

# Innovations in the video game industry

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Stanford University

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Square Enix

# Agenda

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- Who we are

- The market

- Innovations

# Square Enix

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**FINAL FANTASY**

Over 75 million units



Over 41 million units

# Agenda

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- Who we are

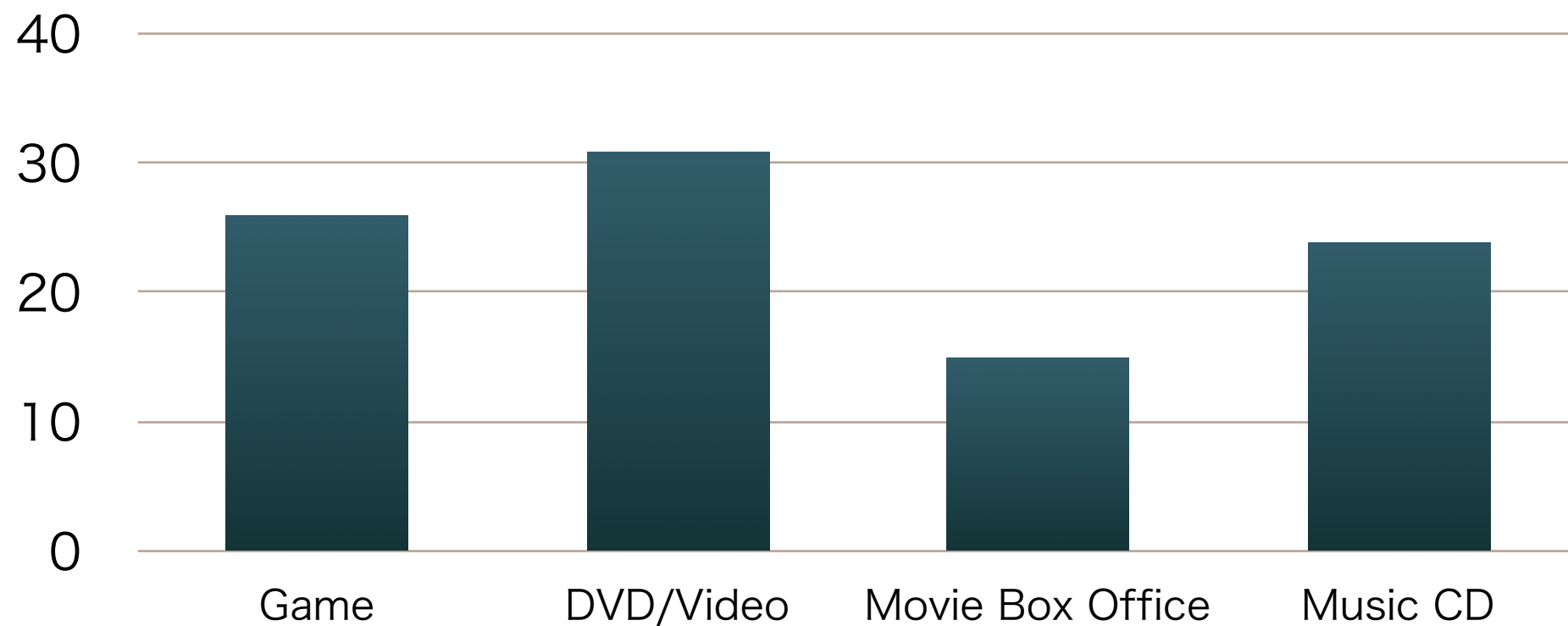
- The market

- Innovations

# Games became comparable with other entertainment media in size

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(USD Billions, 2004, Major countries)

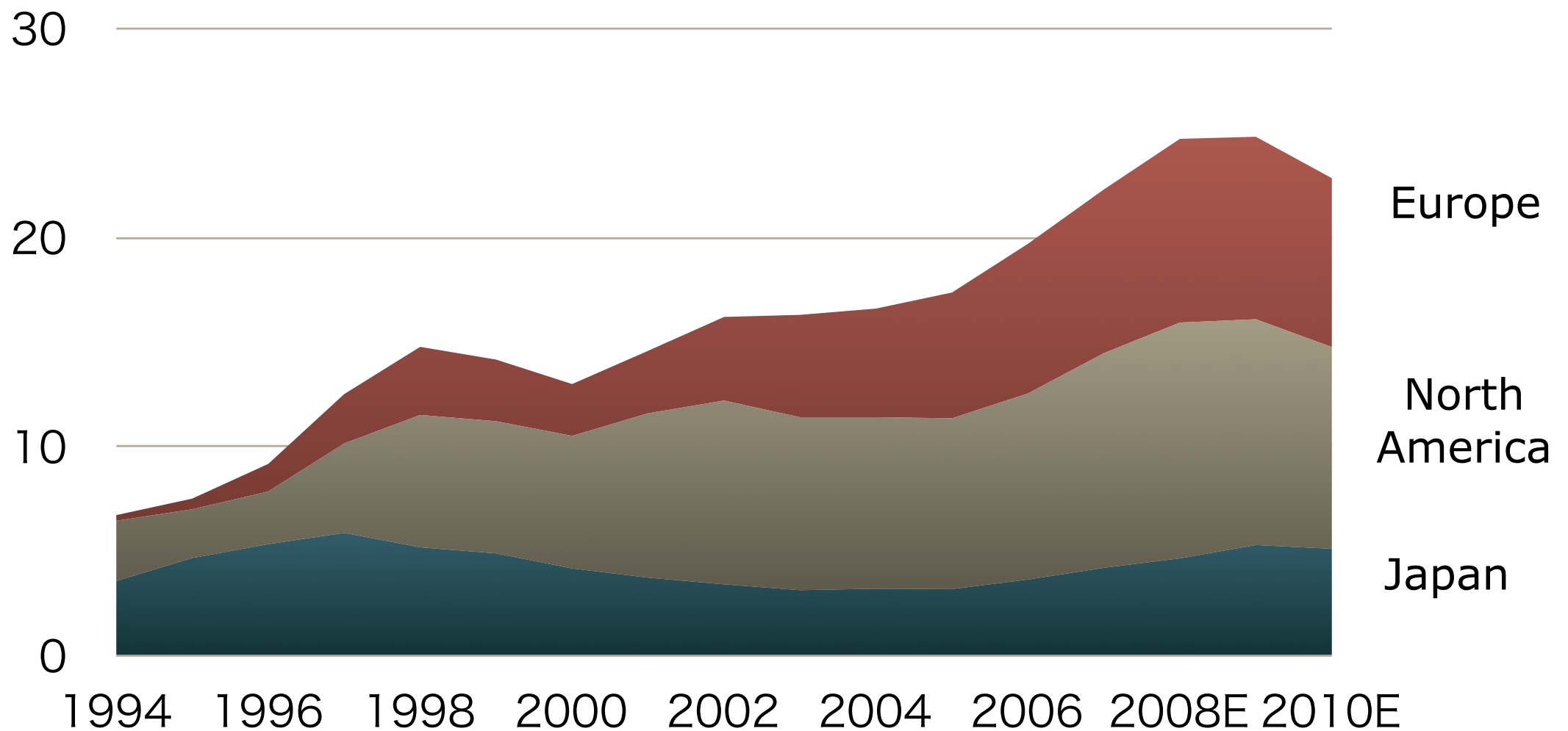


Sources: Digital Content Association of Japan, Enterbrain

# The global game market continues to grow

## Sales of packaged games

USD Billion



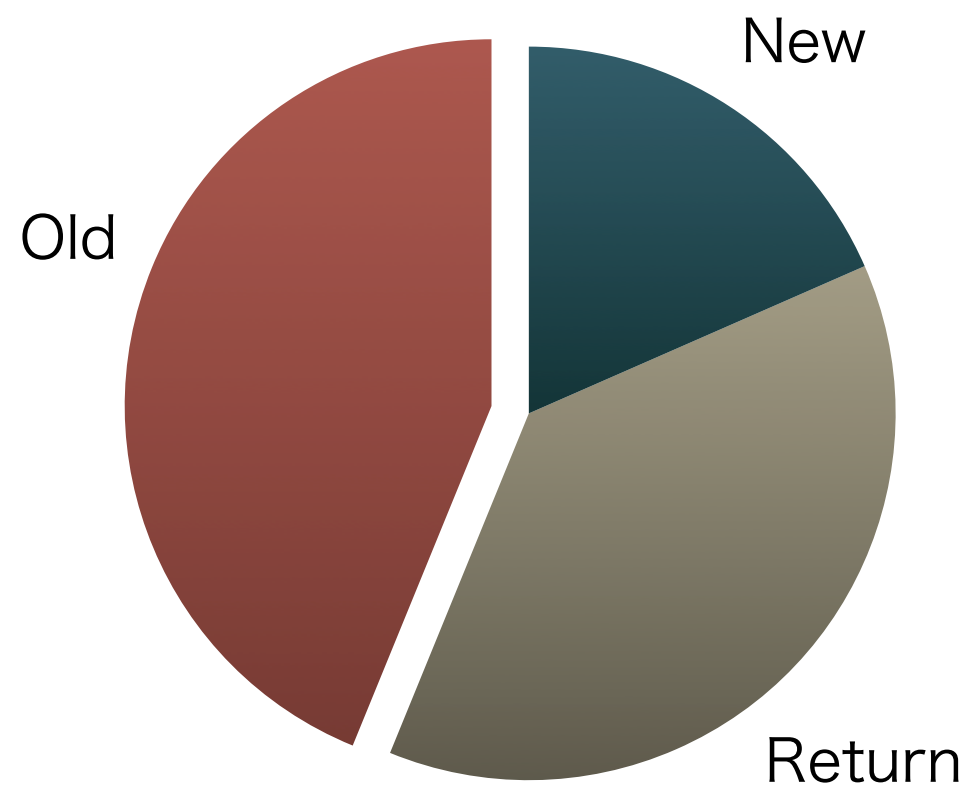
(\$1=120Yen)

Source : Square Enix

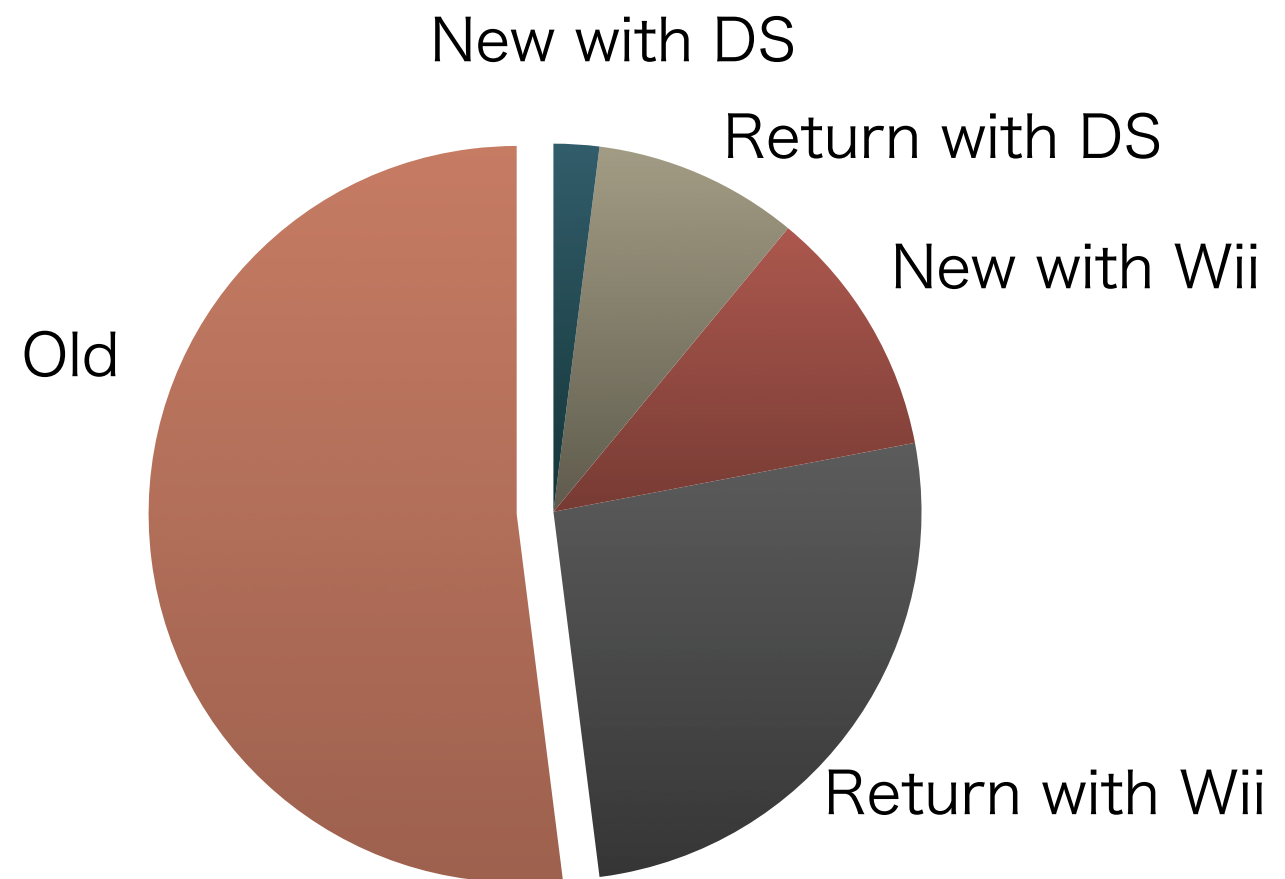
# Attracting new type of users

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Nintendo DS players



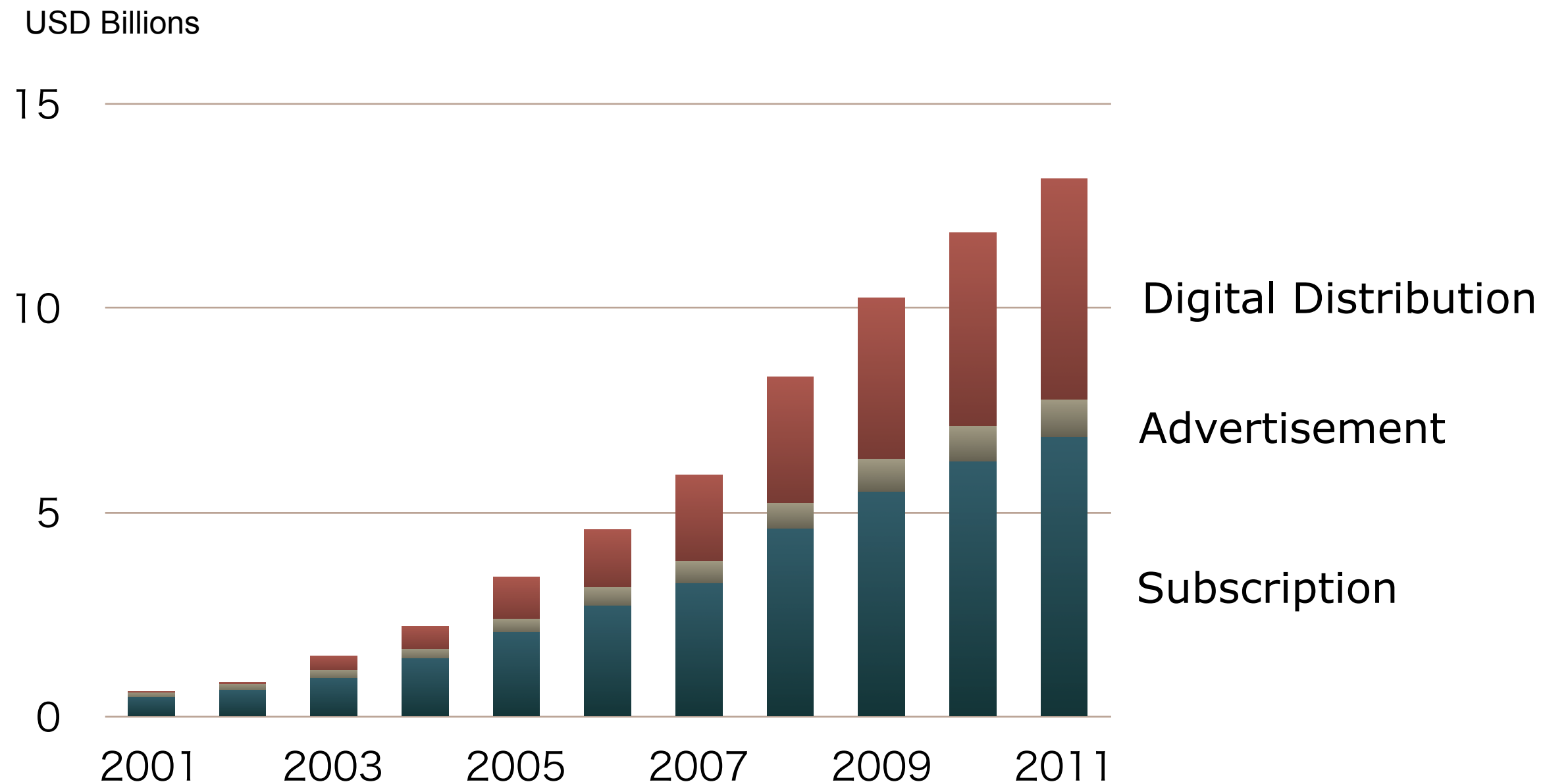
Nintendo Wii players



Source : Famitsu Game Hakusho 2007

# ... with new types of revenue streams

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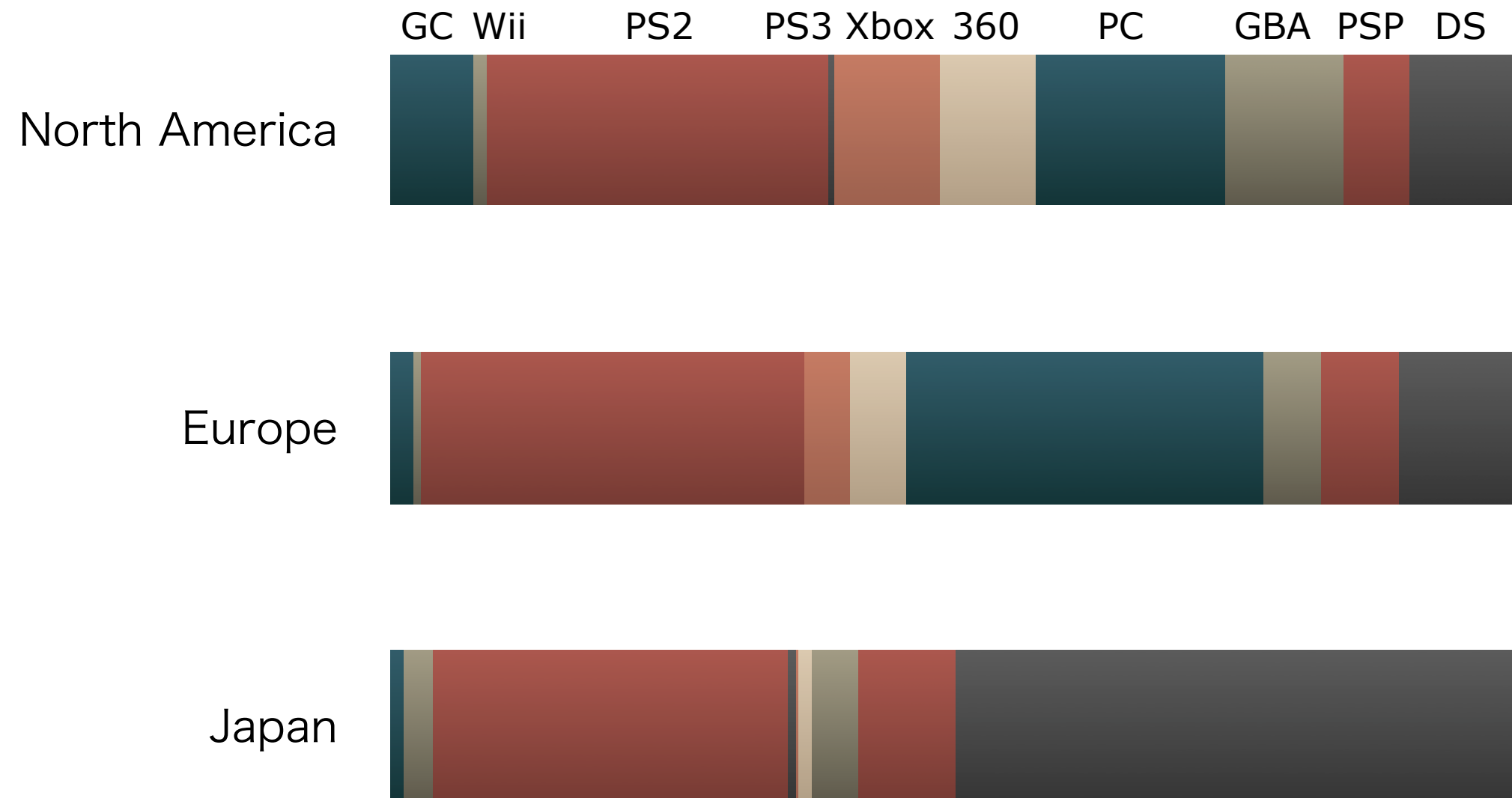
Sources: DFC Intelligence: Online games: Genres and The Online Gamer March 2006



# But, increasingly different by region

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Unit sales of packaged games  
(%, 2006)



Source: IDG

# New era of game

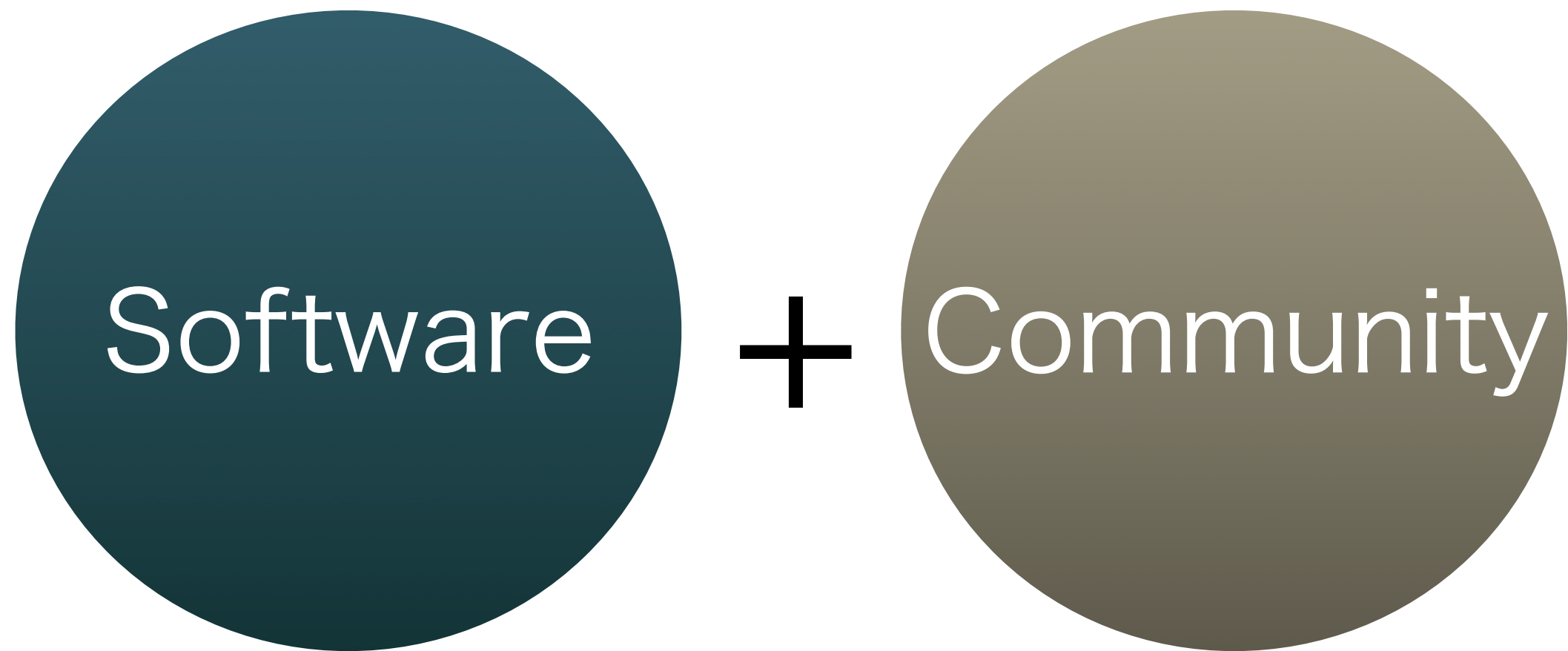
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Network is the Game

Everything plays Games

# Network is the game

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# What is game?

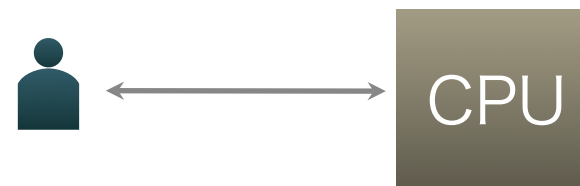
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## Traditional games



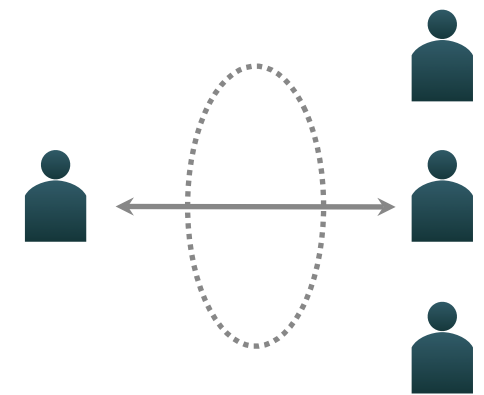
- Play with other people
- Symmetric game play
- Communication as part of fun

## Video games



- Play alone
- Asymmetric game play

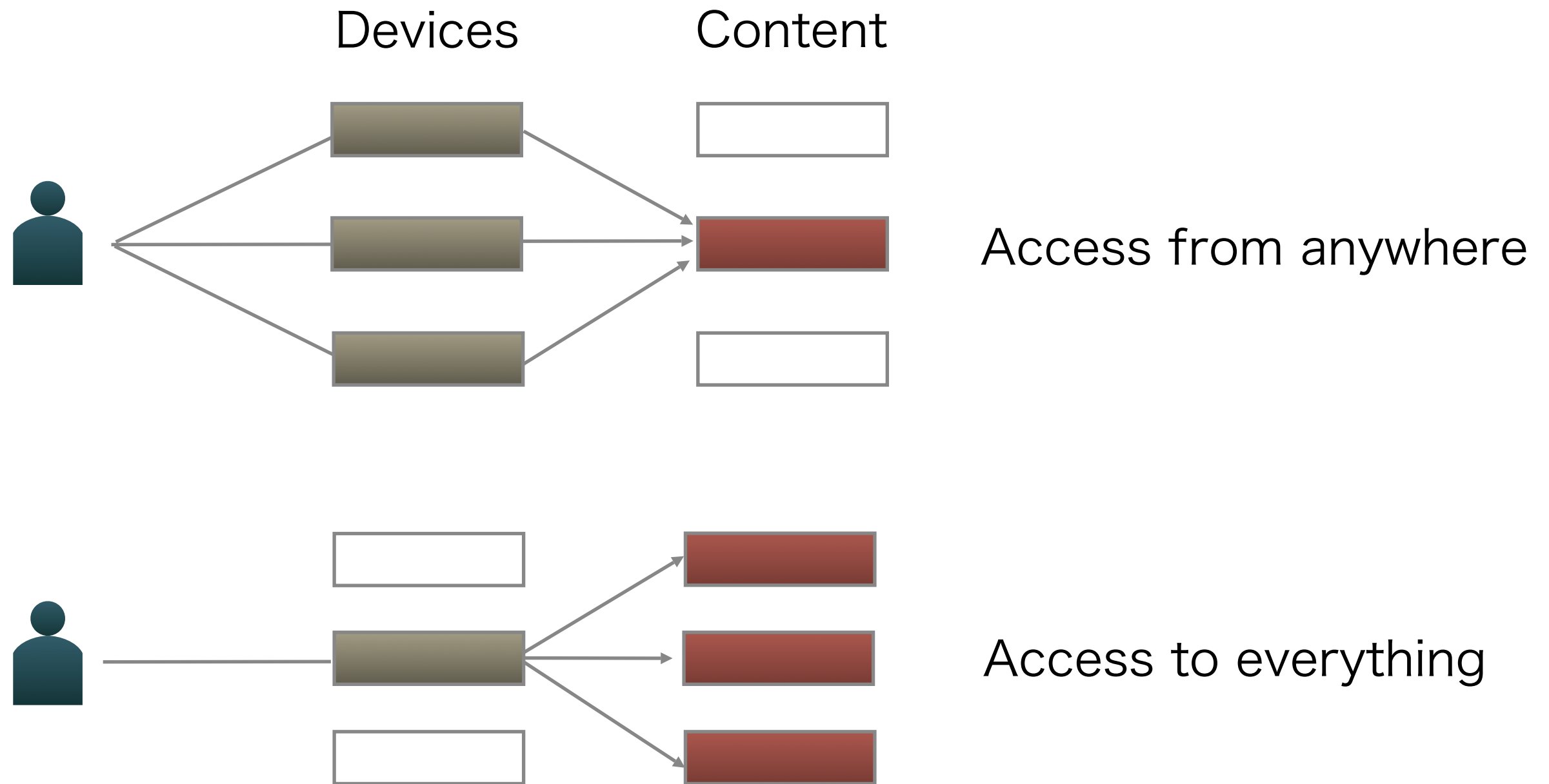
## Network games



- Play with other people
- Symmetric game play
- Communication as part of fun

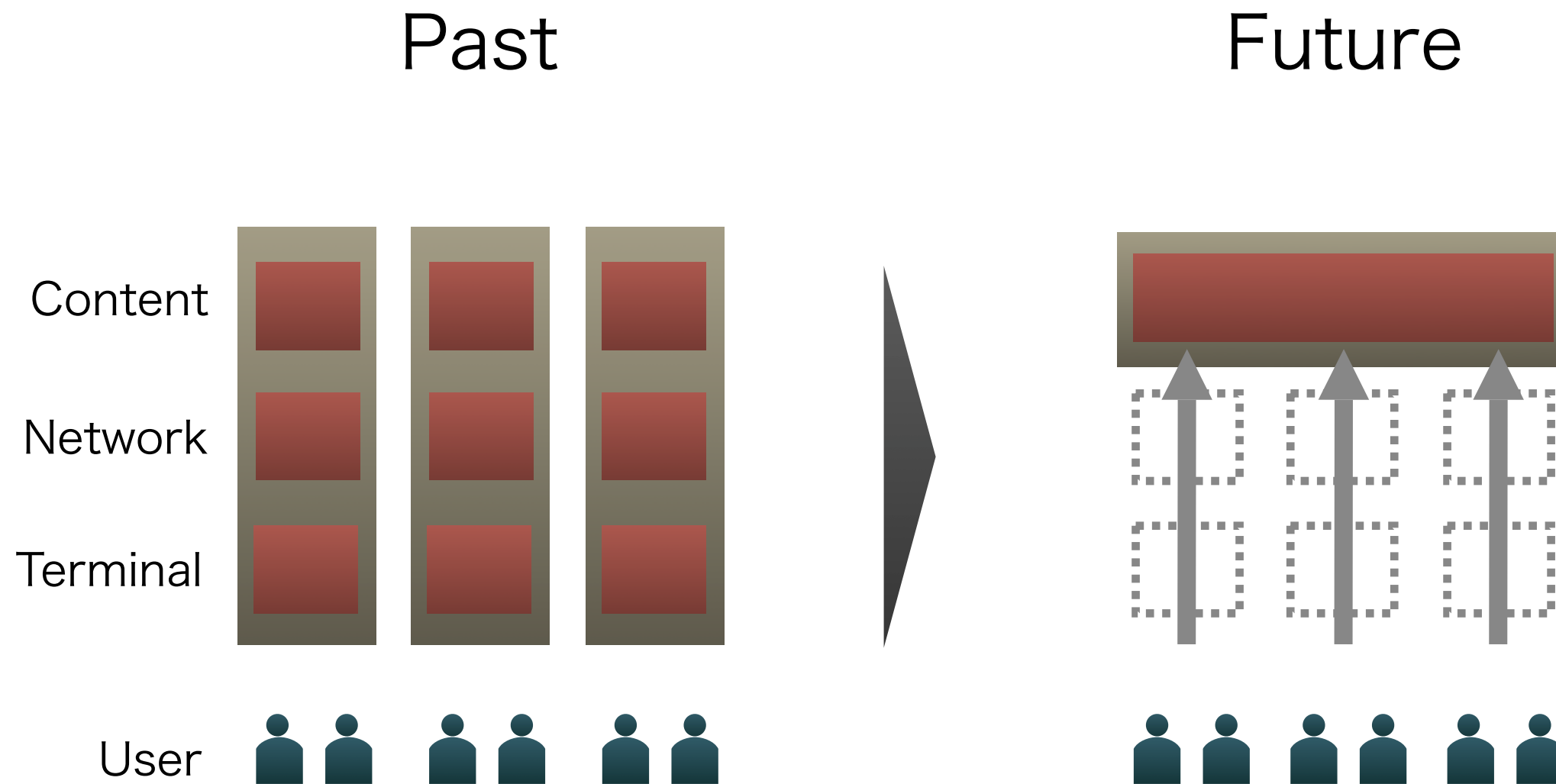
# Everything plays game

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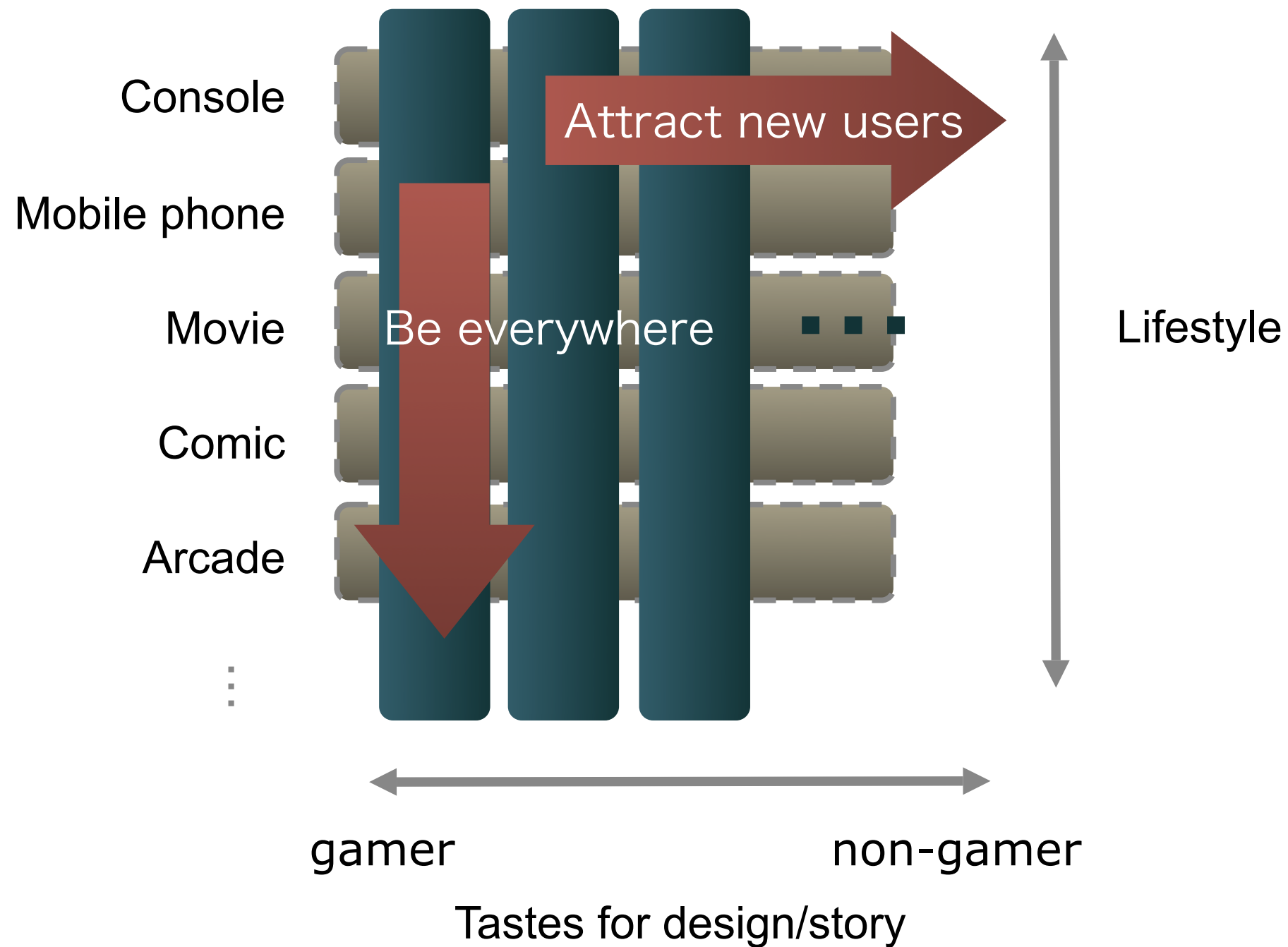
# Fundamental transformation of the industry structure

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# What game companies need to do?

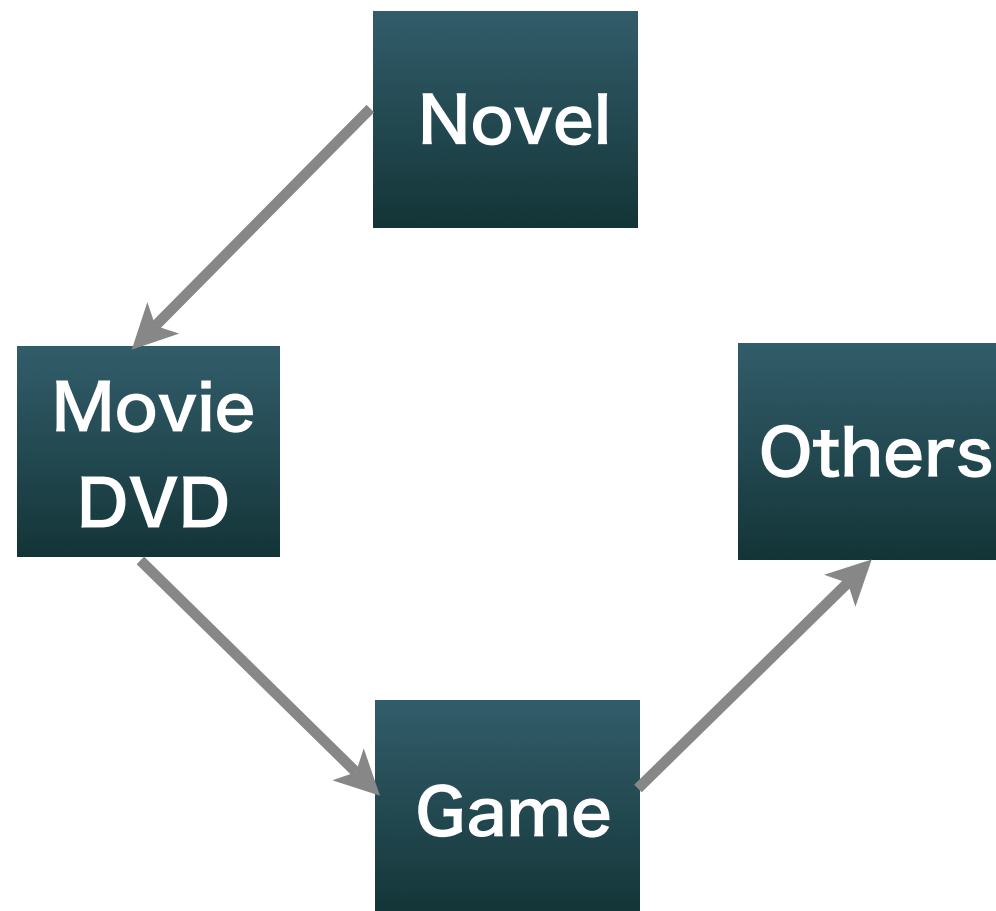
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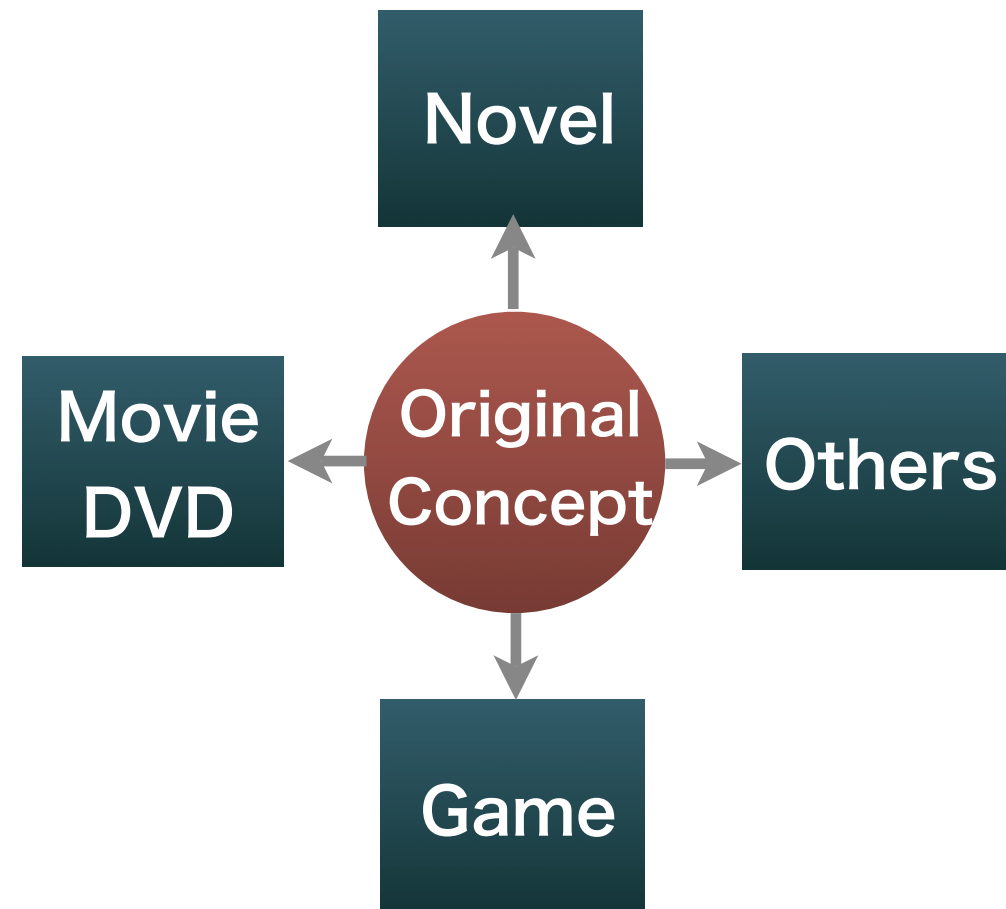
# New content model

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## Traditional Model



## “Polymorphic Content”





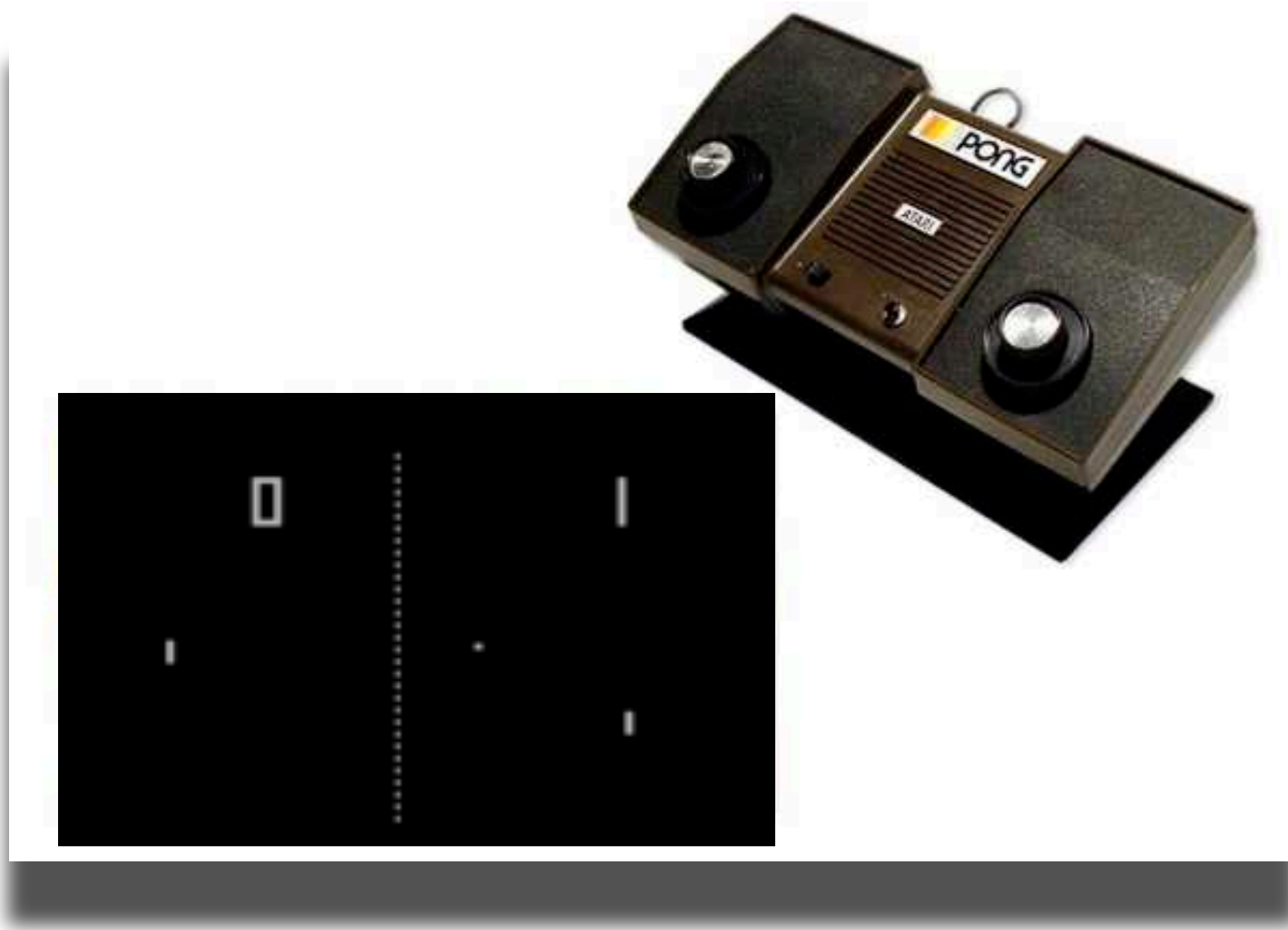
# Agenda

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- Who we are
- The market
- Innovations

# Atari Pong - 1975

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# Atari VCS 2600 - 1977

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# Nintendo NES - 1985

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# Super NES - 1991

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# Sony PlayStation - 1995

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# PlayStation 2 - 2000

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# Innovations on the business models have defined the generations

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- Atari Model
- Nintendo Model
- Sony Model



# Innovations by game developers result in new genre

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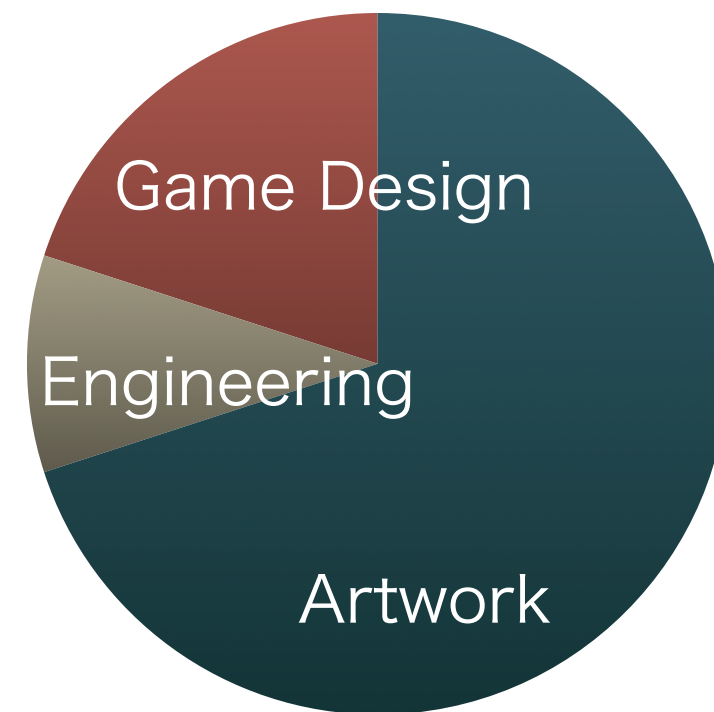
- RPG
- First Person Shooter
- Real-time strategy
- Adventure
- MMORPG
- ...

# Game development is mostly artwork

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- Use mature technologies
- Large number of art staff, each very specialized
- Environment for iteration

Resource allocation

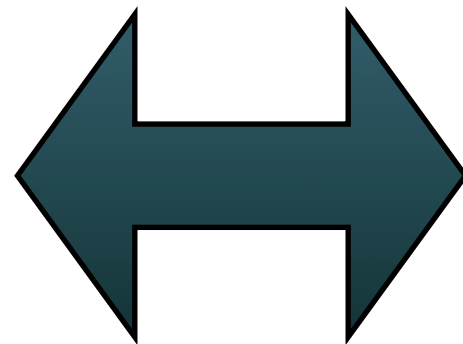


# Game development process

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## Japan

- Creative driven
- ad-hoc process
- craftsman shop?



## U.S.

- Business driven
- Standardized process
- Software developer

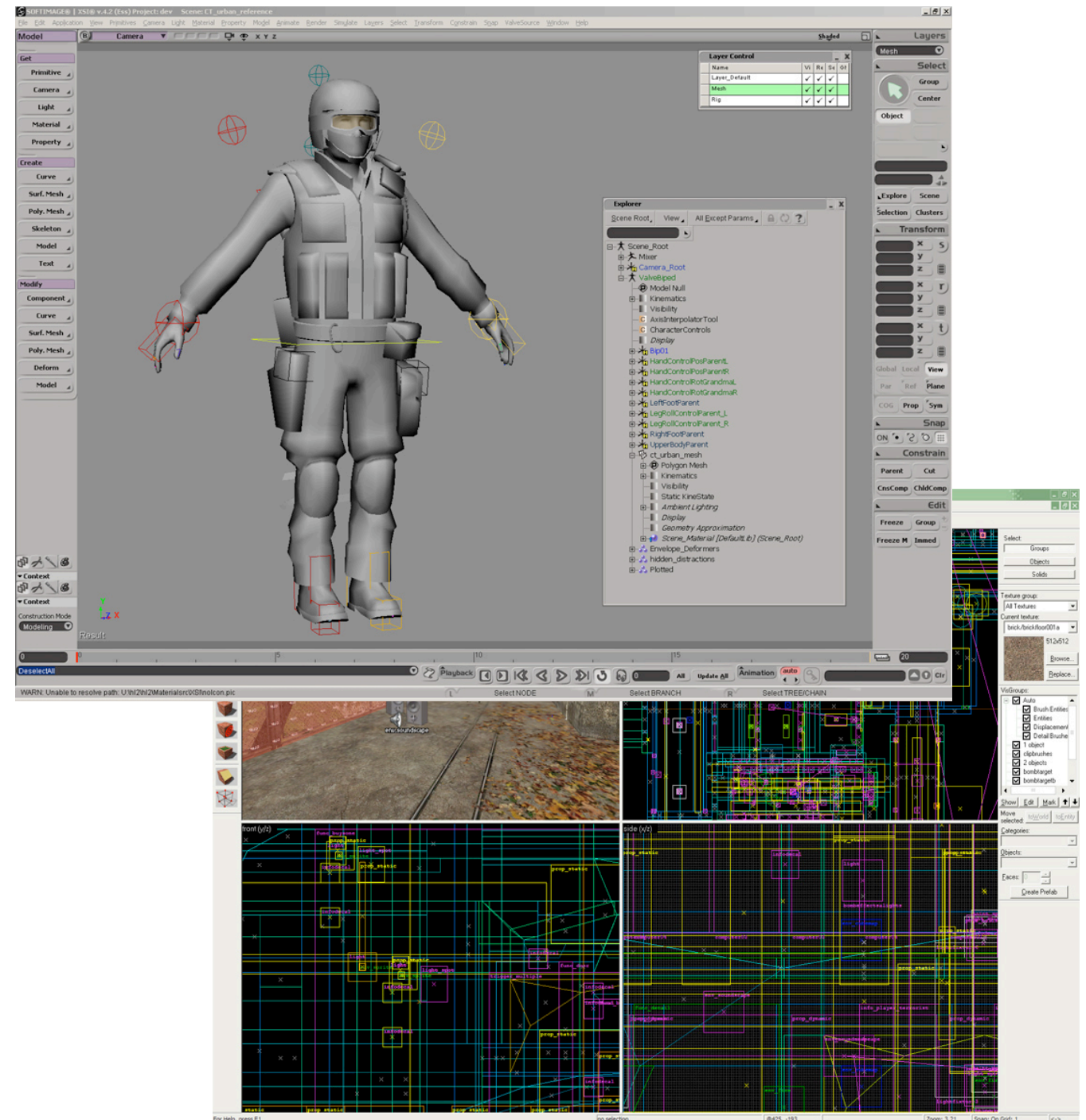
# Tools to foster innovations

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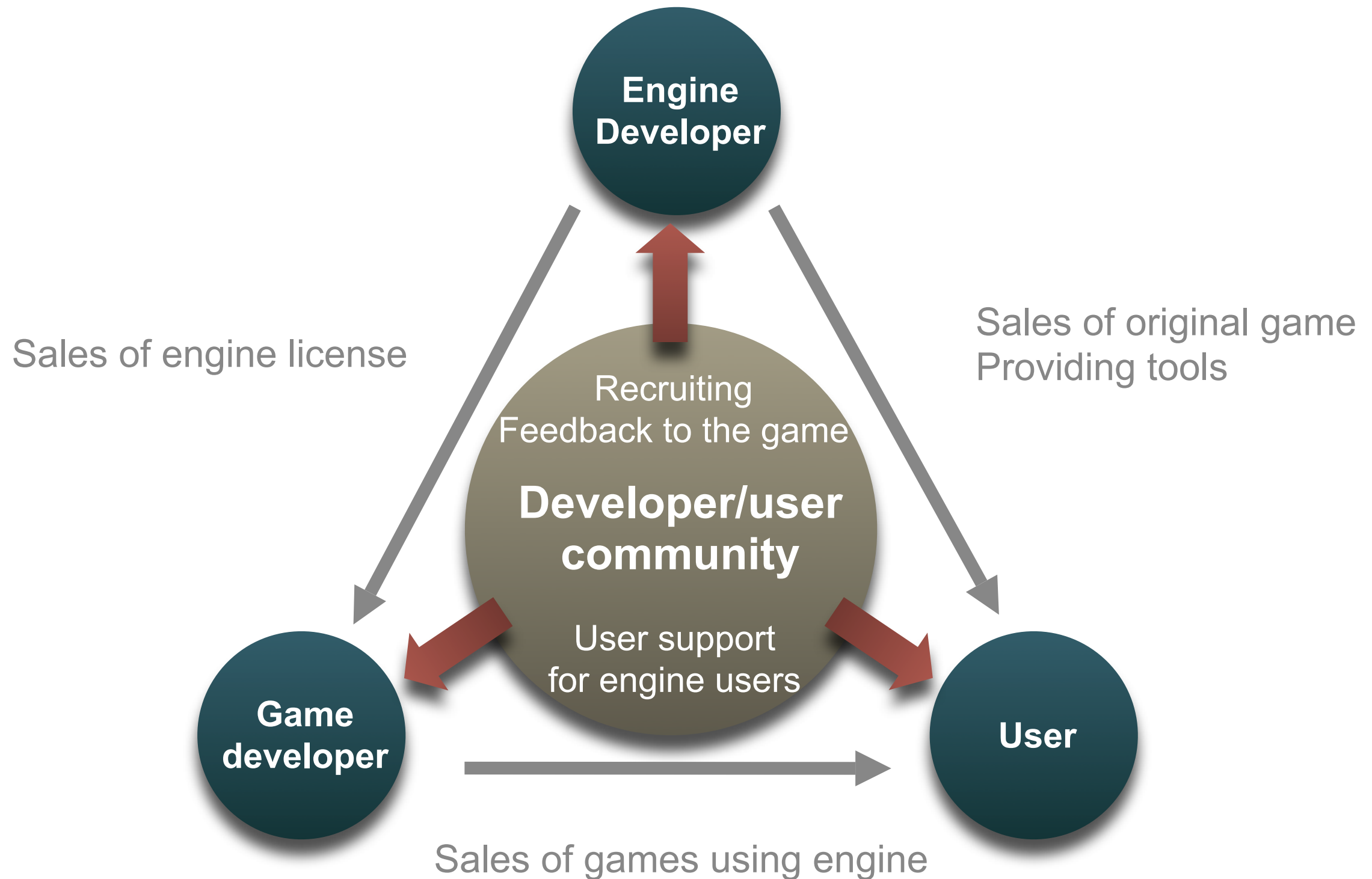
# Mod-friendly games

- Provide development tools
- Provide source code of the game
- Use standard file format



# Ecosystem of Mod

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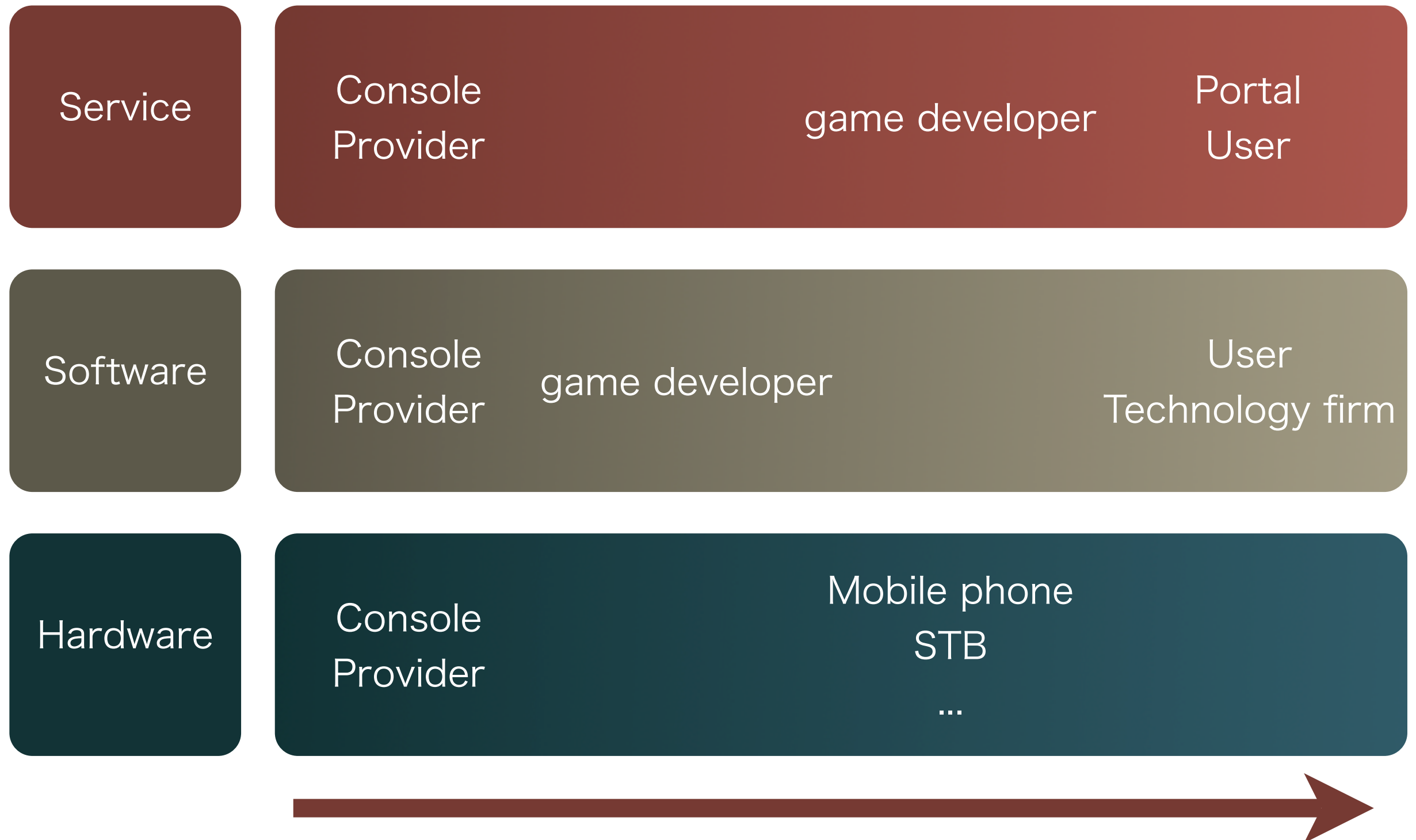




Machinima

# Who leads innovations?

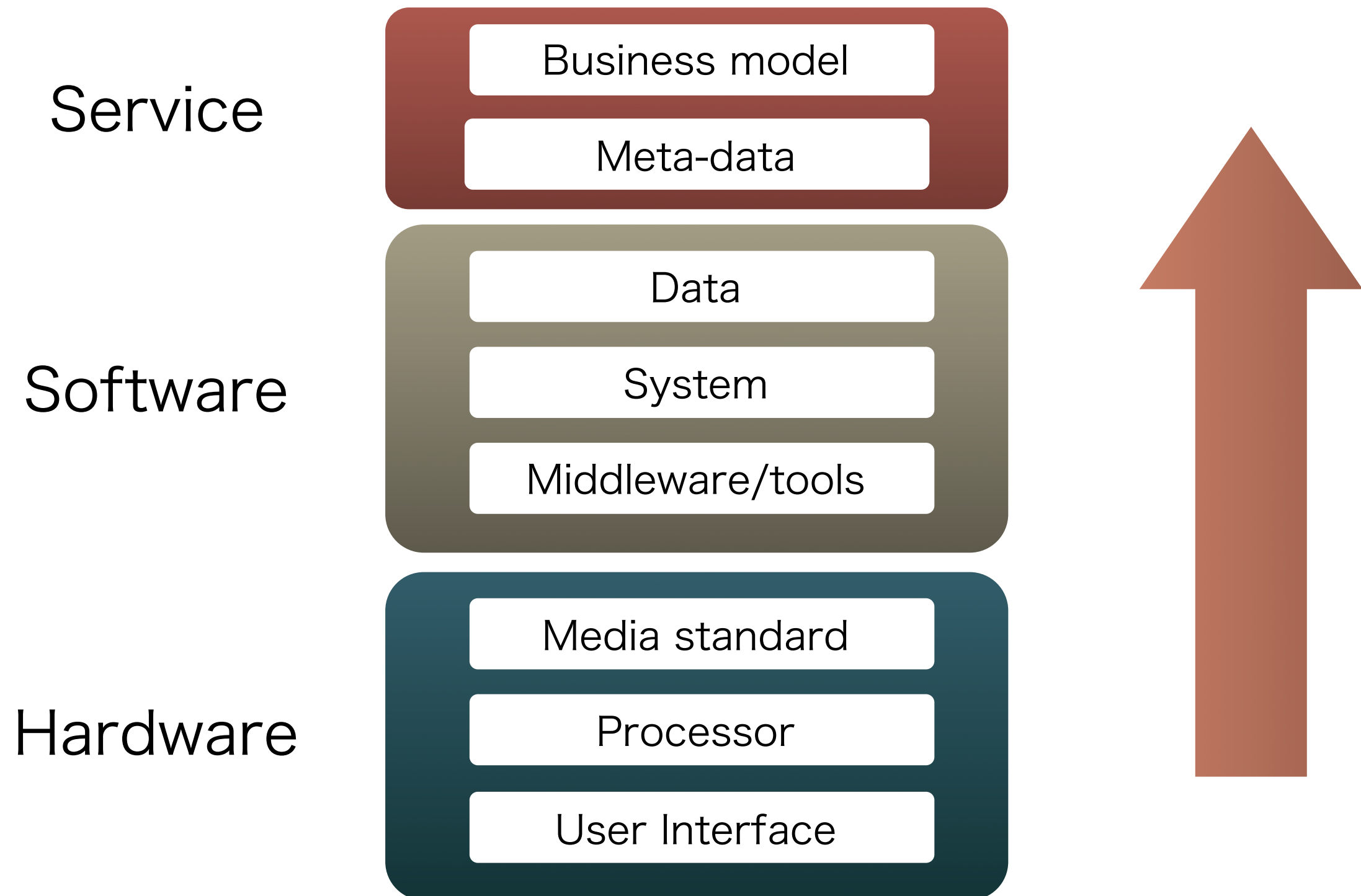
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# Where innovation happens?

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# New players focusing on new slices

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