set in wonderful forest and mountain scenery
- **Responsive gameplay mechanics** with an innovative mix of popular, proven game designs
- **Memorable audiovisual atmosphere** inspired by the moods of nature
- Music and art direction crafted with attention to detail to be catchy and **convey emotion**

In essence, the gameplay design is focused on *classical and enjoyable gaming activities*.

The actions can be simply described as:

- Collecting
- Shooting
- Exploring

*Please see appendix for visual references.*

In the following sections, we describe our choice of game designs.

### **3.5 History and characteristics of the platform game genre**

The most popular gaming genre in the entire history of gaming is the platform game genre. This consists of controlling a player character that jumps from platform to platform, while avoiding harm within the environment or falling down. This was popularized by Super Mario in the 1980s.

The early 90s saw the rise of the 3D platform game genre. During the early periods of 3D gaming, 3D platform games were seen as key video game system sellers, sparked by the innovation of Super Mario 64. A lot of 3D platform games were brought to market with great success, including: Crash Bandicoot, Sony's then mascot character, Spyro the Dragon, Banjo-Kazooie, Spyro the Dragon, Ratchet & Clank, Jak and Daxter, etc.

A characteristic of these games is a "mascot" character, often an animal starring in the key role. The games reached an audience among both younger and more mature gamers. All the above mentioned titles were very popular and have gotten sequels released.

### **3.6 Current status of 3D platform games**

Currently, there is a low supply of 3D platform games. Such titles are not seen as the key system sellers anymore. Many of the original developers who built their success on the genre have gone in other directions that have even higher mass appeal suited to the increased budgets of today.

Examples:

Developer	Titles	Status
Naughty Dog	Crash Bandicoot Jak & Daxter	Making action adventures with mature themes, shooting and/or horror elements
Rare	Banjo Kazooie Donkey Kong 64	Acquired by Microsoft, developing motion controlled games for the casual market and Microsoft Kinect
Insomniac Games	Spyro Ratchet & Clank	Moved on to development of Fuse, an action game with mature themes and shooting

One of the few remaining exceptions in the 3D platforming genre is Nintendo, which still releases 3D platform games such as Super Mario Galaxy (exclusively on their own machines) to great success (10 million copies).

### 3.7 3D platform games market underserved

3D platforming in modern high budget games can mostly be seen through so-called “Parkour platforming”, which is realistic human-character acrobatics-based interaction with its environment. However, the paths tend to be predetermined and are usually primarily for visual spectacle rather than challenge, and are a limited aspect of the design.

We believe the 3D platform genre to be overlooked due to the following reasons:

- 3D platform games do not reliably produce the returns publishers look for in high budget games as compared to other genres
- Lower budget independent developers focus on 2D platform games due to the lower cost of production and simplicity of game design compared to 3D platformers

*The market is currently having a very limited selection of animal mascot-based 3D platform games.*

The demand is high enough to warrant online discussions and feedback from these discussions indicate a demand and a substantial segment of gamers who:

- Are actively looking for an *explorative less-linear gaming experience*.
- Enjoy platforming gameplay, especially when combined with other genres
- Have fond memories of games in the mid to late 90s, and are looking for similar experiences.

3D platform games of the mid to late 90s which sold millions of copies each still have a large fan base, and there is a clear market segment in demand of such titles. A developer of the game Banjo Kazooie (1998) noted his wish to make a sequel, and elicited responses like this (March 2013) [13]:

*"I hope they eventually agree and bring back those glorious days from mid to late 90's"*

*"If this would actually happen, it would be the happiest day of my life."*

Our product can be designed as to be reminiscent enough of such games that gamers familiar with similar successes will show an interest and want to try.

### 3.8 The 3D action-platform genre is an overlooked and attractive proposition

We believe from an independent developer's perspective:

- Guaranteed sales numbers of several million are not required to justify investment and achieve a high return. On the other hand:
- We predict that a subset of the purchasers of million-sellers of the 90s, such as Banjo Kazooie and Mario 64, would become aware of and purchase the title. Combined with new users, this should safely justify sales of a few hundred thousand units, given sufficient customer awareness and product quality

We are confident that this overlooked genre can reach success through smaller budgets, due to two reasons:

#### 1. 2D platform games' continued popularity.

Examples, low budget and new IP:

- Limbo (2010) sales of over 1 million. [10]
- Super Meat Boy (2012) sales of over 1 million [11]
- Splosion Man (2011) sales of over 500.000 [12]
- Example, established IP:
  - Donkey Kong Country Returns (Wii, 2010): 5 million  
(re-released on Nintendo 3DS May 2013)

2. The resurrection of the adventure game genre that was similarly abandoned by high budget productions
  - Still had a demonstrable fan base as illustrated by online forums prior to 1999
  - Resurrected through independent game development companies such as Telltale games
  - Sustained success (Monkey Island 2009), Walking Dead (2012) [9]

## 4. Sales and Marketing

### 4.1 Customer segments for business

We target customers with a reasonable disposable income, who are actively looking for and willing to pay for enjoyment and quality experiences. Our products do not target the casual market, as they will be designed to have more depth and meaning compared to simple puzzle games.

For our first product we aim to please the following customer groups:

### 4.2 Customer segments for product

#### Price and time conscious gamers in the core games market

Some gamers feel a barrier to always spend as much as \$60 for a retail game or to spend an excessive amount of time to finish it. However, they would be available to enjoy a satisfying self-contained experience of shorter time and cost, while wishing for a more immersive and less superficial experience than most mobile games today. We will bring a more accessible, compact and cheaper experience for players to enjoy.

#### 80s/90s generation gamers

The product brings back nostalgia to the gamers of the 80s and 90s, by having designs that will bring back memories in this target group. It will appeal to fans who are looking to play sequels to some of the bestsellers in the past. We believe we can reach and appeal to many such consumers on high-end gaming platforms.

#### Gamers who enjoy exploration and more colorful aesthetics

Explorative gameplay experiences are lacking in the market, and we want to satisfy players' desire for free movement and exploration. We also wish to provide new aesthetics to those who wish to have an alternative to the gritty and grayish photo-real art direction.

## Children

We believe in a design that is as age-neutral as possible, examples include Pixar's 3D animated movies, Nintendo's games, or Studio Ghibli's animated films. Their aesthetic can appeal to children, but have sufficient depth for grown-ups to enjoy. We will make games that are less brutal and dark making them more accessible to children of a certain age as well. It will also be possible to make the game's challenges easier by purchasing additional in-game items.

## Indie-gamers

Many gamers have discovered the variety and novelty of indie games and this is a growing segment. So far, indie gamers have shown that they enjoy 2D platformers very much and we will bring a product in the 3D platform genre, which is missing in the market today

## 4.3 Competition

The video games market is highly competitive with a wide variety of channels and products competing to entertain consumers. The market offerings can be roughly divided into:

- AAA high budget blockbuster games
- Independent games
- Casual and mobile games

## Pricing

- High budget games sell at up to \$60
- Casual games are often free-to-play with in-app purchases or priced up to a few dollars
- Independent games are often priced in the mid-range, at \$5 to \$20

## Value propositions

- High budget games provide spectacular premium experiences, with high volumes and high prices, usually using established franchises that can justify such expenditure, including a large marketing budget.
- Casual games are very accessible and require a lower money and time commitment and can be easily played by a larger range of people.



- Independent games provide niche or unique games, often with a retro design or unique twist not provided by the high budget games.

## 4.4 Positioning and pricing strategy

### Positioning

Our product is positioned as an “independent game” falling in between the blockbuster and the casual experience. It requires a moderate investment in time, money and player involvement, defined by some as the “mid-core”.

### Risk factors

Main risks include our product not gaining enough traction due to lack of an established brand and production values not on par with high budget games. Tablet games have a cost and convenience advantage compared to higher end games.

### Competitor weaknesses

On the other hand such games are restricted by their shallowness, both in terms of limited hardware input mechanisms and in the depth and artistic integrity of titles produced. High-budget games have a weakness in terms of taking creative risk or to fulfill the needs of smaller market segments.

### Competitive strategies

Our products are in the \$5-\$25 range. Therefore in the category of independent and digitally downloadable games, our strategy is to offer the customer a compelling and differentiated product rather than compete on price.

We will make conservative use of new business models such as microtransactions. This is in line with our strategy to provide complete high quality experiences. However, we see a possibility to experiment with implementing models such as arcade-style (pay-as-you go) in the future as an alternative method of playing a game.

## 4.5 Marketing strategies

We can market the product through the following means:

### Public participation

This includes attending events and festivals for independent game developers and the gaming industry.

These may include:

- PAX East
- Game Developers Conference
- Independent Games Festival
- E3
- IndieCade

Our product can be showcased to the public through booths and by attending events to talk about and demonstrate our product gaining exposure to both customers and media.

### PR / Media

We may hire a PR company to help spread information about our releases and help gain exposure. We expect to get in touch with media through attending game industry events, but can also contact websites with large audiences to write about our game, to make interviews or review it.

Such websites include but are not limited to:

- IGN
- Gamespot
- Polygon
- Kotaku
- Gametrailers
- Indiegames
- Tigsources
- Rockpapershotgun
- Joystiq

### **Platform holders / publisher**

Platform holders can give us a greater visibility through more prominently featuring our product on their digital marketplace. Such potential partners include Microsoft, Nintendo, Sony and Valve. They may for example help marketing through the following means:

- Feature our product in special promotions
- Spotlight advertising
- Prominent reviews
- Physical display of the product at events
- Website and online information or promotion
- Media correspondence or marketing materials.

A publisher could also be a potential marketing partner, and can be considered.

### **Web presence**

We will set up our own website, upload YouTube videos, make use of Twitter, and provide a means for fans to communicate or provide feedback to create a connection with customers.

### **Online marketing**

We have a smaller budget set aside for targeted online marketing based on specific interests and search terms to reach our target segments. This could be on Google, Facebook or YouTube.

## 5. Development

Our development strategy focuses on a cost-efficient use of capital to bring a quality product that is desirable to the target consumer at a low production cost.

### 5.1 Cost reduction measures

#### Assets

To much extent the escalating costs of game productions are due to the demands of game asset creation.

We can achieve a competitive advantage and reduce costs through the following measures:

- Stylized rather than photorealistic art-style
- Graphics asset reuse, focus on quality rather than quantity and scope
- Reduced special effects
- Low use of cinematic sequences
- No voice acting recording
- Minimized use of language for localization

#### Technology

Technologically, we reduce costs through the following measures:

- Use middleware technologies as much as possible
- Reduce time spent on hardware optimization
- Differentiate with a few carefully chosen areas of R&D

#### Staff

Our products require a high skill level and top talent to meet or exceed the quality desired by our consumers. Such talent must be adequately motivated and compensated to be attracted to join our team. In order to reduce the high manpower costs, we intend to use a performance and incentive system that rewards teamwork and the success of our products.

Such incentives aim to increase our products':

- Sales
  - Post-release compensation tied to sales number of the product
- Quality
  - Post-release compensation tied to critical reception of the product. This is measured by metacritic score (metacritic.com) after release

Other cost reduction measures:

- Outsource non-core functions
- Reduce management layers and bureaucracy, keep team sized small and foster direct communication. As the company grows, staff will continue to be grouped in small flat-structure teams

## 5.2 Development plan

3. Pre-production (3-6 months, 4-6 team members)
  - Developing a prototype
    - Basic software architecture and technical design
    - Navigation mechanic
      - Walk and collisions
      - Jump system
      - Context sensitive actions
      - Shoot and target system
    - Draft enemy character behaviours
    - Draft main character animation assets
    - Sample game world structure
    - Camera systems
    - Basic pipeline and tools
  - Defining the look of main characters and art style
    - Integration with technology
  - Concept art

4. Production (5-8 months, 6-10 team members)
  - Polishing prototype mechanics and features
  - Mood and atmosphere refinement
  - Adding areas/levels, creating their level design
  - Enemy AI
  - Creating production quality game assets
    - Music production and SFX
    - Characters and animations
    - Environments
  - Further 3D graphics improvements and R&D
  - User interfaces
  - Story based sequences
5. QA and polish (2-4 months, 6-10 team members)
  - Beta testing
  - Localization
  - Tuning to feedback
  - Platform approval
6. Post release support and marketing

### 5.3 Technology basis

We are currently evaluating the appropriate middleware technologies to use. Candidates include:

- BitSquid
- Unity
- Unreal

We have signed NDAs with BitSquid and Unreal, and have acquired evaluation packages to assess the most cost-efficient technology for our specific needs.

## **6. Management**

### **6.1 Founder**

The company is headed by Omar El Sawi, a 3D graphics professional and entrepreneur with years of management and 3D graphics production experience. Omar started Sawi Interactive in his teenage years, producing and licensing Flash games and taking on web-game development work for international clients.

He is an alumni of the acclaimed National Centre for Computer Animation, the top place to study Computer Animation and VFX in the UK with almost half of all graduates from specialist VFX (visual effects) courses who gained employment in the industry having graduated from the university.

Omar has been team lead of the 3D content creation group at the 3D visualization software department within the Oil & Gas Technology division of multinational company Kongsberg. After that, Omar continued to service previous clients independently through outsourcing; completing 3D visualization projects for companies such as multinational energy corporation ConocoPhillips.

### **6.2 Team**

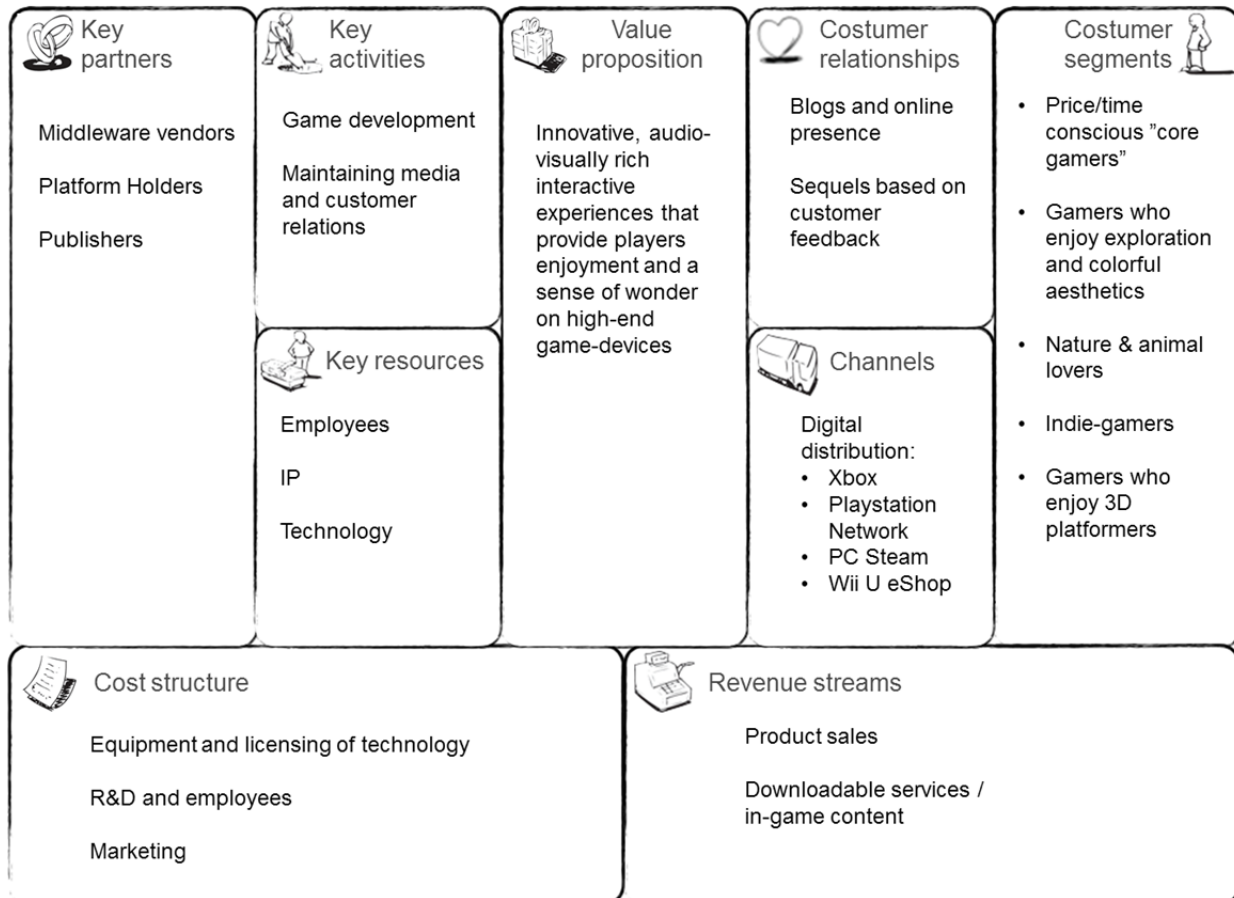
The development team will consist of a mix of very carefully chosen game and animation industry professionals.

We're an international team, supplementing game development talent in Taiwan with seasoned industry veterans from Europe to create an internationally competitive entertainment product. We work with the world's best talent remotely if necessary, and outsource areas outside our core competencies.



## 7. Appendix

### 9.1 Business model canvas



## 9.2 Visual reference

Reference only - all images respective copyright holders

Character reference – Charming Baby Tamarin



Color palette / environment reference -1 – Deep Green Forest



Color palette / environment reference -2 – Warm Golden Autumn





Color palette / environment reference -3 – Fresh White Alps



Color palette / environment reference -4 – Glowing Black Night

