A Business Plan for a Company in the Video Games Industry

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Executive Summary

This is a business report that highlights a business plan for a company in the video games industry. The report covers the basic information of the company, which includes the mission, vision, objectives, and legal structure. It also talks about the product/service that is going to be sold to the public and its features, as well as the benefits it provides to the company's owners.

The market and industry analysis section uses Porter's five forces and includes information on the marketing trends and size. It further highlights the high competition in the game industry and how the first game will be segmented by age and equipment. The marketing section highlights how the 4Ps will be used concerning our market segment and our strategy to position ourselves in the market. A SWOT analysis has been included in the appendices section. The operations section has been kept short and concise to highlight the scope of our operations and the life cycle of a video game from a start-up business. It further talks about how video game companies still need to leave a team behind to patch up things in case a customer discovers a bug in the game that needs fixing. It briefly talks about the type of supply chain going to be used and why. The organization & HR section describes what the organization structure will look like, what the central job roles will be, and how the recruitment will be done. The CSR section highlights that game companies don't have a responsibility as they don't produce any waste but do owe their employees overtime pay during crunch hours. The last section talks about the budget needed as well as financing.

I.Company Overview

A company is an entity that is involved in commercial business activities. The aim here is to create a video game production/development company. The company aims to showcase video games as a platform to show emotions more appropriately than movies (Ewing, 2011). Furthermore, the company's vision is to one day be the company that will be regarded as the market leader in showcasing video games as works of art and emotion. The company's short-term objective is to finish our first game as scheduled and break even at the very least. The long-term objective is to become a market leader in the games industry and slowly move towards building AAA games and financing game projects that the company thinks will provide it with a lot of profit in return for its success. It would be best for the company to follow a Limited Liability Corporation (LLC) structure as the games industry is very volatile and the first video game is usually not a hit and can result in massive losses thus to ensure the least amount of damage to the owners, it would be best to go for an LLC (Akalp, 2016).

II.Product or Service

A video game production company's only product is the video game itself; some may even go on to create movies based on the storyline of games, such as the Assassin's Creed movie (Plunkett, 2016). However, this only happens when the company is hugely successful and has the budget and finances to greenlight it.

Video games possess many features such as various game modes where one is usually a single-player mode featuring a storyline for the player to play alone while providing them with hours of entertainment (Ferrero, 2016). Other modes include multiplayer modes where players compete with each other in the form of vs. matches where they have to beat each other by completing a specific objective, most games usually focus on eliminating other players or teams to win. In retrospect, some games even offer a multiplayer mode where players can join together and play through the game's story mode as there are many people out there who prefer to play with friends rather than compete against them.

Video games are a form of entertainment for the majority of people. Some end up earning millions of pounds depending on the marketing team's reach and the appeal of the game itself (Webster, 2013). Action-adventure video games, in general, have a far more reaching audience when compared to puzzle games and have the potential to earn a lot, the reason being that the visual appeal of these games is significantly higher and it adds up to provide people with a more compelling experience. For a company just entering the market, it would best to focus on a simple adventure game with a linear storyline rather than open-world storytelling as that'll require a tremendous amount of work. The goal is to ensure that the first game is easy and cheap to create but should sell well enough in the market to at least break even. A profit is very unlikely; it'll help boost the brand name.

III.Market and Industry Analysis

As mentioned above, a puzzle game would sell significantly less than an action-adventure game because action-adventure games appeal to a larger number of people. This information would not be apparent without conducting a market and industry analysis of the ongoing trends in the market; it shows the importance of market and industry analysis for a company that is just starting up.

Porter's five forces take into consideration all the things that can affect the industry that the company is trying to enter and can help them analyze the current situation of the gaming industry which can, in turn, help in identifying the weaknesses and strengths (Law, 2009) (Law & Owen, 2010). The five forces in the model are:

1. Competition in the industry;
2. Potential of new entrants into the industry;
3. Power of suppliers;
4. Power of consumers;
5. The threat of substitute products.

Competition in the video games industry is hard no matter when or how you look at it which is the case in most entertainment industries such as Hollywood. Everyone is trying to create the next big game and earn big bucks in the process. The good thing, however; is that entering the industry is relatively easy as long as you possess the capital and technical skills required to create a video game and there aren't any barriers other than personal skill limitations. Suppliers don't play any role in the video game industry unless a developer needs funding for their next big project, so they can approach a producer to help them. However, customers are another whole story. They possess the most power in the video games industry as the general public buys and plays them. Thus, it is of the utmost importance that the company does its best. Lastly, as mentioned earlier, there is high competition in the video games industry. As a result, the amount of substitute goods/games is also high. The company could be creating the next big game. Still, it is imperative to remember that the company is following a game model that has been previously tested and so are a thousand other developers. It's essential that if the company is going to do something, they do it right (Law & Owen, 2010).

The video games industry has been experiencing continuous growth for the last 30 years and is forecasted to continue growing despite other markets crashing, this is because video games are played by all types of people regardless of age and gender. Furthermore, it is an affordable form of entertainment that provides hours of entertainment. The only time the video games industry experienced a crash was during the *video game crash of 1983, also called the Atari Shock in Japan. The leading cause of this crash was* market saturation, which caused the console market to flood with different products (Kennard, 2015). Segmentation of the product will be based on age by targeting people from the age of 13 and above, the reason for this being because there'll be violence featured in the game which is not appropriate for people under the specified age. Furthermore, the targeted player base is that of Xbox and PlayStation 4 because consoles have fixed specifications while personal computers have different specs, which can significantly increase development times to ensure proper performance. Not targeting people below the age of 13 won't have much effect on the profits as the reason behind the segmentation is more for ethical reasons than the fact that kids below the age of 13 won't play our games (Laczniak, et al., 2017).

IV.Marketing

The video games industry is filled with competitors; hundreds if not thousands of games come out yearly. To stand out and get people to notice your product, you have to make something unique and let people know that you have created something new as they won't come to know anything on their own. Marketing provides a company's products and itself with the exposure it desperately needs. In the case of a new company, it is more important than ever as it will not be on anyone's radar if it doesn't put itself out there for people to notice (Leventhal, 2005).

As a new video game company, having the right marketing mix is essential. Let's make use of the 4 P's here to help. The action-adventure game will be the product and will follow the action-adventure genre as it appeals to a large number of gamers, and thus the chances of it making a profit are higher. However, as a new company, the price of the product needs to be slightly below the usual competitive rate as people will be less inclined to buy from a company that is not well known in the market and to get the benefit of the doubt it would be beneficial to lower prices slightly. The targeted market is mainly console gamers and people under 13. Distribution will be done through the in-console digital game stores (place) instead of physical copies as it is faster and allows you to distribute your product globally quickly. It's hard to provide any form of promotion that gamers will find appealing from a new company. In this scenario, the best thing to do is to offer a significant discount for the first few purchases as this will get your product out in the market and thus give it exposure (Cohen, 2014). It is of the utmost importance that the company establish itself as a company that is new but able to provide a quality product in the eyes of their customers to ensure that they'll be willing to buy from the company the next time they are going to release something (Fernandes, et al., 2017).

A SWOT analysis will help the company better understand and categorize all its strengths, weaknesses, opportunities, and threats since it is a strategic planning method that helps a company evaluate all these if it is a start-up business (Helms & Nixon, 2010)

(Please find the SWOT Analysis in the Appendices Section)

V.Operations

For a game industry company, day-to-day operations include coding, creating art, and merging it all. The long-term goal is to create a video game after all of this code and art has been blended. The product's life cycle involves the introduction of the game onto the digital game store on the respective consoles, after which growth will occur once people start buying it after they notice it. The maturity stage is reached when the game is still relatively new on the market, but now enough people have bought it to give it exposure encouraging more people to buy it, this stage will probably come quickly for a company that is not well-known. A decline will be sharp for a new game as people don't prefer to buy a new game from new firms unless it is terrific and thus the number of buyers will fall quickly as well. A regular lean supply chain will be used here as the games industry is highly unpredictable and involves a lot of crunch time; people work 20 hours a day to get the product on time. After the launch of the product, a team still works on the game patching out issues that people may find, such as bugs that can ruin the experience or cause unexpected results (Slack, et al., 2014).

VI.Organisational Structure & HR

Human resources are typically people working in an organization under the Human Resource Department. Human resource is also a term used to describe a person regarding skills and abilities. The human resource department also creates the organizational chart which tells us who works under whom (Heery & Noon, 2008).

The company's organizational chart will be very basic since the company will only have 10-15 employees in the beginning. The project manager will be at the top, with the art director and lead programmer under him. The art director is responsible for the artists under him and for ensuring that the game's art remains consistent and up to par with the game's theme. The lead programmer is responsible for all the coding and all the programmers under him, he/she handles all the technical work.

Artists interested in joining the company will need to show their previous works, while programmers will need to pass a technical test. An HR employee will also be responsible for all HR activities, but programmers and artists are the central roles in the company.

VII.Corporate Social & Responsibility

Corporate social responsibility is a company's efforts to take responsibility for the environment and social wellbeing (Wang, et al., 2016). Corporate social responsibility does not apply to a video game company regarding environmental factors as they are not affecting the environment in any way, the only thing they need to ensure is overtime pay for crunch hours. In the games industry, it is normal for programmers and artists to work longer than usual hours. However, the issue is that most of them do not get paid for the extra work they have done but rather the company expects you to do it for free since it is considered a *norm* in the industry. This extremely unethical practice can give small start-up companies a bad image before they even start. It'll cause skilled programmers and artists to avoid the company to avoid being exploited. A recent example of this can be seen when voice actors went on strike against the gaming industry because they did not get the pay they deserved (Sarkar, 2017).

VIII.Financial Reflection

The average capital an indie studio needs to get started is about £70,000, accounting for everything from equipment to day-to-day expenses (Boucher-Vidal, 2014). When we talk about day-to-day expenses here, we refer to the expenses the game company will face until the game can be completed and shipped to the customers. This includes things such as employees' salaries over the period of development, the cost of equipment such as computers, the cost of securing the patent for the game, and other miscellaneous costs.

A bank loan, crowdfunding, and personal financing are all viable options for funding. However, it is important to remember that for crowdfunding to work, the game must be something that is being highly demanded by the public but has not yet been made or something that already exists but is in dire need of a rework. Furthermore, personal financing only works if you have the money saved up already and need to come to terms with the fact that you could lose everything (IGC Admin, 2018)

IX.Appendices

SWOT Analysis	
Strengths · New Ideas · Skilled Personnel	Weaknesses · Weak Brand Name · Lack of Patent Protection · High capital investment
Opportunities · Growing market · Trend change in genre	Threats · High number of substitutes · High competition · Market Saturation due to substitutes

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