



## Martin de Ronde

(CCO Karami Games /  
founder OneBigGame)

“Apple’s App Store  
demonstrates there is  
potential for abundant  
supply”

“OneBigGame was started after we sold Guerrilla Games of which I was a co-founder to Sony at the end of 2005. The original idea was to build one big game with the help of a whole bunch of established game developers. All profits would go to good causes, such as Save the Children and Starlight Children’s Foundation. Consider it a form of entrepreneurial charity. Effectively, kids and young adults would contribute to those causes by buying and playing that one big game. What we intended to create was the game industry’s version of Live Aid. Games are now to kids what music used to be to the MTV generation. A side effect is that it demonstrates that the game industry can contribute to good causes, especially as in the media, games are often linked to violence. That is unfair, as 70 to 80 percent of all games played are non-violent. Rather than react to these constant attacks defensively, I preferred to do something positive. We need to show that the game industry can do much more. It is not just about entertainment.”

“Initially, big names from the game industry had agreed to make time available for OneBigGame. But early in the

process it became clear to us that raising the initial budget for a big game would be difficult, despite the potential upside later on. Also, one big game would need a lot of time in coordination and project management. Instead, we felt it would be a lot smarter to bring a range of smaller games together in one portal. So now we have several game designers and studios working on a number of different webgames. We were going to launch the game portal in the spring of this year, but I am afraid we missed that deadline. The games are being developed in the developers’ spare time, so we depend on our suppliers. Fortunately, this is not a commercial project, so some delay is not a big deal. However, we do not want to postpone the launch of the portal much longer and the good news is that the autumn of 2009 will see the first game going live. A few developers are even building games for high-end platforms, like the Apple iPhone and Microsoft Xbox Live.”

“I had the opportunity to start OneBigGame, because my non-competition clause after we sold Guerrilla Games paved the way for three years of volunteer work. That agreement

has now expired, so I can be involved in new commercial ventures again. As a result, I founded Karami Games this year, together with two other partners. We are in the process of developing a browser-based massively multiplayer online game, using our experience with high-end productions to launch a casual game that has a free entrance level, but not the production values usually associated with free-to-play games. To understand the MMO model, consider World of Warcraft and Runescape. The first is the ultimate bestseller in this market. It is a retail game, so you have to buy a copy before you can subscribe to their online service. The latter, developed by the relatively small UK developer Jagex is browser-based and participation is free at entrance level. Runescape is another huge success in this market, but their revenues are derived mainly from microtransactions and less from monthly subscription fees. Two different business models, but both very attractive.”

“The traditional game market was based on a simple model. It takes years for a developer to build a game. The product is wrapped in a box and has about six weeks to prove there is a demand. Some are successful, others fail dramatically. At Guerrilla Games we scored a modest hit with Killzone for Sony Playstation, following the model of fire and forget. But when you develop an online game, it is a lot easier to improve the product after your first release. Another advantage is that the revenue streams are more flexible. So what we see now is that the established game developers are moving online and experimenting with these new models. Electronic Arts, for instance, has launched a free online version of the football game FIFA in Asia, with upgrades based on micropayments. When such experiments become more and more successful, development will shift from boxed games to online games. This will ultimately have an effect on retailers such as GameStop and the likes of Free Record Shop in the Netherlands.”

“Undoubtedly, retailers are now feeling the effect of the credit crisis and economic downturn. But I have also heard rumours of customers spending less money on subscription-based games. In any case, publishers are reducing their investments in new products, which will ultimately affect developers. Some of them have already gone down as a result. For our specific situation, and assuming the worst is behind us, it was perhaps a good thing that OneBigGame missed its deadline. If we had launched a game portal at the end of 2008, most consumers would have had something else on their minds than charity.”

“Now the climate seems to be improving again, which should see the OneBigGame launch against a somewhat more positive economic background. The same goes for our commercial venture. When we launch Karami’s first game sometime early 2010, the market should be in better shape. Overall, the foundations of the game industry are still solid and there is belief in the venture capital community that games will continue their growth path. We are currently in the process of securing the final round of funding for Karami Games, and I can tell you there is no shortage of seed capital or at least interest in new ventures. Some venture capital funds might act with more care than before, but most investors we are talking to are quite willing to discuss new business plans, especially the free-to-play online game business models.”

“The advantage of a free online game is that by default you have the opportunity to create a mass audience quickly to be able to develop an ecosystem with upgrades and extensions that are paid for. The experience is that at least 5 to 8 percent of all users are prepared to upgrade to paid services eventually, so it all comes down to having as many users as possible. Another advantage of an online game is of course that it is quite transparent which services are appreciated and which are not, so it is fairly easy to aim development at increasing conversion. Successful developers can reach levels of 8 to 12 percent.”

“It is also fortunate that technology for micropayments is widely available. The only obstructions remain in the financial layer, as we still depend on local services. Now, many online games work with prepaid game cards, like the Nintendo or X-Box Points Cards. Consumers have to go to a shop, buy a game card and fill in codes on an online form to buy a service or upgrade their game level. A very rudimentary system for micropayments, but lots of kids use it and these services are massive in Asia and Latin America. Every kiosk sells game cards. The market for micropayments has long been neglected by the big credit card companies that have always focused on larger transactions, not micropayments. The lack of a global infrastructure for micropayments forces us as a supplier of an online game to find local solutions. Or work with specialized payment providers, at a cost of course.”

“Micropayments are a potential steady source of income; ingame advertising I would view as less reliable. Despite all optimistic predictions, ingame (as opposed to pre-loader)

advertising has never really taken off. It is just too complicated. Simple pre-loaders in online casual games are easy to add, but product placement in games is just not worth the hassle. Most brands do not fit in most games. It is difficult to embed brands in game scenarios. And when it is possible it is not always feasible. That is not to say advertising has not grown. As far as I know, Electronic Arts started out paying Coca-Cola to get permission to use their logo in the FIFA football game. Now it seems to be the other way around. Since FIFA is successful, EA can charge for advertising, but it is still not a huge source of income relative to game sales. It takes years to develop a game, so you cannot just add a logo or even customize a game at three months' notice. There is no doubt, however, that the growth of online games will create new possibilities for dynamic in-game advertising. Billboards that can be sold on the spot. But it will remain a difficult market."

"In the new wave of mobile devices, there is a vicious circle. The success of any device depends on the available software and services - the killer applications, while the potential success of an application depends on the user base installed. The game market for mobile devices has long been ruled by the consoles. Nintendo and, less successfully, Sony made sure that a major launch coincided with the introduction of a range of killer applications. Once a device proved to attract an audience, independent developers would step in. That was also the problem with Nokia nGage. It never reached critical mass, so independent developers did not buy in."

"At Karami Games we are certainly planning to develop for handhelds and mobile devices as well. Participants in a massively multiplayer online game are active in a pervasive world. They will probably want to continue their experience when they are not behind their computers, so we have to keep them engaged when they are on the move. Our game will be developed in such a way that participants can continue gaming on any device. The problem is that many platforms do not allow cross-platform gaming yet. But by the time we launch, I am confident more and more possibilities will exist. We can develop a free game for iPhone, but we cannot do the same for Sony PSP, yet. Ideally we would want to be available across all platforms, with all apps tapping into the same server park."

"A more recent development is that Sony and Nintendo are both promoting independent development by making their handheld platforms more accessible to developers. That opens the floodgates, so now independent developers will have to face the problem of overflow. How will our games be noticed? The success of Apple's iPhone with its App Store demonstrates there is potential for abundant supply. But even here a number of games make money, whilst many do not. Still, games are the most successful application category in the App Store. This should have the competition (Sony and Nintendo) sit up and take notice; hopefully leading them to incorporate some of the clever things Apple did into their own setups. And of course, Google is trying to do the same with its Android Market. It is obvious that these smart phones with game functionality will be competing with dedicated game devices. And as games are selling so well on the iPhone, maybe the developers at Apple are toying with a dedicated game device, who knows..."