

# A Road Map for Peace: Redefining the Publisher-Developer Relationship

## Outline for Discussion

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### **State of the Development Today**

- It is not getting any less stressful...
- Development budgets rising.
- Platform uncertainty rampant.
- Publisher & developer stability largely still a goal.
- Predicting success more magic than science.
- Surprisingly adversarial atmosphere between many publishers and developers.
- TONS of games releasing.
- Retail shelf space competition fierce.

### **Common Developer Goals**

- Making great games.
- Keeping cash flow positive throughout *and between* development contracts.
- Keeping the product pipeline full.
- Avoiding project termination.
- Ensuring the game is given a chance to succeed in the market.
- Having a say in the aspects of the project coordinated by the publisher.

- Strengthening the studio.
- Profit.

### **Common Publisher Interests**

- Making games that will sell well.
- Strengthening retail channels.
- Managing financial risk in development capital.
- Maintaining and stabilizing cash flow.
- Managing developer execution risk on projects.
- Creating shareholder value.
- Effectively responding to market conditions (making games that sell).
- Building a balanced portfolio.
- Building brands.
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### **Common Developer – Publisher Relationship**

- Developer creates a proposal / sizzler / prototype / first playable and shops it to publishers for an advance against royalties deal.
- Publisher assesses commercial viability, portfolio needs, financial outlook and rejects or approves the deal.
- To mitigate risk, publisher minimizes commitments, requires numerous termination rights and maximizes publisher upside by offering developer *post earn-out* royalties in the 10%-25% range.
- Publisher assumes power position but cannot give all projects in their portfolio adequate attention.

### **Troubles Caused for Developer**

- Buffer, profit and kill fee need to be built into the deal or studio in grave danger.
- Potential for royalty profit is remote, mitigating a potentially strong incentive.
- Slow decisions bleed the developer.
- Publisher instability frightening and often requires spending cycles on backup plans.

- Often left out of key marketing and licensor discussions that result in team morale and project quality hit.

### **Troubles Caused for Publisher**

- If something is going wrong, developer often hides it due to termination clauses and milestone payment guidelines.
- Numbers game keeps production department and marketing department from doing a good job on all projects.
- Developer instability causes project loss & delays which equal large financial losses, causing share price instability and short term thinking, which lead to bad decisions causing further damage.

### **Troubles Caused for Project**

- Lack of strong royalty incentive creates tension between safety and putting all into project (*fee for service* mentality).
- Final polish often difference between an A and a AAA game, but tough to make developer to do this above-and-beyond work.
- Lack of guaranteed follow-on work or project ending fee forces developer to focus on getting new work during the final and most critical time of project development.
- Publishers keeping absolute control of licensor relationship and marketing process causes numerous lost opportunities for the game due to narrow window of publisher focus versus ongoing focus by developer.

### **Road Map: Project Determination**

- **Now:** Developer throws darts (maybe with some info for a better throw) and hopes it hits publisher's bull's-eye.
- **New:** Publisher lets developer into their opportunity evaluation process and they work together to find a project that fits both parties
- **Consider:** What is really being served by making this process so time-consuming?  
Time is money for both parties!

### **Road Map: Project Funding**

- **Now:** Developer builds in buffer for profit, slip and between project coverage – money discussion is an old style negotiation.

- **New:** Both parties want game adequately and safely funded. Developer reveals man month cost number and project is built on this +5%, with escalating project ending fee or guaranteed new project, and built in slip coverage methodology.
- **Consider:** Successful development is a necessity for both parties, treat it that way!
- **Additional:** Funding longer pre-production with smaller team to reach first playable with first right of refusal for full development and no forced repayment if declined.

### Road Map: Royalties

- **Now:** Unstable hunter-gatherer model of feast or famine; for most developers royalties cannot be considered in their financial planning.
- **New:** Transition to agrarian based model where royalties are paid out from publisher project recoup, at a lower rate that escalates later in the huge-hit category; so publisher pays out same gross amount, but in a manner that helps stabilize the development community.
- **Consider:** Just because advance-against-royalty is “how it is done” doesn’t mean it makes sense for either party.

### Road Map: Relationship

- **Now:** Developer often shielded from project decisions which shuts out a helpful voice.
- **New:** Insist that developer work on approved marketing strategy from start to launch of project; give developer a “full seat at the table” with licensor, distributor, testing group, etc
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### Road Map: Development Process

- **Now:** Developer gives as little info as required by publisher and to get any milestone changes made that are needed; Publisher doesn’t pay great attention due to fire-fighting mode in other areas.
- **New:** Build in processes which keep all parties honestly informed (possible with new project structure): weekly stakeholder calls, change request forms, in-person interim post mortems.
- **Consider:** Working as a team instead of just playing lip service to it is really cool!

## **Good Publisher Practices**

### *Cooperation*

- This is a partnership whether you like it or not – deals should reflect this.
- Share information: it's amazing what both companies can learn from each other.
- A good developer has tons of solid experience that can help to avoid many common pitfalls.
- Be a good parent – it is the developer's baby too – share the love.

### *Build relationships*

- Be open and honest.
- Reduce risk – risk costs money.
- A great deal of resources is spent building relationships from scratch – this leads to dramatically increased risk and unnecessary use of valuable resource.
- When you find a good studio, stick with it – they are rare.

### *Appropriate Resource Allocation*

- Understaffing or inexperienced people with no responsibility or accountability leads to disaster.

### *You Get What You Pay For:*

- Great games from great teams don't come cheap – and for good reason.

### *Responsiveness:*

- Time is money to both companies – what costs a developer will ultimately cost you too.

### *Focus*

- Don't take on too many projects – success in this industry is about quality not quantity.

## **Good Developer Practices**

### *Externally*

- This is a partnership whether you like it or not – the publisher should be actively kept in the loop, not shunned.
- Share information: it's amazing how many problems can be avoided.
- A good publisher has tons of experience and resources that can help with problems.
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- Be willing to go the extra mile to help the publisher – it will help the project and help to pave the road for future success.
- Respect where the publisher has more experience; but insist on at least having your voice heard.

### *Internally*

- Separate company management from project management.
- Like the Panthers and Patriots – it is all about the team, leave the Rock Star myth behind.
- Build for stability & treat your people well.
- Drop the macho pretense; intelligent handling of work loads is very important for a stable & sane industry and a greater chance for a more solid and successful studio.
- Don't act surprised when, for example, sudden marketing needs come up around E3 – you are a professional and should anticipate and communicate project needs.

### **Summary**

In a very real way, it is the publisher and the developer allied together against the strict market requirements of the industry. It is fully within our power to script a different set of working relationships. However, this is not what is predominately happening. Instead, we each shout about past injustices and use them as excuses for treating the other party as an adversary. We are victims of our own cynicisms and bad experiences. We can surely continue in the direction that we are headed – and the industry will still soldier forward and some companies here and there will even make money. Or, we can set up our own roadmap and build a stronger industry that is a lot more enjoyable to work in and which breeds more widespread success.

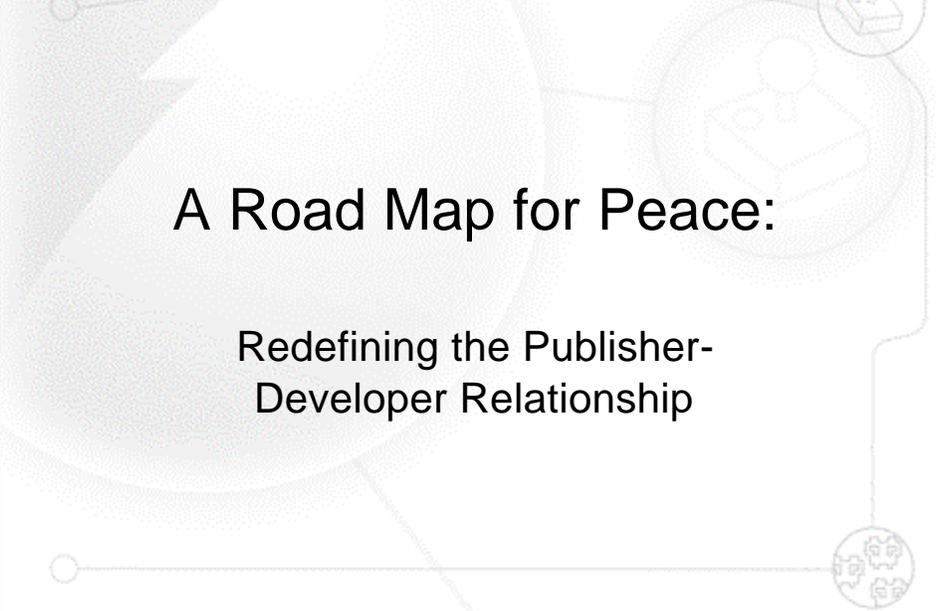


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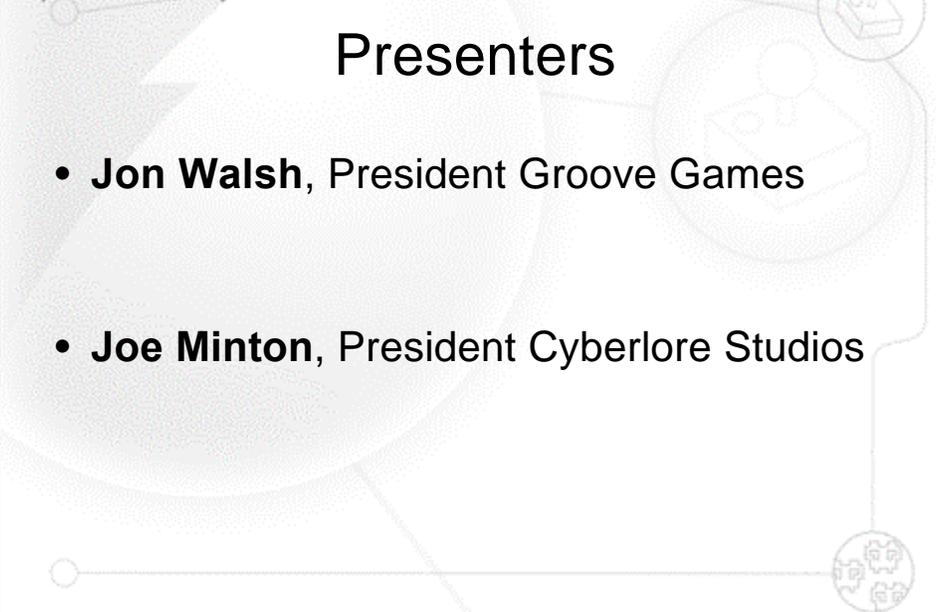


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# Presenters

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## Summary and Q & A

- This is about the developers and publishers aligned against the market structure of the video game industry. We either create a new road map together for greater and more widespread success, or we continue to muscle forward and accept the industry as it is.
- Q&A