## Innovation Workshop Games and Reality

#### Dudi Peles – February 2016



### About Me

- CEO & Founder of Makeree
- Founder of Jivy Group, a development house for startups, Founder of Playful Shark, an Israeli game development studio
- Teacher: Kibbutzim Seminar, IDC, TAU
- Active & founding member in GameIS, Games For Peace
- My mail: dudipeles@gmail.com



#### The next 4 hours

1.5 hours – listen
10 minutes break
1.5 hour – work on games ideas
10 minutes break
1 hours – play with your ideas
10 minutes – listen (and get your homework)



### Mission o – Think

I'm going to talk for an 1.5 hours, while
 I'm talking your mission is to write
 anything that pops in your head



#### Games and Realty

```
West of House
                                                  Score: 0
                                                                  Moves: 0
ZORK I: The Great Underground Empire
Copyright (c) 1981, 1982, 1983 Infocom, Inc. All rights reserved.
ZORK is a registered trademark of Infocom, Inc.
Revision 88 / Serial number 840726
West of House
You are standing in an open field west of a white house, with a boarded front
door.
There is a small mailbox here.
```

For years game developers had a dream – make games more and more realistic. Some of the first games didn't have graphics at all...





But gradually, games stated to have more and more complex spaces

#### SCORE<1> HI-SCORE SCORE<2> 0070 0880































































Ω



















On of the most important technologies that turned games to more realistic was 3d











Even 10 years ago environments graphics (like cites and jungles) were very close to real life environments





Modern games look so realistic its hard to know if it's a photo or a game



In today's games face excretions are becoming more and realistic as well



This dream is now finally a reality



http://allthingsd.com/20130617/confirmed-oculus-vr-raises-16-million-series-a-for-virtual-reality-gaming/ http://kotaku.com/facebook-buys-oculus-rift-for-1551487939-noillib-2









The race to realism does not end with making the ultimate illusion – For years we are combining real life tools with games

# **Optional GDY55EY Shooting Gallery**

The SHOOTING GALLERY, model 1TL950, includes an ELECTRONIC RIFLE, two Printed Circuit Game Cards and 4 different Targe' Overlays in two sizes. The total unit offers 6 variations for creating your own home shooting gallery.



SHOOTOUT







SHOOTING GALLERY PREHISTORIC SAFARI

DOGFIGHT








We are using our body

















We are using our location (Ingress – as of 2015 there were about 7M players globally)

 \*DEAD\*YourTollstPaper :
 yesh, i know

 [CoS]Nosteratu :
 no ye dont

 Chupple :
 ak is like a sniping rifle now

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131

14







DOTA2 2015 prize pool was over \$18M



#### We are embedding game mechanics in things that are not games



This chase of reality creates opportunities. This workshop is about finding them and allowing them to evolve. Before we start working we need to get to know the market

#### The "Traditional" Games Industry

# The industry is very traditional

- Mario was in more then 250 games
- Successful new IP is very rare
- Home console game price didn't change in 30 years



#### U.S. Computer and Video Game DOLLAR Sales

**DOLLARS IN BILLIONS** 



2008 was the most profitable year in video games ever

In 2008 video games market size world wide was \$55B. (Today its \$91.5)

- Nintendo 16.7 Billion
- Sony Computer
   Entertainment 14.0 Billion
- Microsoft Entertainment
   Device Division 8.2 Billion
- Electronic Arts 4.2 Billion
- Activision Blizzard 3.0 Billion



5 companies dominate 85% of the market. Less then sixth of the marked is divided between tens of thousands of companies

## 2008–2012 – Some Numbers

- NASDAQ +25%
- EA Stock -61%
- Activision Blizzard Stock –33%
- Xbox Division in Microsoft lifetime loss \$7.8B
- Play Station Division in Sony lifetime loss
   \$3B
- Nintendo Stock –71%

# The New Game Industry

# The biggest video games companies 2012

- Nintendo valued \$17.7B (was \$61.7B in 2008)
- Activision \$13.3B
- Zynga \$9.8B
- Gree \$7.1B
- Nexon \$6.3B





# New companies that entered the games in the past few years



Revenues from games 2013: Tencent 5.2B, Apple 2.3B, Google 1.4B, Facebook 0.9B (http://www.newzoo.com/free/rankings/top-25-companies-by-game-revenues/)



Notes

1. Based on US GAAP/IFRS revenues

2. Based on exchange rates as per 30/06/2015

3. e: Estimates of game revenues using quarterly earning reports in which these are not specifically segmented out.

Newzoo's Top 25 Public Companies by Game Revenues Ranking: www.newzoo.com/companyrankings

Data on 2015

# New types of Platforms

#### 1972 - 1997









#### 2010-Now









# OUYA

- Ouya was a kick starter project that wanted to raised \$950K.
- It got to it's goal in 9 hours and eventually raised \$8.5M

Rank 🖨	Total USD <sup>‡</sup>	Project name <sup>¢</sup>	Author 🖨	Category \$	% funded <sup>€</sup>	Backers 🖨	Closing date \$	Link \$
1	10,266,845	Pebble: E- Paper Watch for iPhone and Android	Pebble Technology	Design	10,266	68,928	2012-05-18	[1] හි
2	8,596,475	OUYA: A New Kind of Video Game Console	Ouya	Video Games	905	63,416	2012-08-09	[2] <b>&amp;</b>
3	3,336,371	Double Fine Adventure	Double Fine and 2 Player Productions	Video Games	834	87,142	2012-03-13	[3] <b>&amp;</b>
4	2,933,252	Wasteland 2	InXile Entertainment	Video Games	325	61,290	2012-04-17	[4] &
5	1,836,447	Shadowrun Returns	Harebrained Schemes LLC	Video Games	459	38,276	2012-04-29	[5] &



### Android Consoles







## Steam Machine



# Apple TV









#### VR



#### **VR** accessories



#### **Augmented Reality**



# IOT / Connected / Smart Toys









# Inflation of sub-industries



- First 25 years 4 platforms types
- Next 15 years +10 platform types
- Last 5 years at least 4 platform types

# What caused the inflation?


#### Web – Accessibility to Games

# **Casual Games**

 In early 2000 a new wave of games emerged on PC. They were called "Casual Games", as non gamers were there main audience.













#### **Developed In Israel**



#### TOP 10 ONLINE GAMES, BASED ON FREE-TO-PLAY EARNINGS—WORLDWID

	Rank	Title	Publisher	2013 Revenues (mil \$)
	1	CrossFire	Tencent/SmileGate	\$957
	2	League of Legends	Tencent/Riot Games	\$624
	3	<b>Dungeon Fighter Online</b>	Nexon	\$426
	4	World of Tanks	Wargaming.net	\$372
	5	Maplestory	Nexon	\$326
	6	Lineage I	NCSoft	\$257
	7	World of Warcraft	Activision/Blizzard	\$213
	8	Star Wars: The Old Republic	Electronic Arts	\$139
	9	Team Fortress 2	Valve	\$139
	10	<b>Counter-Strike Online</b>	Valve/Nexon	\$121

Notes: Top 10 online PC titles based on estimated worldwide, free-to-play earnings for 2013. *World of Warcraft* (Activision/Blizzard) and *Star Wars: The Old Republic* (Electronic Arts) are primarily subscription-based titles, but also generate revenue through the sale of micro-transactions. All revenues based on data collected by SuperData Research, Inc. Copyright © 2014 SuperData Research.

http://www.gamespot.com/articles/league-of-legends-revenues-for-2013-total-624-million-update/1100-6417224/

# TOP SUBSCRIPTION-BASED MMO TITLES, 2013-WORLDWIDE

RANK	TITLE	PUBLISHER	WORLDWIDE REVENUES (MIL \$	MARKET ) SHARE 2013
1	World of Warcraft (East & West)	Activision/Blizzard	\$1,041	36%
2	Lineage 1	NCsoft	\$253	9%
3	TERA: Online	NHN Corporation	\$236	8%
4	Star Wars: The Old Republic	Electronic Arts	\$165	6%
5	Lord of the Rings Online	Turbine, Inc.	\$104	4%
6	EVE Online	CCP Games	\$93	3%
7	Aion	NCsoft	\$88	3%
8	Blade and Soul	NCsoft	\$65	2%
9	Lineage 2	NCsoft	\$45	2%
10	RIFT	Trion	\$36	1%
	Worldwide market for subscription	\$2,882		

Source: SuperData Research, Inc. Worldwide market, revenue distribution and title-level earnings based on the monthly spending of 36.9 million digital gamers, worldwide, collected from developers, publisher and payment service providers. Pay-to-play MMO here defined as Massively multiplayer online games that earn revenue from subscriptions, expansion packs, and microtransactions based virtual items and services (e.g. experience boosts, items, mounts and server transfer fees. For more information about our awesome methodology, please visit: www.superdataresearch.com

# Facebook – Games and real Identity

#### Facebook

#### 2004 – founded 2006 – opened to the public May 2007 – opened Facebook platform to the public



By the end of 2007 there were 7,000 apps in Facebook. Today there are over 400,000.

most are games



July 2007



June 2009



April 2008



December 2010



At first most games made money from ads. Eventually virtual currency became the main revenue stream

# Important Genres

- Casino
- Farming
- Puzzle
- Hidden objects
- Strategy (mid-core)
- RPG (mid-core)



# **Developed In Israel**

 In 2003, 3 out of the most 20 profitable game companies in Facebook were Israelis







### Mobile – Games in your pocket

# The iPhone

• June 2007 – The first iPhone



- July 2008 Apple launches the app store
- 500 apps on launch
- Most of them games, most cost \$10.





# The iPhone

 By the end of 2009, 30M iPhones were sold. At the end of that year Angry Birds was published



Angry birds was sold 12m copies of its original version, and was downloaded more the 1.7 billion times over all platforms <u>http://www.gamesbrief.com/2013/04/1-7-billion-downloads-and-you-only-make-152-million-euros-in-revenue/</u>

# **Price Drop**

🗤 II ORANGE 🗢 🔆 15:43 23% 💷									
Top Charts Categories Paid									
1 Bad Piggies Games ***** (91)	NIS 3.90								
2 Plants vs Games ***** (337)	NIS 3.90								
3 Cut the Rope Games	NIS 3.90								
4 Cut the Rope Games	NIS 3.90								
Featured Top Charts Genius Search	ch Updates								

- Sales charts led to a price drop
- Today most games are sold in \$0.99

# More games



Oct 2010 3M in first months

Apr 2010 M6



Feb 2011 M6.5

# New Business Model



Most games gradually became free with a virtual currency revenue model





\$2.4M a day (for 2 games)
o to 3B in 3 years...

500M players \$1.5B in 2013

THINK GAMING			i WE DO		GAMES	TOP NETWORKS	WATCHLISTS				La	egged out
Search game/publisher Q			<b>op Gr</b> Ited sta		ng iPho	one Games	;			OUNTRY nited States 👻	DATE Feb 13 V	B GROUP BY Day 🔻
Top Grossing Games Top Free Games		# :	¢ FREE ¢	PAID ¢	GAME ≑				PUBLISHER ¢	PRICE \$	REVENUE \$	NEW INSTALLS ¢
		1	32	•	Clash of C	lans			Supercell	Free	\$1,539,606	24,380
Top Ad Networks		2	73	-	Game of V	Var - Fire Age			Machine Zone Inc	Free	\$1,200,938	20,926
		3	21	•	MADDEN	NFL Mobile			Electronic Arts	Free	\$819,812	35,619
LISTS OF INTEREST		4	35	•	Candy Cru	ish Saga			King	Free	\$419,836	24,123
		5	25	•	Mobile Str	rike			Epic War Llc	Free	\$306,370	30,696
	â	6	56	-	Star Wars	™: Galaxy of Heroes			Electronic Arts	Free	\$259,490	22,358
	â	7	-	-	Big Fish Ca Poker and	asino – Free Vegas Slo I more!	ots & Slot Tournamen	nts. Plus	Big Fish Games Inc	Free	\$227,910	8,009
	â	8	48		Candy Cru	ish Soda Saga			King	Free	\$193,896	23,029
	â	9	54	-	MARVEL C	ontest of Champions			Kabam	Free	\$167,673	22,522
		10	113		Boom Bea	ich			Supercell	Free	\$149,454	17,548
	â	11		-	Summone	ers War			Com2Us Corp.	Free	\$131,217	7,879
		12	155	-	Clash of K	ings - CoK			Elex Wireless	Free	\$125,881	14,008
	â	13	14	-	Candy Cru	ish Jelly Saga			King	Free	\$122,563	51,619
	â	14	-	-	Slotomani bet, spin 8	ia Casino – Las Vegas & Win big	Free Slot Machine Ga	ames –	Playtika Ltd	Free	\$118,203	7,431
		15	148	-	DoubleDo and More	wn Casino - Free Slot	s, Video Poker, Blackj	jack, <u>r</u>	Doubledown Interactive B.	V. Free	\$113,888	14,600

Only 1 out of the 50 most profitable games are paid

# The iPhone Games Industry

- In 2010 games were sold in the app store in about \$1B. In 2012 it was \$3B. In 2015 it was over \$13B.
- Apple is the most dominate company, it charges 30% of each sale
- More then 100,000 registered app developers



# Android

- World wide there are more then 5 Android based phones for each iPhone.
- An average iPhone player spends 8 times more the an android player





http://www.forbes.com/sites/johngaudiosi/2012/05/05/new-research-shows-apple-still-winning-the-video-game-war-against-android/, http://bgr.com/2015/04/15/ios-vs-android-developers-revenue-apps/



None of the 50 most profitable games in Google play are paid

#### **Developed In Israel**



#### Games and the physical world

# Tablets

- Mid 2010 first version for the iPad
- Currently the most common tablet, with close to 300M units sold (PS2 sold 155M).









Many Games are ideal for tablets

























#### The practical part (reality)

Background images in this part are from new & upcoming video games...



The game industry is full of opportunities, we just need to find them...



We tend to do what we really want to do, the best. So what do you really want to do?



# Say something to the world



# Change something in the world

SHEQEL: 100 BACK TO MEN
# Make lots of money

(and then say something or change something)



## Mission 1 – You (5 minuets)

What interest **you** ?

What do **you** want to change in the world ? What do **you** want to do that will make you, your mom and your children proud?

Write it down in 50 words

#### An Idea

When it comes to games, or game related start-ups. Ideas are not the problem...

The most important thing about an initial idea is that it will be something you will love to create.

Tip 1

## Tip 2

Sometimes ideas that sounds bad first time you hear them are actually good.

## Тір 3

It is better to do a game or a product that a few people will love a lot, than a lot of people will only like a bit.

## Get inspired





### Mission 2 - the ideas (30 minuets)

- Find a partner, only one, share your "purpose in life". Share the things you wrote during the presentation.
- Think of 3 great ideas for a games or games start-ups
- Write up to 50 words describing essence of each idea
- (Optional) Find a picture in Google images that can represent the idea

#### Example

**Spaceship Taki**: A multiplayer card game in which each card used by a player sends a spaceship to a 2d fighting arena, in it the spaceships fight automatically. The player can only choose cards before the game starts and pick a card in his turn which ship to send.



#### Mission 3 – The Player (10 minutes)

 Who is going to play your game or use your startup?

 Think of age, gender & country, games he or she played in the past or playing today.



#### Example

**Spaceship Taki**: A multiplayer card game in which each card used by a player sends a spaceship to a 2d fighting arena, in it the spaceships fight automatically. The player can only choose cards before the game starts and pick a card in his turn which ship to send.

Players: 30-35, Mostly boys, Western.Players that played "Star Control 2". First users:Facebook fans of the game.



## Platforms

- Web
- Mobile
- Tablets
- Social Networks
- Indy
- VR / AR
- Connected toys

#### Mission 4 – Platform (10 minuets)

Find the most suitable platform for your idea.
Update the 50 words description to include the platform and business model.

## Example

**Spaceship Taki**: A multiplayer card game in which each card used by a player sends a spaceship to a 2d fighting arena, in it the spaceships fight automatically. The player can only choose cards before the game starts and pick a card in his turn which ship to send.

Players: 30-35, Mostly boys, Western.Players that played "Star Control 2". First users:Facebook fans of the game.

**Platform**: Mobile Devices (Facebook connectivity)



#### **Business Models**



#### Mission 5 – Business Model (10 minuets)

 Find the main business model that will allow your game to earn money.

Pick only 2 out of the 3 ideas Update the 50 words description to include the platform and business model.

## Example

**Spaceship Taki**: A multiplayer card game in which each card used by a player sends a spaceship to a 2d fighting arena, in it the spaceships fight automatically. The player can only choose cards before the game starts and pick a card in his turn which ship to send.

Players: 30-35, Mostly boys, Western.Players that played "Star Control 2". First users:Facebook fans of the game.

Platform: Mobile Devices(Facebook connectivity)Business Model: sell cardsusing virtual currency



## Mission 6 – Pick 1 (5 minutes)

Pick the idea you like the best and has the most potential.

Write the name of the idea on a note and pass it to me.



#### Mission 7 - The Investment Game (60 minutes)

#### Game Rules

 3 random ideas are chosen • each idea is pitched (max 2 minute) The investor panel has 2 minutes for questions We vote, you can vote for only one idea If you are participating with an idea, you are not allowed to vote

## Let the games begin



### And the winner is...



#### What now?

Not only the winner can continue to the next stage. Here is an extra life for everyone



## Choose your path



## Prototype Business Plan

You'll need to do both anyhow...

# The Israeli Industry

-

# Israeli Video Games Industry

- Technology and startups
- Influence and connection to the online gambling industry
- Boosting in the past 3 years







- Constitute an official body that nurtures the local community.
- Serve as an official representative with institutional, commercial, academic, and media entities.
- To represent the local industry to international community.

http://gameis.org.il/ | http://www.facebook.com/groups/GameISGroup/

#### Major events in Israel





#### What is Makeree?

Makeree offers a fun and easy way to learn to create!

The internet is an amazing resource for learning, but when it comes to real world tangible skills, like: Crafts, Robotics, Arts, it's almost impossible to use it successfully. All the resources are online, but they are hard to find, hard to follow, you learn alone, and you have to find all the materials you need by yourself. For most of us it's just too much...

**Makeree is here to change this.** Using our platform, we offer structured courses, feedback from experts and peers, and kits with all the supplies users need. Turning that frustration experience into a fun journey. We are revolutionizing the way people are learning to create, turning DIY (Do It Yourself) learning accessible and affordable than ever before.



#### About the company

Makeree was founded late 2014 by a team of experienced Israeli entrepreneurs with strong background in education and passion for making. The company was chosen from over 2,200 companies as a MassChallenge finalist (a top accelerator in Boston) and won an Excellence in Education award in the New York Maker Faire in 2015.





Excellence in education award





#### Your Homework

Answer these 3 questions:

- 1. Describe one idea for a game or a startup in details including: detailed pitch, platform, business model, players (you can choose your idea or any other idea that was presented in class).
- 2. Was the idea you choose successful in the "investment game"? Why? Analyze the idea and its relative success.
- 3. Find at least 3 games or startups that can be called competitors (or "inspiration"). Describe the differences between your idea and it's competitors focusing on your advantages.

Homework answer recommended length: **4-5 pages** Answers should be sent to <u>yanivgro@gmail.com</u> and <u>dudipeles@gmail.com</u> Last day for submission: 15/4/2016 Mail subject should be: [Your Full Name] - Innovation Workshop – Games and Reality

#### Thank you ! Play Smart... Question ? <u>dudipeles@gmail.com</u>

