The Pulse of Gaming

Gaming Disruption

High performance. Delivered.

Game companies need capabilities that provide captivating content, intelligent game design, and rapid engineering to adapt to consumer insights.

Executive Summary

As the game industry continues to grow and expand its target market to nearly every person with access to an Internet connection, the capabilities needed to gain a competitive advantage are changing too.

Game companies need to create compelling gaming experiences focused on the things gamers want, in the distribution channels they consume, and ahead of what competitors may bring.

Leisure time is crowded with competitors; game companies, Internet companies, product companies, retailers and others will continue to compete for gamers' time and share of wallet. To compete, games must be tailored to individual gamer preferences, be seamlessly connected with the gamer's environment and technologies, and be immersive enough to pull the gamer into the experience and away from other activities.

As game companies continue to be pressured by increasing consumer demands, the proliferation of gaming-capable devices and lower barriers to entry for low-cost alternatives, the need to innovate and join the revolution of disruptors is more critical than ever. Major studios are faced with rising development budgets for established franchises and new business models are challenging the traditional outright product purchase.

In this competitive and rapidly changing market, game companies that want to win will create an operating model that addresses demands for today, and provides strategic agility to prepare for the capabilities needed for tomorrow. Starting from the top down, industry leaders must define their relationship with content and nurture the appropriate relationships with developers. They must create rich, connected, and personalized experiences that enable gamers to be captivated and immersed, and do so as part of a broader franchise development and monetization strategy that increases gamer lifetime value. Furthermore, to maintain their relevance in this increasingly digitally driven industry they must determine the best channels to deliver content where gamers want it and support the business with a strong set of foundational capabilities from engineering to pricing, and from promotion to customer support.

In the battle for gamer mindshare, the old mode of operation is no longer sufficient. If you can't beat the disruptors, you need to be nimble enough to join them.

Four Trends Driving Industry Change

The worldwide video game industry is expected to grow to nearly $87 billion by 2017, and with each year, digital customers and digital distribution create more diversity and complexity in the industry.[1]

This growth is driven by a surge in the number of users equipped with powerful new devices capable of gaming and a rise in the amount of time gamers are playing. As the industry grows in an increasingly digital world, four major shifts are driving tremendous industry disruption:

1. An Evolving Customer Base

Video game consumers are increasingly diverse and gaming behaviors are less homogenous than in the past.

The number of people playing games is growing, with the US being one of the largest markets for the gaming industry. With mobile increasing the accessibility of video games, the number and diversity of gamers continues to expand.

In this digital world, greater availability of low-cost "good enough" alternatives is driving consumer expectations for more value from games. Moreover, the digital age has empowered customers, allowing them to be more vocal than ever before, and their peers are listening—with social media having an increased influence in purchasing decisions. These shifts present many opportunities, but also challenges, for gaming companies. Delivering to the right screens with the right content will ultimately lead to success.

2. Evolving Definition of Games

Lower barriers to entry drive growth in successful content from indie game development, while innovative technologies enable immersive gaming experiences.

Accenture's 2014 Digital Consumer Survey found smartphone penetration at 72 percent of the global mobile subscriber market and 35 percent of adults over 18 owning tablets. Game companies must find a way to create immersive experiences on all screens of consumption that can hold the attention of the more than 966 million mobile gamers.[2] Worldwide mobile gaming is growing rapidly—42 percent in 2013 alone—which brings an influx of independent developers with lower costs of development.[3] Independent developers now see an opportunity to express their creativity to a more diverse audience, leveraging the ease of development and distribution on mobile.

However, big players are taking notice of how low development costs and a cult-like following can draw large loyal communities. For example, Microsoft recently purchased Minecraft for $2.5 billion in an effort to capture a larger audience for its smaller form factor devices.

Beyond traditional screens and mobile devices, innovative form factors are providing new options for creating immersive experiences. Devices that enable virtual and augmented reality gaming experiences, like Oculus Rift, are nearing broad commercial release, leaving the door wide open for new game content specifically for these devices. Initiatives like Google's Project Tango are encouraging virtual-like experiences by enhancing the real world surrounding the gamer. Just as mobile helped consumers find new ways to squeeze in gaming, new form factors and immersive experiences bring new opportunities to games, increase share of overall leisure time, and steal share from time spent on the console.

Additionally, as film and television companies make their content more interactive as AMC has with The Walking Dead and HBO has with Game of Thrones, game companies can no longer look only at each other as the competition. Other non-traditional gaming companies like Amazon are realizing the value in original content and are further raising the competitive stakes. The idea of multi-channel story telling is just beginning; pioneers like Disney and Amazon are tying media assets across comics, movies, games and a range of physical items.

Figure 1: US Gaming Market Statistics

31%
of the gaming population are adult women.

19%
of the gaming population are boys age 17 or younger.

At 11%
gaming is still a small slice of overall consumer media consumption.

165 billion
hours Americans spent gaming in 2012 represents a 9% increase YoY.

28%
of consumers strongly agree that comments posted on social media sites contribute to their buying decisions.

Source: Entertainment Software Association, USC Marshall School of Business Report, 2013.

3. Digital Delivery

Digital distribution is becoming the norm across technology platforms and personalized gaming experiences. Digital delivery is disrupting the industry in known ways, such as physical distribution, as well as unconventional ways, like ongoing customer engagement, and development operations.

The wide availability of high-speed Internet has changed much of our daily lives, and that includes how we play games. Globally, the physical distribution of video games decreased at an annual rate of 13.1 percent from 2009 to 2012, while digital distribution grew at 12.6 percent annually over the same time period worldwide.[4] Digital distribution is not limited to phones; downloadable content is the new norm and will continue to evolve as endpoints (i.e. screens and digital marketplaces) proliferate. With the rise of digital distribution, consumers have come to expect a dynamic and responsive entertainment experience. Whether this means personalized interactions or immersive experiences, entertainment is no longer a notion with a fixed ship and release date.

4. Proliferating Business Models

While mega brands continue to deliver financial gains, new business models are shifting how revenue is devised.

The spread of connected devices is truly changing the economics of gaming. For PC games, the revenue mix is shifting from revenue earned through outright purchase to revenue amassed through in-game goods over time. The NPD Group reported a nearly 34 percent growth in digital games and downloadable content, from 2012 to 2013, and in 2012 less than half of US game revenue came from retail purchases.[5]

New delivery methods play a significant role in challenging the traditional "single price point" business model. Flexible models that provide numerous ways to pay for a game experience will allow game companies to capture more consumer value. Concepts like freemium, micro-transactions, and advertising are shifting the industry to a high volume, low margin business, but one that can boost the top line because these smaller transactions allow companies to get closer to the individual consumer's willingness to pay. The critical question is how to create an innovation and operating model that aligns to evolving revenue models?

Figure 2: PC Game Revenue Streams Worldwide (Millions USD 2011–2017E)

	PC Gaming Software	Online Subscription	In-Game Virtual Goods	In-Game Ads
2011	$2	$4	$4	$1
2012	$2	$4	$6	$1
2013	$2	$4	$10	$2
2014	$2	$4	$12	$2
2015	$2	$3	$13	$3
2016	$2	$3	$15	$3
2017	$2	$3	$16	$4

Source: Created by Accenture based on Gartner report, "Forecast: Video Game Ecosystem, Worldwide, 4Q13," October 14, 2013, G00246826, Brian Blau et al.

Winning Amidst Disruption:
Forcing Change from Within

Together, the evolving and diversifying customer base, richer and more diverse content, the rise of digital delivery and proliferating business models are driving significant industry disruption, particularly for well established gaming companies.

Yet studios can benefit from disruption and create sustainable, profitable revenue growth if they seize the opportunity. Adapting in an industry ripe with change requires an evolution in the way major studios currently think and operate. It requires re-thinking content and developer relationships, creating captivating gamer experiences, delivering content where gamers want it, and innovating both business model and franchise intellectual property (IP).

Re-Thinking Content and Developer Relationships

Content is only as good as the talent that develops it; game companies must define their relationships with developers as well as the content itself.

Relationships with Content

The traditional video game value chain has evolved into more of a value web, with numerous connections and pathways to get content to gamers. Developers, publishers and distributors are taking on different roles and collaborating in new ways. Success within the gaming industry requires deep consideration of the core capabilities that the company wants to deliver, and determining where those capabilities are needed in the new value web.

Portfolio Management Company

Companies like Activision are starting to look more like portfolio management companies, as they continue to regularly acquire new IP and manage a broad assortment of brands that target various gamer groups. This type of relationship requires deep capabilities in brand management, a significant amount of available cash, strengths in investment and risk management, and strict ownership of future creative decisions and branding.

Content Provider

Content providers bring together content creators within a single distribution channel that work together to achieve economies of scale, but maintain individual control of branding and creative license. The IP is owned by the content creator, and the content provider makes margin on the consumer transaction. Distributors can leverage their strong capabilities in delivering content to the gamer, such as vendor relationship management, digital marketplace management, and customer service.
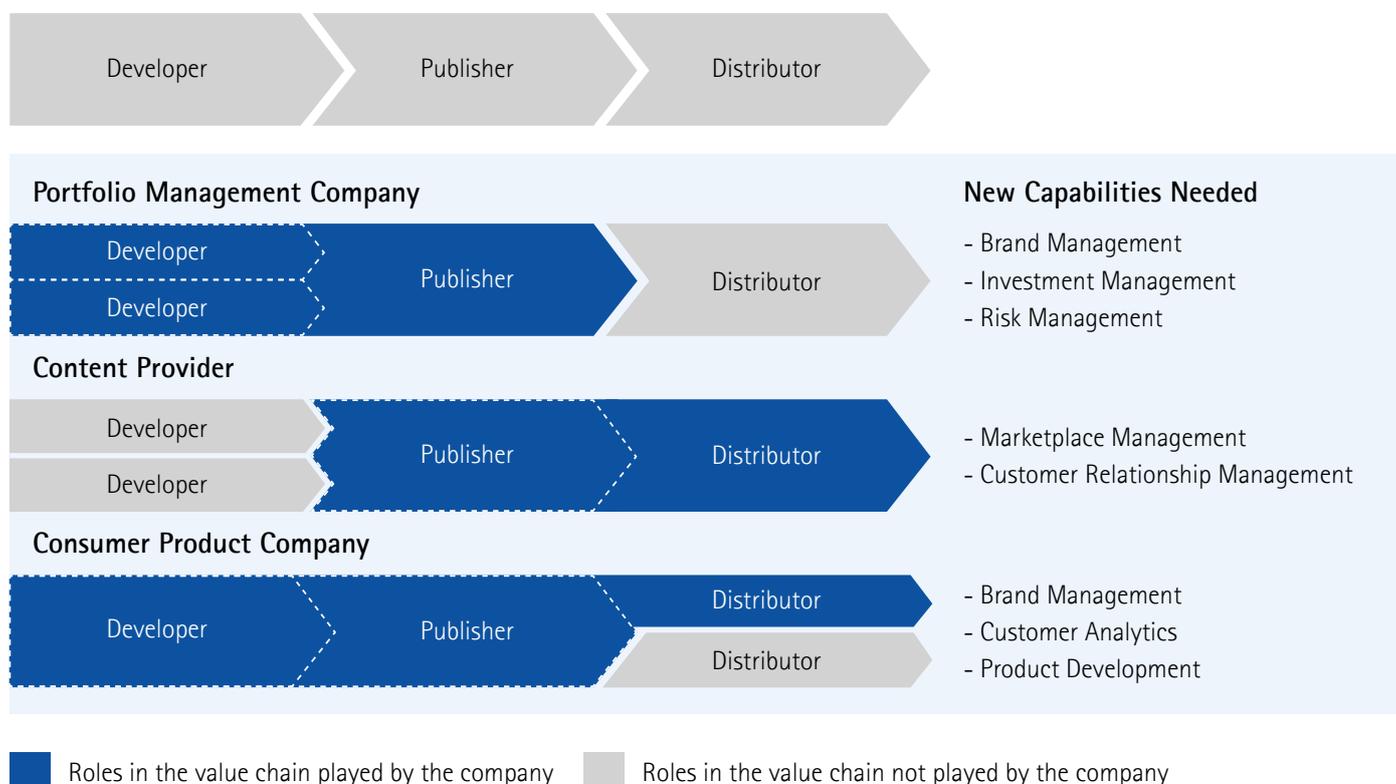
Consumer Product Company

Consumer product companies own the value chain from conception to distribution. The focus of these companies is to maintain complete ownership of the brand and its extensions into new product categories.

Figure 3: The Evolution of the Video Game Value Chain

Traditional Video Game Value Chain

| Developer | Publisher | Distributor |

Portfolio Management Company

| Developer | | |
| Developer | Publisher | Distributor |

New Capabilities Needed

- Brand Management
- Investment Management
- Risk Management

Content Provider

| Developer | | |
| Developer | Publisher | Distributor |

- Marketplace Management
- Customer Relationship Management

Consumer Product Company

| Developer | Publisher | Distributor |
| | | Distributor |

- Brand Management
- Customer Analytics
- Product Development

■ Roles in the value chain played by the company   ■ Roles in the value chain not played by the company

Relationships with Developers

As value chain ownership continues to blur, game companies must also re-evaluate their approach to building relationships with developers to attract, retain and manage the best talent. With an increasing number of studios, and single developer enterprises enabled by mobile, finding and retaining the best talent is more difficult than ever. Studios need to make two major shifts with regard to talent:

De-Stigmatize Quality Assurance (QA)

Discovering and attracting the right talent requires a shift in the culture that stigmatizes QA as being the only entry-level department for development. In the traditional hiring process, entry-level talent is initially acquired by the QA department, where employees must prove themselves in QA before moving "up" to the role of developer. The QA-to-developer career progression can lead to in-fighting between groups and decreased efficiencies.

Hiring models where engineers are brought in at entry level and are expected to share ownership of their code quality can bring an influx of talented resources and improve overall development efficiency.

Reward Developers with Creative License

Historically, gaming companies have struggled to develop and retain their best talent for lack of a clear progression toward innovation and independence.

Retaining talent requires a new mindset that enables the best developers to define their own career paths, work on new and creative ideas, and separate themselves from successful, but antiquated, IP. Talent that has more ownership over their content, greater flexibility to innovate, and independence from traditional success metrics will choose to stay engaged with the company rather than find a studio where they feel their skills are more valued.

Case Study: Ubisoft Montreal

Ubisoft has embraced the idea of "indie-sized projects" in a world dominated by triple-A titles, specifically in its Montreal office. The idea that developers and creative teams can take ownership of smaller projects without having to split off into a different indie studio is unique. Strong talent can be rewarded with "indie" work, and establish a long-term career path.

"I think it's a win–win if you can figure out a way to have the more indie-style development work within a bigger structure. I think that's an advantage we have in Toronto too, because there's a really great indie scene so it would be dumb of us not [to leverage that]."[6]

Jade Raymond, Ubisoft Montreal

Creating Captivating Gamer Experiences: Media Rich, Connected, Personalized

At the core, a game is any form of interactive entertainment with a set of parameters that advance the user to a desired goal. By this definition, the best games are experiences, and developing rich, connected, and personalized experiences enables gamers to be captivated and immersed.

Media-Rich Experiences

Games face pressure as they must compete with all forms of digital entertainment across multiple customer circumstances. In order to increase share of leisure time, game companies need to steal share from other forms of digital entertainment, such as television and film, and help to continue to expand the overall market with new ways to play.

Some game companies have already taken the first steps toward blurring the lines between television and games with dramatic content and rich storylines. The Uncharted series, developed by Naughty Dog, seamlessly connects theatrical cut scenes with action, giving the gamer an experience that aligns more similarly to an interactive movie rather than a game.

So how can a game company bring rich media into their game design? There are three ways to apply focus to enriching content: emphasizing the art, enhancing the tools, and exploiting advancements in the technology.

Emphasize the Art

Media-rich game creation starts before any code is written. Applying focus to story development and artistic level design (and investing in talent with these skills) helps incorporate creative direction into original IP from inception.

Enhance the Tools

By constantly looking to the future and investing in new or enhanced development capabilities, game companies can bring the art to life. Realism with facial expression rendering, sophisticated storytelling branches, and advanced artificial intelligence are all possible with the advancement of development tools. For example:

- Using dozens of cameras that simultaneously capture three-dimensional videos enabled Rockstar Games to enhance facial expression rendering that was essential to detecting when characters lie or tell the truth in the detective game, L.A. Noire.

- Empowering the player to make choices that impact the storyline of the game is exactly how Telltale captivated its audience with its episodic zombie game, Walking Dead: The Game. This requires a careful balance between complex story branching that is interesting to the gamer, and not adding too many additional development requirements.

- Irrational Games' Bioshock Infinite, the third installment of the trilogy, pushed the boundaries of artificial intelligence by creating a "sidekick" that interacts with the player and her environment, and reacts appropriately to game stimuli. This required increased developmental focus, and room-by-room builds of the artificial intelligence's potential interactions.

Exploit Technical Advancements

Game companies can enrich the gaming experience and reach gamers on new platforms, as advanced technologies are becoming affordable for the average gamer. Game applications for non-gaming technologies are paving the way for innovation.

For example, with two way IP-based communications on connected TVs, could we see gaming embedded with linear TV content? Imagine watching a Formula 1 race and being able to compete with the live action. Technology makes such scenarios closer than we think.

Case Study: Google's Ingress Game

Google is leveraging its extensive location services capabilities to launch an augmented reality mobile game called Ingress. The game uses GPS settings on smartphones to create a massively multiplayer online augmented reality game; allowing two factions to collide in a virtual world that interacts with the gamer's actual real-life surroundings.[7]

Connected Ecosystem

Even if a particular experience is media rich, the newer generation of gamers is used to being bombarded at every angle. At any given moment, a gamer could be managing in-game tasks using multiple screens or multi-tasking during load times, leading to a distracted gaming experience that could easily be replaced. In order to combat the noise and multi-tasking, games need to be able to transcend the individual device and connect across an ecosystem of connected devices. A seamlessly connected ecosystem has the ability to captivate users on every screen, blocking out competing leisure activities.

Some leading companies are already waging the war against multi-tasking by tying up multiple screens with companion mobile apps and connecting players across form factors. Capcom's Dead Rising 3 experience enables gamers to use their secondary screen (a tablet or smartphone) to receive in-game communications from non-playable characters and utilize the map while continuing to play on the console. Ubisoft recently released a free mobile companion app that connects live with console/PC users in the form of a mini-game in its latest game, Watch Dogs. At any given moment, a console or PC player can be "spotted" by the mobile player, and incite a police chase. The mobile player is able to play with the PC/console player in a way that is optimized for their form factor.

A connected experience is more than porting a game to a new form factor— it is an understanding of how the gamer uses that screen that enables a tailored experience. Being able to deliver a connected experience requires a strong understanding of consumer behavior to inform the design of companion experiences, as well as thoughtful engineering and cloud hosting capabilities to enable cross-platform integration, all of which are relatively new to the traditional studio.

Unique Personalized Experiences

Personalization can drive customer value as a differentiating characteristic of the game, and using the data derived from personalization can help extract additional value. Game companies that can enhance their data analytics capabilities will be able to glean new insights to inform future content and distribution decisions, and drive additional revenues.

Two challenges emerge when it comes to personalization: acquiring access to meaningful and accurate gamer data, and centralizing that data to be analyzed in different ways within the game property, across game properties and across the organization. While methods of data collection and storage can vary widely based on the intended objectives and potential impacts to game design, the most important component of personalization is getting buy-in from the gamer.

The right value proposition is needed to get users to willingly provide data. Customers are more willing to share their information if they can see the value and potential benefits of doing so.

According to the Accenture Digital Consumer Tech Survey 2014, 70 percent of surveyed consumers would share their personal data in exchange for a reward if it was used only by their providers, and 65 percent would share if the provider complies with data protection laws. It is also worth noting that early adopters—which many gamers can be considered—are much more confident in online security of their personal data (64 percent) than late adopters (24 percent).[8]

By collecting user-level data, game companies can facilitate hyper-personalization, providing end users with customized and individualized content or experiences. Deciding whether to personalize content, experiences, or both depends on the type of game and overall end goal of the personalization.

Personalized Content

Provides gamers with the ability to individualize in-game content, such as customizing avatars, building and sharing level components and creating in-game items. This allows a game company to create new revenue streams for their existing IP. Team Fortress 2, developed by Valve, enables users to customize weapons or in-game items, and monetize their creations in the Steam Community Market.

Personalized Experiences

Bolsters the game's ecosystem through companion apps, tailored device experiences and integration of social networks. Gamers can customize the way in which they interact with the content, unlocking bonuses and exclusives based on attaching to the ecosystem. This approach allows a game company to dominate leisure time by leveraging the broader ecosystem and creating second screen experiences.

Realizing the benefits from gamer data requires not only the presence of data, but also the ability to centralize it, continuously update it, and drive insights at the user and segment level. Master data management and smart data design are core capabilities that enable game companies to turn data into insights, and use the insights to achieve outcomes. When data is managed properly, it improves the analysis to drive business outcomes and also can improve customer experience. For example, when in-game data is captured in the same place as billing, account and user profile data, it can be presented to a customer support representative to improve a customer interaction. When a gamer can see all his information in one place, it can increase self-service for simple customer support tasks, and free up support teams to handle more challenging tasks.

Game companies that are able to leverage the wealth of gamer data to drive actionable outcomes will be able to increase their probability of success. The challenge, however, is an over-reliance on data, while ignoring other core aspects of game design. Leading edge game companies will strike a balance between the science of data-driven decision making, and the art of game development.

Cautionary Tale: Data-Dependent Zynga

Zynga, for example, showed quick success in its ability to mine user data and use its analytic capabilities to attract users to its games. Shortly after its IPO in 2011, the stock price skyrocketed to $13.39, with Facebook revealing that 12 percent of its revenue came from Zynga.

Many industry insiders believe that Zynga's downfall came from an over-emphasis on hard metrics and sacrificing the creativity in their content. Zynga became data-dependent; its success was too closely tied to the monetization of just 2 percent of users, regardless of the duration of the gamer lifecycle. As content became stale and new game releases were duplications of the same model, daily active users continued to decline from 72 million at its peak in 2012 to just 29 million in June 2014, and the stock recently hit a 52 week low at just $2.27. In a free to play world, developing engaging content to keep gamers interested over a longer period allows the organization to focus on conversion rather than attrition to drive a longer tail of revenues.[9]
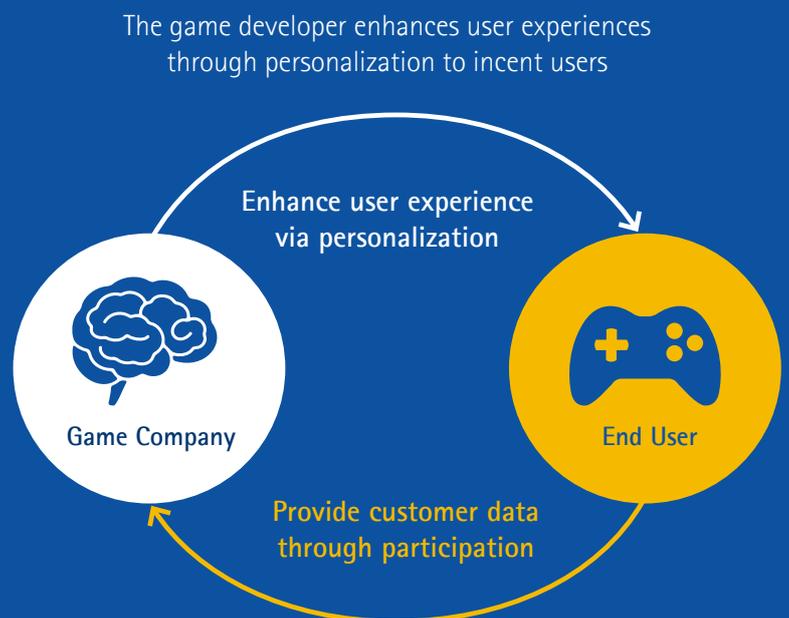
Figure 4: The Benefits From Hyper-Personalization

Capabilities	Description	Benefits	Challenges
Gamer Segmentation	Break down entire user base along various criteria such as: - User demographics - Gameplay patterns	- Inform future game design and development - Refine features and content to tailor to segments	- Data ownership - Privacy - Centralized access of gamer records and analysis
Pricing and Targeted Offers	- Develop pricing strategies based on user segments - Implement dynamic pricing and offers for specific user/segments	- Quickly adjust prices to maintain competitiveness - Increase propensity to buy based on offer/promotions	- Perceived price discrimination - Requires pricing control - Recommendation engine costs and maintenance
Next-Best Action Marketing	- Achieve better insights into the lifecycle of a customer - Understand progression of purchases for users	- Anticipate customer needs to provide timely offers - Improve recommendations	- Requires long lead time to achieve enough data to track trends
Churn Analytics	- Identify pre-cursor behaviors to attrition of users - Track success of win-back strategies	- Anticipate user churn before it occurs - Improve success of win-back strategies	- Time-to-insight can be lengthy

Source: Accenture analysis. Copyright 2014 Accenture. All rights reserved.

Figure 5: Personalization and Data Sharing Cycle

Game companies can reinforce this cycle by using customer data to further enhance user experiences

The game developer enhances user experiences through personalization to incent users

Enhance user experience via personalization

Game Company

End User

Provide customer data through participation

User data provided by the gamer can be used to measure and improve engagement metrics

Source: Accenture analysis. Copyright 2014 Accenture. All rights reserved.

Delivering Content Where Gamers Want It: Digital Distribution

In the digital world, distribution involves more than just how the game gets to the customer. Distribution has become more of a portfolio management function than a single decision. Pricing control, level of customer interaction, and ownership of gamer-related data are important variables in determining channel strategy.

The first decision to make is determining how many channels to pursue, which is largely constrained by budget availability. Where will the company place its bets and in what sequence? How will marketing dollars be invested? The inclination is to decide to "be everywhere" to dominate gamer mindshare across platforms. This decision comes with significant costs; preparing a game to be distributed on multiple platforms and in different formats increases development costs, requires maintenance of relationships with various channel partners, and tracking each channel's success requires a large amount of overhead. Digital distribution is not about doing it right once and replicating—each digital channel has its own success factors.

Once the company decides in which channels it wants to invest, the next step is determining how it will manage the gamer relationship. Should the company create its own direct-to-consumer channel? Does it want to work with an online or console-based marketplace? It is critical to determine what capabilities are needed to support a direct-to-consumer relationship, and whether it is better to invest the effort to build a new channel

or to leverage already established channels with proven reach. Owning a direct-to-consumer channel means having complete control over the data analytics, pricing, promotions, marketing and management of customer relationships. However, in order to be successful, the purchasing process needs to be frictionless and simple–which requires strong capabilities in managing a cloud-based commerce platform and efficient customer relationship management and support functions.

A note on being exclusive: Even after the where and how of distribution are decided, a game company must determine the extent to which the game will be exclusive to specific platforms or channels. Platform exclusivity can drive console sales, and offering special editions or exclusive content packages can help promote specific channels. Just the act of exclusivity can be a marketing tool to pique additional interest and increase awareness.

When it comes to distribution, understanding the tradeoffs between channels and the combined benefits of being on multiple channels is critical to ensuring that the game is not just placed where the customers want it, but that those channels are also playing to the company's core capabilities and goals.

Innovating Both Business Model and Franchise IP

The traditional game purchase model is now just one of many options available to gamers looking to make their next purchase decision. Such a model requires a strong value proposition for the purchase price and many companies are leveraging aspects

of multiple business models to extend their revenues. To create sustainable revenue and growth, companies must identify the pricing and monetization strategies that best fit each game and branch out of existing franchises with innovative new intellectual property.

Demonstrate the Value of Premium Content

Pricing and monetization across various business models varies significantly, with the traditional model requiring the most upfront risk for the gamer and other models shifting the risk to the publisher or supplier. In all models, as avoiding gamer downtime is an important factor in mitigating publisher risk, the need for core cloud capabilities that enable the gamer to access content anytime, anywhere and on any platform become critical to the game's success.
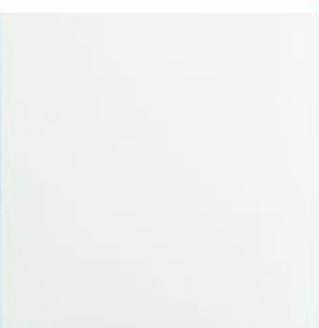
If a game company decides to stick to the traditional model, it is imperative to justify the higher price point with more than just the cost to provide the experience. Game companies can demonstrate value with differentiated game mechanics or an increased number of gameplay hours. Upping the replay factor with new gameplay modes (such as online multiplayer) and multi-branched storylines can help justify a premium sticker price. If the experience is unique, highly valued by gamers, and "worth the price" it can still be successful in the traditional model. Titanfall, which was released exclusively on Xbox One, had more than 900,000 copies sold within a week of its release on March 11, 2014.[10] The traditional model may not be growing, but the model is still viable for the mega studios that can support it. At the same time, large studios that use the traditional outright purchase model are adopting elements of other business models to extend their revenues. These forms of revenue can extend the life of existing games and extract additional revenues from high value gamers who are open to paying for additional content above the initial sticker price. For example, World of Warcraft leverages subscriptions, micro-transactions, and expansion packs to supplement the outright purchase of the game.

Experimentation with pricing models and dynamic pricing changes allows game companies to better understand the elasticity of their product, and adjust quickly to changes in demand. Valve Corporation, a major content provider for PC games, even hired an economist to research the elasticity of game pricing. Through rigorous (and transparent) price testing on its customer base, Valve determined that no matter the price, overall revenue appeared to remain flat.

However, when "Steam Sales" were introduced–increased promotion and temporary discounts in price–Valve's leading competitive first-person shooter, Counter-Strike, had an increase in sales by a factor of 40, as compared to silent price modification. Upon further investigation, Valve noticed that sales increased both for the retail and digital channel, and the increase persisted after the sale.[11]

This example demonstrates that price and promotion decisions are inextricably linked and, importantly, in an industry where customers are always online and always "watching," the transparency of a company's price and promotion strategy is critical.

Figure 6: Game Industry Monetization Models

Distribution method	Physical distribution	Digital distribution	Subscription-based services	Free-to-play (F2P) + Micropayments
Upfront cost of the game	$20-$60 not including downloadable content	$0.99-$4.99 depending on marketplace platform	Varies depending on game service	Free not including micro-transactions
Primary challenge	Insufficient stock	Marketplace crash/ Downtime	Server crash/Downtime/ Attrition	Conversion
Responsible party	Retailer/Supply chain	Marketplace host	Cloud service provider	Cloud service provider
Financial impact	Deferred revenue/ Lost sales	Deferred revenue/ Lost sales	Refunds/credits to win back customers	Inability to generate revenue–loss is permanent
Owner of risk	**Gamer** High upfront cost without a trial	**Developer** Revenue share with marketplace	**Publisher/Developer** Attrition of customers over time	**Publisher/Developer** Conversion rate of customers from free to paid

Branch Out of Existing Franchises with Innovative New IP

The commercial success of a game heavily relies on the collective opinion of the customers. A game can have a big budget, a successful franchise history, and even a cult following, but it is still not guaranteed to be a success. For example, Duke Nukem Forever, the long-awaited addition to the Duke Nukem franchise, was a commercial failure after its launch in 2011, primarily due to release delays and a lack of advancement in graphics and storytelling to reflect gamer expectations of the time. Conversely, games with no budget, no proven following and limited graphics and level design can be huge hits. Flappy Bird, a mobile game developed by Dong Nguyen, amassed $50,000 in ad revenue per day at its peak, with no formal promotion and a one man development team.[12] Given that there is no foolproof formula for a commercial win, game companies need to create game portfolios that reduce overall risk and improve success rates for games in development.

Portfolio risk can be reduced by enhancing art with a little bit of science, and by conducting careful innovation planning. Gamer analytics and live experimentation can improve a game's probability of success by providing a deeper understanding of consumers, and how they relate to content. Especially for games that rely on sustained gamer interest (such as installments, franchise expansions or subscription-based games), incremental improvements and increased responsiveness to data-driven insights can lengthen the lifecycle of a successful game or franchise.

Even with rich data analytics and rapid experimentation, a franchise is still at the whim of gamer interests and their ability to assess games before buying them. In order to hedge bets on new games within a major franchise, new IP should continue to be developed. Innovation can come through development of a completely new story or in the form of new gamer mechanics. In either case, the testing ground for pure innovation should be new IP. Once new IP is developed, enabling game discovery becomes an important success factor.

Innovate with New Stories

Developing a new story with new characters can invigorate a game company's existing core base, gain new fans and reacquire those that might have fallen off an existing franchise. For example, Titanfall is built on a combination of traditional first person shooter and of MechWarrior-like mechanics, but takes on a whole new story, with various classes of Pilots and Titans.

Revolutionize with New Game Mechanics

Leveraging new technologies or rethinking the mechanics of how a game can be played are risky, but if done well can prove to be huge successes. Destiny, a title from Bungie and Activision, is described as a "shared world shooter." Players can fully experience the game solo, but the game is designed to be shared and seamlessly connects to other players. The always-on requirement does require gamers to be fully connected to the shared world to play, but the lack of a subscription fee differentiates it from other massively multiplayer online experiences. The open-world view allows the player to be immersed in an expansive environment, and experience different aspects of the game each time he or she logs in. These innovations are challenging the way gamers think about traditional first-person shooter games, and will prove to be commercially successful if a large enough network of gamers are willing to commit to the $60 price tag.

Enable Discovery with Test Drives

Selecting where and how to promote a game plays a critical role in determining its success. Machinima and Twitch, which was recently acquired by Amazon for $970 million,[13] demonstrate the importance of discovery platforms. Machinima has 21 channels[14] in YouTube's top 100 channels and Twitch accounted for 1.8 percent of US peak Internet traffic in Feb 2014.[15] Machinima and Twitch are game focused user generated video sites that allow gamers to watch and learn how to play games, and also get buyer advice from gamers who have had hands-on experience with the game. With new games, content creators must leverage platforms like Twitch to highlight the new stories and demonstrate new game mechanics to enable game discovery and start the flywheel of gamers generating their own clips to share with others. With an increasing number of game titles available every day it becomes even more critical to demonstrate a game's value before the gamer makes the purchase decision.

In order to create sustainable growth and profit, game companies must be able to continue to innovate with new ideas and for new platforms, while creating compelling franchise extensions that meet customer expectations.

"There is an intrinsic value in allowing people to experiment a lot. In the short term it is probably not so efficient, but if you have this open and creative environment it is easier to attract talented people who value that. They can try out new tools and experiment, and that is a big part of our success."[16]

Mats-Olov Eriksson, Director of data warehousing, King.com

Conclusion

As game companies continue to be pressured by increasing consumer demands, the rise of digital endpoints and lower barriers to entry for low-cost alternatives, the need to innovate and join the revolution of disruptors is more critical than ever.

Major studios are faced with rising development budgets for established franchises and increased risks with new business models challenging the traditional outright purchase.

In a competitive and rapidly changing market, game companies that want to win will create an operating model that meets demands for today, and is flexible enough to prepare for the capabilities needed for tomorrow. In order to get a seat at the table, games must have compelling content and thoughtful design built on a sound game engine with stringent engineering principles. However, competitive advantages will be borne out of applied focus to emerging capabilities in the new world of games. A few examples include:

Gamer Analytics & Data Management

Developing the mechanisms to acquire, aggregate, analyze and act on data received from gamers from within the game and outside of it.

Channel Management

Knowing where to place the game and how much to charge the gamer for it, and building the right relationships or in-house technologies to support the transactions.

Game Portfolio Management

Building the right game portfolio, knowing when to invest in new IP, when to gracefully retire maturing IP, and how to increase the returns on investment with successful brands.

Development Efficiency

As the pendulum swings away from pure artisan development to engineering diligence, there is an increased importance placed on being able to drive efficiencies that enable developers to be lean, and rapidly deliver quality results at scale.

Cloud

Bringing the best gaming experience to any platform, at any time, from anywhere requires expertise in cloud hosting and online streaming capabilities. Gamers will come to expect that their experience is seamlessly integrated across ubiquitous platforms.

Revenue Model Design

Incorporating monetization into the game design and development process from the beginning to create a seamless experience that optimizes gamer lifetime value.

Customer Support

Determining the best approach for managing direct-to-consumer relationships, troubleshooting gamer issues and complaints, reducing gamer churn and preventing loss of gamer engagement.

In the battle for gamer mindshare, digital entertainment share of leisure time, and overall game revenues – if you can't beat the disruptors, be nimble enough to join them.

Sources:

1. PWC Global entertainment and media outlook 2014-2018,
    http://www.pwcmediaoutlook.com/segment/VIDGAM

2. The Global Mobile Games Landscape
    http://www.applift.com/blog/mobile-games-market.html

3. Gartner Forecast: Video Game Ecosystem, Worldwide, 4Q13

4. The Entertainment Software Association Essential Facts
    http://www.theesa.com/facts/pdfs/esa_ef_2013.pdf

5. http://www.gamesindustry.biz/articles/2013-07-02-npd-
    preparing-to-track-digital-sales-this-year

6. www.gamesindustry.biz

7. Wired UK, Gamasutra, NY Times Dealbook

8. Accenture Digital Consumer Tech Survey 2014
    http://www.accenture.com/us-en/Pages/insight-digital-
    consumer-tech-survey-2014.aspx

9. http://www.statista.com/statistics/193422/daily-active-users-of-
    zynga-since-2009/

    http://www.fool.com/investing/general/2014/02/10/how-many-
    zynga-players-pay-to-play.aspx

    http://www.jbgnews.com/2014/10/zyngas-financial-woes-
    continue-as-stock-price-falls-to-52-week-low/013610.html

10. http://www.fool.com/investing/general/2014/03/27/xbox-ones-
    titanfall-and-ps4s-infamous-second-son-t.aspx

11. http://www.geekwire.com/2011/experiments-video-game-
    economics-valves-gabe-newell/

12. http://mashable.com/2014/02/10/flappy-bird-story/

13. http://www.businessinsider.com/heres-why-amazon-paid-
    almost-1-billion-for-twitch-2014-8

14. http://www.tubefilter.com/2014/08/29/top-100-most-viewed-
    youtube-gaming-channels-worldwide-july-2014/

15. http://blog.twitch.tv/2014/02/twitch-community-4th-in-peak-
    us-internet-traffic/

16. http://www.computerweekly.com/news/2240175747/Kingcom-
    gaming-site-unlocks-big-data-with-Hadoop

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 305,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

Authors

Christian Kelly
Managing Director
Accenture Electronics & High Tech
christian.j.kelly@accenture.com

Bikash Mishra
Senior Manager
Accenture Strategy, Communications, Media & Technology
bikash.mishra@accenture.com

Justine Jequinto
Accenture Strategy, Communications, Media & Technology
justine.jequinto@accenture.com

Acknowledgement