Business of Video Games

Course number: MKTG-UB 58
Fall Semester, 2014
Instructor: Joost van Dreunen, jvd228@nyu.edu
Class meets: Thursdays, from 4:55 pm to 6:10 pm

Location TBD
Address TBD

Office hours by appointment.

COURSE DESCRIPTION

Abstract
This lecture series aims to provide insight into the video games industry by making obvious how business practices shape and evolve the development, distribution and consumption of interactive entertainment. The goal of this course is to give business professionals active in this market a better understanding of the overall ecosystem, its trends, drivers of change and key industry players.

Course Description
Video games are now a mainstream form of entertainment. In economic terms, this industry has experienced tremendous growth, despite a grueling recession, growing to an estimated $60 billion worldwide. A key development that has changed the playing field for both the producers and consumers of interactive entertainment is a shift away from physical retail to digital and online game distribution. The audience for games has also shifted—no longer the exclusive practice of hardcore gamers, video games have gained mass appeal in the form of social and casual gaming, on the internet, on consoles, and smartphones. At the same time, the development and publishing of games has become far more accessible. The game behind the game, in a manner of speaking, has changed.

In this class, we explore the basic components of the current video game industry. Every week, we review major current events, will hear from people currently working in the industry, examine case studies, and discuss the overall business landscape. Central to each class is the notion that practical business considerations and the design-driven creative process do not have to be in opposition.

COURSE OBJECTIVE

To provide the student with:

• a broad sense of video games as a major entertainment industry
• a rudimentary business vocabulary integral to professional game development and publishing
• an understanding of historical drivers of change, dominant economic forces, market trends, and current topics
• enough information about the video games industry to formulate a credible business plan
METHODS OF EVALUATION

**Attendance (20%)**
Don’t be late, and don’t miss class. If you know in advance that you will be unable to attend, I expect you to inform me. An excess of one unexcused absence over the course of the semester will negatively impact your grade.

**Executive Memo—Midterm project (30%)**
The CEO of a major game company has charged you with providing a short 2-3 page memo to help define the firm’s next move.

For this exercise, you are free to choose one of the following firms: Activision/Blizzard, Bandai Namco, Electronic Arts, King, Konami, Microsoft, NCSoft, Nexon, Nintendo, SEGA, Sony, Square Enix, TakeTwo Interactive, Tencent/Riot Games, Ubisoft, Wargaming, Zynga.

The analysis will cover three main areas of investigation:
1. **Landscape:** A brief overview of the company’s history, market positioning and overall performance.
2. **Trends:** Major market and industry trends relevant to the company.
3. **Opportunity:** A clear explanation on how to best capitalize on market opportunities, and avoid any threats.

In your analysis, you are encouraged to use publicly available source material, such as annual reports, SEC filings and free market research reports.

**Business Plan (30%)**
Take your best game prototype or concept and make a business case for a possible investor, publisher or partner. The objective of the business plan is to think through the various steps that make up the process of developing and launching a game.

In groups of five, everyone will write a complete business plan for a game project containing the following components:

- **Description:** a basic game concept that details its core mechanics, overall theme and genre classification.
- **Competitive Landscape:** an overview of other companies making similar games or genres that exist in the market, and an assessment of their strengths and weakness.
- **Cost Structure:** a breakdown of the various costs involved in developing and publishing the game, such as labor, distribution and licensing (e.g. software, intellectual property).
- **Distribution:** a plan for the game’s distribution channels, their costs, strengths, weaknesses, and geographic scope.
- **Marketing:** a detailed timeline that describes when, how and via what channels the game will be promoted.
- **Revenue Potential:** an honest assessment of how much the game would approximately generate in revenues, its price point, and expected sales over the course of its lifetime.

**Group Presentation of Business Plan (20%)**
In timed sessions of no longer than ten minutes, everyone will present their business plan to the class to receive feedback from their peers.
Organization. Before the start of class, you must send me a digital copy of the presentation via email. To minimize technical difficulties and delays everyone will use the same computer (a fully equipped MacBook Pro), which will be waiting for you in the classroom.

Format. Everyone will also be evaluated based on their ability to present in a cogent manner. This means:

1. Addressing the whole group and not face away.
2. Speaking in a relaxed, clear manner.
3. Do not read of a piece of paper or from a slide.

TEXTS AND SUPPLIES

There is a reader for this class that each student is expected to purchase. In addition, students are encouraged to immerse themselves in the business and culture of games, by reading web sites such as the ones listed below:

- [A]List Daily: http://www.alistdaily.com
- Consulgamer: http://www.consulgamer.com
- Edge Online: http://www.edge-online.com
- Gamasutra: http://www.gamasutra.com
- GamesBeat: http://venturebeat.com/category/games/
- Game Industry Biz: http://www.gamesindustry.biz/
- Inside Social Games: http://www.insidesocialgames.com
- MCV: http://www.mcvuk.com
- Polygon: http://www.polygon.com

EVALUATION

TBD

TIMELINE & TOPICS

Session 1—Video games as an entertainment industry
In discussing the tension between creativity and commerce, we will first define this semester’s overarching discussion and place it in a larger historical context. How does interactive entertainment compare to television, film, music, and books?

Reading(s):

Session 2—Traditional video games industry
We start by exploring the fundamentals of the traditional game publishing industry in the United States, including value chain, major companies, and industry basics (e.g. seasonality, hardware cycles, etc.)
Session 3—Digital development, distribution and consumption
As the most recently emerged revenue model in the games industry, free-to-play either presents a revolutionary new way generate income, or a flash in the pan. Central to class discussion will be the question whether free-to-play is a way to nickel-and-dime players or whether it present an opportunity for innovative game design.

Reading(s):

Session 4—Games-as-a-service
According to leading industry analysts, the era of games as a product are numbered. Soon, they argue, games will exist mostly as a service. A host of companies, both public and private, is driving this change. We will review several key players, establish an idea of the overall market, and outline its possible future.

Reading(s):

Session 5—Indie Development
Developing a game on your own, and releasing it on any of the online or mobile platforms has never been easier. But the road to independent success is fraught with peril. As the market is now more accessible, an enormous number of developers pursues independence. Fueled by the disproportionate attention news media give to breakout hits, vast opportunities exist. But what about the flipside?

Reading(s):

Session 6—Running a game company
If you’re going to run your own shop, you will have to familiarize yourself with a few of the fundamentals involved in setting up your own legal entity. In this class, we will hear about the trial and error from experienced entrepreneurs and business owners. We’ll learn about our obligations to Uncle Sam, our rights as a corporate entity, how to reduce our administrative costs, and the myriad of avoidable pitfalls that will kill your company within a week.

Reading(s):
Session 7—Audience
The traditional image of the games industry’s core audience has dramatically changed in the last decade. Today the denominator ‘gamer’ encompasses a much more diverse group of people. We will discuss the main drivers behind video games graduating to a mainstream form of entertainment, what the emergent audiences look like, whether the term ‘gamer’ still holds water, and how this affects game design.

Reading(s):

Session 8—Licensing
As a form of entertainment, games do not stand on their own. Often, games merely serve a secondary purpose such as a marketing tool, a brand extension, or to familiarize an audience with the larger narrative universe. Licensing sits at the center of this model. We will review how several well-known game companies make money doing anything but making games.

Reading(s):
- TBD

Session 9—Copyright, Property & Law
In a digital world, ownership can be a precarious concept. Particularly the games industry has presented the established legal system with a slew of new questions regarding real-money trade, piracy and cloning. In this class we’ll explore the main themes in current legislation involving video games and ask “Whose game is it anyway?”

Reading(s):

Session 10—Marketing I
Connecting the dots in your business can be difficult, especially when the dots can’t find you. Reaching the right player (B2C) for your game can be challenging in a market characterized by an overflow of games to play.

Reading(s):

Session 11—Marketing 2
Connecting with the right partner or parent companies (B2B) is equally difficult. To get a handle on the problem of discovery and market transparency we will review the major industry events, their function, and the use of industry publications.
Reading(s):

Session 12—Investment & Finance
Today there exists a variety of financial resources to help fund your game design project. However, each makes different demands on your project. In addition to the current investment climate, we will discuss the ways in which each method is unique, and their up- and downsides.

Reading(s):

Session 13—Balancing creativity & rationalization
As existing game companies collapse around us, only to emerge with an innovative business model suited for today’s market, we explore what the various possibilities are in cultivating both a sustainable company and operate in a hit-driven market.

Reading(s):

Session 14—Group presentation & feedback.