



BUSINESS PLAN

1 Business Description

Comment [NG1]: This section should be similar to the Business Description in the EXECUTIVE SUMMARY of the other plan. Possibly some minor changes. We will not worry about this until the other one is created.

TribeMind Studios is an independent video game company that delivers multiplayer online games directly to consumers. TribeMind develops games through the ideas of its core team members. The core team members have the diverse talents, creativity, and passion to make TribeMind's games unique and compelling. In the U.S., the video games industry grew 19 percent to \$12.5 billion from 2005 to 2006.¹ This industry is set to rival cinema, books, and television as the dominant form of media in the coming decade.² In addition, TribeMind believes the following reasons will allow it to succeed against the competition:

TribeMind's games are downloadable directly through its company website. Online distribution eliminates the need to manufacture and physically distribute game disks and takes advantage of recent changes in the video game industry value chain. It allows TribeMind to have gross profit margins over 3x higher than the industry norm. TribeMind will be able to reach the entire United States through its online distribution methods.

All TribeMind games can be played for free. This is unusual in the video game industry and is valuable to consumers. Consumers will be able to play with their friends online without any upfront cost. After trying the games, consumers will be given incentives to pay a one-time fee for premium game content. Key premium game content for the first game will include: the ability to customize and personalize game characters, the ability to join in-game clubs (clans) and tournaments, and in-game statistics tracking that will allow game players to compare themselves to friends and receive rewards. Consumers, especially the most die-hard among them, will want access to this premium content because of the inherent social nature of multiplayer games.

In addition, dynamic advertising within the games (dynamic in-game advertising) will be introduced after a free game user-base is established for the first game. This type of advertising is similar to television and outdoor billboard advertising. However, unlike television advertising, dynamic in-game advertising will be seamlessly integrated with the game content. The online, multiplayer nature of TribeMind's games means that advertising will be constantly updated, altered, and tracked.³ This is invaluable information to advertisers. It is something that television has never been able to accomplish. All free users will be exposed to this advertising for future games, where appropriate, as well. Free users who pay the one-time fee for premium game content will have the option to turn "off" dynamic in-game advertising. However, many users will come to view dynamic in-game advertising as enhancing--rather than detracting from--the game playing experience.

TribeMind has, as demonstrated by the timeline shown in the Appendix, a plan for how it will remain profitable beyond its first game. TribeMind will release a new game or game expansion every 6 months. Game expansions allow TribeMind to exploit existing intellectual property and users to expand game franchises. TribeMind's first game franchise will consist of one game and two game expansions, all released within 12 months of an initial product release. Success of the first game means a high probability of success for the two game expansions. Game expansions will reuse development tools and personnel from the original game development team. This will decrease the cost and development time of each expansion. Game expansions will also further entice users who play for free to pay the one-time fee for premium game content. Specifically, free users can not purchase an expansion's content or features without purchasing all subsequent games and expansions for that franchise. Each game expansion will require its own one time fee AND the purchases of any previous expansions, as well as the original game itself. Game expansions will fortify each franchise's revenue model as consumers become bored of the original game.

As users play the games and expansions of a single franchise, they will eventually satiate their desire to play that "style" of game. For this reason, there is a limit to how many game expansions TribeMind should release for each franchise. This also implies that the intellectual property inherent to TribeMind's products will depreciate in value quickly as TribeMind's users satiate their need to play the games and game expansions of each franchise. This is why TribeMind has no need to protect its intellectual property for the long-term. To mitigate this depreciation, TribeMind will create an entirely new game franchise every 12 months. Just as the last game franchise loses steam, a new one takes its place. As long as TribeMind's core team remains creative and passionate, this pattern of game releases will continue indefinitely.

Comment [ST2]: WHAT IS A GAME FRANCHISE? NEEDS TO BE EXPLAINED.

¹ <http://www.gamespot.com/news/6164101.html>

² <http://www.enr.com/news.html?code=8892807>

³ www.iabuk.net/media/images/IAB%20in-game%20advertising%20-%20the%20UK%20Market%20March%202007_1594.pdf

2 Industry Analysis/Marketing Plan

Comment [NG3]: The industry analysis is LESS important than the marketing plan in this section. Industry Analysis should be only one or two paragraphs (but we'll use the charts from the other plan). Otherwise, the marketing plan is the MOST crucial aspect besides the business description. We will take this from the other plan as well.

2.1 The Target Market

TribeMind will primarily target the *power gamer* market. Power gamers make up 11% of the U.S. video game market. This is 5.9 million households. Yet, they account for 30 cents of every dollar spent on retail and online games.⁴ Power gamers are a valuable segment because they are leaders of opinion in gaming groups. For instance, half of power gamers influence six or more of their gamer friends on game purchasing decisions.⁵ Power gamers are more likely to use forums, official game web sites, game demos, magazine ads, and television programs as information sources than casual gamers. This makes power gamers easier to reach through the internet than other audiences.⁶

Power gamers are the perfect target market for TribeMind. They spend a disproportionately large amount of money on online games. They influence other segments that TribeMind will also reach. They are likely to be influenced by many of the marketing tools that TribeMind will use. Finally, TribeMind's core team consists mostly of power gamers. TribeMind understands this market *at least* as well as any of TribeMind's competitors. In addition, a significant portion of power gamers are males between the ages of 18-34. This traditionally hard to reach demographic is of great interest to marketers. Marketers are starting to realize that dynamic in-game advertising in online games is the best way to reach this market.⁷

2.2 Potential Demand

The overall U.S. video games market grew 19 percent to \$12.5 billion in the year 2006. It is expected to grow to \$15 billion in 2009.⁸ The online video games market is a segment of the overall market that includes TribeMind's games. This market was \$1.1 billion in size in 2005. It is expected to grow to \$3.6 billion by 2009. This growth is driven by the penetration of broadband, high-speed internet in U.S. homes, the diversification of online games that appeal to different tastes, and the emergence of different online business models.⁹

The penetration of broadband internet access allows TribeMind to deliver its games directly to consumers online. TribeMind has the ability to reach everyone in the U.S. with access to broadband. But many consumers are still weary of downloading video games online. They would rather buy a game from a retailer.

This is why TribeMind's initial target market, the power gamer, will lead the way. There are approximately 5.9 million power gamers in the US. Approximately 68% of them play games on the personal computer (PC). TribeMind's first game will be available exclusively on the PC. This means that TribeMind will initially serve about 4 million U.S. power gamers that spend a disproportionate amount of time and money on games.

The diversification of online game tastes means that TribeMind has the opportunity to carve out its own niche. As an independent game developer, TribeMind knows that independent games that sell between 30,000-50,000 copies (one-time fee business model) are considered a success. TribeMind will be profitable within a year even if it sells at the low end of that range. TribeMind will depend on the one-time fee business model for the majority of its revenues. However, TribeMind expects dynamic in-game advertising to provide significant revenues within 2 years. The U.S. in-game advertising market is expected to reach \$969 million by 2011.¹⁰ This will remain a small portion of the overall video game market. However, TribeMind believes that revenue share earned by video game companies through dynamic in-game advertising will increase dramatically over the next several years. Now is the time to begin exploiting this new technology.

From year 2 onward, TribeMind's target market will expand beyond the power gamer. These additional consumers will be less likely to pay one-time fees for premium content. However, they will increase the number of overall users

⁴ http://www.parksassociates.com/press/press_releases/2006/gaming_pr4.html

⁵ Frank N. Magid Associates Inc. "Improving Game Marketing: The Game Purchase Process From a Consumer's Point of View"

⁶ Frank N. Magid Associates Inc. "Improving Game Marketing: The Game Purchase Process From a Consumer's Point of View"

⁷ www.iabuk.net/media/images/IAB%20in-game%20advertising%20-%20the%20UK%20Market%20March%202007_1594.pdf

⁸ <http://www.theesa.com/files/VideoGames-Final.pdf>

⁹ http://www.parksassociates.com/free_data/downloads/parks-Future-of-Gaming-is-Networked.pdf

¹⁰ http://www.gamasutra.com/php-bin/news_index.php?story=13438

exposed to dynamic in-game advertising and thus will increase in-game advertising revenue in step with industry growth estimates.

2.3 Competitors

The Appendix contains a competitor table listing three major competitor groups: Large Video Game Companies, Small Independent Game Companies, and Casual Games / Web Games. These competitors are part of a cut-throat industry. In the table, each one has positive and negative defining characteristics. The list of competitive TribeMind characteristics in the right column of the table shows how TribeMind has competitive advantages relative to all three groups.

2.4 Tactics

Some consumers will be able to download TribeMind's products directly through TribeMind's company website. TribeMind will incur financial liabilities to facilitate this. Using online distribution technologies such as BitTorrent, however, will enable consumers to also distribute TribeMind's games amongst themselves without TribeMind's involvement. Essentially, consumers who love TribeMind's games can share the games with their friends. In addition, TribeMind plans to distribute its games through online video game portals that have an established user-base. These portals are also known as 3rd-party portals. One such portal, Steam, has a user-base of over 10 million people. Though Steam will split revenues approximately 50/50 for each one-time fee game downloaded, TribeMind's games will benefit tremendously from the added exposure. TribeMind expects to begin distributing products through Steam about 4 months after the first game is released. TribeMind further expects 50% of its games to be downloaded through its company website and through bit torrent, and 50% of its games to be downloaded through Steam.

TribeMind believes that viral marketing has a high potential for success due to the free nature of TribeMind's games. Examples of viral marketing that TribeMind will use include using video websites such as YouTube and social networking websites such as Facebook and MySpace. A few months before the release of TribeMind's first game, TribeMind will create videos that include the core team members and game images. TribeMind will also create group pages on Facebook, MySpace, and other networking websites. These marketing tactics will lead to the formation of a TribeMind community. This community will have direct communications with the TribeMind core team through the TribeMind forum. This forum is managed by the TribeMind core team through the company website. It is rare for consumers to have the opportunity to develop a relationship with the creators of their favorite games. TribeMind believes that this close interaction with consumers will nurture their curiosity and loyalty.

TribeMind also does not dismiss the importance of a more traditional marketing campaign to promote its games. About 3 months before release, TribeMind will beta test its first game with RIT students. This will provide valuable market research and jumpstart sales. TribeMind will also advertise with banners on popular power gamer-frequented websites such as PennyArcade. Approximately 3 months after the release of its first game, TribeMind expects at least one of the following to occur:

- TribeMind's first game receives a positive review in a respectable video game magazine
- TribeMind attends the Independent Game Festival in California and wins awards for its first game
- TribeMind attends the first annual RIT Game Expo at RIT and receives positive exposure

TribeMind believes that events like these will cause a spike in sales of its games. It will spend the majority of its marketing dollars within the first 3 months of the release of each of its games and expansions.

TribeMind's premium content for games will cost a \$20 one-time fee. TribeMind's expansions will cost an additional \$10 each. Dynamic in-game advertising revenues depend on the number of impressions multiplied by the Cost Per Thousand (CPM) of its advertisements.¹¹ Though there is not yet a standard for calculating the number of impressions and CPM, TribeMind has found the CPM rate to be approximately \$10.¹² The rate is approximately the same as the rates for cable television advertisements.¹³

¹¹ TribeMind interviewed representatives of Massive and DoubleFusion, two in-game advertising brokers, to learn more about in-game advertising as a business model.

¹² www.microsoft.com/msft/download/transcripts/fy07/KatherineHays031507.doc

¹³ <http://www.kagan.com/ContentDetail.aspx?group=5&id=338>

3.1 Sean Azlin – CEO, CTO, Lead Developer

Sean is the hands-on CEO and CTO of TribeMind Studios. He is ultimately responsible for ensuring the smooth development of TribeMind's products and business. Sean is responsible for steering TribeMind Studios into new markets and partnerships in a way that ensures TribeMind Studios maintains its high standards for creativity and success. Sean is a soon-to-be software engineering graduate from RIT who specializes in software commercialization, entrepreneurship, project management, and real time computer graphics.

3.2 Eric Miller – Creative Director, Lead Designer

Eric Miller is the Creative Director and lead product designer of TribeMind Studios. He is responsible for establishing the "look and feel" of TribeMind, TribeMind's websites, and TribeMind's products. Eric is a driving force in brainstorming activities and game design activities. Eric also works closely with web developers to maintain TribeMind's visual web presence. Eric is a masterful graphic designer and graduate from RIT.

3.3 Alex Petrovich and Brendan ("DuffDawg") Duffy – Artists

Alex and Brendan are graduates of RIT and Connecticut College, respectively. Alex is a 3D modeling and texturing guru. He has extensive experience with Maya, 3D Studio Max, Photoshop, flash, and more. Brendan is a master illustrator specializing in comic book art and 3D modeling. Both Brendan and Alex have exceptional hand drawn illustration skills. Together, Alex and Brendan produce the models, textures, and conceptual artwork for TribeMind and its products.

3.4 Jon ("Big Jon") Richards – Lead Level Designer

Jon is the lead level designer of TribeMind Studios. He conceives of and creates levels for TribeMind's games using various techniques and technologies, many of which are proprietary to TribeMind. Jon is a soon-to-be New Media Design graduate of RIT.

3.5 Nick Germain – CFO, Lead Business Developer

Nick is currently finishing his MBA at RIT. He has a strong background in accounting, finance, and entrepreneurship. His academic research of the video game industry makes him an invaluable asset to TribeMind Studios. Nick is responsible for working with Sean and Eric to develop the TribeMind business model in a way that leads to sustainable growth and success. He also "keeps the books" and handles all necessary accounting tasks.

3.6 Andrew Fanton and Wesley ("Wiz Kid") Paugh – Developers

Andrew is a Computer Science MS graduate from RIT who specializes in path finding and artificial intelligence. Wes is a current software engineering student at RIT who has worked for both TribeMind Studios and Vicarious Visions (another game development company in Albany) on real time physics simulations and game scripting, respectively. Andrew and Wes both have excellent C++ development skills and are strong object-oriented software designers. They both work with Sean to nail out the various software components of TribeMind Studios' various projects.

3.7 Chris Nurre – Web Developer

Chris developed and currently maintains the Ruby on Rails framework of TribeMind's corporate and game websites. He is a current software engineering student at RIT.

3.8 Derrick Miller – Project Manager, Business Developer

Derrick is a soon-to-be software engineering graduate of RIT with a knack for project management. Derrick is responsible for helping to schedule TribeMind tasks and ensures that TribeMind team members stay productive and motivated. Derrick also performs business research in support of Nick and Sean.

4 Financial Plan and Projections

All financials are listed in the Appendix. Details and assumptions related to the financials are listed below.

4.1 Start-up costs

Start-up costs are minimal. TribeMind owns all the hardware it needs. TribeMind will register as an LLC prior to launching its first product.

4.2 Financial Statements (Pro Forma)

Components of the revenues and costs are explained below:

Total "Registered" Users – These numbers are estimated using Introversion, a successful independent game company, as a benchmark. Registered users are expected to increase rapidly 4 months after release of the first game. This will occur at the same time as one of the major marketing events listed in the Tactics section.

Total "Active" Registered Users – Users are assumed to remain active for 3 months on average. For example, a user that starts playing a game in January is expected to stop playing this game at the end of March. The release of a new game or expansion every 6 months will keep the Total "Active" Registered User count relatively constant.

One-time Fee Revenue – 5% of "Registered" users are expected to become Paying Users for an Original Game. This is benchmarked to independent games that have been released within the past year.¹⁴ 50% of Paying Users for an Original Game are assumed to become Paying Users for an Expansion Game. Many of these users are power gamers that will immediately want access to new content.

Dynamic In-Game Advertising Revenue – Massive Incorporated, an intermediary between video game companies and advertisers, uses the following formula to calculate the Number of Impressions:

Total "Non-Paying" Users * Average Hours of Gameplay Per Consumer (Monthly) * Advertisements Per Hour = Number of Impressions

Total "Non-Paying" Users = Total "Active" Registered Users - Total "Paying" Users For "Original" Games

Average Hours of Gameplay Per Consumer (Monthly) is how much the average consumer plays TribeMind's original games each month. Consumers are conservatively assumed to play slightly more than 1 hour per week. By year 2, TribeMind will have released two original games. This doubles the number.

Advertisements Per Hour is defined as 10 seconds of cumulative exposure in one game-sitting. This is a technical term for how long consumers are exposed to advertisements within the game.¹⁵

It is necessary to understand that "Number of Impressions" and "CPM rate" are for finding Total Dynamic In-Game Advertising Revenue. However, the formula to determine this is complex and beyond the scope of this business plan. Dynamic In-Game Advertising will not be implemented until Month 6. In addition, there is a 2 month lag between implementation and revenues received from Dynamic In-Game Advertising. Therefore, Dynamic In-Game Advertising Revenues are not received until Month 8.

Variable Costs – Paypal Fees are 2.5% + \$.30 for every purchase of an original game and expansion from the TribeMind company website. Every one-time fee purchase of an original game from Steam, a popular 3rd-Party Portal website, requires TribeMind to split revenues 50/50 with Steam.

Fixed Costs – IT Infrastructure costs are required to maintain the online connectivity for TribeMind's customers. The calculation of these costs is beyond the scope of this business plan. Costs listed will support all customers who paid for premium content at a minimum. These costs escalate as TribeMind's user-base escalates. TribeMind expects to pay minimal salaries until the company breaks even. Salaries will escalate rapidly as TribeMind approaches year 1 when more team members will be necessary to complete a new game and an expansion simultaneously. TribeMind assumes it will have space in the RIT Venture Creations Incubator for its first two years of existence at \$300/month rent. TribeMind assumes that it will use between \$5,000 and \$30,000 each time a game or expansion is released for

¹⁴ <http://www.gameproducer.net/category/sales-statistics/>

¹⁵ From interview with Massive representative

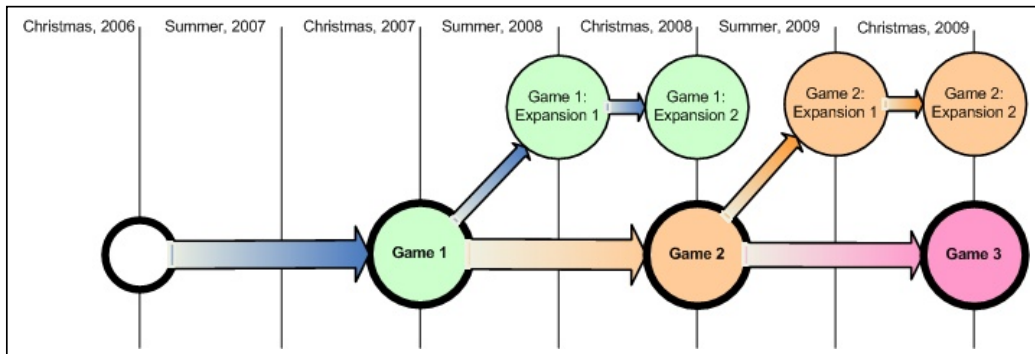
marketing purposes. TribeMind assumes that it will have legal fees to pay at some point within its first two years of existence. These are included in the costs.

4.3 Break-Even Analysis

TribeMind expects to break-even about 8 months after starting the company (5 months after the release of the first game). TribeMind believes that \$100,000-\$150,000 of external funding will be necessary prior to TribeMind breaking even.

5 Appendix

5.1 Timeline



5.2 Competitors

Competitors	Defining Characteristics	Competitive TribeMind Characteristics
<p>Large Video Game Companies</p> <p>Example Companies Electronic Arts Microsoft Games Activision Blizzard</p>	<p>Pros:</p> <ul style="list-style-type: none"> ✓ Large budgets ✓ Experienced personnel ✓ Established brand / image <p>Cons:</p> <ul style="list-style-type: none"> ▪ High operating overhead ▪ Slow to innovate ▪ Detached from customers ▪ Bureaucratic mindset ▪ Slow to react to changing climate 	<ul style="list-style-type: none"> ✓ Little overhead ✓ In-touch with consumers ✓ Innovative and passionate ✓ Collaborative and creative mindset
<p>Small Independent Game Companies (“Indie”)</p> <p>Example Companies Introversion Odd Labs</p>	<p>Pros:</p> <ul style="list-style-type: none"> ✓ Innovative and passionate ✓ Small and Agile: can react quickly to changing climate ✓ Little overhead <p>Cons:</p> <ul style="list-style-type: none"> ▪ Poor ▪ Less experienced ▪ Poor or inconsistent business sense ▪ Lack of practical business plan ▪ Lack of practical production plan 	<ul style="list-style-type: none"> ✓ Business and development mentors through RIT CIE ✓ Well-networked with Rochester, NY investors ✓ Professional business plan ✓ Professional production plan ✓ Diverse core team with industry experience
<p>Casual Games / Web Games</p> <p>Example Companies ArmorGames ZWOK</p>	<p>Pros:</p> <ul style="list-style-type: none"> ✓ Very accessible for consumers ✓ Games are usually free ✓ Lots of them ✓ Games are easy to make <p>Cons:</p> <ul style="list-style-type: none"> ▪ Games are of inconsistent quality ▪ Poor user-retention ▪ Low perceived value ▪ Not a sustainable source of revenue 	<ul style="list-style-type: none"> ✓ Expanding and overlapping franchises sustain revenue ✓ High quality 3D games targeting state-of-the-art platforms (High perceived value)

5.3 Start-up Costs

Start-Up Costs			
	Unit Cost	Quantity	Total Cost
Software & Licenses			
Autodesk 3ds Max 9	\$1,100	1	\$1,100
MS Office Professional 2007	\$170	7	\$1,190
Adobe Creative Suite Premium 2	\$380	2	\$760
Macromedia Dreamweaver 8.0	\$215	1	\$215
Macromedia Flash 8.0 (web content)	\$240	1	\$240
Intuit QuickBooks Pro 2007 (business)	\$96	1	\$96
Adobe Audition (Sound editing)	\$140	1	\$140
MS Visio Standard 2007 (design)	\$76	5	\$380
MS Visual Studio 2005 Professional (dev)	\$750	5	\$3,750
MS Project 2007	\$65	7	\$455
Subtotal			\$8,326
Business & Legal Fees			\$5,000
Total Start-Up Costs			\$13,326

5.4 Financial Statements (Pro Forma)

Estimated Revenues				
	3 Months	6 Months	Year 1	Year 2
Total "Registered" Users	3,000	30,000	500,000	1,250,000
Total "Active" Registered Users	3,000	30,000	250,000	220,000
One-time Fee Revenue				
Total "Paying" Users For "Original" Games	150	1,500	25,000	62,500
Total "Paying" Users For "Expansion" Games	-	750	12,500	31,250
Price of Original Games	\$ 20	\$ 20	\$ 20	\$ 20
Price of Expansion Games	\$ 10	\$ 10	\$ 10	\$ 10
Total One-Time Fee Revenue	\$ 3,000	\$ 37,500	\$ 625,000	\$1,562,500
Dynamic In-Game Advertising Revenue				
Total "Non-Paying" Users	2,850	28,500	225,000	157,500
Average Hours of Gameplay Per Consumer (Monthly)	-	-	5	10
Advertisements Per Hour	-	-	25	25
Number of Impressions	-	-	28,125,000	39,375,000
CPM (cost per thousand impressions)	\$ 10	\$ 10	\$ 10	\$ 10
Total Revenue from Dynamic In-Game Advertising	\$ -	\$ -	\$ 46,890	\$ 346,080
Total Revenue	\$ 3,000	\$ 37,500	\$ 671,890	\$1,908,580
Estimated Costs				
	3 Months	6 Months	Year 1	Year 2
Variable Costs				
PayPal Fees	\$ 49	\$ 731	\$ 6,094	\$ 15,234
3rd-Party Portal Fees	\$ -	\$ -	\$ 156,250	\$ 390,625
Total Variable Costs	\$ 49	\$ 731	\$ 162,344	\$ 405,859
Fixed Costs				
IT Infrastructure	\$ 1,981	\$ 9,905	\$ 47,544	\$ 202,062
Salaries	\$ 20,000	\$ 80,000	\$ 360,000	\$ 720,000
Office Space	\$ 900	\$ 1,800	\$ 3,600	\$ 7,200
Marketing	\$ 5,000	\$ 15,000	\$ 30,000	\$ 90,000
Legal Fees	\$ -	\$ -	\$ 20,000	\$ 60,000
Total Fixed Costs	\$ 27,881	\$106,705	\$ 461,144	\$1,079,262
Total Costs	\$ 27,930	\$107,436	\$ 623,488	\$1,485,121
Projected Income				
	3 Months	6 Months	Year 1	Year 2
Total Revenue	\$ 3,000	\$ 37,500	\$ 671,890	\$1,908,580
Total Costs	\$ 27,930	\$107,436	\$ 623,488	\$1,485,121
Net Income	\$ (24,930)	\$ (69,936)	\$ 48,402	\$ 423,459

5.5 Break-Even Analysis

