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Making the Social Connection: How Small Developers and Publishers Can Take On the Gaming Industry

'Game 3.0' is the latest buzz word these days. Jack Hart, CEO of technology provider ECD Systems, believes that social networking will be key to breaking down barriers for independent developers. Big publishers don't necessarily have to have all the power.

According to the NPD Group, total computer and video game industry sales hit \$13.5 billion in 2006, almost a 20 percent increase from the year before. The vast majority of those sales came from titles released by major publishers and distributors, not from smaller, independent developers. While we depend on the likes of EA and Ubisoft to deliver blockbusters like The Sims and Rainbow Six, we often don't recognize the importance of indie developers in fueling the creative engine of game design and production.

Why do independent developers so often fly under the radar of the gaming industry? The obvious answer would seem to be that they don't have the marketing dollars to compete with the big guys. But it's not purely a David vs. Goliath story.


In fact, the big guys are sometimes the ones pushing to work with independent developers, which typically contract as virtual development teams for larger brands. And sometimes small players don't want to deliver the next blockbuster, preferring a limited role in order to keep all the privileges of their independent creative license. Still, the game development landscape remains dominated by a few skyscrapers, and the more ambitious indies often have to go knocking on these giants' doors in order to get their games seen or heard.

Barriers to success

Video games may be a multi-billion dollar industry, but the barriers

Profile

Jack Hart
President, CEO and Co-Founder
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History: Hart's high-technology expertise spans a 22-year career with Digital Equipment Corporation, during which he managed large engineering projects and product line groups for some of Digital's most successful products.

Highlights: A composer & studio musician, Jack founded Sound Production Studios and built a national client base with productions broadcast on TBS, Cartoon Network, ABC, and NPR and interactive media projects produced for numerous Fortune 100 companies.

Currently: At ECD, Jack has led the development and commercialization of the company's flagship product, Digital Armor and developed the concept of FairShare, a technology that powers next-generation game portals with advanced social networking features.





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to success for small publishers and independent developers are even more enormous. Currently, most small game creators have only two choices for bringing their games to market: they can go it alone, or they can partner with a big publisher.

Remaining independent means taking on all the costs of creating, producing, marketing and distributing a title. These costs are high, and a crowded marketplace makes it even more challenging for independent developers to make their presence known. In addition, many smaller firms are made up of just a few employees, whose skills skew toward programming or animation rather than sales or business development.

But projects with large publishers have their own pitfalls. In fact, many indies will attest to the fact that it feels less like working 'with' a big company and more like working 'for' one. Because of the current structure, in which smaller companies and developers have to work with inflexible requirements in order to get their games on the market, those independent developers lose both business and creative control over their own games. Exclusivity agreements and other constraints mean that many game creators don't gain the visibility they deserve.

Specifically, independent developers face four key challenges when they sign on with a big publisher:

- Exclusivity agreements: Under these terms, which are required by most publishers, the independent developer can only work with the publisher in question. While this protects the interests of the publisher, it restricts the indie's ability to develop business elsewhere.
- Loss of business control: When the indie developer hands over the rights to publish and distribute a title, he/she also hands over business control. Royalties might take the place of a normal revenue stream; future franchise and merchandise licensing opportunities might be forfeited to the publisher, etc.
- Loss of creative control: Once the relationship is in place, the large developer will likely want to keep a tight rein on how the title looks and feels when it comes off the production line. The indie should be prepared to sacrifice some degree of creative license when a big publisher is bankrolling the costs of marketing and distribution.
- Lack of visibility: This challenge cuts both ways. On one hand, without big-name publishers, the indie is not likely to be recognized in the industry. On the other hand, with the large company, the indie's identity is likely to be suppressed by the larger brand. This makes it





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difficult to make an indie's name, and games, known among players and others in the gaming community.

Breaking down the barriers

What's an independent game creator to do? Are indies damned if they do work with big publishers, and damned if they don't?

Not necessarily. Since the late 1990s, some small companies have gone the direct route, selling their games online or making their titles open source as a means by which to generate a player base. For example, Positech Games, based in the U.K., was recently highlighted on the popular developers' forum GameDeveloper.net, for its claims to have reached the \$100,000 mark purely through online sales.

Despite this success story, neither the online sales nor the open source approach has proven particularly lucrative for most companies. A new strategy is needed.

Social networking sites like MySpace and Facebook have transformed the way that independent filmmakers and musicians reach new audiences and sell their work. The next wave of social networking, a trend Sony Computer Entertainment calls "Game 3.0," will change the way independent game creators take their games to market.

A few organizations have begun aggregating content and making games available for sale through their websites; some even include a few social networking features. Big Fish Games, for example, lets players download games and chat with each other about gameplay. Disney's website lets visitors download and play demos of family-friendly games. Neither site has completely exclusive content – some of the same titles appear in both places.

But these sites lack a crucial element – game developer participation. FairShare, a new technology my company announced at the Game Developers Conference (GDC) this year, is, amongst other things, designed to connect developers with players through game-related social networking. An engine that runs underneath gaming portals, FairShare lets players sample new games through a try-before-you-buy option. It offers incentives for players to share, recommend and give feedback on new games, and it gives developers a chance to sell games, gain visibility and build their reputations among the game aficionado community.





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The Game 3.0 future for independent developers will be rooted in social networks, where developers can make their games available online, players can try, buy, share, and offer feedback on the games, and developers can respond, making changes or developing new titles based on that feedback.

Just as Facebook and Myspace make every participant an owner of his or her own content on the Web, a Game 3.0 style portal must provide a sense of ownership for both players and developers. For indies, the Game 3.0 trend opens new opportunities for connecting with gamers who want to buy their titles, as well as the chance to build communities with other developers and gamers.

Making Game 3.0 work for you

The film industry has Sundance; musicians flock to South by Southwest and other venues to celebrate independent artists. Indie gamers have the Independent Games Festival, which is held as part of the massive GDC event. Just as indie developers often have to go through the big publisher channel, the Indie Games Festival is couched within the larger context of GDC.

Don't get me wrong – I think the festival is a terrific part of the gaming community, and I eagerly anticipate the announcement of the festival award winners every year. But most of the winners' success stories end with a sale or distribution agreement to a bigger publishing company. I applaud these successes, but I also believe that independent developers should be given the chance to shine, independent of the Goliaths of gaming at least long enough to build the full potential value of their title before accepting a deal if that is their goal. This is why we created the Independent Game Developers Showcase last year. This year, in the social networking spirit, we're letting the public vote on the indie game entries beginning May 1.

The Indie Showcase serves as a stepping stone to empowering indies to become part of a social networking revolution that is fueled by their participation, not just by Sony and their larger partners. The Game 3.0 era is ushering in new opportunities for gamers and developers. As they explore Game 3.0 and social networking technologies, independent game creators may find that this trend has the potential to shake up traditional relationships in the gaming industry for good. Our goal is to give indies an opportunity to share, promote and sell like the big guys without losing control.

Jack Hart is CEO of ECD Systems, a technology provider for the video game industry. For more information, visit www.ecdsystems.com.

