



# THE BUSINESS OF MAKING GAMES

Guidelines and questions to get you thinking about your game studio's business strategy.



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# INTRODUCTION

## Report synopsis

This report is the result of the *Scandinavian Game Developers* (SGD) project and a distillation of experience acquired from working with the several involved incubation environments, such as the Ranch in Grenaa, the Arsenal in Viborg and Gothia Science Park in Skövde. While most other publications from the SGD project have been academic in nature, this material has been written to be more practically oriented and directly applicable in game development studios.

It is the hope of the authors that this report will allow young start-up companies within the game business of Scandinavia to structure their thoughts and business plans more thoroughly. While there are precious few answers to give to the question of how you succeed in the games business, there are a series of productive questions to be asked. We hope that this report will help you ask the right questions in the right combination.

## What is Scandinavian Game Developers?

SGD is a project supported by the European Union Regional Development fund for Interreg IV A, Öresund, Kattegat, Skagerrak .

The overall aim of the project is to ensure that entrepreneurs in the Scandinavian game industry can establish viable companies and survive in a highly competitive business environment by developing and testing business models, incubators with business coaches, as well as creating databases covering Scandinavia's game development competencies to support a more tight-knit network of Scandinavian game studios.

As it is now, there are few openly accessible resources that collect, compare, and describe business models for companies venturing into the games industry. This report aims to fill that void.

To find out more about SGD, visit [www.scangame.dk](http://www.scangame.dk)



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Your game is an eye-ball magnet – use it! By using parts of your game as a space for advertising you can supplement your revenue. However, it's difficult to do so without driving away players, this chapter describes some solutions and common pit-falls in advertising.

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"Serious games" is an emerging area where you can direct your creativity as a game creator in somewhat different ways. It's somewhat different from the entertainment field of the game business, and this chapter gives a short introduction to how it works.

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How to find the resources to fund your game project. The chapter provides a description of organizations that provide funding for cultural endeavours, as well as guidelines for crowd-funding your project.

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A more detailed list of references used, as well as a list of the artists, games, and companies that are showcased throughout this report.



# SELLING A PRODUCT

When we think of video games, we still think of it like this: someone makes a video game, puts it on the market, and a large group of people pay for the video game like any other product. This is the classic business model that crosses over to all industries where production is involved. Yet, it is surprising how many products still fail, even when introduced by corporations or producers who have decades of experience producing and selling goods. From New Coke to the Sony PSP, from *E.T.* to *Star Wars: The Old Republic* many seemingly good ideas and products have failed on the marketplace simply because they haven't paid enough attention to one or the other of the following five questions that apply across all scales of business.

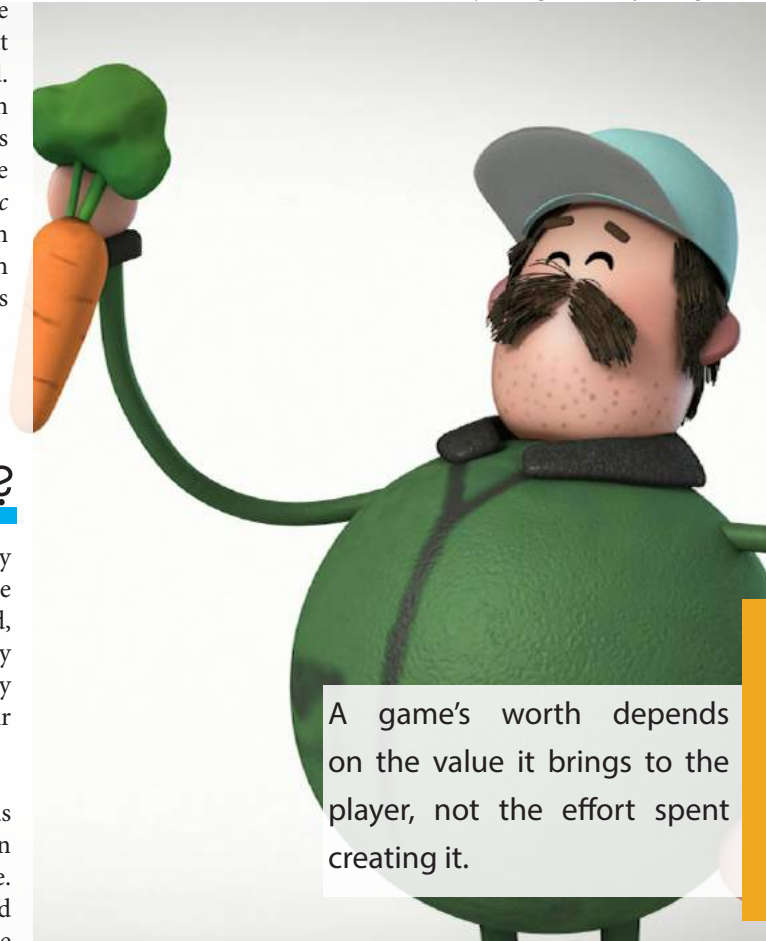
## 1. What is a game worth?

Start-up businesses have a tendency to be driven by passionate people, who are willing to take risks to realise their ambitions and dreams. They usually pour their blood, sweat and tears into their products and they genuinely believe that they are making the world a better place by presenting their wonderful new games to it. Imagine their dejection when nobody buys their game.

Similarly, no game from EA is released on a whim. Hundreds of professional people have dedicated themselves often for years in a row to making a product the best it can be. Upon release of their 30 hour game, gorgeously rendered game, they nervously log on to the forums to check the public response. The very first post: "This game sux." What the stars of our two scenarios have to realise is that their hard work doesn't really matter. That you have worked hard on a game and made it great is not the achievement in the business sphere; it is the necessity for achievement. While no genuinely bad product can be a success – at least not in the long term – having a good product you worked hard on is no guarantee of success.

The core of this truth is: a game's worth is not equal to the time you worked on it, but to the value it brings to the player. In essence, in a market economy nothing is worth more than what someone will pay for it. And in a mass market economy, nothing is worth more than what a sizeable amount of people will pay for it.

Still from Tumblehead's animation series for a campaign by *Økologiska Landsforeningen*.



A game's worth depends on the value it brings to the player, not the effort spent creating it.

Think of it this way: why is the game *Assassin's Creed III* worth 550 dkk at release, but only 169 dkk less than a year later? If anything, the product is better later on account of patches and available downloadable content. The only reason for this price change is that the game's developer Ubisoft – and the distributors and stores – ran out of consumers willing to pay 550 dkk for the game and gradually lowered the price to hit new segments of consumers.

Thus, in business terms, the worth of this massive and beautiful game has next to nothing to do with the quality of the game, but of the perceived or experienced quality of the game from the perspective of gamers. Which brings us to the next question.

## 2. Use case scenario or Your case scenario?

When you design a game the number one question you have to ask yourself is: am I making this because someone else wants to play it or because I want to play it? In business terms and in the light of the discussion above about the worth of a product, you should always be answering: because someone else wants to play it. While there is a handful of famous examples of game designers who designed games for themselves and made a considerable amount of money off them afterwards – from Will Wright with the original *Sim City* to Markus Persson with *Minecraft* – as a general rule it is hard to build a thriving business on self-expression.

That is not to say that it can't be done, and more and more indie developers are managing to support themselves through making games that are primarily designed for themselves, but which have appeal to a significantly large group of fans to support single individuals or small teams. **As a rule of thumb, you need 1000 diehard fans who will buy everything you make to support one artistic person's living.** The point here is to say that if you have no ambition to build a company that thrives and expands, but simply want to keep your head above water, producing games you yourself are the primary audience for, it can be done – but you should not expect to live comfortably or hit the big score. That happens to very few.

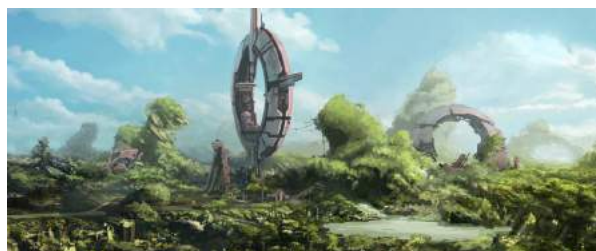
To build a sustainable and thriving business you have to be aware that what you need to do is deliver value to customers, and you have to do something that is even harder than that: you have to relinquish the right and ability to judge your game's value to these customers. Yes, even to the "This game sux"-guy. The method for this usually used in software development is the use case scenario. You sit down with prospective users – or put yourself in their place through a thought experiment, preferably based on data or research into similar pieces of software – and detail scenarios of how they want to use your software. This is fairly simple if we're talking about a word processor, but may seem more daunting when we're talking about a first person shooter game such as *Doom*.

But in reality the two things are very similar, and can run the gamut of products. Even a table has several use case scenarios, from the kind of social engagements it can be used for over daily maintenance to how and in what situations you dispose of it, when you no longer need it. The use case scenarios for a game like *Doom* could for example be divided into three parts: single player, multiplayer and customisation. What does a consumer want to be able to use *Doom* for in single player mode (level progression, point hunting, scary atmosphere, empowerment)? Multiplayer mode

(ease of connection, chat, fair rules, paintball-like action)? Customisation (texture swapping, level designing, ease of using mods)? Remember: most people couldn't care less how much work you've put into your game. They only care about what they can use the game for.

One poignant example is the creation of co-op multiplayer characters in the bestselling first person shooter game *FarCry 3*. Having worked on these characters for more than two years, the designers finally took them to the users who were actually going to play them. These users flat out refused one of the characters – an elderly, British lady – as someone they would never find believable enough to play. A thing the game designers thought players would really enjoy to do with the game was in fact something the players weren't interested in at all and from a business point of view many months of work were completely wasted.

**Focus always on what a customer could want to use your product for.** Focus always on what a player would want to do in and with your game. Focus on the use case scenario, not the your case scenario. If you do your work here correctly, you'll have answered the next question already.



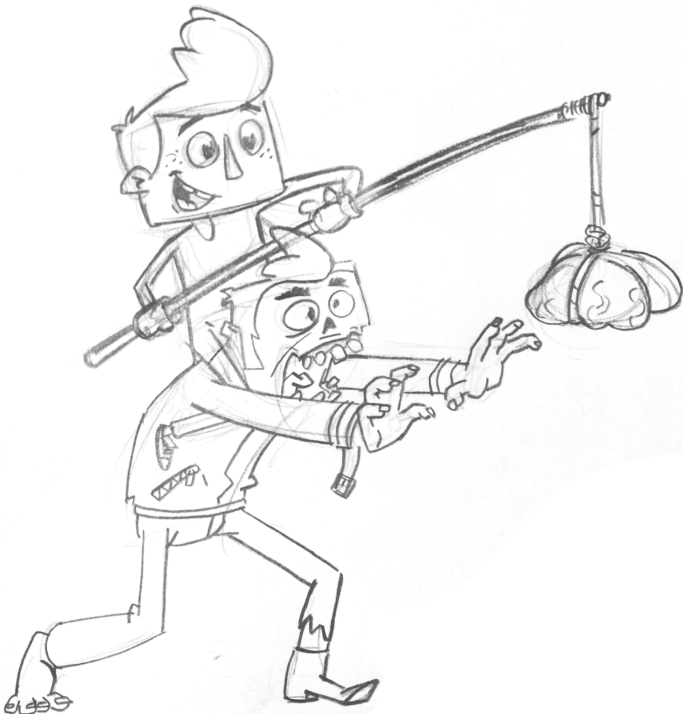
Screenshots and concept art from Coffee Stain Studios' *Sanctum* and *Sanctum 2*



# 3. Why do they play?

When you tell someone to buy your game, the most common and sensible thought they have is "Why?". If you have made your game already and haven't thought about why other people would play it, then you are now in deep trouble. This is the reason marketing efforts begin at the design level of making a game – so that your answer isn't: "Because of this cool commercial some guys made for me." That isn't to say that the cool commercial doesn't have a valid spot in your business plan. But the time to figure out what the commercial should say to people is not when you are making the commercial, but when you are making the product, the commercial advertises. All the Coke Zero-level, action-packed ads in the world will not sell *The Sims*, if *The Sims* wasn't designed to fit into a very definite spot in gamers' life. It is low-grade escapism, micromanagement of minutiae, but most of all it is the chance to manipulate social mechanisms without the risks in the real world. It is exactly what the title, interface and marketing says.

This is no happy accident. Will Wright slaved away on the game for seven years, always with his mind on what the end user would want to do in the game, and because he sharpened the concept to such a degree, the message the prospective players were told by ads grew organically from the product the ads were selling. One of the commercials showed a director bossing a poor actor around, eliciting reactions to various imagined stimuli, only for the actor to be made into a Sim. The prospective player is then told that in *The Sims*, you can create anyone and make them do anything – playing straight into the core concept of the game.



Concept sketch from Daily Wrestler's *Path Commander*

Having figured out what in your game to tell your audience about, you need to find out how to say it to them. Basically, you need to go where people who would want to pay for your game already are. Putting up a website and waiting for customers to appear does not work. You need to figure out the platform used most often by your target audience. If you don't know what your target audience is – your answer is right there in your game. What makes people want to play it? Who are interested in the things that make people want to play it? This is the core of your definition of a target audience.

For a full definition, you have to ask the following questions:

- What makes your target audience interested in your game?
- Is your target audience able to pay for your game?
- Are you able to address your target audience?
- If so, then where?
- Can you measure the effectiveness of your address?
- In particular: can you measure the return the money you spend on addressing your target audience translates to in real sales?

These are the necessary questions to answer about any target audience for any product, and all of them are equally important. You do not have to answer affirmatively to all of the questions, but what you answer should shape your strategy. Obviously the more of these questions you have a clear and definite answer to, the more viable your resulting business plan will be, so do not just stop at yes or no answers. When asking yourself if your target audience is able to pay for your game, you should for example answer how much they are able and/or willing to pay, instead of just marking down yes.

Figuring out where to speak to your audience is of great importance. Study the different possible platforms thoroughly, but keep this rule of thumb in mind: analogue is never as good as digital. Analogue ways of addressing an audience is nowhere near as traceable as digital avenues. *Facebook*, *Google Ads*, *Twitter* – all of these platforms provide some kind of tracking of the effectiveness of your ads. Often, you are even paying to achieve certain track goals, such as a certain amount of clicks or impressions – the advertising term for someone watching your ad.

For more information on different types of online ad systems and the mechanics of online advertising, see the Advertisements business model. You should experiment with different platforms at low campaign intensities – spending the equivalent of 50 or 100 dollars to try the waters – to fine-tune your targeting. You need to know that you are hitting the mark before committing fully to an expensive campaign, and digital advertising makes this easy.

The same applies if you go for a more personal resource marketing strategy, rather than paid ads. Generating buzz by having an active presence on social media and interacting with your community carries with it tons of data about page views, click-throughs on links, retweets and likes. Use this data, and use it to gauge interest in different aspects of your product to identify precisely what part of your product appeals most to your target audience. But having made your potential gamers interested in buying your game is not enough. You also need to find out what they should pay.

## 4. What should they pay?

There is a classic formula used in a variety of industries to easily estimate what the price for your product should be:

$$\text{Materials} + \text{Labor} + \text{Expenses} + \text{Profit} = \text{Wholesale} \times 2 = \text{Retail}$$

Of course the use of this formula necessitates estimation of each of the steps. Designing, coding and deploying any kind of software is a tricky business to estimate the cost of, and even more so with computer games. How many hours will we have to work to make this game fun? An estimation of the cost of labour involved is part of most development methods, so taking inspiration from such tools in the SCRUM, eXtreme Programming or Unified Process methods is highly recommended.

Still the tricky part is that unlike many material and analogue products it is relatively hard to establish the cost per unit for a game, since the multiplication of a digital file – especially in an increasingly download-oriented industry – is a simple and cheap endeavour. The consequence of this is that the expenses post in the above formula is often negligible, and that it is often a good idea to combine the formula with a break-even curve.

This is in fact two curves, one tracking the cost in producing a given amount of units and one tracking the revenue

Ludosity's *Bob Came in Pieces*, Noumenon Games' *Nimbus* and Pieces Interactive's *Roby Tumbler* all followed the traditional business model with game purchases.



generated by sales. As mentioned, in the digital world the former curve will rise steeply with the first produced unit only to flatline or have a very slow increase after this. At some point, the latter curve will cross the former, creating the break-even point – when you have sold this many units at the price used in calculating the trajectory of the curve, every unit sold from then on will be profitable.

Having identified the minimum target number of units sold, you can now proceed to divide up the expenses incurred to produce this number units to find the values for the different posts in the above formula to make it fit with breaking even. Of course pricing in that way, you are going to put in a zero in the profits post, so price for an acceptable amount of profit according to the break-even curve.

In the end, though, you can not be certain that people will pay what you need, so you have to combine your target number of units with an analysis of what gamers pay for similar games on similar platforms. Positioning yourself to signal quality at the same time as hitting the spot where your price is competitive for the value you deliver to gamers is key, and can be a tricky question. Comparing a variety of prices is probably the closest you can get to a method for determining where the balance lies.

Having thought over your pricing strategy, you have almost considered all of the five basic questions attached to the pay for the game business model. Let's look at the final one.



## 5. How do they pay?

Your final question to address when you make your pay for the game business plan is when you plan on getting the money. Traditionally and typically for AAA productions the customer pays for the game upon acquiring a copy of it – when it is in the post-published state. This allows the gamer to take advantage of reviews, buzz and recommendations from friends, as well as having the game in hand right when he or she has paid for it. The problem for you is that this requires a lot of capital raised up front either from your earlier sales, from investors in your company or from a publisher willing to foot the bill in return for the promise of some of the profit from the sales.

Raising this capital requires you to muster arguments that you will make a profit. Fortunately, those arguments are the very same contained in the questions we have treated so far in the description of this business model. You should by now have already established a target audience that you can communicate to and a message that they will respond favourably to. This information is the core of your argument to prospective investors and publishers. Investors tend to be less interested in your game and more interested in the profit you can make an argument for being able to deliver, while publishers tend to be skewed towards interest in the game – though neither to the exclusion of the other aspect and always understood as a general rule.

Pre-orders have long been a staple of video games and is an alternate way to raise some of the finances needed to produce the game. The problem with this model is that you usually cannot raise enough awareness of your game to garner enough pre-orders to be able to make the game, or – if you're going to work on a AAA-production – you cannot cover the costs of producing the game on pre-orders alone, since sales post-published tend to outnumber pre-orders on most titles. Pre-orders are generally best utilised as an injection of cash flow somewhat late in the development process rather than as a core financing strategy.

Crowd-funding through sites such as Kickstarter, Boomerang and Indie Go-Go have gained quite a bit of popularity and support as a creatively free alternative to attracting investors and publishers during the last couple of years. Again you have some of the same problems as with pre-orders in that you have to drum up support for your game before it is finished, but with this model you can potentially gain a significantly larger cash return on your marketing resource investment. Since crowd-funding is built on donations instead of purchases you can receive a larger amount of money from any one backer than you would be able to get from any one pre-ordering customer. And since you have no investor, you are free to make the game however you see fit.



Be aware, though, that you are responsible to your backers in a different way than to an investor. You have basically asked them to trust you and you must deliver on that trust, if you ever want to be trusted by your potential customers again. At the same time you typically interact directly with a much higher percentage of gamers interested in your game, which makes the possibility of a marketing foul up that much greater. In the final analysis, don't forget that crowd-funding is also a great argument to traditional investors, and may get you a higher degree of creative freedom even in a traditional deal, by backing up your claim that you know what gamers want.

Pick a financial model or mix and match – but have a plan with it. You are making a business plan, not a game jam. Money and cash flow is key, and you should always keep your eye on that ball. Since, after all, what is a pay for the game business model, if no one is paying?



Pieces Interactive's *Leviathan Warships*, Stunlock Studios' *Bloodline Champions*, and Tarhead Studios' *Grief*

## Summary

To re-iterate, any business plan founded on the pay for the game business model needs to address the following questions:

1. What is your game worth to whom?
2. What is the use case scenario for your game?
3. Why will people pay?
4. What will people pay?
5. How will people pay?

Answer these questions in a well-documented fashion and you have the beginnings of your strategic business plan.

## Reading

Kelly, Kevin: *1,000 True Fans*

Buechner, Patrick: *Original Sims Commercial* – Alan

Trademob: [www.trademob.com](http://www.trademob.com)

Kotler, Phillip; Armstrong, Gary; Harris, Lloyd; Piercy, Nigel: *Principles of marketing*

Kosak, Dave: *Will Wright Speaks Simlish*



# FREEMIUM

Freemium as a business model was named in a way that is almost too good to be true: crowd-sourcing. Systematically described in a 2006 blog post by Fred Wilson, who lacked a name for the model, the name “freemium” sprang forth in the comments by a poster only identified as Jarid. As will become clear, the focus on the input and experience of users is the cornerstone of the freemium model, so you could hardly imagine a more auspicious beginning.

Freemium is simply the business model of giving away your core service for free and then attracting more users through word of mouth. When these users have integrated the core service into their daily routines they discover that there is another layer of the service available for a fee. A percentage of the free users will recognise these features as valuable to them, trust the company providing them because they are already using the core service, and pay to upgrade. **At its core, it is a model for attracting users through confidence in the power of the user experience**

**of the product rather than through traditional marketing campaigns.** It is a signal of trust in a product and in the potential users of the product.

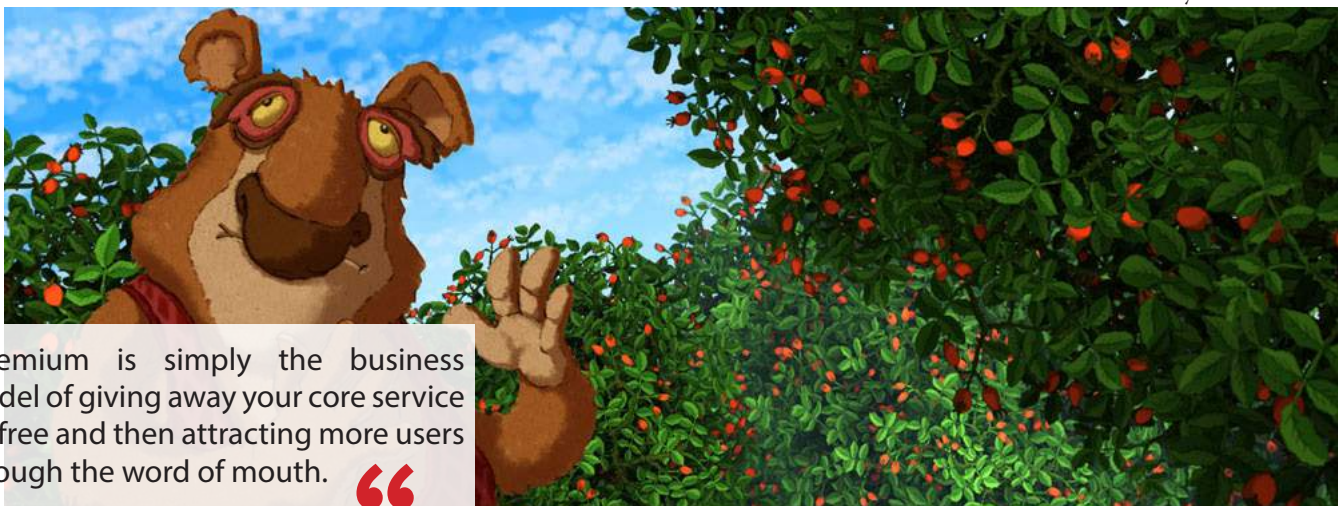
Many different types of businesses from Adobe’s *Acrobat PDF* viewer to the internet-driven phone service *Skype* have used this approach. If you only want to read PDFs, you can use the free version of Acrobat, but if you need an effective tool for creating and modifying PDFs, an upgrade is available. If you need to phone other Skype-users through the proprietary software, the service is free, but for a price you can phone people on their other phones through the same software.

Since at least the mid-00s this business model has been adopted in the games industry as well, with increasing success. From *Angry Birds* to *Star Wars: The Old Republic* all parts of the gaming market on all platforms have their share of freemium games. Even the usually closed and slow moving console markets seem to be opening up with the PlayStation 4 launching

with a variety of freemium titles, including *War Thunder* and *Warframe*, and the entire Xbox Live system being built on a freemium model with silver membership available for free and gold being a paid version with more features.

The freemium principle is driving revenue to a greater and greater degree, with the percentage of revenue in the U.S. App store for iOS Games accounted for by freemium games rising from 39% in 2010 to 65% in 2011. If you look at all apps, 92% of the revenue generated from the App Store in November 2013 came from freemium titles. The model, which has been met with skepticism from many creators, has proven itself to be profitable to say the least. But simply making a game, giving it away and selling a premium version is not a guarantee of success. As with all other things in life, the devil is in the details and the manner of execution of the simple principle at the core of the freemium model is key in ensuring success.

Art by Marcell László



“

Freemium is simply the business model of giving away your core service for free and then attracting more users through the word of mouth.

”



# Going Freemium

When you talk to people in the business of making freemium games you will soon get confused. They will be spouting weird words like MAU and ARPPU, and though you may be tempted to call an exorcist, you should not despair. These terms are shorthand for two of the three most important terms used in analysing and creating freemium games that deliver revenue. It all comes down to this formula:

$$\text{MAU} \times \text{CR} \times \text{ARPPU} = \text{MONTHLY REVENUE}$$

MAU is simply Monthly Active Users, that is to say the number of unique players who have logged in and played your game in the last thirty days. You're interested in this, because this shows how stable your user base is. Since you will be dependent on a steady revenue and this revenue is generated by users, this number is where to start.

CR means Conversion Rate, which is the rate of conversions from free users to paying users. The number needed to make a success differs from genre to genre, with social games generally hitting between 1 – 5 % and freemium MMOs clocking in at somewhere between 12 – 40%. This obviously needs to be stated not in percentage, but in decimal form for the equation to work.

ARPPU is the Average Revenue Per Paying User, which is simply the amount of money you can expect a converted user to pay for your game or service on average for the time he or she uses it. For a social game on the US market designed to appeal to gamers used to paying for games and other sorts of entertainment, a typical number could be around \$105, while a more casual game such as a city building social game in the vein of Farmville would probably number around \$35.



**Note that to excel in just one of these fields is not enough to guarantee profitability.** A large MAU is inconsequential if you are not managing to convert them to paying users and no amount of paying users will save you with a dismal ARPPU.



Game and concept art from Pixeleap's *Nature Punk*, *Wacky Dragons*, and *Vendespilllet*



An equation for a successful freemium endeavour could look like this:



**35000 MAU**

6000 MAU

6000 MAU

**\$73500**



0.15 CR

**0.25 CR**

0.15 CR

**MONTHLY REVENUE:**

**\$21000**



14\$ARPPU

14\$ARPPU

**35\$ARPPU**

**\$31500**

As you see the key is to have a strong number in each field. If even one of them is severely lacking, we end up with numbers like:

6000 MAU

3500 MAU

**200 MAU**

**\$1050**

**0.005 CR**

0.15 CR

0.15 CR

**MONTHLY REVENUE:**

**\$2625**

35\$ARPPU

**0,5\$ARPPU**

35\$ARPPU

**\$1050**

So the goal is to have as many monthly active users as possible AND convert as many of them as possible to paying customers AND have each paying customer pay as high an amount as possible.

But how do we go about achieving that goal? While every game has specific details and scenarios that need careful attention, certain principles can be applied across all genres and platforms.

# 1. Create a good product

Art by Laura B. Schjodt

It goes without saying that no business plan can sell or make profitable something that no one needs. This does not mean that consumers are already aware of their needs, however, and part of the freemium business plan is to make it easy for consumers to recognise that your game fulfils a need that they did not know they had. After all, they can try the product themselves without paying.

This is why it is of paramount importance that the core product – the part of your game that is free to play – is great. **You should not design a great game, then remove features and let people try a tuned-down version for free.** The free core game should feel like the full game and the content or features that are opened up should make a rich and full experience even richer and fuller.

Think of it this way: you are designing not one, but two great games. One great game that people can play for free, and another great game that they can pay to play. Instead of cutting features in development to make the “free version”, add features to make the paid version.

All of this goes towards two things: primarily it boosts your MAU. If your free game isn't great, why would people play it in the first place? And if no one is playing your free game, you can't convert anyone to being paid users. Secondly, it should make it clear to players what the benefits of becoming a paid user is, which allows you to optimally prize the paid version, managing your ARPPU.

# 2. Decide what is free

Once you have introduced the free game, you should never reduce the amount of features that come with it. You have made a proposition to your players: they can have this for free. Taking something away you have for all intents and purposes given as a gift is seen by the players as a betrayal.

For example, a little over a year into its life, the burgeoning film social site *Letterboxd* left its free beta-period and decided to introduce a freemium based model. Unfortunately they decided to cut back on one of the core features – the ability to make lists of movies, which was reduced from unlimited capacity to lists of up to 20 movies – in the free version of their site. Loyal users professed on the site that they would love to pay to support the site and to get extra features, but that this removal of features was clearly a case of extortion on the site's part. At least one high profile user, who had driven the content generation and user recruiting on the site, deleted his account. The changes lasted less than a week, with *Letterboxd* reverting to making all the formerly



“ Part of the freemium business plan is to make it easy for consumers to recognize that your game fulfils a need they did not know they had. ”

free features free again, while pledging to add extra features on top in the future. The community of users reacted with a strong reaffirmation of their loyalty - the prodigal user even returned.

You need a plan for what is free and what is not free and you need to recognise that once something has been free, you can never again charge for it.



Art from Tumblehead's animated short *Rob 'n' Ron*



The developers of the Ouya-game *Stalagflight* (left) went the free to play route, but included the option for players to “pay what you want” (or in *Stalagflight* terms: “buy us pizza”) if they felt compelled to support the developers.

Triolith Entertainment released their iOS and Android title *Megatroid* (right) as a free download, their income from the game is based on in-game purchases.

### 3. Consider the use case

What platform are you designing for? Increasingly, this is the most relevant business question in the video games market, as there are significant differences in the use case scenarios for gamers on a console, a PC or a mobile platform, even when it relates to payment options. For all of the platforms mentioned below it is worth noting that it should be very, very easy to simply begin playing your game. Make your download as small as possible and make the way from starting the game to playing it and it being fun as short as possible.

While the fact that the game is free is a great motivator to try out your game, the fact that the player has no money riding on the game also translates into less patience with it. Once your players are playing, however, the question becomes how you can make it as easy as possible for them to convert to paying players. On the closed markets of the consoles there are many steps from the player being interested in paid content to the player actually purchasing it. Often the player has to pay money into an account with the company (PlayStation 3 or Wii U) or buy

specialised currency (until recently, Xbox Live) to be able to spend money on the paid content. This is a barrier to spontaneous purchases and may make impatient players give up before the purchase is made. To overcome this, concentrate paid content in large packages and make it clear and reliable what the players are getting, so they will go the extra mile.

On a PC you are often dealing directly with users and as such the distance from interest to purchase is often considerably shorter than on console. You need to make a decision on what clients to use for distribution and what this means for the purchasing situation. If you design the payment system yourself, keep in mind that there should be very few steps from interest to purchase – but not too few. While most consumers no longer consider shopping online an insurmountable risk, it still requires that your customers are always at ease in every step in the process. Consider whether you want to offer to store the credit card information of your players, since this poses many security issues. Perhaps integration with a payment service such as PayPal

is a better alternative. If you use an existing client such as Facebook or Steam, these problems are in large part already solved for you and are part of the service you pay the client for. Your job then becomes to cut down on the amount of steps involved in moving from your game to the distribution platform’s purchasing screens.

The optimal platform for freemium and other free to play business models seems to be the mobile platforms, though. Users are already registered with their credit card at the operating system company – most likely Apple, Google or Microsoft – and they are used to buying apps and games with a few clicks. This swiftness opens up the possibility for many small pieces of premium content and for a very short journey from interest to purchase, both of which can drive up your CR considerably.

When you are designing your great free game, and your even greater paid game, you should consider carefully the users’ possibilities for moving as swiftly as possible from the former to the latter.







## 4. Trust your users!

Speaking of users: they are not just a source of income. They are the people you want to entertain with your game, and as such they can provide valuable insights in what they like about it and what they don't like. This is of course common knowledge in a Web 2.0 world, but in the context of the freemium model this needs to be fine-tuned by asking this question of your users: what do you want in addition to what you already have for free?

Your game is great, you know what is free, and you have made it easy for your players to move from being free players to being paying players. However, just because it is easier, your players may not necessarily want to do it. There needs to be a clear benefit in upgrading to the paid game. While the word of the players is never the be-all end-all of what paid features and content will get players to upgrade, it is a good place to start.

Since the freemium model already builds up a mutual trust between you and your players, you should consolidate

## 5. Trust your game!

You can – and should – have the best game in the world, with clear benefits to becoming a paying user, but this does not mean you are done. Take a moment to consider ARPPU again. This number can fluctuate quite wildly over time, since you have users who have already upgraded to the paid version who will not upgrade again. This means that to keep your ARPPU up you need to constantly attract new users that are convertible to paid users. But you already have an amount of users that are paid users but who cannot pay you more, even though they have demonstrated their willingness to pay for a game you make. How can you realise their potential again?

If you make it very clear from the start what the paying customers get, additional features can be introduced later at a different payment tier. Thus, players who have already bought the great paid version can now buy the even greater paid version to gain access to these.

and use this trust through an ongoing development and upgrading process. More trust an empowerment to players, even free players, generates positive word of mouth eventually leading to an increase in MAU.



Art from Triolith Entertainment's *Megaroid*.

Be aware that too many of these pay-more upgrades can make the users go sour, since the worth of the free and initial paid version lessens in comparison. **It is therefore a good idea to add not just new purchasable features and content, but also upgrade the free and the originally purchased version.** For example, you could take one of the popular features from the paid version and make it free, while adding a new feature to the paid version to stand in for the now free feature, all the while stacking a whole bunch of great features in a new paid version. This keeps existing players happy and delivers new opportunities for paying players.

Done correctly the launch of an update should result in a spike in MAU too, so a well-maintained update schedule can benefit both CR, ARPPU and MAU.

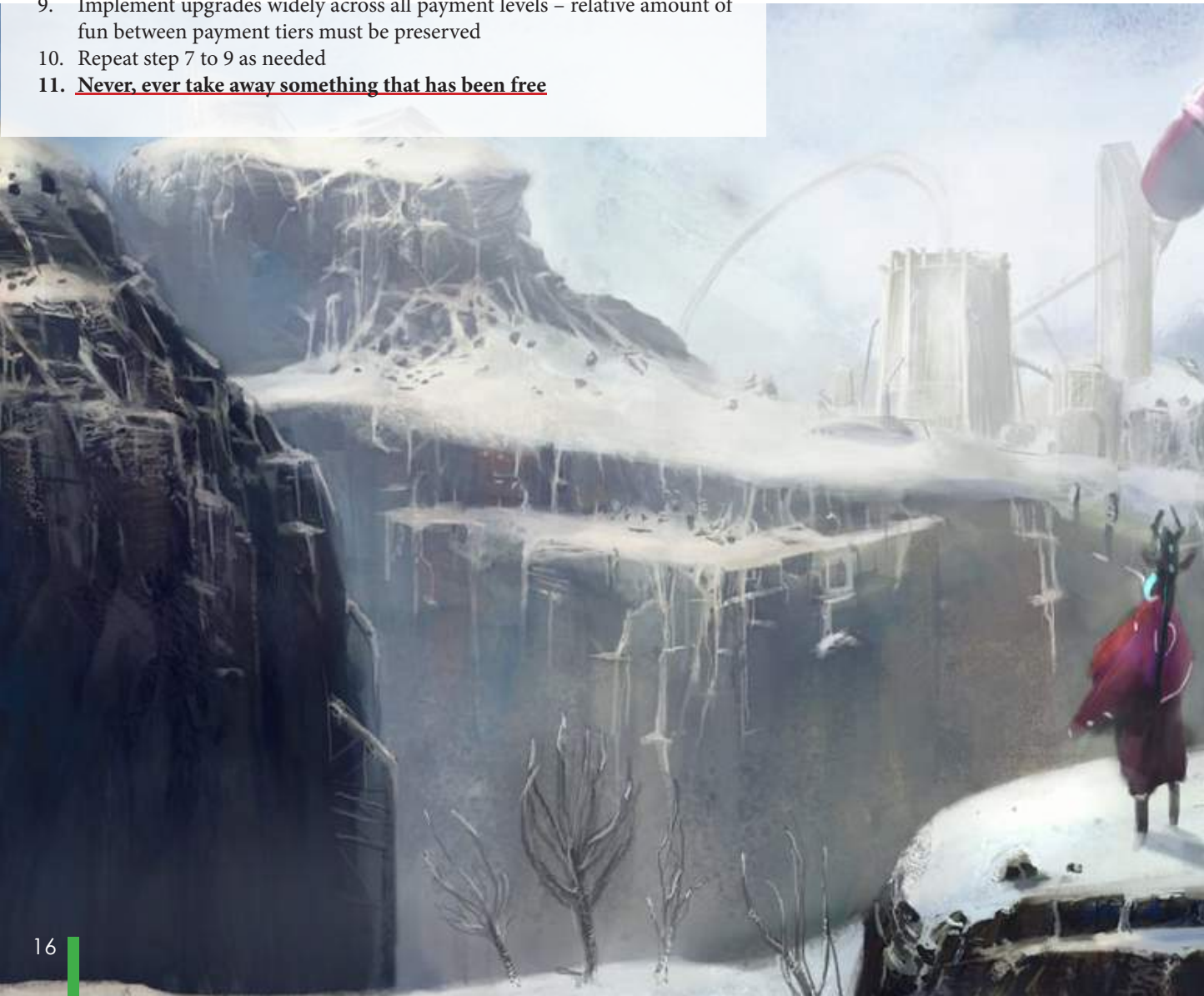
# Putting it all together

So these are the principles to reach the goals we started off outlining. But how do you go about putting these principles into practice? The following 11 step plan is a guideline that should help you ensure you have thought about the necessary problems in implementing a freemium model.

1. Plan to use freemium from the start
2. Determine the needed revenue to sustain the business
3. Run different MAU, CR and ARPPU-scenarios to determine the minimum required goals to generate the needed revenue
4. Design a free and a paid version from the beginning – both must be fun
5. Make it easy to begin playing – as small a download as possible
6. Incorporate strategies to maximise MAU, CR and ARPPU in the design – make it fun to play for free, make it look like even more fun to play the paid version, make it easy to upgrade, make the paid version actually be even more fun than the free version
7. Plan ahead of time when you want to launch upgrades to the game – not necessarily by setting a date, but maybe by setting a goal of MAU, CR and/or ARPPU
8. Gauge your players for ideas for possible upgrades
9. Implement upgrades widely across all payment levels – relative amount of fun between payment tiers must be preserved
10. Repeat step 7 to 9 as needed
11. **Never, ever take away something that has been free**



Environment render by game artist Karin Hagström





# Can freemium stand alone?

Freemium as a business model originated in software services, and to a large extent it is still in that area the model works best when not combined with other business models. Even in the digital services sector the model is nowadays often combined with a subscription model, whereby you pay not one time for the paid version, but several times over the course of your use of the service. The AVG Anti-Virus program is a good example of this, while in games *World of Warcraft* and *Star Wars: The Old Republic* are examples of the freemium + subscription model.

In games, one popular and often successful combination is that of adding ads to the free version that are removed in the paid version. This adds to the revenue stream by having an indirect income from free players. Combining the freemium model with various other, similar models such as supporting micro-transactions for virtual goods rather than just for features and content is also an option. That is to say that you can pay to purchase small boosts of customisability options in-game independently of gaining access to a full

paid version. Often the paid version offers a discount on these micro-transactions.

The strength of the freemium business model is that it generates trust and offers a very low bar of entry for players. The weakness is striking the perfect balance that ensures a high MAU through a great free product, a high CR through clear and desirable benefits from upgrading, and a steady ARPPU through either constant flow of new paying players or constant upgrading.

Combining the model with ad sales minimises the problems of a middling CR, while the addition of micro-transactions for virtual goods supports the ARPPU by giving more options for already paying customers without the heavy upgrading needed by a pure freemium model.

In conclusion, the basic freemium model can work very well on its own, but it truly shines in conjunction with other free to play-based business models.

## More Reading

Heires, Katherine: *What It Pays to Give Away the Store*

Holmes, Ben: *The Economics of Freemium*

IOL Scitech: *Sony to revolutionise freemium games on consoles*

Casual Games Association: *Freemium Gaming Metrics 2012*

Chen, Brian X.: *Playing at No Cost, Right Into the Hands of Mobile Game Makers*

Lovell, Nicholas: *How to publish a game, GamesBrief 2010*

Mielach, David: *Infographic: Charging Nothing Pays Off With Freemiums*

Reisinger, Don: *Xbox 360: Freemium games' next frontier?*

Sawers, Paul: *Letterboxd, the social network for movie buffs, goes freemium and finally opens to everyone*



# WORK FOR HIRE



In a certain sense all work is work for hire: you do some work and someone pays you to do it. But in the business model sense, work for hire means working on a project that is defined by a client's need for a solution to a specific problem. This problem can take many forms, but it is typically a problem of content creation. Examples of this could be:

- An online gaming website – Adultswim, for example – needs games to put on their platform
- A larger developer needs help completing part of a bigger game
- A larger developer is looking to expand to a new or untested platform and needs ports of existing games to test the waters

It could also be a problem of game design being used as a solution for a non-game related problem. Examples of this include:

- A company or institution needs a game to raise awareness of their product or cause
- A teacher needs a specific game to use in a specific teaching situation to facilitate understanding of a part of the curriculum
- A theatre needs a game to fit in with a performance

Finally, you could not be selling a working digital product at all, but instead be selling your expertise. For example:

- A company needs a different approach to teambuilding, and you provide the tools for the employees to design games together
- A teacher teaches a course on video games and you give a talk on a specific aspect from an insider's perspective
- A company has produced a game internally and hires you in to comment on the game mechanics

The key points of all of these scenarios is that total creative control is not in the hands of you as the developer, but is framed in the expectations and demands of the client. Likewise, you typically retain none or very little of the intellectual property rights to the work you have done. You are hired to deliver a certain product and once this product is delivered and paid for, it belongs to the client.



Art by Johan "Buckster" Wahlbäck

There is in this model no real difference between a video game and a table or t-shirt or any other analog product. Once you sell it, it ceases to be yours, which means that one question you have to address with any client is how you let the product go – including the amount of support you should provide in transition. This lack of ownership brings us to the first fundamental challenge of working within this model.

# 1. Clarify your purpose

Before considering anything else about this business model, you have to decide why you are using it. Basically, you can have two purposes in mind for selecting to use this business model instead of any of the other available. Either you are driven by a desire to solve problems for people and you feel that games is a medium that does this well, or you are using work for hire projects to generate profits needed to finance other projects for your company.

Both of these purposes can work and work well. The first of these positions your company as a consultancy that typically delivers solutions to other businesses. For example, the Danish company Serious Games Interactive and the American company Persuasive Games work largely as consultancies and game solution providers for companies in a wide variety of fields, from education over the health industries to NGOs and political organisations. This is not to say that these companies would never make a game of their own volition, but their main business model is to make money making games that solve the problems defined by other clients.

If this is your purpose, then you are relatively safe on a strategic level, since this type of business – the consultancy business – is well-documented, through a plethora of websites and many books such as Bruce Katcher's *An Insider's Guide to Building a Successful Consulting Practice*. In this business model description some core concepts and practices for starting up a consulting company are discussed below.

The other purpose for the work for hire business model is as a financing model for other projects. The advice collected below applies directly to this purpose as well, but there is another dimension to using the business model for this purpose, namely that you want to position your company in such a way that you have resources freed for your own projects either simultaneously with delivering solutions to

clients or in periods of down-time between out-of-house projects. This calls for careful strategic planning as well as active project management.

It is difficult to give general advice for this, because every company using this model for this purpose will be different. But the most important thing is keeping up morale among employees in the sense that a company that has different products driven by different motivators – crudely put: passion or profit – will probably be staffed mainly by employees interested in the projects driven by passion. It would be prudent to ensure rotation of employees among different kinds of projects to keep the enthusiasm going.

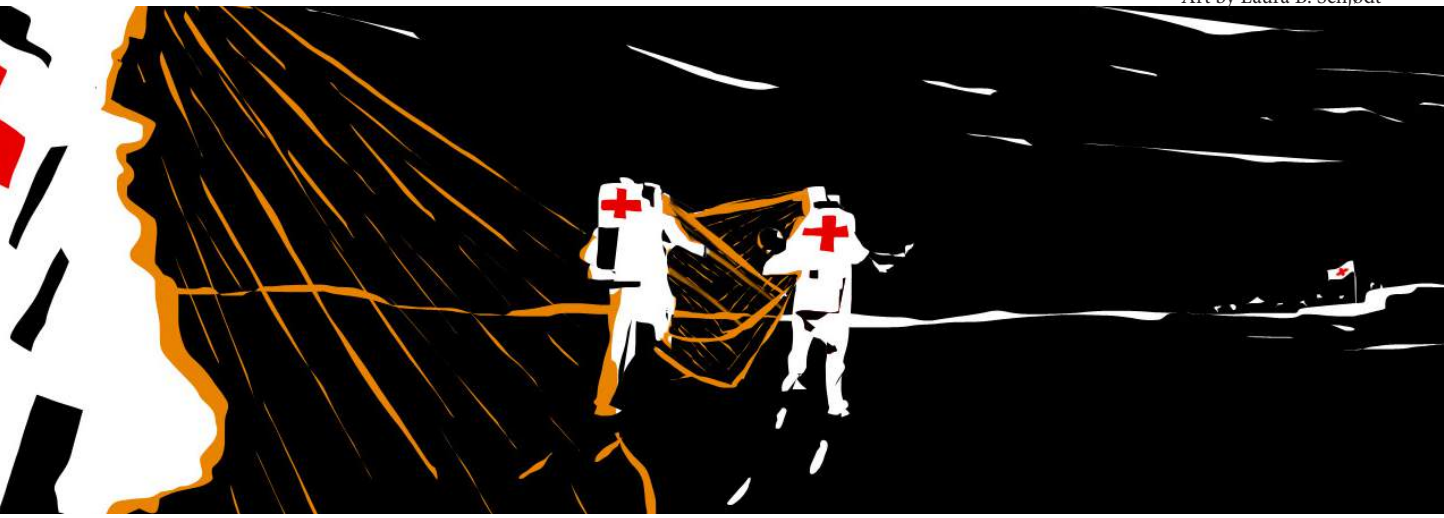
One practical way of doing this is the Amnesia Fortnite model used by the American company Double Fine. Two weeks out of each year all employees leave their current projects to form small groups making prototypes of innovative games. In these groups, roles are often different than in the normal projects, ensuring a way for employees to demonstrate aptitude for and experiment with different aspects of game creation. This has the added effect of generating new ideas probably usable in both passion and profit projects.

One other challenge needs to be addressed if the work for hire business model is used to finance other projects, namely that you have to manage carefully the amount of work for hire projects you acquire. To be sure, you need a steady flow of projects, but you can actually be too successful, leaving no room for the projects you actually wanted to finance in the first place. This is usually not a concern in the start-up phase, where acquiring clients and projects is hard work, but it is a strategic concern that needs to be planned for. With that, let's take a look at some ways to approach cracking the nut of starting up a company based on the work for hire business model.

Art by Marcell László







## 2. Finding your client

Before you can do work for hire, you need to identify who might benefit from hiring you to work. Here it helps to keep in mind that you do not need to aim for the top in any given field right off the bat. Go for low- to mid-level players in an industry and build up to high level clients on the experience you gain from them. But which industries could benefit from solutions from a game company? Per Rosendahl and Henrik Zein have attempted to map the potential clients for the game industry in Denmark, and there is very little reason to think that these findings should differ wildly in other Scandinavian countries.

In general what you are looking for is someone with a problem, and this problem is usually connected to some kind of interaction. First off, the public sector seems to be the most obvious fit for game developers. The sector is large and there is in general political will to use new technology in many areas. Furthermore, the turnover time of projects in the public sector is generally longer than in the private sector, which leaves more time for the typically lengthy development times in the games sector.

Basically, you can divide the potential areas of the sector up as follows: Health-care, education and information/child-rearing. In the area of health-care, public subsidies at the EU level will be on the rise over the next 15 years. There are already several success-stories both from the US and Scandinavian countries, including the American app *Septis*, the work done by the Danish company Pixeleap at the Social and Health Care College in Aarhus and a handful of other Scandinavian companies, including Danish Apex. The typical game solutions in this sector are either training games to be used at hospitals for the staff, or games that can improve efficiency – and/or cost efficiency – of treatments through interactive experiences delivered to patients.

The field of education is a murky one, since it has been a target of games for decades. Nevertheless, the constant

demand for innovation and differentiation in pedagogy and learning methods and materials ensures that games are still in high vogue. Work for hire in this area of the public sector can take the form of producing working video games, but can also take the form of producing a variety of gamification solutions or in consulting on the use of existing video games in education. Recently developed video games and gamification solutions usually share one purpose: motivating and easing the teaching of certain, non-game related skills or areas of knowledge. Typically a new video game is developed in conjunction with the client, usually the teachers involved in using the video game, along the lines of classical software development practices. For inspiration on gamification, see Lee Sheldon's *The Multiplayer Classroom*. Consulting on the uses of existing video games can take two forms. Either you facilitate using a game to teach a subject – such as the Finnish/American company Teacher Gaming – or you act as an expert in the analysis of games as subjects in and of themselves such as the Danish company Play Consulting.

Finally, the public sector is rounded out by the information/child-rearing area. This covers a variety of different possible solutions that are not incorporated in formal educational institutions or the health-care sector. Libraries, museums, ministerial departments, municipal administrations – all places where the state interacts with citizens. These interactions can be facilitated and improved by games based solutions, and the possibilities are very large, but hard to generalise further about. Think of any interaction you have had with one of these institutions and imagine them as a game instead.

Other than the public sector, the report by Rosendahl and Zein considers the advertising business, which has used games for many years. However, they consider the advertising business a risky partner for a game development company, since there is an exceptionally high turnover that is hard to combine with the time needed with successful game development. The rise of middleware such as Game Maker and low entry point engines such as Unity may counteract this, but for the moment Rosendahl and Zein recommends instead targeting internal marketing departments in larger

companies. These internal departments typically move a lot faster than the public sector, but at a more game development friendly pace than advertising agencies, with turnovers more often in six months rather than six weeks.

An advertising game has one primary purpose: to add to the value proposition of the company in question. That is to say, to be a further argument for buying the product that aligns with the branded and real service of the company in question. To identify a company in need of an advertising game, you therefore have to identify both possible interactions with customers and to what degree a game based solution will be seen by the customers as a natural addition to the value they already assign to the product and the company.

## 3. Approaching your client

The basic way to approach a client is through networking. You need to scope out where the people you are thinking about are meeting and go there, often physically. Conferences and conventions are a great opportunity for this, since almost everyone are there to be talked to and to make networking connections. You rarely give a sales pitch to people you meet at a conference. Be interested, friendly and sociable. Do have a beer. Do not stalk.

If you are not up for physical face to face initial contacts, the way to build the business is to research the company you wish to contact extensively, find the right person to send an e-mail to, and follow up with a phone call two-three days after. It is very important that you demonstrate knowledge of the company and interest in the specifics of this company rather than giving the impression that you are contacting this company as a part of a larger series of sales pitches. Contacting in this way inevitably becomes more formal than conferences and conventions, which means you need to appear more professional. Do have an easily digestible and understandable high concept for your solution in the initial e-mail. Do not make spelling mistakes or jokes. Humour is not worth the risk of being misunderstood in text.

Having made the initial contact, you should follow up within a week with a still informal, but more detailed proposal for making a pitch of your idea. This pitch can be a meeting or an actual, presentation oriented pitch depending a lot on the organisational culture of your prospective client. In general, the public sector is oriented towards meetings, while the private sector is oriented towards building to a pitch. Having made the connection and secured the meeting, you need to construct a more detailed argument to make the sale.

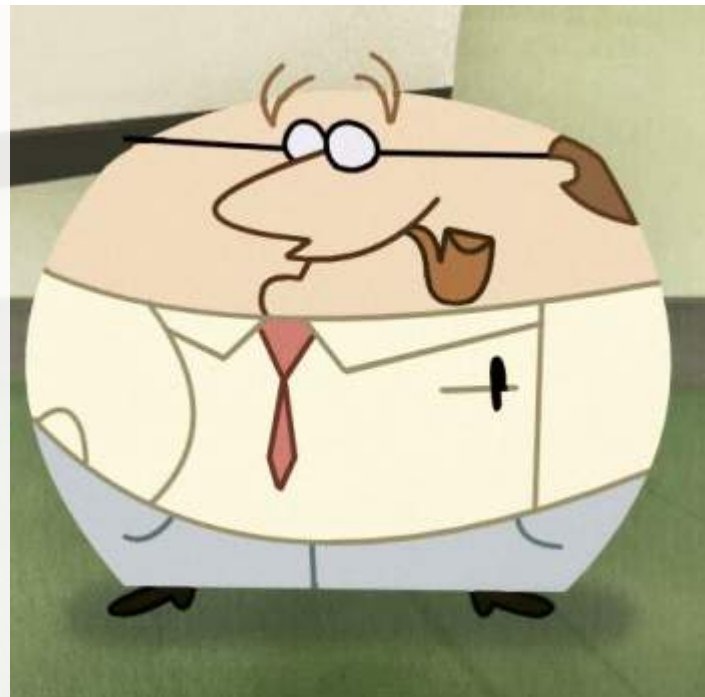
There are three different kinds of arguments that can be made for why people with a problem should have you solve it. Firstly, you can argue that you can do what they are already do, only cheaper. Secondly, you can argue that you can do what they do, only better. And thirdly, you can argue that you can do something, they should be doing.

Similarly, the Human Resource departments in larger companies can be targeted with games and apps that fulfil the same basic purposes as the corresponding products in public education – facilitating the transfer of knowledge and skills. Furthermore, game based solutions can enhance and add value to personnel interactions and work as an instrument in teambuilding. Rosendahl and Zein surveys other sectors, but these are the two prime targets, since their business practises leave room for game development and since there is in general a sizeable amount of capital in these areas of the public and the private sector.

In general there is more money in the private sector, while it is easier to get funding in the public sector. Which leads us to the next natural question for your business plan.

Constructing the first kind of argument requires access to data about the expenditure of interactions between your prospective client and their customers. Typically the place to cut expenditure is in salaries, which cover the bulk of operating costs in most fields where interaction is required. This means your game should be designed to a certain degree with automation of interaction in mind. Getting the data to make the argument can be tricky, so attempt to collect general data and shape your initial pitch to prospective clients after that, making sure your estimate of expenditure is well under the average.

Constructing the second kind of argument requires intimate qualitative knowledge of practises inherent in either your prospective client's company or in very similar companies.



Still from Tumblehead's animated short *Story of Animation*



→ This is usually built up through personal experience and is a lot easier if you stay inside an industry you have worked in before. Here your pitch hinges on you demonstrating clear knowledge of existing practices and the ability to take a step back and analyse these practises.

Both of these arguments require knowledge that is hard to acquire right off the bat. This means that a lot of work will have to be made by you either after the informal first contact or before the more formal contact. It is a good idea to pick one or two industries to specialise in, so that you can build up knowledge that is usable from client to client.

The third argument is the easiest to prep for, but the hardest

## 4. Pricing your work

Let's assume that you have constructed a perfect argument for why someone should hire you. They are convinced. You even convinced yourself. But then the question comes: "So how much do we pay you for this?" You have spent so much time preparing for making the argument that you never thought about what was going to happen if it worked. The perfectly crafted image of professionalism you created goes down the drain as you stammer: "I dunno."

There are several principles to be aware of when pricing your work and several methods to come up with a number. First off, you have to balance the impression you're making and the amount of experience you have had. Charging high can exude an air of professionalism, but it raises expectations of what you can deliver and how quickly you can deliver it.

Secondly you have to look at the competition. The games business is to a large degree a business with very few fixed costs, which means that prices of services are very much a function of competition in the market. So to figure out your price, your competitor's prices are a starting point.

Thirdly, you may think that you can sacrifice getting the big bucks in the beginning and rough it as you start out, then build to a respectable salary later. This almost never works, since it is very hard to go to people, you have worked with before and say "We'll do the same thing as before, but now it's two times the expense." This can really negate your greatest strength moving forward – the building of a network.

So how do you come up with a number? Either you charge by the hour or by the project. Going by the project, basically the same formula as when you sell a product you have made to a customer base applies:

$$\text{Materials} + \text{Labor} + \text{Expenses} + \text{Profit} = \text{Wholesale} \times 2 = \text{Retail}$$

to sell. You need to know enough about the practises of your prospective client to actually propose something new, but the burden of proof is more heavily slanted towards your solution being a good thing to do in and of itself rather than improving on existing practices. This makes it a hard sell, since you are basically telling the company that you have an expansion idea that they have failed to come up with – which is a very different thing from being an external consultant able to streamline and improve practices mainly as a function of being outside the daily rut. The way to slant this is to not make it appear that you think you know more about your customer's industry than them, but that you can see opportunities due to your experience and knowledge from the game industry.

Obviously, there is no difference in wholesale and retail in this business model, so the formula actually looks like this:

$$\text{Materials} + \text{Labour} + \text{Expenses} + \text{Profit} = \text{Offer}$$



Art by Johan "Buckster" Wahlbäck

You need to make every last one of these elements clear in your own company, although you may or may not need to make it clear to your client. Typically, clients in the private sector are interested only in the final offer and getting the product, while clients in the public sector are bound by laws and regulations to check more of your budget.

Charging by the hour may make your offer more transparent and will make it clear that you are selling your work, not using the money of other people to build your business. In general you should be wary of trying to charge clients for the purchase of licenses and assets. This looks quite a lot like you are taking money that should really be taken out of your profits and hiding them in other posts on the budget.

When doing your pricing, do not underestimate the knowledge contained in trade unions. These are a valuable resource for finding out average salaries, but should not

be taken as a final word on the salary numbers. Use this knowledge as a guideline for analysing the market and scoping out the competition.

Art by Marcell László



## Summary

1. Know why you want to do work for hire
2. Identify one or two industry fields and research the market
3. Identify good starting clients as well as long term goals in each industry
4. Make initial contact – preferably informally at conventions or conferences, else with well researched, personally tailed e-mail and phone call combinations
5. Choose one of the three core arguments to pitch
6. Research and practise the pitch
7. Determine the monetary strategy and size of your offer
8. Deliver the pitch
9. Agree on size and nature of work including an exit strategy for your company
10. Do the work
11. Abandon the work through the agreed upon exit strategy

## Reading

Crane, Mary: *How to set your consulting fee*

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Maveal, Danielle: *A Simple Formula for Pricing Your Work*

Persuasive Games: [www.persuasivegames.com](http://www.persuasivegames.com)

Rosendahl, Per and Zein, Henrik: *Penge i spil?* (Danish)

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Sheldon, Lee: *The Multiplayer Classroom*, Course Technology PTR, 2013  
Makuch, Eddie: *How Amnesia Fortnite Saved Double Fine*

Serious Games Interactive: [www.seriousgames.dk](http://www.seriousgames.dk)

Weiss, Alan: *Getting Started in Consulting*, Wiley, 2009



# REVENUE THROUGH ADVERTISING

Advertising is one of the most prevalent business models in the latter half of the 20th century, and it works across a wide range of media. The basic idea is that if you have something that many people are looking at – a newspaper, a football player, a video game – you can sell some space on that something to other businesses that want people to see their message.

From this follows that the more people who look at your video game, the more money someone will pay to be able to write their message in it. However, there are other factors to consider too for the prospective ad buyer. Most importantly: who is playing your game? The typical player of Subway Surfers is probably quite different from the typical player of Dungeon Heroes, and vastly different businesses will want to communicate to the two player types.

These two considerations apply to any form of advertising, but digital advertising has an advantage over traditional advertising in that it is actually possible to measure its effectiveness. While you cannot accurately measure how many people see an ad in the newspaper and buy something because of it, you can easily, effectively and accurately measure how many people react to a digital ad. You simply look at the amount of clickthroughs (CTs) it gets, that is to say how many people who see the ad click on it to go to the product it advertises.

This has led to the rise of two different pricing principles: cost per click (CPC) and cost per impression (CPM). In the first, the advertiser pays a set amount for each click the ad receives. In the latter, the advertiser pays a set amount for getting the ad shown a set amount of times. Obviously, the CPC is usually priced more heavily than the CPM, since it generates far more data for analysing customer behaviour.

Since you will be selling ad space, you will need to figure out whether to bet on CPC or CPM as the primary mode of ads in your game. This decision is closely linked to another decision, which is whether to use ad networks or not.



Art by Johan "Buckster" Wahlbäck



Art by Jeppe Døcker

## Ad networks vs. specialized deals

Typically, the advertising business model involves cooperation with an ad network. This is a company that administers ad placement for a host of customers and simply displays ads in your game that correspond between the information they have on your audience and the information they have from the advertiser on which audience he or she wants to target. On the web, Google has this market locked down, especially in the Western world, but the market is a lot more differentiated on mobile app platforms.

In the literature section at the end of this book you will find links to a host of ad networks, but a few general words about how to choose between them is in order. First off, you need to select your geographical target. There are vast differences in how strong different advertising networks are in different parts of the world. Secondly, you should look at offers from several different ad networks. It can sometimes seem like they are giving you money, but they are not – you are selling space to them and you should sell it at as good a price as you can get. Thirdly, you need to consider the placement of ads in your game and whether your chosen network partner can accommodate your design needs. Although obviously your design needs could be in need of revision, if you cannot find a suitable ad network.

In the final analysis, you probably need to try some different ad networks out or seek out people who have experience with similar games and using this model to support them. The experiences shared by Simon Møller, which is in the literature below, is a good place to start.

Another possibility which some analysts see as a big opportunity in the future is specialised deals, where you deal directly with the purveyors of a product and custom make an ad in your already successful game for them. Say that you have a successful endless runner game and during the Olympic Games, the mascot runs alongside the player. This specialised deal delivers a more tailor-suited value to the advertising company.

It goes without saying that specialised deals are more of an opportunity for already established properties, while the ad network solution is most likely the only one of the two available to a typical start-up. Bear in mind, though that the specialised deals version of this business model can be extraordinarily lucrative and may be a worthy goal to work towards.



Art by Jeppe Døcker



# Designing for ads

Just as you need a certain design philosophy to properly support a freemium model, you need to think carefully about how you design the way your players interact with the ads. At least two dimensions are vital: ad placement and flow design.

Ad placement is all about integrating the look of your ads with the look of your user interface. You have to place the ads in a way that balances a certain inconspicuousness with the very real demand that users do see the ads. This can be tricky and is the primary reason why ads are rarely placed inside the main gameplay.

Concerning flow design, the object is to place ads at a place in the flow of playing the game, where it makes most sense. This can take two forms. Either you can design for ads to appear at natural pauses in the game flow such as between levels, between replays, or between turns. Alternatively, you can design for ads to break the flow deliberately, appearing as the player is in the middle of a typical interaction with

the game. This can produce a higher CT-rate but risks irritating players and turning them off the game.

No matter what decisions you make about how to design your game for ads, you must ensure that it is compatible with your choice of ad network or the special deals you can negotiate.

“You need to think carefully about how you design the way your players interact with the ads. At least two dimensions are vital: ad placement and flow design.”



Art by Johan “Buckster” Wahlbäck



# Things to consider

Art by Jeppe Døcker

There is considerable debate in the games business about the validity of the advertising business model. While it has reigned supreme since the beginning of the mobile games market, the freemium model is winning many proponents over. The argument being that various versions of the freemium model – especially ones containing multiple in-app-purchase opportunities for the players – can generate much more revenue than ads. Countering this argument is the consideration that ads usually have a steadier and more easily predictable revenue. In the literature below, there is a link to Nicholas Lovell's collection of a host of different perspectives on this debate.

Whatever side of the debate you come down on, you should note that it seems to be an either-or question in the sense that if you include ads in your game it significantly decreases the motivation of your players to make in-app-purchases. Unless of course removing the ads is an option as an in-app-purchase.

Starting up with the advertising business model is potentially the easiest way to make a game profitable, but in conclusion here is a summation of the three points you need to be clear on to be successful with this model:

1. Decide on whether to use ad networks – and decide on the right network for your target audience; often the most important question here is where they are located geographically.
2. Design your game to effectively include ads; either through static interface design or dynamic flow design.
3. Run scenarios for this revenue model compared to an application of the freemium business model – and choose accordingly

Careful consideration of these three points will get you far on your way to constructing a business plan around the advertising business model.



## Reading

Atwood, Bryan: *4 ways to Maximize Your Mobile Game's Ad Revenue Potential*

Lovell, Nicholas: *How do you decide whether you should put ads in your games*

Møller, Simon: *How to make \$3,000 per day from advertising in your free-to-play game*

Rowinski, Dan: *Mobile Game Developers Reconcile Monetization: In-Apps or Ads?*

Schick, Shane: *Ad networks make a play for mobile game developers*

Sen, Conor: *The Future of Ads: Mobile Will Crush Display; Games Could Crush Them All*





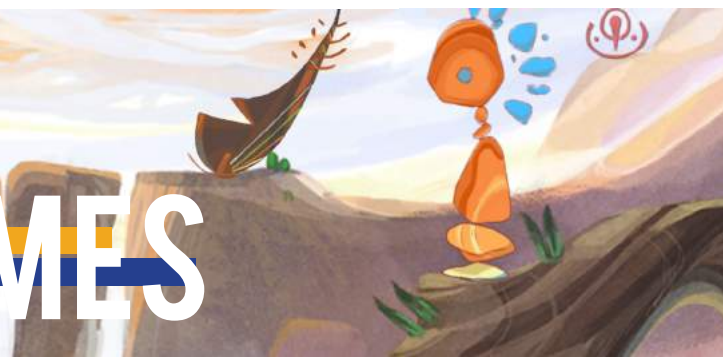
# SERIOUS GAMES

While the means and mechanics of business models can to a large degree carry over from the entertainment game sector to the serious game sector, a business plan should also involve a strategic positioning agenda. That is to say: what do you envision your company doing with other companies and sectors and what sort of plans do you have for building, maintaining and evolving such relationships?

Though the specifics of such strategic planning will vary wildly from company to company, the following is a rundown of several typical strategic models that you can take as a departure point, including examples of companies utilising each model worth checking out for more inspiration.



Serious Games Interactive's *Trunky Learns Numbers*



Immersive Learning's *Testament*



## DEVELOPING BETWEEN CLIENTS AND THEIR CUSTOMER

In this scenario, you are selling game solutions that in some form or other bridge a communicative gap between a client and that client's customers. What you are selling is your expertise in interaction design in some way or form, either as a model - often via gamification concepts or a design for a game the client will implement through his or her own resources - or as a product - via a working and usable game. Basing your strategic plan on this model then involves the following steps:

1. Identify the sector you wish to cull clients from - it should be a sector that involves interactions between potential clients and customers, a sector that is open to new ideas, and a sector that is not already saturated by other game solutions
2. Identify interesting clients that are both approachable and need your services - in other words clients with problems, who are not opposed to being told they have problems
3. Contact the clients and make the sale
4. Do the work
5. Repeat 2 - 4 until step 3 becomes: "The interesting clients contact you, because you have done enough valuable work in the sector to develop a good reputation"

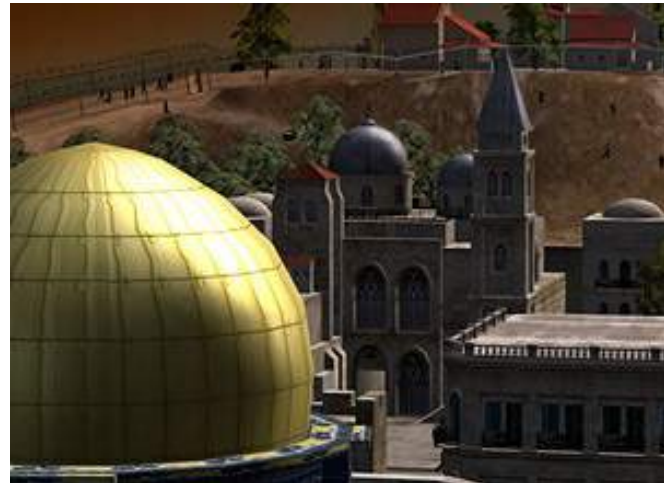


Ludosity Learning's *On-Scene Commander*

Placing yourself in this strategic position will require dedication which makes it harder to diversify, in case the Work for Hire business model is not your ideal. Nevertheless, the long term goal can be defined as: "having a reputation so good that you can say no to some clients to pursue your own projects" - but this is a five to ten year goal. While you are building your business under this strategy, you need to dedicate your company to doing exactly that: building relationships with clients.

Interesting examples companies using this strategic model are Serious Games Interactive in Denmark, and Persuasive Games in the US.

Pictures and screenshots (from left to right): *Karlsborgs Fästningsäventyr - Jakten på den försvunna Guldreserven* developed at the University of Skövde; *Det Goda Livet* developed by Erik Svedäng, Stefan Hurtig, Jacob Wallén, Daniel Kaplan, and Johan Gren; *Cloud Island* by Ludosity Learning; *Playmancer* by Serious Games Interactive; *Global Conflicts* by Serious Games Interactive;



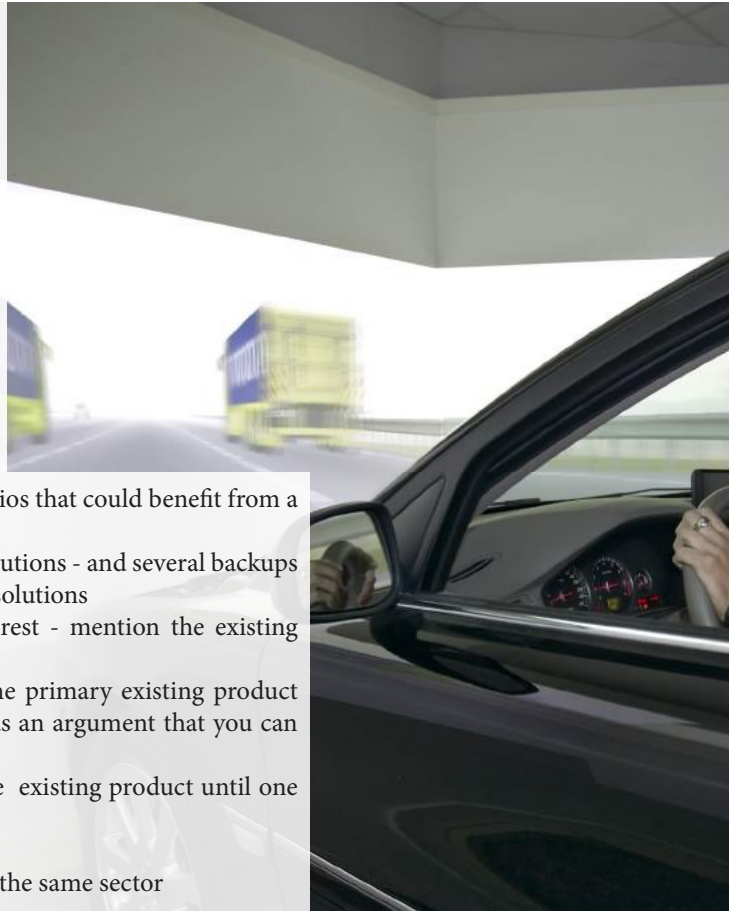
## FACILITATING THE USE OF EXISTING GAMES

There are already a plethora of dedicated serious games and a veritable flood of entertainment games that have the potential to work in non-entertainment-focused contexts.

This strategic model positions your company as the experts in harnessing this potential both through technical and use case oriented solutions. Often this will involve you taking a generalised game, making a specific technical modification or tool that can retarget the game for a specific sector, and then selling specific use cases for specific clients.

The steps involved in positioning your company to this strategic scenario is:

1. Identify sectors that have a handful of general scenarios that could benefit from a general or user modifiable solution
2. Identify an existing product that can provide such solutions - and several backups
3. Design your technical and several example use case solutions
4. Contact specific clients in the sector to gauge interest - mention the existing product you have in mind as a possibility
5. Having secured clients, contact the proprietor of the primary existing product you see as a solution, using your interested clients as an argument that you can provide sales
6. Repeat step 4 with your potential partners who have existing product until one of them agrees
7. Implement your solution
8. Market the solution to a wider audience of clients in the same sector



Since the technical part of this strategic model is very well contained and easily separable from the other roles needed to make the strategy work - analysis, design and sales - this model offers a relatively flexible environment with regards to diversifying your company's product and use of business models, integrating serious games with more entertainment based projects for instance.

Interesting examples of this strategic model is the Finnish-American company TeacherGaming LLC.

Helpful business models:  
 Work for Hire  
 Pay for the Game  
 Freemium



## SELLING COMMERCIALLY

Selling directly to the private consumer market is also a strategic option for serious games. In the past this has primarily been used by learning games, but potentially any sort of serious game could break into this market. Selling to private consumers is defined by providing value that individuals perceive from purchasing your product.

The following steps are usually involved in implementing this strategic model:

1. Identify target audience - in the learning games sector: identify who will play and who will pay
2. Analyse and design the presentational part of your product - maybe make a low-tech prototype
3. Plan for later diversifying of your options - identify more target audiences and ways to evolve your product from there
4. Get funding - from your savings, from investors, from crowd funding, or from some other source
5. Make your product, designing your marketing simultaneously
6. Market your product
7. Sell your product
8. Repeat with a diversifying product, until you cover all your intended target audiences
9. Repeat to update your game catalog for your existing audience according to technical and cultural advances

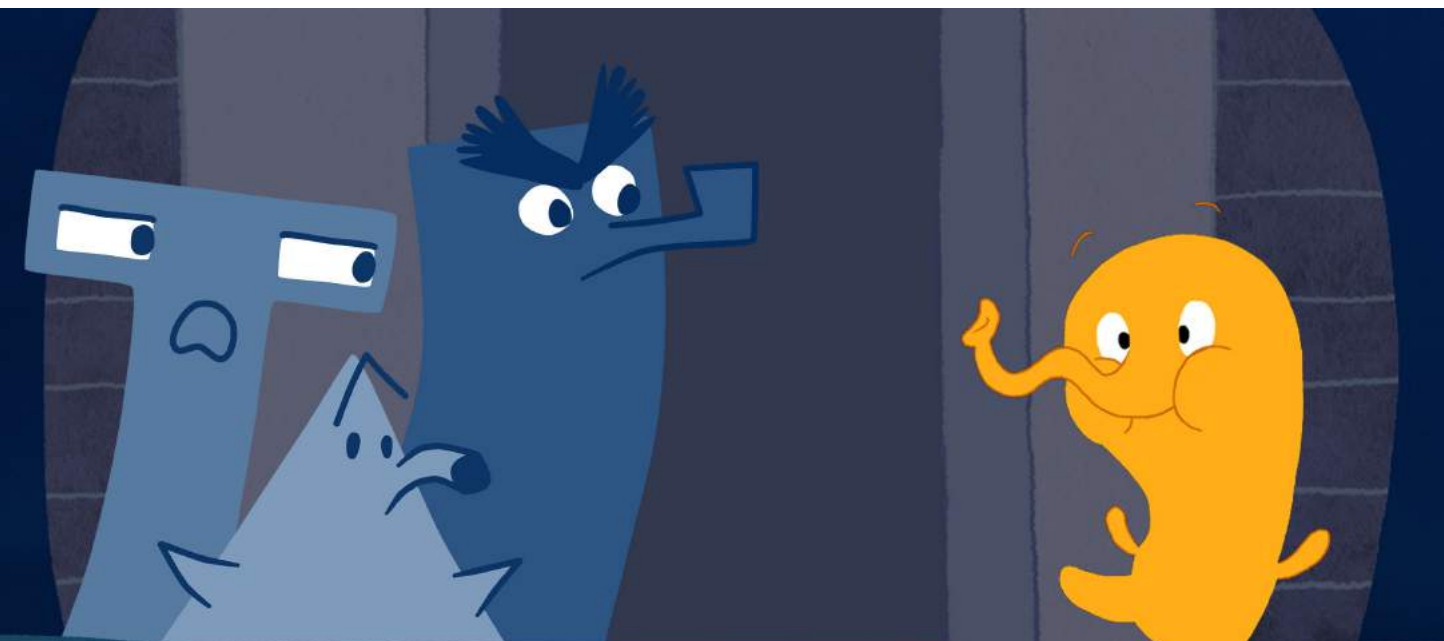
This strategic model is easily combinable with a diverse catalogue of serious and entertainment games, and is modifiable to use most business models. The above is simply the typical way it plays out with the Pay for the Game business model.

KREA Media is a good example of a company using this business strategy.

Helpful business models  
Can work with any business model



Top: art from Krea Media's series of *Pixeline* games.  
Above: art from Krea Media's series of *Magnus & Myggen* games.



Art from the animated short *The Odd Sound Out*

## ARTISTIC OR POLITICAL EXPRESSION

To a certain degree, it is problematic to strategically place yourself as an artist or political activist. While being invested in providing a great experience and a commitment to making a great product is essential in any of the strategic models explored here, this model is motivated by the burning desire to express something urgently pressing inside yourself. You can make the argument that the ultimate purpose of all the strategic models here is to enable you to keep making games; but this model has as its more primary purpose to allow you to say what you wish to say.

This means that the steps needed to make this model work are more focused on securing an always focused attention on making you free to use your voice:



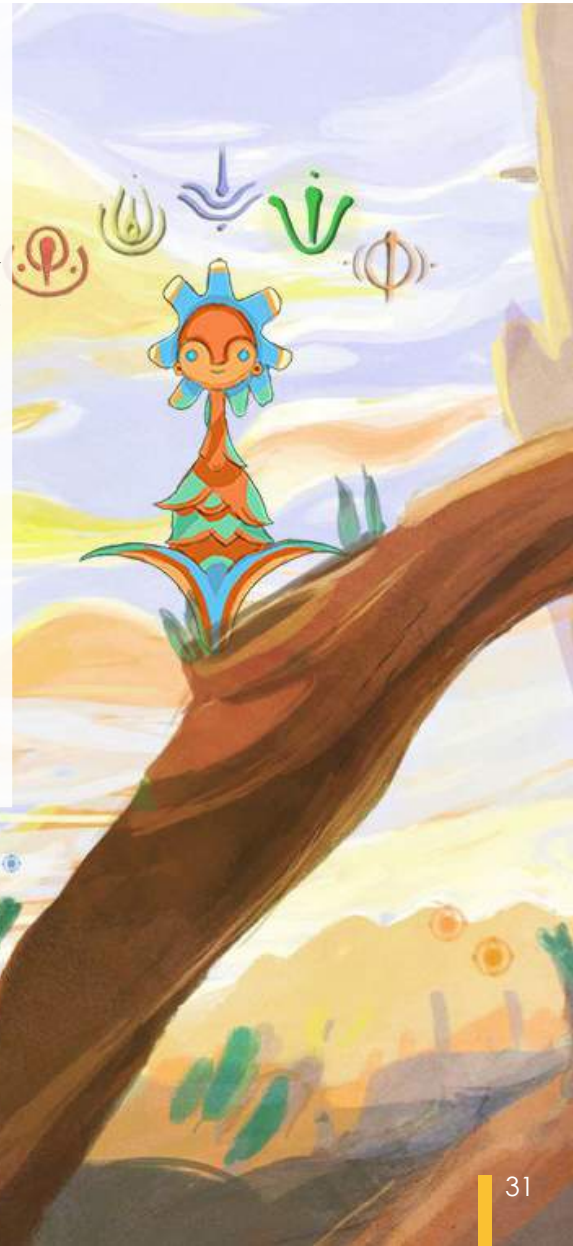
Immersive Learning's *Testament*

1. Make your initial game
2. Identify your message
3. Determine whether there is a paying audience for your message
4. Determine whether there is a non-paying audience for your message
5. Determine whether your message can generate income
6. If not, identify a means to generate income in a different field than game development - this frees up your creativity in regards to game development while generating the income you need to survive.
7. If there is a paying audience - sell it to them and interact with them, making sure they understand your message, not by explaining it but by being an example in your interactions; do not say what they want you to hear, say what you want to say

Do note that this strategic model is characterised not by the desire to necessarily earn a living by making games or even by the desire to make games primarily. It is often chosen because of the need to express oneself in spite of market analysis and target audiences and is in principle applicable to any medium.

Interesting examples of this strategic model:

Molleindustria, IT  
Anna Anthropy, USA  
Pippin Barr, DK





# FIND YOUR FUNDING



There's a large amount of public support systems in Scandinavia, covering everything from childcare to movies and cultural support. In this chapter, we'll cover some of the funds in Scandinavia aimed at games and interactive projects, and give suggestions on how to think about funding for games in general.

The ecosystem of public funding is quite volatile and changes all the time, so you shouldn't see this as a definitive list that will stand the test of time, but rather an overview of what is available at the time of this writing, and then research further from there.

For the most part, it is very hard to get funding from anyone without a proven 'track record'. That is, that you have shown that you are able to build a project to completion and ship it. Therefore it's a good idea to release a few projects and release those, before applying for public funding. Released projects can be work-for-hire, or independent projects; all that matters is that you, your company, or someone that you're working with has shown the ability to ship a full game.

The majority of funding programs in the creative sector receive more applications than they can accommodate, so be prepared to face some fierce competition when entering the field of public funding.

## General Funding Application Guidelines

**Step 1:** Talk directly with the people running the fund, meet if possible, and ask them about what works and doesn't work first.

**Step 2:** Write draft, get feedback from people who have previously applied successfully, rinse, repeat.

**Step 2.5 (optional):** Know how your application will be read. Make sure it looks great on the medium (be it iPad or printouts). If you can, ask people from the fund to screen your application or Table of Contents, to make sure that you have everything covered.

**Step 3:** Submit your project application.

The countries' funding programs differ significantly in evaluation criterias. To help you cater to your potential funders this chapter will focus on describing what you can expect from different programs for game development projects in Denmark, Sweden and Norway.

Coilworks' game *Cloudbuilt*.



# DENMARK

The Danish Film Institute (DFI) has supported the development of games on digital platforms since 2008. It's been created to support and help grow the Danish games industry.



The scheme as it exists as of the time of this writing, is running from 2011-2014 and was awarded €2.7 Million (20 million DKK) to support development of games “for children and youth in all genres”.

The support is aimed at early development stages, with grants for “Concept Development” (up to €10.000) or “Project Development” (up to €200.000).

Concept Development is for projects with a full idea, and a clear concept, but where developers haven't made any tests or prototypes yet, and need financial support to carry this out.

Games that receive support from The Project Development pool almost always result in a vertical slice or demo, showcasing the game in full quality. This part of the fund can cover a maximum of 60% of the budget of your project.

Generally speaking, Spilordningen has three main evaluation criterias:

## Originality

(compared to existing games on the market) Explain what makes your game special. Can be all aspects of the game (universe, narrative, gameplay)

## Experience

Explain what kind of experience you're giving players.

## Quality

You should be able to deliver a project of high quality (in the aspects that are key for your project); covering how you'll get there, and why you have the right team for the job is important.

Requirements to note:

- Application has to be from a company registered in Denmark.
- At least one core member of your team has should have worked on published titles before.
- Students are generally discouraged from applying for funding, as Spilordningen doesn't want to disrupt the educational sector.



Art and screenshots from Amazu Media's *Light Apprentice*.



# Shareplay

**Shareplay** is supported by the Central Danish Region and Northern Danish Region, alongside funding from the European Regional Development Fund. Their goals is to “... stimulate the development of products, projects and businesses in the North Denmark Region and the Central Denmark Region that exploit the potential of transmedia.”

Shareplay is an example of programs with a strictly regional focus; applicants from beyond the Central- and Northern Danish Region can only apply if they are partners or collaborators in a project which involves companies from these regions.

There's currently 5 different types of projects that Shareplay accepts applications from, which range from concept development, to internationalization. For further details, see the Shareplay website. Previously, Shareplay has supported trips to the Game Developers Conference in San Francisco, cross-platform puzzle games, documentary projects and serious games projects, just to name a few. You can apply for up to 500.000 DKK in support. If you apply for less than 125.000 DKK in support, applications

are handled **independently of the regular deadlines**. So, for smaller projects, you can apply for Shareplay funding any month of the year.

Requirements to note:

- Shareplay can cover a maximum of 50% of your project budget.
- The money are first paid afterwards, when applicants have finished the evaluation of their project.
- The project has to involve at least two partners/companies/organizations involved. At least one of those companies should be from the “audio-visual sector”.
- Partners from both regions increases your chances for funding.
- Transmedia projects are favored, as it's a key development sector for Shareplay.
- All projects end up with a report detailing the results granted.



Photography, courtesy of Shareplay

## The Danish Ministries (Culture, Education, etc.)

There's a often a wide variety of support schemes within the various ministries, some of which can be relevant for games aimed at the less traditional genres which would be covered by things like “Spilordningen” and similar programs, and instead focus on Serious or Learning Games.

For developers looking at creating eLearning and Serious Games aimed at the Danish educational system, it's interesting to note that the Danish municipalities had €10.000.000 (80 million DKK) to spend on digital and interactive learning systems in 2013 alone. Details on how to make interactive products that are eligible for municipalities to spend money on can be found at the Ministry of Education website and in the references below.

Furthermore, the Ministry of Culture in 2013 had €430.000 (3.2 million DKK) set aside for “projects with the goal of digitalizing art- and cultural historical materiale aimed at education and communication”, which could also cover some genres of Serious Games.



## ANIS / Animationssammenslutningen

DEADLINES: January, April and September

ANIS hands out grants to support animation based projects, which can also include games. The money originates from Copy-Dan, a centralized taxation organisation in Denmark.

The grants are less substantial than other public funds, with around €2.000 (15.000 DKK) being the average amount awarded; but also carry less red tape in terms of bureaucracy and requirements on reports.

Previously ANIS has supported both game development projects, as well as tickets to industry events and festivals such as Game Developers Conference.

ANIS has four types of grants:

- Training - support to participate in courses and short-term training programs
- Travel grants - can cover travel costs to participate in relevant festivals
- Support for animation- and game-projects - animated shorts, music videos, game projects and work grants.
- Other projects - events, other animation related projects

Requirements to note:

- Applicants should have a connection with the professional animation industry
- Professional track record required (participated in a production that has been shown on Danish television, or graduated from The Animation Workshop).
- It's not required to be a member of ANIS to apply for program support.



Stills from the animated shorts *Under The Fold* (top), *The Reward* (middle), and *Porcelain* (bottom)





# SCANDINAVIA

## Nordic Game Program 2

APPLICATION DEADLINES: April

The Nordic Game Program was established as a collaborative fund for game projects by the Nordic Ministers of Culture, representing Denmark, Finland, Iceland, Norway and Sweden, and was launched in 2006. During the first run from 2006-2012, it has granted development support to 76 projects. In January 2012, “Nordic Game Program 2” launched, which will run until 2016.

The Nordic Game Program can support projects with a maximum of €80.000 (600.000 DKK), and a minimum of €13.000 (100.000 DKK).

Applications to the Nordic Game Program are weighted on the set of criteria below. The more of these criteria that can be met, the better a chance of getting funding a project has.

- Project’s appropriateness for target group, especially concerning age
- Development company’s and team’s documented experience
- Importance of development support to project’s launch
- Project’s innovation
- Number of Nordic languages the finish game will be released in
- Project’s artistic ambitions

Requirements to note:

- Applicants must be Nordic.
- The Nordic Game Program can cover a maximum of 75% of your project budget.
- Game has to be released in at least one Nordic language.



norden

**Nordic Game Program**



The indie productions *Limbo* and *else { Heart. break() }* have both been funded by the Nordic Game Program.



KREANORD

NORDIC CREATIVE ECONOMY

## KreaNord

APPLICATION DEADLINES: First quarter each year

KreaNord is a program under the Nordic Ministry Council. They provide funding for collaborative projects in the nordic creative sector for up to €134.000 (1 million DKK).

They favor projects with a clear commercial potential, and projects that base themselves on uniquely nordic qualities. Furthermore, the projects should be viable to continue beyond the initial funding period.

Furthermore projects has to involve at least three countries, whereof two should be Nordic countries. The more Nordic countries you can involve in your project, the better your chances of funding are. “To get funding, it’s essential that the project has a strong nordic dimension”.

Requirements to note:

- Projects should have an international target audience, and preferably stimulate export or collaborations with global markets, like the BRIC countries (Brazil, Russia, India, China) and/or Africa.
- Projects should aim to strengthen the Nordic market.
- Projects can’t be “just” games, but should instead aim to cover more than one specific creative sector.



## SWEDEN



### Game Concept Challenge

APPLICATION DEADLINES: June

The Game Concept Challenge is a local competition in Karlshamn, with support from local sponsors, as well as the European Regional Development Fund. The goal of the competition is to “[...] stimulate the games industry in Karlshamn, and to encourage more people to take their ideas from concept to market as finished products”.

The projects that apply for funding from the Game Concept Challenge can apply for amounts between €1.000 (10.000 SEK) and €11.000 (100.000 SEK) for development support. Furthermore, the Game Concept Challenge provides successful applicants with guidance and support to get their to become a finished product and reach market.

The games submitted to the Game Concept Challenge are rated based on the criteria below;

- How much fun is the game?
- How are the graphics?
- How original is the game?
- Is the game possible to finish within 12 months?
- Is the game commercially viable?

Requirements to note:

- Application has to be from a company registered in Karlshamn, Sweden.
- Only one entry per applicant/company.
- No violence or nudity allowed in the games.



## NORWAY



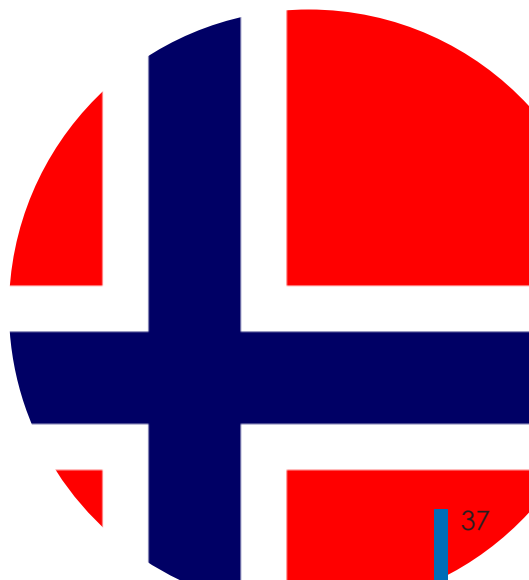
### Norwegian Film Institute

APPLICATION DEADLINES: June

This is a national support scheme that was created to support the development of independent “interactive productions” - which covers both games and other interactive digital projects. NFI supports projects in their ‘early stages of development’. If applicants wish to apply for sums larger than €36.000 (NOK 300.000) you’ll have to register as a corporation (aksjeselskap).

Requirements to note:

- Application has to be from a company registered in Norway.
- At least one core member of your team has should have worked on published titles before.
- The theme or atmosphere of the game is related to Norwegian history, culture or societal structure.
- The project has “substantial” contributors from owners or artists living in Norway, or another country within the EU Single Market, or Switzerland.





# Building track records and a networks

Beyond the subsidy and funding programs mentioned, there's also a lot of international conferences, competitions and festivals where you can get your project noticed and apply.

By using some of the online resources such as the festival calendar application *Promoter* ([www.promoterapp.com](http://www.promoterapp.com)) you can get a quick overview of places to submit your project.

Getting your game projects and concepts noticed and shown at international festivals is an acknowledgment of your project, and something that can help set your project apart from the competition when it comes to applying for funding at a later stage.

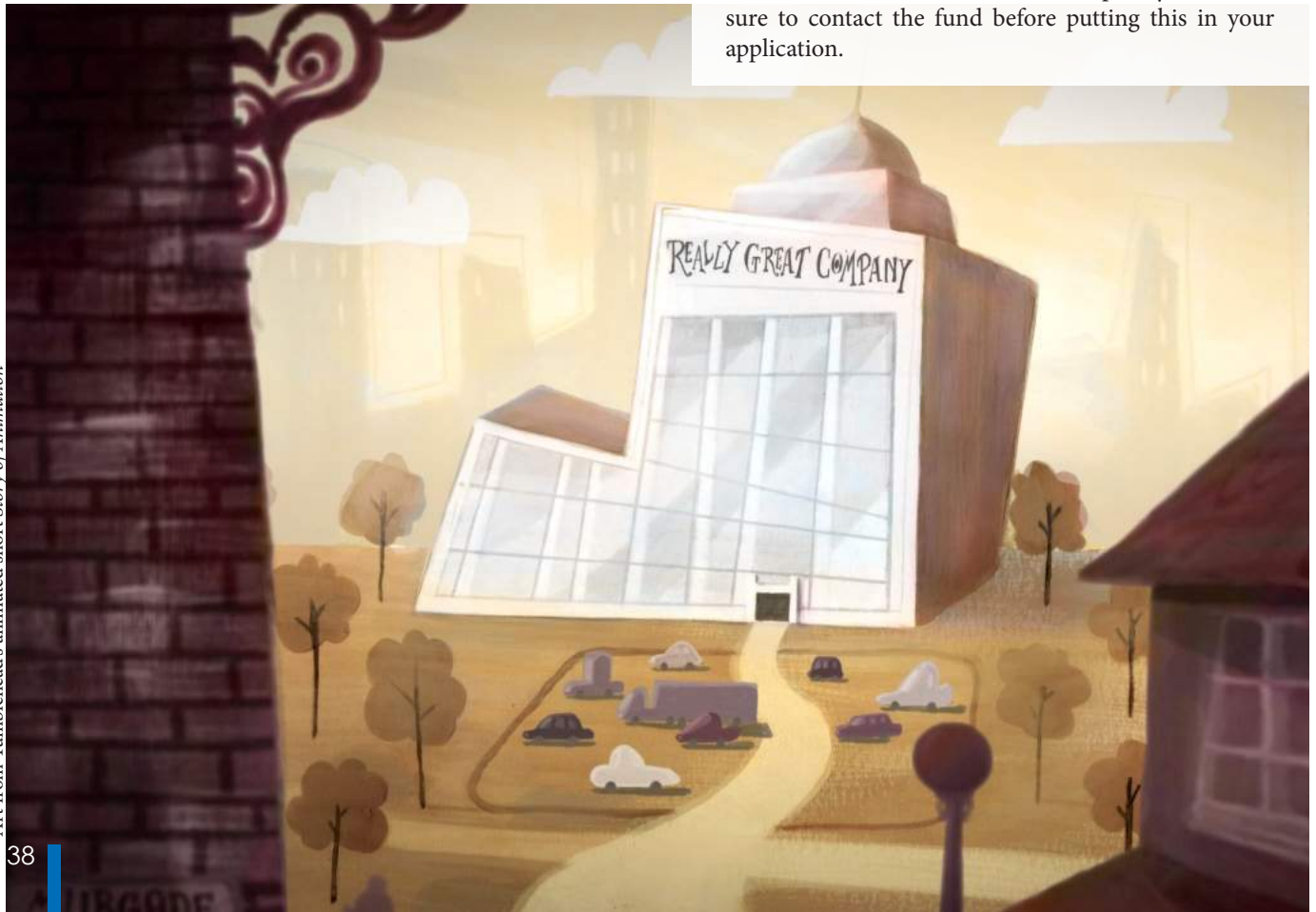
In terms of building a track record, a great place to start, especially if you don't have a full team yet for your full production, is at various gamejams. These fast-paced development competitions make it easy to gauge potential collaborative partners, and building your network.

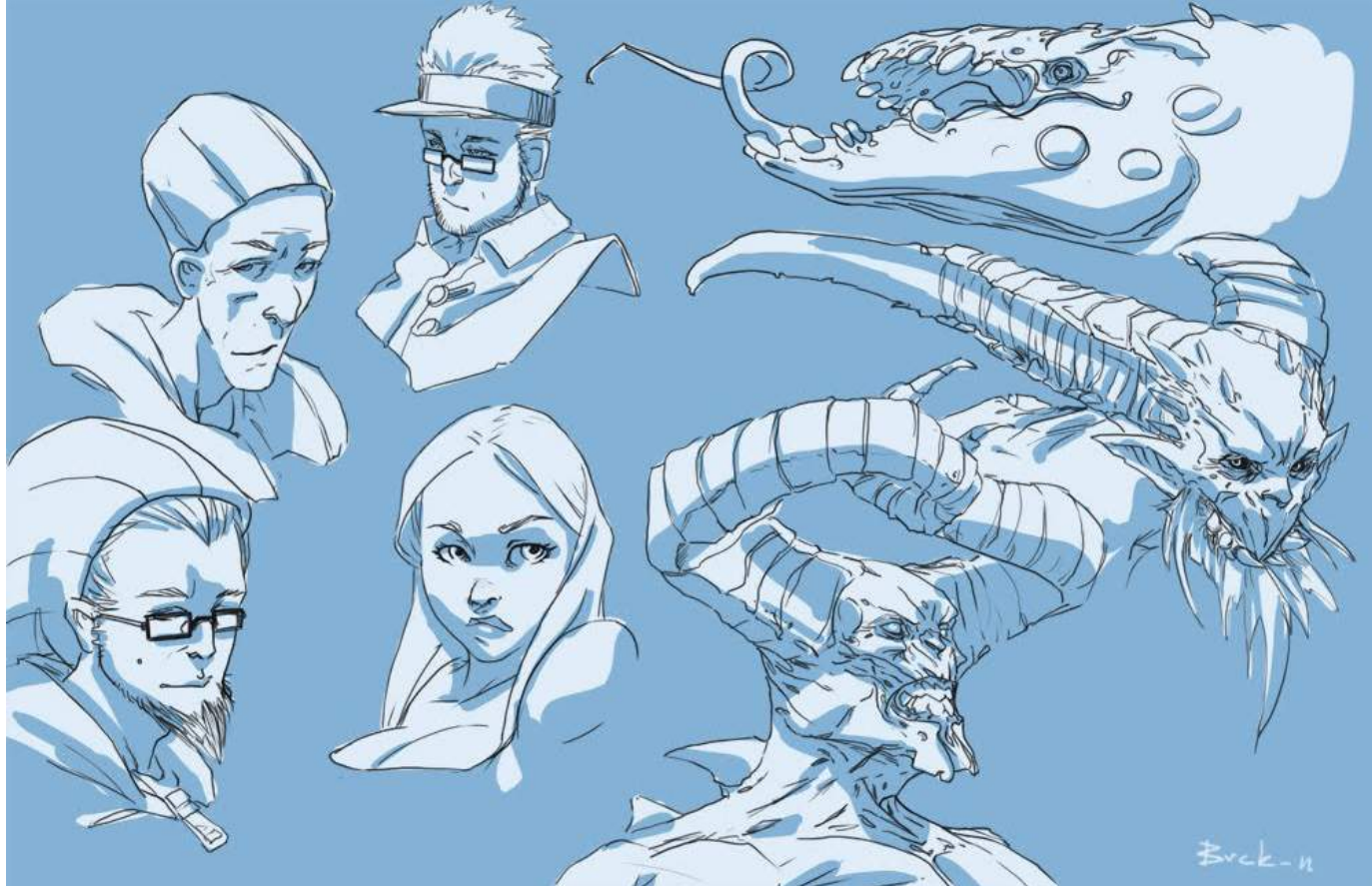
Building a solid network and finding other developers is always a great investment both personally and professionally. There are several frequently updated lists of different competitions and events accessible for individual developers and startups available online at [compohub.net](http://compohub.net) as well as [www.zerosleep.dk](http://www.zerosleep.dk).

## Some notes on co-financing

Many of the programs mentioned require co-financing. When dealing with finding your co-financing, there's a few things you can do to make things easier.

1. **Your idea/IP has value.** Find an accountant who can put a price on the concept you're looking to sell or find investors for (but be careful not to accidentally throw away IP rights)
2. **Your time = money.** Even if you're not able to produce stable monthly paychecks within your startup, your time is still an investment and can be counted as such. Depending on the funding source, you can put in what you would theoretically earn in a position based on your experience and background; or more commonly you put in a fixed hourly rate.
3. **Get partners.** Find great partners; e.g. if you're developing an educational tool, find teachers who are interested in testing your tool, and who can aid you in the development process. The time they spend can then also be put in as co-financing on your project.
4. **Equipment, software, hardware.** Your accumulated hardware, software and equipment represent value. Note, some funding programs don't allow software or hardware as co-financing, some only allow a smaller percentage of the co-financing to come from hard- and software, while others allow it completely; so make sure to contact the fund before putting this in your application.





Sketches by Johan "Buckster" Wahlbäck

# Crowdfunding

In its current state, crowdfunding has two primary functions: **fundraising** and **publicity**.

Benefits compared to other means of funding includes; theoretically instant access to a worldwide audience/investors, retaining full ownership of your IP and project, little to no oversight after receiving the funding, an opportunity to stay independent, and no limitations on genre or platform.

## Kickstarter

Going to Kickstarter is the obvious first choice for many game developers, as it is by far the largest of the existing crowdfunding websites as of this writing, and as a result you can reach the largest audience of potential investors. We've listed some general advice and resources below if you're thinking about starting your own Kickstarter campaign.

Broadly speaking, there's three things that help make a great Kickstarter campaign:

1. Your project is an already established / viral IP
2. You've got one or more well-known public figures endorsing your project
3. Your project has a highly polished sales pitch, and/or offers something unique

If you've already got one (or even better, more) of the above, then you're already off to a great start in terms of getting

crowdsourced money for your project. Some of these things aren't available to everyone (namely #1 and #2), and for those projects it's absolutely imperative to work towards #3.

## Do your research

Kickstarter has estimated that once a project gets past the 60% funded mark, there's a 98% chance that it'll reach its end funding goal. There's a lot of statistics out there that shows how much funds games in specific genres released for specific platforms are typically able to raise [1].

Knowing these numbers before defining the scope of your project, and what you're aiming to raise is vital in planning out your Kickstarter. Look at similar projects that got funded; and look at those that didn't. Analyze the differences, and try to understand what works and what doesn't for your kind of project. It's also worth noting the amount of great Kickstarter post-mortems available [2], as well as articles describing different cases that tackled Kickstarter differently [1]. The Kickstarter panel talk from GDC 2013, available for free on the GDC Vault, is also a great resource for insight and knowledge into the process and what to expect [3].

Finally, don't be afraid to talk to other developers who worked with Kickstarter, and ask for their advice and input on your video, pitch and pledges. There's a good chance they're willing to help you out.





# YOUR MARKETING STRATEGY

A successful Kickstarter campaign is very dependent on people noticing it. This is becoming increasingly difficult, as more and more projects go to Kickstarter to get funding. When your Kickstarter campaign is running you might not have the resources to simultaneously

Having a personal relationship with each backer, thanking them personally, strengthens that personal relationship they feel with the project, and makes it more likely they'll go out and share it with their friends. Make sure to utilize social media (Facebook, Vine, Twitter, etc.).

Figure out where your target audience is, and go there; don't put a lot of effort towards a newspaper or blog if your audience will never read it.

## Cross-promotions

Getting in touch with other companies running a successful Kickstarter campaign at the same time as you can be the way to work out a cross-promotion deal; that is, you tell your backers about their project, and they do the same. In the realm of cross-promotions it's also worth noting the benefits of joining networks such as inXile's *Kicking It Forward*, as this shows your commitment to supporting the community that is helping your project.

On a related note, it never hurts to back a few projects before starting a Kickstarter campaign of your own, as this shows that you believe in the model for other projects as well.

## Playable demos or trailers?

Reports and data published by the video game research firm EEDAR (Electronic Entertainment Design And Research Inc.) suggest that having a trailer can work better than

having a playable demo when showcasing your game, as that tends to leave viewers 'wanting more'. Sales data from Xbox360 suggests that having a trailer, rather than both trailer and demo can mean a doubling in sales.

This means that for some projects, instead of creating a playable demo, that time can be better spent with making your Kickstarter video look nice and professional.

If you already have a solid, playable demo it could be used as a reward for backers as a way to get "early alpha access" to your game.

## You've launched your Kickstarter; now what?

During your first 48 hours, you'll get an instant valuation of your network; these are often lovingly referred to as "friends, family and fools" who give you the initial boost. After this it's often a slow climb towards reaching a financial breaking point at which people on the fence are more likely to join in. Kickstarter has estimated that the bump in peoples' interest usually happens when you've reached approximately 60% of your funding goals.

When managing your Kickstarter campaign, expect it to be a fulltime job. If you're applying for a larger sum of money, you might need more people, to deal with press coverage, making Kickstarter updates, and so on.

For some companies, the hours they've spent with preparing, running and managing their Kickstarter campaign ended up costing more than they earned with the Kickstarter. An example of this would be the Jagged Alliance Kickstarter by the Danish company Full Control ApS, who have stated that their Kickstarter was a net loss at various public talks.

## Be prepared to pull the plug

Using services such as Kicktraq ([www.kicktraq.com](http://www.kicktraq.com)), it's easy to track how well your campaign is going. Don't be afraid to pull the plug, and gauge if Kickstarter is the right audience. Rework your pitch, and adjust your budget if necessary, and re-submit (with a new goal).

If your Kickstarter campaign is unsuccessful, that can have a negative impact on how attractive your project is for private investors, not to mention the emotional toll it can have on the team running the Kickstarter campaign.

## Running a Kickstarter from Europe

In order to run a Kickstarter from a European country you will need to contact a company to help you with the details of getting a US registered bank account. There are companies who are able to help out there - expect a variety of flat-rate offers to percentage-cuts from helping, and pick the one that fits your needs the best.

It's definitely worthwhile to ask other Kickstarter projects from your country, and ask how the experience was with a specific US collaborator. Furthermore, there's substantial guides on how to deal with Kickstarter for non-US citizens [1].

## Kickstarter alternatives

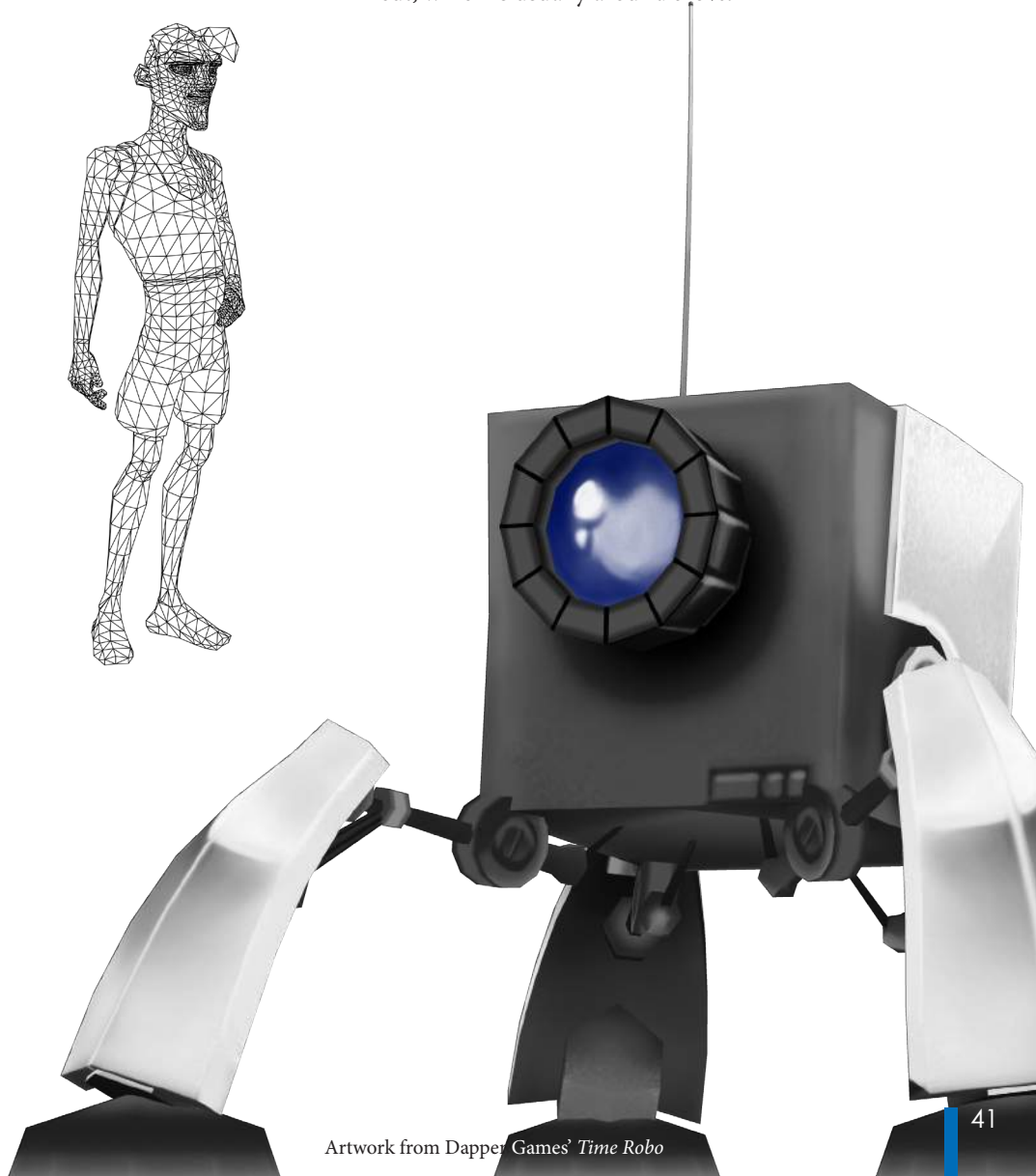
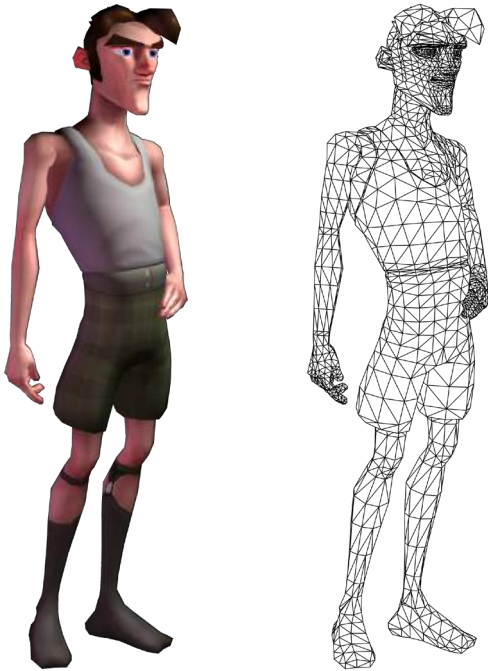
As a response to the closed nature of Kickstarter, there's a variety of Nordic Kickstarter alternatives, which include:

- Boomerang (DK) - [www.boomerang.dk](http://www.boomerang.dk)
- Manymade (Nordic) - [www.manymade.org](http://www.manymade.org)
- Indiegogo (Worldwide) - [www.indiegogo.com](http://www.indiegogo.com)

Benefits of using these compared with Kickstarter includes things like 'flexible funding', which for some projects can work better compared to the 'all or nothing' model of Kickstarter.

Furthermore the fees vary between the various platforms. (4% fee on Indiegogo, 5% fee with Kickstarter). Beyond the fees each platform takes, the payment processor takes their cut, which is usually around 3-5%.

Render and mesh from Dapper Games' *Dapper Dan*



Artwork from Dapper Games' *Time Robo*



# INVESTORS

With the financial success of games like *Clash of Clans*, *Subway Surfers* and *Angry Birds*, private investors are keen to invest in the emerging market of video games, and especially mobile and the F2P sector has their interest.

Investors often have a very well-developed network of lawyers, PR firms, publishers and can sometimes even pave the way to distribution channels, such as Steam, Sony and Microsoft depending on the investor. Such investors are often referred to as 'smart money', in the sense that there's an expertise connected with the capital investment. An example of this could be a project such as *Game Founders* ([www.gamefounders.com](http://www.gamefounders.com)) where mentors from the industry are attached to each company for the duration of the funding period.

Investors traditionally set out to buy shares in your project and/or company at a set value at the time of investment, and then ask you to pay said shares at a higher market rate back, within a mutually set timeframe -- this is referred to as an 'exit'.

How you can get in touch with investors vary from company to company; but generally speaking being present at industry events, conferences etc., can be a great place to meet. There's also places such as *GameConnection* ([www.game-connection.com](http://www.game-connection.com)) that gathers a wide range of investors, and in turn sell booth space to developers looking for investors and/or publishers.

## Prepare your pitch

When getting in touch with investors, you should generally prepare the following:

A solid project pitch, which describes:

- Target audience
- Market situation for your genre
- Your closest competition
- What makes your project unique
- What is your monetization strategy
- Publishing and PR strategy

After that, describe your team:

- Team and experience
- Partnerships (and shares/ownership of company and project)

Finally you should explain clearly what your funding needs are:

- Realistic cost budget (including time schedule)
- Revenue forecast
- Expected point for ROI (Return on Investment)

Seed funding are very early investments. As a result, the investments are generally lower than later investment rounds would be, but with similar expectations in levels of ownership or shares in the company. Investors for this round are often the founders of the company, friends and family, angel investors, and seed capital funds.

At later stages of investment there's less risk involved in funding your project, and as such the price for stakes in your company should go up.

Selected seed capital funds and investors:

Seed Capital Denmark - [www.seedcapital.dk](http://www.seedcapital.dk)

CAT Game Invest - [www.catgameinvest.dk](http://www.catgameinvest.dk)

Krea Nord Investors - [www.kreanordinvestors.org](http://www.kreanordinvestors.org)

Game Founders - [www.gamefounders.com](http://www.gamefounders.com)

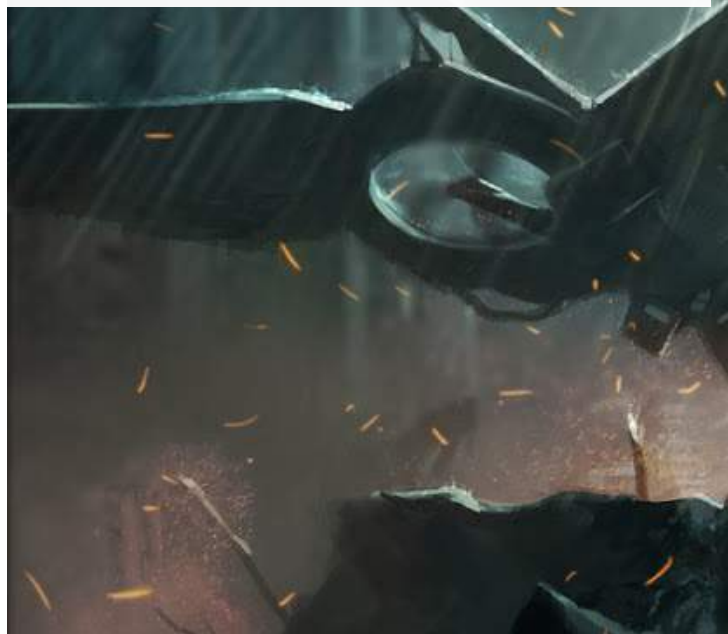
The list above isn't an exhaustive list, but can serve well as a starting point when finding investors.

Generally speaking it doesn't make much sense to make a regional map of investors, as investors can come from all over the world. However, the investors in the list above are primarily supporting Nordic game projects.

## Tools for your projects

Regardless of who you're trying to target, getting in touch with your target audience is always important. By using tools such as *presskit()* which help your presentation to the press be as clear and to-the-point as possible, as well as reading tips from game journalists and professionals you're increasing your chances of getting press coverage.

Furthermore, using tools such as the previously mentioned *Promoter* application can help you analyze what works and what doesn't when it comes to getting the attention of the press.



# TWO NOTEWORTHY EXAMPLES

## Case 1: Interactive eBook project with game elements.

Funding phase 1, total budget: €10.000

Project specific fund (funding for initial prototype) - apply for support from ANIS + Shareplay)

€1.500 from ANIS

€4.250 from Shareplay type 4

€4.250 own investment

You develop the project, identify your target audience, and based on this create a prototype of your project. Iterate phase 1 if necessary.

Funding phase 2, total budget: € 40.000

Vertical slice development application - apply for support from DFI/NFI/Nordic Game

€20.000 from DFI/NFI/Nordic Game

€15.000 from valuation of concept

€5.000 own investment

Larger application, with initial prototype created in phase 1 in tow.

Funding phase 3:, total budget: €60.000

Development funds for your now solidified game concept - apply for support from Kickstarter

€60.000 Kickstarter

## Case 2: Student prototype, horror/adventure game

Funding phase 1, total budget: €45.000

Development of initial prototype during student development period of one semester with a team of 5.

€45.000 own investment, in terms of time invested by all team members.

Funding phase 2, total budget: €160.000

€15.000 from valuation of concept

€160.000 from CAT Game Invest - pre-seed (in return of 51% ownership of IP )

The €15.000 from the concept valuation was spent to become a registered corporation, as required by investor. (to protect your private finances in the event of bankruptcy).

This provides your project with enough funding to develop and release episode 1 of your horror/adventure game. This is required to be released within 8 months after initial funding, in an effort to test out the market response.

Funding phase 3, total budget - seed: €160.000

Your game was well received, and you have been cleared to receive further seed funding from CAT Game Invest, costing you an additional 20% ownership of project.

This is enough to release all episodes of your project. The money earned from the full project release is enough to buy out your investor, with an exit cost of €400.000.







# REFERENCES

## References and reading material:

### [1] Articles

Thomas Bidaux at ICOpartners:

*Indie Game Summit - GDC 213: Slides, raw data and extra thoughts*  
*Kickstarter Zeitgeist*

Craig Stern at IndieRPGs.com:

*How to not fail at Kickstarter in 12 easy steps*

Chris England at Goldhawk Interactive:

*Non-US Kickstarter Guide*

Leigh Alexander, gamasutra article:

*Five PR Tips Indies Really Need*

### [2] Post-mortems

Thomas Bidaux, gamasutra article:

*Post Mortem of a Kickstarter Campaign (Strike Suit Zero)*

Peter Sheff, gamasutra article:

*Tetrapulse Kickstarter Postmortem: Part 1*

Sarah Northway at Northway Games:

*Rebuild 3: Kickstarter Postmortem*

Ryan Patton, gamasutra article:

*How Camouflaj Saved République's Kickstarter*

### [3] Kickstarter panel

Panel from GDC 2013:

*Kickstarter Lessons for Indie Game Developers*

Speakers: Jeff Pubst, Greg Rice, Colin Walsh, Charles Cecil, and Douglas Wilson

## Noteworthy Scandinavian Kickstarter projects

Krillbite Studio's *Among the Sleep*

Logic Artists' *Expeditions Conquistador*

Full Control's *Jagged Alliance Flashback*

Bedtime Gaming's *Back to Bed*

Neat Corporation's *Flowstorm*

Betadwarf's *Forced*

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# CREDITS

## ARTWORK

Cover art: Still from the animated short "Ride of Passage", by Christian Bøving-Andersen, Søren Berg Nørbæk, Jakob Juel Kousholt, Tina Lykke Thorn, Eva Lee Wallberg, Allan Vadskær Lønsvov, Casper Michelsen, and David Frylund Otzen.

### Chapter Heading and Conclusion artwork:

- Ch. 1. Selling a Product
  - Marcell László
  - Concept art from Stunlock Studios' *Bloodline Champions*
- Ch. 2. Freemium
  - Screenshot from Pixeleap's *Nature Punk*
  - Speed painting by Johan "Buckster" Wahlbäck
- Ch. 3. Work for Hire
  - Still from Tumblehead's *Story of Animation*
  - Speed painting by Johan "Buckster" Wahlbäck
- Ch. 4. Revenue through Advertising
  - Concept painting by Johan "Buckster" Wahlbäck
- Ch. 5. Serious Games
  - Art from Alina Constantin's *Shrug Island*, at Amazu Media
- Ch. 6. Find Your Funding
  - Still from Tumblehead's *Story of Animation*
  - Speed painting by Johan "Buckster" Wahlbäck

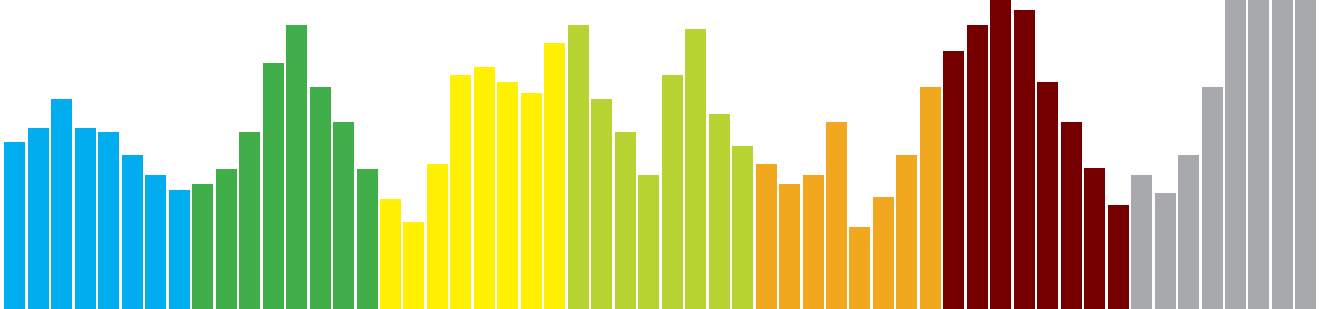
### List of artists and studios in order of appearance:

Marcell László, Tumblehead, Coffee Stain Studios (with early concept art from Joakim Sjö), Daily Wrestler, Noumenon Games, Pieces Interactive, Ludosity, Stunlock Studios, Johan "Buckster" Wahlbäck, Tarhead Studios, PixeLeap, Laura B. Schjødt, Stalagflight, Triolith Entertainment, Karin Hagström, Jeppe Døcker, Coilworks, Amazu Media, Photography from Shareplay, Playdead, Dapper Games, Alina Constantin, Immersive Learning, Serious Games Interactive, Ludosity Learning, Erik Svedäng, Stefan Hurtig, Jacob Wallén, Daniel Kaplan, Johan Gren, Krea Media.

### List of animations, art, and games in order of appearance:

Campaign by Økologiska Landsforeningen, Sanctum and Sanctum 2, Path Commander, Bob Came in Pieces, Nimbus, Roby Tumbler, Leviathan Warships, Bloodline Champions, Grief, Nature Punk, Wacky Dragons, Vendespillet, Rob 'n' Rob, Stalagflight, Megatroid, Story of Animation, Cloudbuilt, Light Apprentice, Under the Fold, The Reward, Porcelain, Limbo, else { Heart.break() }, Dapper Dan, Time Robo, Shrug Island, Testament, Trunky Learns Numbers, On-Scene Commander, Karlsborgs Fästningsäventyr, Det Goda Livet, Cloud Island, Playmancer, Global Conflicts, Pixeline, Magnus & Myggen, The Odd Sound Out.

All content used in this text is created by studios and artists either from or currently working in Scandinavia.



This report has been compiled in the EU-interreg IV A funded project *Scandinavian Game Developers*. The project is a collaboration between Region Midtjylland, Viden Djurs and The Ranch Game Incubator, Århus Social- og Sundhedsskole, The Animation Workshop, and the University of Skövde.



Scandinavian Game Developers is a collaboration between Århus Social- og Sundhedsskole, The Animation Workshop in Viborg, the University of Skövde, and Viden Djurs in Grenaa



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