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“A sector on its way to maturity”

Game developers are differentiating their portfolio, looking to collaborate and experimenting with distribution models in which publishers are sidelined. These are characteristics of a sector that is on its way to maturity, argues Ilja Linnemeijer.

“The sector for video games is doing extremely well, despite the economic crisis. Following the first generation of gamers, an increasingly broad offering of titles is now being welcomed by a second and third generation. I’m definitely not the only one who’s seen a grandfather playing tennis on the Nintendo Wii with his grandson at his birthday party. It’s exactly in times of crisis that people turn to entertainment at home, and the game industry is profiting as a result. For the same reason there is a growing demand from companies for serious games, for training employees for example. The cost of a game is usually much less than the repeated organisation of external training courses.”

“In-game advertising is also growing along with the development of the gaming sector. It’s not for nothing that Obama was the first presidential candidate to be featured on a virtual billboard to be seen along the streets of an online race game. There are also experiments with product placement, whereby for example the Sony Ericsson name can be seen on the mobile phone that’s used in the game.”

“As well as the development of in-game advertising and the expansion of the offering of titles, the number of channels through which games are offered is growing. For every new technological application, like Apple’s iPhone and Google’s Android, games are being developed that are reaching new groups of players. The business model behind a web shop such as the iTunes App Store is extremely interesting for developers. For a relatively low cost - say, \$50,000 - they can develop a game that they can offer worldwide via the heavily visited online shop for, for instance, one dollar. When such a game catches on, the return on investment can be enormous. We’re also seeing external developers presenting their games in proprietary web shops for console games, such as WiiWare.”

“This model is all the more interesting for developers because using it helps them to eliminate the publishers’ distribution role. Nevertheless, without a publisher, marketing is the biggest challenge for developers. Because how do you let the world know that your new game is available? Of course you can get a long way via virals and announcements on forums, but that’s still not comparable with the marketing machine of a major publisher.”

“Whereas a company used to invest several tenths of million dollars over several years into the development of a single game, they are now spreading their risk over console games, wireless games, online games and serious games. This portfolio diversification is a sign of the growing maturity of the sector. In this way we’re seeing collaboration more often within the Netherlands between companies with different areas of expertise, such as artwork or programming. People understand that it’s better for them to compete collectively in a global market than to fight amongst themselves locally. There are already more than a hundred Dutch gaming companies, and their number is still growing. As well as the increasing market demand, the sector is also growing through an increasing number of inspired and entrepreneurial youngsters who are completing their game development education and are keen to make a name for themselves.”