The 'Console Ship is Sinking' and What this Means for Indies

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Abstract

Console development is rarely kind to developers. It is an unsustainable paradigm wherein the quests for profits predominate, production is streamlined and rationalized, and the creative process of developers is greatly curtailed in order to maintain shrinking profit margins. Development studios are the creative force behind games. They conceptualize, design, and code our spaces of play. But in the larger chain of the console industry, they are a small cog in a rationalized production cycle, occupying a subservient position in contrast to publishers and manufacturers, and bargaining from an undesirable negotiating position. Because of their passion for games, developers are often willing to overlook working conditions that are less than ideal, profit models that benefit those that sell and market games rather than those that create them, and contracts that stifle creativity in favour of less risky clones and more profitable sequels. However, there is a breaking point for every dedicated developer, and with the growth of social and mobile distribution platforms, there seem to be more indie "escape routes" than ever before. This article outlines the constraints of console development as well as the promises of social and mobile games, ultimately detailing what this means for indie developers as well as academics.

Author Keywords

Game industry; economic models; console; social and mobile games; indie

Paradigm Shifts in the Game Industry

When people hear that I study game developers and the socio-economics of their industry, the response I inevitably get is something along the lines of "That's awesome! Those guys get to make and play games all day. Don't you want to run away from academia and become a producer or consultant or something?". After I stop laughing, I launch into an intense rant about how the foosball tables, free-beer Fridays, space-age vending machines, and comfy couches that populate most game studios do little to hide the crunch, unpaid overtime, and precarious employment of the industry as a whole. These problems are tied to console production models, but are endemic in PC development as well. But, the game industry is currently experiencing a massive shift: moving from a predominately single-stream economic model dependent on retail PC and console games, to a more diverse economic landscape enabled by online connectivity and digital distribution.

I then explain what I've been doing for the past four years – tracking these emerging game sectors to see whether they offer developers an escape. Specifically, my PhD thesis details the socio-economics of game development, and what happens to developers' creative autonomy when it collides with new business models predicated upon free-to-play, business-driven metrics, and digital distribution (Whitson, 2012). Not surprisingly, my findings have direct implications for the Canadian indie scene. With the paradigm shifts introduced by new development models, indies have been liberated from console development only to become refugees in social and mobile development. This article explains why, first detailing the collapse of the console industry, then outlining the innovations promised by social and mobile development, and concluding with what this means for indies as well as academics.

The Collapse of the Console Industry

The console industry is collapsing under its own weight, partly because of inter-dependencies between manufacturers (e.g. Sony, Nintendo, and Microsoft), publishers (e.g. EA, Ubisoft, Activision, THQ), and developers. Console developers only make money once their games reach retail markets. They depend on publishers' financial support to fund multi-year production schedules, buy hardware and software necessary to produce next generation games, and to pay licensing fees and employee salaries (Kline, Dyer-Witheford, & De Peuter, 2003). Development costs, timelines, and the size of development teams increase with each console generation. According to veteran game developer Brian Fargo:

> "...10 years ago, you could make retail games for $2 or $3 million. Four million dollars wasn't a big deal. Now with these goods, these things can [cost] $100 million. It's made publishers crazy. Whole careers are on the line. Whole companies are on the line. Creating products creates this intense pressure."

> Brian Fargo as quoted by Graft (2010)

In terms of sales revenue, the top twenty games "generate 80% of the industry revenues while hundreds of other titles make up the remaining 20%" (Fullerton, 2008, p. 423) and the majority of console games are economically doomed - "only 4% of the games that go into production, and 20% of those which are eventually launched, manage to cover their costs" (Mateos-Garcia, Grantham, Voss, Steinmueller, & Sapsed, 2010, p. 7). To be blunt, out of every twenty-five games that start production, only one will be profitable. And, while the cost of development steadily increases, retail prices of games have remained relatively stable, thus contributing to declining profit margins (Fullerton, 2008).

This means that publishers rarely recoup their costs and thus their support comes at a substantial cost to developers. Because publishers assume most of the financial risk, they claim most of the profits (if there are any), as well as the intellectual property rights for the game. In order to ensure a game's success and to manage their initial investment, publishers are now inextricably involved in directing game development – not only stipulating scheduling timelines and milestones the development team must meet, but also having a say in the design of the game and the creative process (Carmel, 2010). Acclaimed designer Tim Schafer explains:

> "With a triple-A game, when there's so much money invested, the risks for a publisher are huge. The more money you ask for from an investor, the more that you have to give up. No matter where in the world your publisher is based, they will remove features that could potentially alienate any users when the stakes are so high."

> Tim Schafer as quoted by Parkin (2010)

This hierarchical chain of production results in constraints that hamper the creative process of development and compel a bureaucratic ethos fixated on milestones and certification tests rather than the creative autonomy that many developers desire.

As Mateos-Garcia et al. argue, the console industry has become a dominant design that is no longer sustainable (2010). The escalation in budgets has not been accompanied by market growth, partly due to the lack of continued financial investment in console games, and the increasing number of cheaper venues for games. Surviving console studios must continually work harder just to maintain their financial position. With lowering profit margins, tensions between developers, publishers, and console manufacturers increase. Yet, despite this, developers themselves are resistant to change. Part of this resistance is rooted in the finely tuned technological skills, aptitudes, and specializations they have developed over time. It is also rooted in developer culture and a shared passion for games. Thus, game development itself, much like power gaming, has become a "soft coercive system" (Taylor, 2006). Developers freely choose to engage with the system, but their actions are undeniably constrained and oriented towards certain directions, such as unending grind and conserving resources. However, console developers are playing a losing game. A 2010 survey of 2,630 game developers found that, on average, developers spent over thirteen weeks a year in crunch mode (Remo, 2010). This meant that during crunch periods, developers worked on average over 55 hours per week, the equivalent of about five extra eight-hour, five-day work weeks per calendar year. As reports of crunch increase (Crossley, 2011a; Fahey, 2011; Remo, 2010; Williams, 2011), and creative autonomy decreases in favour of risk management strategies imposed by publishers, developers are realizing that their own work has been effectively instrumentalized. Most developers burn out quickly and abandon the industry within five to ten years (International Game Developers Association, 2004).

The Social/Mobile Lifeboat?
The growth of social and mobile games, as well as digital distribution methods, evidence a pushing against the system in response to constraint, sending game developers moving in new and innovative directions. While game developers and publishers have historically concentrated on creating AAA titles, many are shifting their allegiance. Some have entirely moved away from the console and PC sectors to social game start-ups, while others are diversifying and adding social and mobile development to supplement their console development. Whereas console development is rife with hierarchies and chains of command, social and mobile development is perceived as relatively flat, composed of small agile teams centred around smaller game projects.

The rise of social and mobile games was unanticipated by most video game industry insiders (Schell, 2010). However, in hindsight, this rapid emergence is not surprising given the numerous

constraints on console development. Games from casual sectors are the epitome of accessible. They are offered free or at negligible cost and play on the cell phones and computers that users already own, therefore diminishing any technological or financial barriers to entry. Development barriers are also low (made quickly, at low cost, in Flash and HTML5), thus requiring minimal investment and risk on the part of developers. While the profit per unit is low, casual developers are promised much higher royalty rates (70% for platforms such as Facebook, the App Store, and the Android Market), and access to a much larger "install base", and thus look to profit through an economy of scale. Perhaps most importantly, casual game sectors, with their lower budgets and timelines, promise an escape from the increasing publisher oversight that characterizes console development.

The perceived freedoms of casual development, as well as the economic successes, have induced a shift in the composition of the game industry. Developers frustrated with console development and/or facing the cuts and downsizing created by the collapse of mid-size "AA" games, look to the blue oceans of social and mobile games (Graft, 2011). However, these new models come with constraints of their own (Cook, 2011a). Early adopters such as Zynga (initially) prospered, while the rest struggled to claim territory. Success is often formulaic (Cook, 2011b; Glasser, 2011; Reddy, 2011). And as these casual waters attract more and more developers, they turn red as well. While proving that developers can profit with non-console games, developers are discovering that social and mobile game design is closely imbricated with designing for monetization, marketing, and advertising needs, rather than an idealized freedom to experiment with fun and social play.

Indie Survivors
So where are the indie developers in all of this? The growth and evolution of the indie game sector is difficult to define because the term "indie" itself is highly contested (see Siegel, 2010). Independent studios are those not owned by a publisher and hence able to choose which games they develop. The term "independent" includes large studios that create AAA console titles for hire. In contrast, "indie" can either refer to a method characterized by small teams and limited budgets, or a style that is rough and artistically – rather than economically – driven, both of which are linked to full creative autonomy (Caoili, 2010).

Most indies speak the language of traditional development sectors, sharing a love of games and many of the same values of console and PC developers. They just may not share the vision of what creates a successful game (e.g. disdaining 'selling out', or working as a cog in a massive team). This stands in contrast to many developers from emerging sectors such as social games who have come from different backgrounds and cultural milieus (e.g. web design, marketing, etc.) and thus may not be conversant in this language. The ties between the PC and console sectors and these sectors (e.g. social, mobile, and gamification) are accordingly much weaker, although they are strengthened as veteran developers are recruited to these lucrative sectors.

While over half of indie developers have never worked in mainstream development (Carmel, 2010), there is a tight relationship between the indie and the console and PC sectors. Some indie developers aspire to work in traditional PC and console sectors, while others turn indie specifically in response to the frustration of working within traditional sectors. The lifespan of an indie developer's career is short. Developers that release successful games (i.e. popular,

financially lucrative, or critically well-received) are targeted for acquisition by large publishers, while less successful developers go bankrupt and thus seek more stable employment in larger companies or outside of the industry altogether. In the opposite direction, many employees leave mainstream development looking to bootstrap their own indie studios with the skills and knowledge gained from working within the mainstream industry. Accordingly, the churn of indie developers fuels the creativity of larger mainstream studios as indie personnel come and go.

Self-identified indie developers create games for every sector except large MMOs and console games (the costs of development being prohibitive). Even console manufacturers have attempted to leverage the creativity of indie developers by offering channels (such as PSN, WiiWare, and XBLA) to release downloadable indie games alongside the games of larger publishers, after subjecting them to a rigorous certification process. Microsoft even offers a channel for indie-only games, Xbox Live Indie Games (XBLIG), while PC indie games are often released through distributors such as Steam and Kongregate, or on developers' personal websites. Yet, due to intense competition, it is increasingly difficult for indie developers to get their game on elite platforms such as Steam, PSN or XBLA (Deejay, 2011; Pearson, 2010).

Mobile distribution is characterized by far fewer gatekeepers. However, indie success is predicated upon attaining visibility in an extremely crowded marketplace. For example, without large marketing budgets and the support of Apple (i.e. being selected as a featured game), most new iOS games are soon lost amongst the millions of other available apps. Despite the drawbacks of distribution platforms for PCs, console downloadables and mobile games, they are still better than the traditional console oligopoly. As stated by Sean Murray:

> "I think they [online distribution platforms such as Steam, Apple, or XBLA] are also in complete control of that scene, in complete control of the output of indie developers. It's kind of a scary place, but I think we're certainly lucky to have them. If you look at the last generation, you couldn't make a PS2 game unless you were with a publisher and had a pretty sizable team. There were no other options."

> Pearson (2011)

A number of alternative funding sources have been established for indie developers (Carmel, 2010; Rose, 2011), including game incubators and crowdsourcing production costs through donations via sites such as KickStarter (Crossley, 2011b; Gasse, 2011; Webster, 2011).

The numerous publishing options for indies fuel claims about the expansion of indie games, especially with the well-publicized successes of games such as Minecraft. Developed by Markus "Notch" Persson, the sandbox game amassed $33 million US in sales while still in the unfinished beta version (Orland, 2011). Despite the widely-publicized incomes of developers like Notch, roughly 55% of independent game respondents working on a team or on their own reported making less than $500 from game sales in 2010 (Newman & Sheffield, 2011). While there may be an indie resurgence driven by digital distribution, this resurgence does not automatically equate to economic stability for indie developers. The expansion of game incubators, accelerators, and other resources to help indies with visibility, marketing, community building, and sales (such as Canada's own Execution Labs) are still too new to gauge whether they can

help create indie micro-studios that actually provide a living wage for their developers.

So what does this all mean for indie? It means that all bets are off. Long dominant, the console industry has become a lumbering dinosaur struggling to survive while developers on the margins (e.g. indies) and 'outsiders' (e.g. social games, gamification, and mobile game developers) are experiencing growth and flooding our mobile phones and internet with thousands upon thousands of games. But whether this success leads to a life-long career, or just a basement side-project remains to be seen. Indies are survivors, but there are sharks in the water.

We academics have a role to play. Too often we take the path of least resistance. We write about the games we have played, rather than getting out there and studying the people who make them. As both Casey O'Donnell (2008) and David Neiborg (2011) note, it is incredibly difficult to access the inner sanctum of console development. So we leave game development in its black box, ignoring the developers whose passion and hard work have given life to the games we play. It is time for this to change.

The paradigm shift I detailed above means that there are more indies and more indie games than ever before, and that indies are now competing head-to-head with the massive, deep-pocketed publishers and manufacturers who dominate the industry and are responsible for its precarious, exploited labour. Instead of chasing AAA studios and attempting to gain access to a game sector that couldn't care less about what Game Studies can offer them, we should instead be chasing indies. We have the ability to help shore up their life rafts, and – if we do this right – help build the battleships they need in order to survive, and even prosper.

Instead of lamenting the conditions of the game industry or the lack of innovation in games, we can actually do something about it. Indies, unlike AAA, actually want our help. And we are more than able to give it. We need to first understand, and then promote the cultural, political, economic, technical, and social infrastructures needed to support indies. The first step is to start talking to them; checking out IGDA chapter meetings, game jams, and developer conferences to better understand their needs, fears, and desires, as they may run counter to mainstream assumptions (i.e. indies may not *want* to become large corporate money-making organizations, and so helping them secure venture funding and business training may run counter to their desires). The second step is developing and encouraging the growth of those infrastructures that *do* meet the needs of indie cultural producers. We can start by partnering on projects, or providing free consulting, playtesting or work space, or designing tools that better arm them for their upcoming battles at sea. My own work in Montreal game incubators is one example of this, as are each of the cases detailed in the following articles. If we want our work to influence the game industry, indie is where it starts. Let's start arming those cannons.

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