

The GDC logo is in the top left corner. The background of the slide is dark with several colorful geometric shapes: a blue tetrahedron, a large magenta polyhedron with yellow and red edges, a small yellow tetrahedron, a red cube, and a large yellow polyhedron. The text is white and yellow.

STRATEGIC DESIGN OR: WHY DARK SOULS IS THE IKEA OF GAMES

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GAME DEVELOPERS CONFERENCE | FEB 27-MAR 3, 2017 | EXPO: MAR 1-3, 2017 #GDC17



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A PREFACE...

This presentation is about choice. Specifically, the choices we have to make as developers on how and where to invest our time.

“It's about the tradeoffs you decide on as a designer. ...It's like playing an RPG where you have 20 points to allocate to strength, dexterity and intelligence. You can't have it all.”

-Cliff Bleszinski

This is my favorite quote on the topic. Talking about game design...in terms of game design. Meta, brah.

What I propose with this presentation is that there is a framework for making these decisions about where to focus our attention with an eye to business strategy, and not just making them purely on instinct or getting forced into them due to circumstance.

A TALE OF TWO GAMES

- | | |
|-----------------------|--------------------------|
| • <i>Dark Souls</i> | • <i>Resident Evil 6</i> |
| • October 2011 Launch | • October 2012 Launch |
| • 2 Years Development | • 2 Years Development |
| • 3.07MM Units* | • 5.16MM Units* |
| • “Success” | • “Failure” |

*Sales Source: VGChartz.com

I want to stress that I LOVE Resident Evil, including RE6. My intention isn't to cast aspersions on the game or Capcom, but to investigate a strategy that, by most/all accounts, didn't work.

Also, VGCharts was the best I could do for sales info. Michael Pachter says it's mostly legit. Mostly.

THE RELEVANT QUESTION:

Why is the game that sold almost 70% more units considered the “failure”?

STRATEGIC DESIGN

Or: Why *Dark Souls* is the IKEA of Games

WHO AM I?

- Started in the industry in Jan 2007



WHO AM I?

- Earned MBA June, 2016
- Consulting
- Agency Principle
- BreakingTheWheel.com



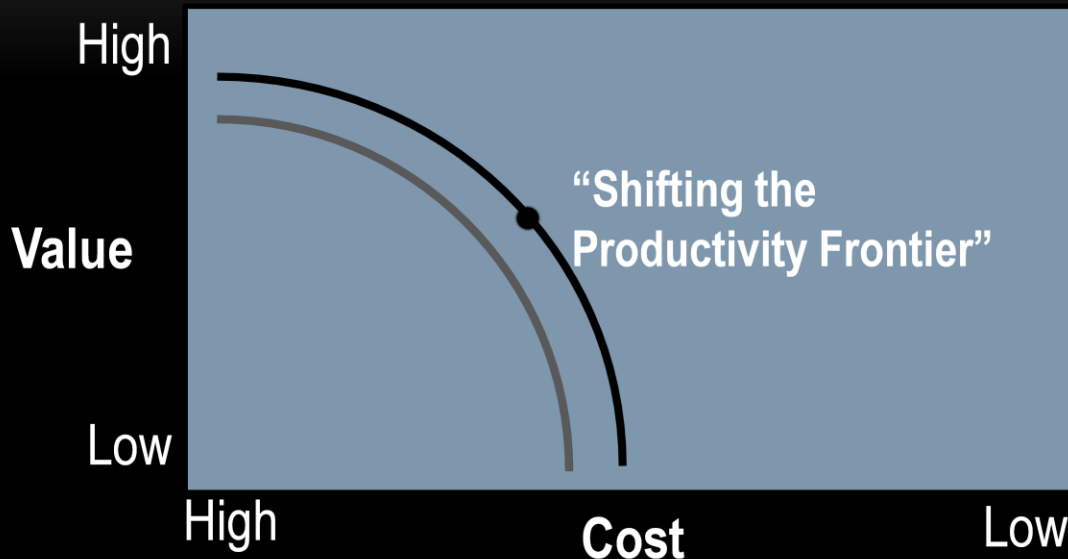
MICHAEL PORTER

- Harvard Business School
- Luminary
- Claims to Fame:
 - Five Forces Analysis
 - “Competitive Advantage”



You run into this guy A LOT in business school

THE PRODUCTIVITY FRONTIER



“Productivity Frontier”: the arc on the left represents the current, industry equilibrium between value delivered and cost to create. You can’t get a more valuable product without spending more to make it and you can’t cut costs without sacrificing quality. Eventually one company will figure out how to exceed the frontier (the dot) and will have a temporary advantage of cost/value. But the market will eventually catch up and equilibrium will be re-established (the right arc). Porter calls this “shifting the productivity frontier”.

THE MORAL OF THE STORY

- “Faster, cheaper, better” is only a **temporary** advantage
- You cannot build a **sustainable** market advantage on operational efficiency alone

COMPETITIVE ADVANTAGE

- “What Is Strategy?”
 - *Harvard Business Review*, 1996
- “Competitive Advantage”
 - Being Different
 - Making Trade-Offs
 - Achieving “Fit”

I highly recommend getting yourself a copy of “What Is Strategy”. It’s eye-opening.

BEING DIFFERENT

- Create a unique **and** valuable position:
 - Serve few needs of many customers
 - Serve many needs of few customers
 - Serve many needs of many customers in a narrow market

Porter's examples:

Jiffy Lube is few to many – they only handle car lubricants, so no engine work or body work

Bessemer Trust is many to few – they will handle all of your financial needs, but only if you have \$250k or more in liquid assets

Carmike Cinemas is many to many in a narrow market – they open full-featured movie theatres, but only in cities of 150k people or less

THE KAWASAKI MATRIX



Guy Kawasaki of Apple fame. He talks about this matrix in every presentation that I've seen him give (via YouTube).

THE KAWASAKI MATRIX

	Not Unique	Unique
Valuable		
Not Valuable		



THE KAWASAKI MATRIX

	Not Unique	Unique
Valuable	Compete on Margin	
Not Valuable		



Competing on margin means that you have to offer consumers more value in terms of value offered versus price asked than the competition. An extreme example is toilet paper – to compete effectively you have to offer more value (bigger rolls) at a lower cost. This is why toilet paper manufacturers make a gross profit of pennies or less per roll. Basically, the more you squeeze your margin to outdo the competition, the more units you have to sell to compensate and turn a profit.

THE KAWASAKI MATRIX

	Not Unique	Unique
Valuable	Compete on Margin	
Not Valuable	Dot Com Boom	



IE, you create value for no one except venture capital/private equity fund managers and speculators.

THE KAWASAKI MATRIX

	Not Unique	Unique
Valuable	Compete on Margin	
Not Valuable	Dot Com Boom	"You're just stupid"



Kawasaki's words (although I agree with him): if you're making something with the intent of selling it, but it's something nobody wants to buy, you have a real problem.

THE KAWASAKI MATRIX

	Not Unique	Unique
Valuable	Compete on Margin	BE THIS GUY!!!
Not Valuable	Dot Com Boom	"You're just stupid"



If you're valuable and unique, you sell people something they want, but can still charge a fair price that allows you to maintain a decent margin. Win-win (with an emphasis on fair price).

THE KAWASAKI MATRIX

"Be like President
George W. Bush: HIGH
and to the RIGHT"

	Not Unique	Unique
Valuable	Compete on Margin	BE THIS GUY!!!
Not Valuable	Dot Com Boom	"You're just stupid"



I don't know *exactly* what he means, but as a mnemonic device, it works.

MAKING TRADE-OFFS

- Doing everything isn't a strategy
- It's indecision
- You need to choose what not to do
- Some activities are incompatible

Examples of incompatible activities:

- 1) The classic production triangle of fast/cheap/good
- 2) It's hard to be a luxurious and fast
- 3) It's hard to have lots of controls and be easy to use

“FIT”

- Your activities need to “fit” each other
- Interact
- Reinforce one another

Example:

Having fast-paced multiplayer gameplay AND mechanics that don't require a lot of computational precision (this is why net-code for fighting games is so hard).

WHY IS THIS IMPORTANT?

- Being different allows you to uniquely serve a target audience
- Trade-offs allow you to serve the target at a lower cost than anyone else

WHY IS THIS IMPORTANT?

- “Fit” makes it harder for competitors to follow your lead
 - They can’t just replicate one aspect of your value chain
 - They have to replicate *all* of it

PORTER'S CLASSIC EXAMPLE: **Southwest**[®]

In the 20 years since Porter published “What is Strategy?”, Southwest has altered it’s MO. But, back in 1996...

Southwest[®] WAS DIFFERENT

- Southwest Airlines was all things to few people
 - Full service airline
 - Catering to price-sensitive customers
 - Who didn't care about perks
 - Flying between regional airports

Southwest[®] MADE TRADE-OFFS

- Regional airports, not “hub & spoke”
- No frequent flier
- No 1st class seating
- No baggage transfers
- 737 jets only - no long-haul flights

These trade-offs would seem to put Southwest at a disadvantage relative to the competition, until you consider the fit it achieved...

Southwest[®] HAD “FIT”

- Less competition at regional airports
- Streamlined ticketing
- Faster turnarounds (15 min vs. typical 30)
- Reduced training for crews and fewer spare parts

- Less competition means SW didn't have to pay as much to secure gate rights.
- No frequent flyer program makes ticketing more efficient
- No baggage transfers or first class seating makes turnarounds faster
- Reduced training and fewer spare parts greatly reduce costs relative to the competition

THE NET EFFECT

- Southwest was faster, cheaper, and better
- But only for the target consumer
- No secret sauce, just operational harmony

The “target customer” bit is important. Southwest made a choice. It decided to focus its operations around on one customer segment at the expense of others. It didn’t achieve its success through trade secrets or other intellectual property. It was successful based on great, harmonious fit between activities.

**HOW EFFECTIVE IS A TRUE
COMPETITIVE ADVANTAGE?**

CONTINENTAL LITE

- Created in 1993
- Head-to-head with Southwest
- Skipped trade-offs
- Complete failure
- Killed in 1995
- CEO of Continental fired



Continental Lite maintained Continental's frequent flier program, had first class seating, handled baggage transfers, and used multiple makes/models of jets.

PORTER'S OTHER EXAMPLE





IS DIFFERENT

- All things to few people, like Southwest
 - Young, working professionals
 - Price sensitive
 - Not time sensitive
 - Rigid schedules

The slide describe IKEA's target segment



MAKES TRADE-OFFS

- Typically in the suburbs
- No show-people
- No customization and you build it yourself
- Food court and child care
- Open late

As with Southwest, these trade-offs would seem to put IKEA at a disadvantage, but...



HAS "FIT"

- Suburbs = bigger parking lots & facilities
 - Time-insensitive customers will make the trek
- No show-people = less staff
 - Customers are fine showing themselves around

Bigger parking lots (more available parking), bigger show rooms (can display more stuff), and bigger warehouses (more inventory on hand). Customers are fine showing themselves around, because...

THE ADVANTAGES OF WYSIWYG

- Don't need sales people
- Streamlined manufacturing
- Easy to store and deliver
- Time-insensitive customers don't mind building

You don't need sales people if customers can see the products in person, exactly as they will look at home. You can see exactly what the Magnarp lamp will look like when it's sitting on the Undredal table next to the Gjora bed. And the lack of customization (or even variety of designs in any give product line) means manufacturing is far more efficient. It's way easier to store and deliver furniture if it's in a box versus delivering a fully assembled table.

AMENITIES

- Food court, day care, and late hours seem like extravagances, but...
 - Shoppers can go straight from work...
 - ...and skip finding a sitter...
 - ...and don't need to rush

Shoppers can go straight from work because they can get food at IKEA. They don't need to rush because the store will be open late.

THE NET EFFECT

- Ikea is cheaper and easier
 - Again, for the target customer!
- While still being profitable
- But it has reduced appeal to price-insensitive, time-starved consumers who want high quality and customization

Again, like Southwest, IKEA made a choice: target one segment over another and accept that a different segment won't be happy about it.



WHY IS ~~DARK SOULS~~ THE IKEA OF
VIDEO GAMES?

WHO WAS THE TARGET AUDIENCE?

- Hardcore gamer
- Enjoys discovery
- Loves to “push the boulder up the hill”
- Wants depth
- Wants thrilling, menacing experiences

The segment wants games that are like a badge of honor if you finish them.

DID IT MEET THE CRITERIA?

- Was *Dark Souls* different?
- Did *Dark Souls* make trade-offs?
- Did *Dark Souls* have “fit”?

DARK SOULS WAS DIFFERENT

- Hardcore
- Unforgiving
- No frills game
- In a industry of cinematic, mass-market titles



I know the image is from one of the later DS games, but 200MM+ deaths really drives the point home.

DARK SOULS MADE TRADE-OFFS

- Few cinematics
- Almost no tutorial
- One difficulty level
- Sparse music
- Limited multiplayer
- Not cutting edge engine



Again, these trade-offs would seem to put DS at a disadvantage, but...

DARK SOULS HAD "FIT"

- Having few cinematics reduces cost
- Tutorials are edge-case minefields
 - Forced players to "figure it out"
- One difficulty level means focused balancing
 - Take it or leave it
- Winning: badge of honor, not a matter of course

DARK SOULS HAD “FIT”

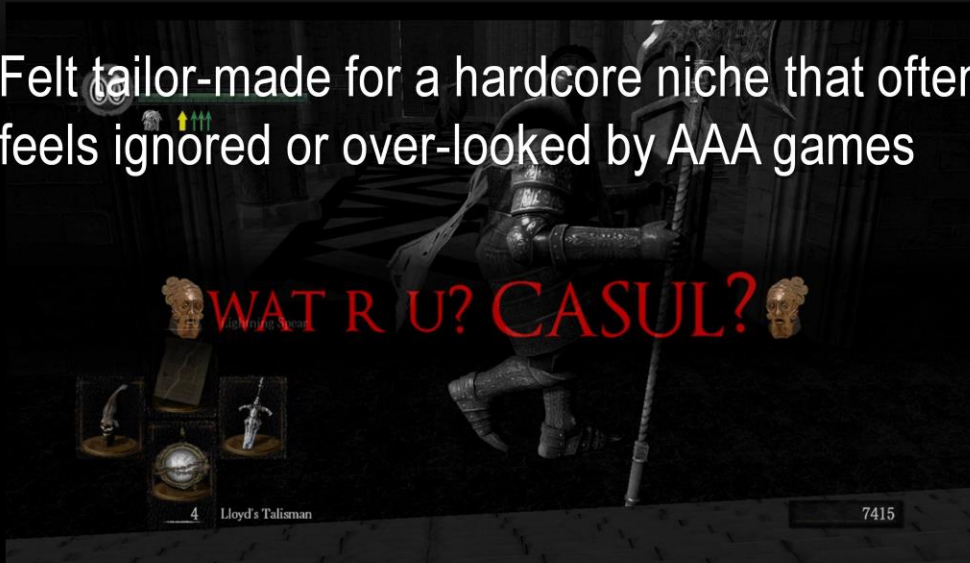
- Sparse music cuts costs
 - And enhances the desolate feel
- Limited multiplayer = focused multiplayer
- Tech from *Demon's Souls* reduces unknowns
 - Known tech is predictable tech (relatively speaking)

DARK SOULS HAD “FIT”

- The trade-offs combined to create a harsh, uncomfortable, unforgiving, sink-or-swim experience
 - Just what the target audience wanted!
- FromSoftware genre experts

THE NET EFFECT

- Felt tailor-made for a hardcore niche that often feels ignored or over-looked by AAA games



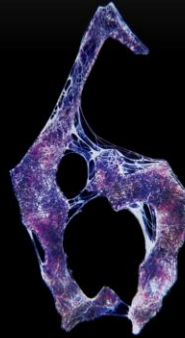
THE NET EFFECT

- The trade-offs allowed FromSoftware to focus effort without sacrificing quality
- For the target audience
- *Dark Souls* could be **MORE** profitable with a **SMALLER** market

They made a choice as to what kind of game they were making and who they were targeting #deadhorse

“STRATEGIC DESIGN”

In deference to Mr. Porter I call this notion “strategic design”



IN CONTRAST: RESIDENT EVIL®

IN CONTRAST...

- *RE6* took a niche brand to the mass market
- “We’re making games and we need to have mass-market appeal to survive.”
 - *RE6* Producer Yoshiaki Hirabayashi to 1Up.com
- *RE6* had a target of 7MM units

RE6 basically did the opposite of *Dark Souls*.

THE NET EFFECT

- “By trying to please everyone, you please no one.”
 - *Resident Evil 7* Producer Masachiki Kawata, commenting on *Resident Evil 6* (ign.com)

HOW INTENTIONAL WAS THIS?

THE HONEST, NO BS ANSWER:

?

I tried a few routes to see if I could run this presentation past the FromSoftware folks. None panned out.

THAT'S NOT MY POINT

- *Dark Souls* provides a prototype for how you can make intentional, strategic design decisions based on a target audience

My argument isn't that FromSoftware read "What is Strategy?" and put it into action. I'm simply arguing that its success provides a template for you to make intentional strategic decisions.

RECOMMENDATIONS, IN SEVEN TIMELESS QUOTES

**“HE WHO DEFENDS EVERYTHING,
DEFENDS NOTHING”**

-Fredrick the Great, King of Prussia

“HE WHO DEFENDS EVERYTHING, DEFENDS NOTHING”

- Strategy means making choices
- Deciding what to do
- And deciding what not to do
- Always remember: trade-offs yield benefits
 - Reduce costs
 - Harder for other companies to compete

EXAMPLE:



Xcom was unapologetically Xcom. You loved it or you hated it. But it didn't make compromises. And for a target audience that wanted to get slapped around by a grueling tactical combat game, Firaxis served them in spades.

**“KNOW THY ENEMY AND KNOW
THYSELF AND IN A HUNDRED
BATTLES YOU WILL NEVER BE IN
PERIL.”**

-Sun Tzu

“KNOW THY ENEMY AND KNOW THYSELF AND IN A HUNDRED BATTLES YOU WILL NEVER BE IN PERIL.”

- Know who your target audience is and what it really wants
 - Persona exercises
 - One-on-one interviews
 - Factor and cluster analysis, and conjoint analysis
- Use this information to pick your priorities and trade-offs

Factor, cluster and conjoint analysis are covered in the appendix of the presentation.

EXAMPLE:

The Supercell logo is displayed in a bold, white, blocky font against a dark background. The word "SUPERC" is on the top line, "ELL" is on the bottom line, and the "E" in the middle is slightly larger and more prominent, creating a stacked effect.

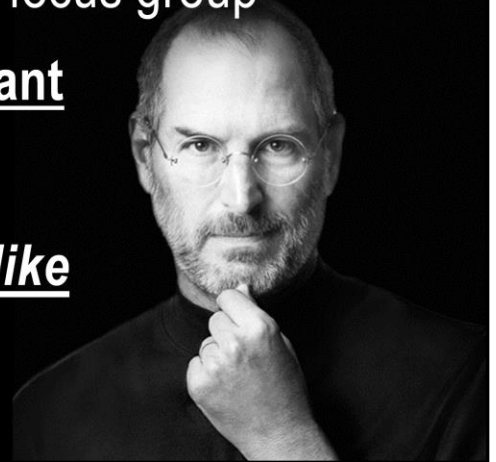
Supercell dials its audiences down to a T. It tests every game concept rigorously and kills anything that won't succeed.

**“IF I HAD ASKED PEOPLE WHAT THEY
WANT, THEY WOULD HAVE SAID
‘FASTER HORSES’”**

-Henry Ford, Ford Motor Company Founder

**“IF I HAD ASKED PEOPLE WHAT THEY WANT,
THEY WOULD HAVE SAID ‘FASTER HORSES’”**

- **I am not** advocating “design by focus group”
- People don’t know what they **want**
 - It’s **your** job to show them
- But people **do** know what they **like**



Design-by-survey and design-by-focus-group are roads to mediocrity. It’s not reasonable to ask people who aren’t professional game makers to provide game ideas. This is one area where I think Steve Jobs was absolutely correct.

But while people don’t know what they want, the DO know what they like, and that is a crucial distinction to maintain.

**“IF I HAD ASKED PEOPLE WHAT THEY WANT,
THEY WOULD HAVE SAID ‘FASTER HORSES’”**

- Find out what the target audience is passionate about
- Learn what needs other games aren't serving
- Tailor your feature set accordingly

EXAMPLE:



If Shinji Mikami had asked Resident Evil fans what they wanted from the next installment, they probably would have said, by and large, “more zombies, more rooms, bigger puzzles.” Instead he trusted his instinct and reinvented both a franchise and a genre.

**“RETREAT, HELL! WE’RE JUST
ATTACKING IN A DIFFERENT
DIRECTION!”**

-Lt Gen. Lewis “Chesty” Puller, USMC

“RETREAT, HELL! WE’RE JUST ATTACKING IN A DIFFERENT DIRECTION!”

- The goal is not subsistence revenue or hiding from competition
- It’s not compromising quality to save money

“RETREAT, HELL! WE’RE JUST ATTACKING IN A DIFFERENT DIRECTION!”

- Find underserved niches
- Make games those niches will love
- Use trade-offs to:
 - Make the niche profitable
 - Make it harder for other companies to compete

EXAMPLE:

The image shows the words "gone home" written in a white, cursive, handwritten style on a solid black background. The letters are fluid and connected, with a soft, chalk-like texture. The word "gone" is on the top line and "home" is on the bottom line, both centered horizontally.

Gone home was a super-niche idea. Even so, its sincerity in its approach earned it a lot of respect and attention that belied it's nicheyness. All of it deserved.

**“MUSIC IS THE SPACE BETWEEN THE
NOTES”**

-Claude Debussy, Composer

“MUSIC IS THE SPACE BETWEEN THE NOTES.”

- Don't just take a hatchet to your design
- Cut things that run contrary to the features you're building for the target



Don't make cuts, all willy-nilly. Think strategically about what you cut so as to support your target feature set.

EXAMPLE:



Naughty Dog sought to make (for lack of a better term) Indiana Jones: The Game. To that end it had some remarkably beautiful cinematics. It's also (and this is really easy to forget) only about 4-hours long. Basically, they cut quantity to support quality. That didn't seem to put a damper on the long-term health of the franchise.

“THE ENEMY OF ART IS THE ABSENCE OF LIMITATIONS”

-Orson Welles, Actor, Director, Writer
(According to his friend Henry Jaglom)

We don't know if Welles actually said this. Jaglom said he did though.

“THE ENEMY OF ART IS THE ABSENCE OF LIMITATIONS.”

- The idea isn't to constrain creativity
- It's to focus attention, efforts, and resources where they will provide the most value
- Both to gamers and to your company



Be glass-half-full, not glass-half empty!

EXAMPLE:



Doom eschewed a lot of elements prevailing logic would tell you a modern shooter needs. No love interest, not ill-advised stealth section, few cut-scenes. And the game most-definitely did not suffer from its focused design. Quite the contrary.

**“THE OPPOSITE OF LOVE IS NOT
HATE, IT’S INDIFFERENCE.”**

-Elie Wiesel, Writer, Professor, Holocaust Survivor

“THE OPPOSITE OF LOVE IS NOT HATE, IT’S INDIFFERENCE.”

- In order for one niche to love your game, you have to accept that another niche will hate it
- Indifference, not hate, is what kills brands
- Passionate fans create valuable brands
 - This is why engagement is more important than traffic for websites and apps

- Many professional entrepreneurs, marketers, and product designers get way too hung up on whether people will hate their product. But hate isn’t to be avoided. Indeed, if the people who hate your game are diametrically opposed to your target audience, their hatred is, perversely, a form of supporting evidence that your design is on target.
- Indifference is the real killer, because it means people don’t even care enough to hate your game.
- If you tell me 1MM people came to your website, my response would be “Who gives a shit?” Did they buy anything or read anything or sign up for an email list? 1000 engaged users are WAAAAAAAY more valuable than 1MM disengaged visitors.

“THE OPPOSITE OF LOVE IS NOT HATE, IT’S INDIFFERENCE.”

- The target is not the market
- The target builds the market
- Fans will evangelize for your game
- But only if they are passionately engaged
 - Because you made something they love

Another thing professional entrepreneurs, marketers, and product designers get way too hung up on: whether a target segment is too small. But the target segment is not the same thing as the total addressable market. The target is your beachhead for making an impact on the market. Your target will evangelize for you if you make something they love (as happened with Dark Souls).

Word of mouth is, by far, the most important and valuable form of advertising because you can’t buy it. You can only earn it.

EXAMPLE(S):



Minecraft alone speaks volume about the value of engagement and word of mouth.



DARK SOULS



STAR
WARS

If you want to create the next Ikea, or Dark Souls, or Star Wars, or Apple, or Harry Potter, or Nine Inch Nails...

Stop spending so much time worrying about making something everyone will buy

Focus on making something a segment of people will love

QUESTIONS?

THANK YOU!

- www.breakingthewheel.com
- @justin__fischer
 - (TWO UNDERSCORES!)
- justin@agencyprinciple.com
- bit.ly/jf_gdc2017_sd

↑
SLIDES!



↑
My contact info!

Better Development Through Science
Friday, 1:30-2:30, Room 132

APPENDIX: ADVANCED SURVEY TECHNIQUES

FACTOR AND CLUSTER ANALYSIS

- Advanced survey techniques that
 - Analytically separate populations into segments
 - Identify product attributes that appeal to those segments

FACTOR AND CLUSTER ANALYSIS

- Identify a collection of survey respondents
 - EG, hardcore gamers
- Professional survey companies like Qualtrics can find respondents for you

FACTOR AND CLUSTER ANALYSIS

- Provide those respondents with a survey
- Demographic questions
- Attitudinal questions
 - “Strongly Disagree” to “Strongly Agree”
 - “Not Likely” to “Very Likely”
 - “Hate” to “Love”

FACTOR AND CLUSTER ANALYSIS

- Run a “Factor Analysis”
- Use statistical analysis to identify which questions had strong correlations between responses
 - EG, there is a correlation between how respondents answered a question about combat depth and how they answered a question about forgiving save points

FACTOR AND CLUSTER ANALYSIS

- Group correlated questions into attitudinal “factors”
- Review the questions contained in each factor and identify the overarching theme of those questions
 - EG, Challenge, Re-playability, User-Generated Content

FACTOR AND CLUSTER ANALYSIS

- Next take that same data and run a “Cluster” analysis
- Statistically identify groups within the survey set who tended to answer in the same way
- Analyze which clusters responded positively, negatively, or indifferently towards which factors

FACTOR AND CLUSTER ANALYSIS

- Identify clusters that respond positively toward the types of features in your game (your target audience)
- Identify factors the target audience dislikes or is indifferent about to determine features to cut (trade-offs)
- Use the demographics of the target cluster to plan advertising and outreach

FACTOR AND CLUSTER ANALYSIS

- Example:
 - One cluster is strongly positive about challenging combat, indifferent towards user-generated content, and dislikes multiplayer
 - This cluster is mostly male, average age is 28, lives in rural areas, and spends a lot of time on Twitter

CONJOINT ANALYSIS

- Another advanced survey technique
- Respondents are provided a series of multiple choice questions
- Each question asks them to pick between two or three product configurations

CONJOINT ANALYSIS

- Example:

Configuration A	Configuration B	Configuration C
20 Hours Play Time	10 Hours Play Time	40 Hours Play Time
New Game+	No New Game+	No New Game+
No Co-Op Mode	Co-Op Mode	No Co-Op Mode

- The objective is to force respondents to pick **trade-offs**

CONJOINT ANALYSIS

- It is critical that:
 - No one choice in a group is objectively better than any other choice
 - Each question only compares 2-3 variables, and 2-3 configurations
 - The respondents are from your target audience

CONJOINT ANALYSIS

- Over multiple repetitions you can learn:
 - Which attributes are important to respondents
 - Which aren't
 - The stack-rank of their relative importance
- Use this information to prioritize feature development and trade-offs