Lesson Plan

**COMM 350/CMPT 420: Game Development I**

Spring 2011

Week 13, Day 24: Thursday, Apr. 7

IP and business models

1. Class business

A. no reading quiz

B. Announcements

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2. Introduce the situation: we need to choose what to do with this thing

3. Possible business models

A. Corporate vs. Indie

i. The way it used to be

- as you read in the Costikyan article, by the late 90s, the game industry was well-established. It had a clear target market and clear, well-defined genres. It had standard retailing outlets, standard methods of promotion and distribution and financing production

- the only way to reach the established market (which was all that anyone knew) was via the major publishers

ii. What major-corporation game industry means

- an emphasis on graphics (and sound, to a lesser extent)

- very repetitive gameplay

- very narrow sets of narratives and characters

iii. The rise of Indies

- the rise of internet use led to more browser-based games

- with the development of broadband internet as a delivery tool, and later internet-using smart phones, even more significant games could be sold outside of retail choke points

- promotion also splinters somewhat

- new game devices open up totally new markets of players, even if these devices (such as the Wii) are built around old revenue models

- finally, old-school consoles develop internet-based networks that allow for the distribution of small and medium budget games

- all of this encourages the rise of indies—game-making companies that aren’t part of the major corporate system. In the past, there were plenty of independent developers, but they were at the mercy of the corporate publishers. Now, that’s not true—they can reach major markets without the big publishers or physical retail giants (although there are new giants, aka Apple and Google).

iv. Types of indie game producers

- some indies are just like the major corporate game-makers, but they’re not owned by a corporation—they simply aren’t as big, and that’s the only difference

- some indies serve niche interests (that aren’t worth the effort for major corporations), like Telltale games and adventure games or Matrix games and wargames

- some indies are essentially hobbies for people who are semi-serious, but can’t make enough to do stuff full-time

- some indies are basically artists or experimenters, who are trying to do stuff that doesn’t fit any of the standard labels, and may or may not care about making money

- so in some sense, indie doesn’t mean anything except “outside the well-established system.” However, it’s important, because that’s where *we* are

B. Standard profit-making models

i. selling copies – standard price

- how it works: sell copies of a game either on a shelf or via digital distribution like Steam or XBLA; unless it’s discounted, prices typically start above $30

- what’s good: small unit sales still mean a fair amount of money, big sales mean *huge* revenue (e.g. Halo 3 or Black Ops)

- what’s required: major promotion & distribution systems, content to justify the price, the ability to hinder illegal copying

- what’s a problem: competition from cheap and free games, pirating, intense competition from other AAA games over a fixed or shrinking market

ii. selling copies – low price

- how it works: sell copies of a game via digital distribution sites *only*; prices range from $0.99 to $20 (although more and more in the $1-5 range)

- what’s good: the decision to buy is easy to make—many more people are likely to try the game

- what’s required: either very low cost production or high volume of sales, a distribution site with relatively easy entry

- what’s a problem: getting lost in the crowd, many of these games aren’t very good, increasing consumer wariness, hard to keep costs of production down, massive copycatting, hard to do certain genres

iii. subscriptions

- how it works: game sites (usually worlds, but not always) that require monthly payments to access

- what’s good: steady stream of income, constant work (instead of project-to-project lurches)

- what’s required: constant production of new content, good servers, the ability to prevent hacks

- what’s a problem: addiction (social, not business problem), massive competition (especially from freemium games), very expensive (although less than it used to be)

iv. ad-supported

- how it works: run the game online and have banner or pre-roll ads for revenue, or get a sponsor to fund the game production and promotion

- what’s good: free for the customer, lots of advertising interest, no need to deal with retailers or distributors

- what’s required: well-visited site (or links to some), advertisers, cheap production

- what’s a problem: ugly advertising aesthetic, breaking through the clutter, having the time and money to produce good games

v. freemium

- how it works: free access online game that gives players the option of buying souped-up versions of in-game items or accelerated gameplay or other bonuses

- what’s good: free entry pulls in crowds, increasing the chances purchases, allows for the development of full-featured games without charging all players

- what’s required: constant production of new material (although this doesn’t have to be expensive), good market research to determine what will actually sell, promotional outlets

- what’s a problem: addiction, two tiers of players can ruin the play experience for either group, significant competition

C. Non-profit distribution

i. organizational partnership

- often, non-profit games are made for organizations or campaigns or contests, who might either fund production (or partly fund it) or agree to distribute and promote

ii. enthusiast/experimental/artist work

- there are game-making communities online of groups or individuals who share games that they make, and usually these are not for sale

- modding would be a good example of this

- these communities are constantly trying each other’s stuff out, and that can spread the word

ii. unconnected project website

- very often, game-makers make a game, make some haphazard promotional attempts, and simply leave up a website with their game

D. The connection with IP

- most revenue models assume a locked-down IP, so that you can justify charging for access or prevent copying

- some games, however, allow for limited modification of IP so as to encourage communities of modders

- in the non-profit/experimental world, people will sometimes release their IP under a CC license or even a public domain/GPL license. But this presumes either a service-revenue model (unlikely w/ games, except maybe some kinds of subscriber/freemium models) or non-profit.

E. Decision time

- what kind of model do we want to adopt?

4. Meeting time -

A. Issues to address together

B. Issues to address within teams

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