ELEVATED GAMES

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A. ## EXECUTIVE SUMMARY:

       Elevated Games desires to create the most enjoyable social online game experience achievable. The social online gaming industry is no longer simply a numbers game (number of active users), but in the ability for developers to meet customer demands through games of higher quality and depth as gamers are beginning to mature. Elevated Games strives to differentiate from its competitors by creating a brand name in the space so that customers view Elevated Games as an outlet of fun, with engaging games and effective, personal customer service. Elevated Games's games will not only allow people to have true connections through relationship building between players through its games, but it will also empower the player to play effectively and enjoyably.

   This business plan will assess the marketing objectives, risk factors, future profitability and viability of Elevated Games in the social online gaming industry. The objective of this report is to discuss and analyze Elevated Games through research analysis pulled from various sources, including competitor and target market statistics.

   Through extensive research, Elevated Games has proven to have an enormous potential for growth since the industry and its services are in the inclining stage of its life cycle. Currently the industry size is considerably large, with several direct competitors in the area. Although the trend of social interactivity through online games has a short history, it is the driving force behind the growth of the social games industry. For instance, one of Elevated Games's competitors, Zynga, has proven this consumer movement in less than three years through saturating themselves in the industry.

   Compared to the others in the business, Elevated Games's differentiating advantage is its ability to have a clear focus, utilization of its user experience expertise, and understanding the social environment. Even though Elevated Games is in its introductory phase of beta testing, the company has a profound understanding the core characteristics that make a game fun.

   Despite Elevated Games's keen ability to target and differentiate its services and provide excellent customer service, it must develop a strong brand presence in the market in order to compete with its direct competitors. In order to do this, Elevated Games's long-term marketing objective is to grow its image organically and become the top social online game company in the United States, with the highest number of daily active users within the next 5 years. Elevated Games

plans to achieve these goals through transparency, being honest and most importantly having a fun and enjoyable journey to the end aspiration.

Elevated Games's strategy for the release of its first game, City Wars, is to initially offer added value for early users by offering free extra resources for the first 5,000 sign-ups and promotional strategies through friends. By targeting and tapping into different networks, Elevated Games will be able to maximize its guerilla marketing through word-of-mouth, while tapping into all major social online gaming blog sites.

B.   <u>BUSINESS DESCRIPTION:</u>

Elevated Games is committed to creating profitable niche games that engage the player through original story telling and creative social game mechanics. In order to achieve this mission, Elevated Games will follow up on this commitment by constantly striving to ensure the happiness of its players, and by consistently innovating better ways to play socially.

The definitive goals of Elevated Games are to own a portfolio of profitable games with dedicated user bases that generates sustainable profits, while establishing a brand name in the virtual space to gain consumer trust as a online game company that produces fun, engaging games as well as providing effective and exceptional personalized customer service. The results of the end goal will be determined based on the financial target of obtaining minimum monthly revenue of $100,000 per game, which is calculated by estimating at least 200,000 monthly active users (MAU) by $.50 average revenue spent per user (ARPU) three months after launching, by mid-November 2010. Along with the financial goals, success will also be evaluated by meeting a 30%+ sticky factor for daily and monthly active users (DAU/MAU) in higher user engagement.

The Elevated Games target market is composed of males ranging from age 13 to 35 years old that is primarily hardcore gamers, but intermittently play casual games as well. The Elevated Games consumers are fans of science fiction, fantasy, military and war related games similar to StarCraft, Avatar, Doom, Mafia Wars, WoW, Evony, Star Wars and Command and Conquer.

The social gaming industry is a very new industry that is less than three years old, and it owes its existence to the launch of Facebook's platform in 2007. This industry is now one of the most rapidly growing industries in the gaming market.

The accelerated growth of this industry is propelled by the boom in the culture of social networking that has enabled communities all over the world to spend enormous amount of time interacting with family and friends, sharing and seeking online content as a part of their daily lives. The operators of these social networks recognized the value of their user bases to software developers. By allowing developers to distribute applications such as games to their users, they eliminated many of the difficulties of online game distribution. Subsequently, the online game industry enjoyed a surge in a wider market, new games and new profits.

However, recently, there have been changes in the industry that could drastically change the social gaming industry in both the short and long term. The largest gaming platform powerhouse, Facebook, has decided to distribute its own currency, which leads to higher fees and creates competition for developers who use their own monetary system. Facebook's new "Credits" are being sold for 10 cents a piece and for every credit a merchant redeems, Facebook receive a 30% cut, which reduces online game companies' revenue by significant numbers. However, this decrease in revenue on a per user basis may be offset by an increase in user spending. As Credits aren't mandatory yet, this change mostly represents an attractive option for smaller developers and new entrants. If Credits become mandatory, establishing a game portfolio that is based on Credits now will also be a very good move.

Along with the currency changes, communication channels are also slightly watered down as requests, which used to be a part of notifications, will have their own area and invites have been moved to a less noticeable area. The sharing of application content will now be shared through the inbox as well as the stream. The application tabs will be the only way to integrate into the profile and can no longer mislead players by making "invite friends" the default button at any decision point, nor can they gate content or reward players based on the number of friends playing or incentivize a player to invite friends or publish to the stream.

These policy and platform changes have positive effects for Elevated Games. As viral growth will be more difficult to achieve, smaller entrants that lack the drive to compete without the old viral channels will be deterred from entering the space, reducing the number of overall games on Facebook. However, it will also temporarily level the playing field by forcing bigger companies to adjust their practices, which will result in a drop in traffic across their portfolios. The lack of an Elevated Games cross-game currency in lieu of Credits means less customer

lock-in; however, the benefit of decreased customer lock-out through Credits may overcome this.

Elevated Games's strategy to combat this barricade is to create more valuable experiences that players would want to share with their friends. These experiences are formed through the challenges, hopes and accomplishments the games offer the player. In tandem with publishing games through Facebook, Elevated Games will also deploy its games on aligned game portals and independent sites that are owned and operated by Elevated Games. The solution to the reduced viral channels will be to offer games that are more socially focused and therefore, lend themselves to stronger viral growth. Elevated Games also plans to integrate mobile distributions with online channels to make it a universally accessible experience as well as enter international markets. The focus will be to increase user engagement, stickiness and retention to reduce churn, and increase ARPU in exchange for smaller expected user bases. Moving forward, Elevated Games will seek out and target untapped niches, develop new forms of game play to engage and delight users, and continually strive to become a leading innovator within the online gaming industry.

Elevated Games will be legally incorporated as a Limited Liability Corporation as the members of the company are afforded limited liability and have pass-through taxes comparable to a partnership formation. Forming an LLC will give Elevated Games all the benefits of forming a corporation while avoiding double taxation and excessive paperwork.

C.   PRODUCT / SERVICES:

Elevated Games will debut its first online game, Armies, in August 2010. Armies is an asynchronous massively multiplayer online (MMO) strategy game that differentiates from its competitors as an exceedingly well-balanced and replayable game in which players can build bases, produce units and wage war against each other. The game is a simplified version of traditional RTS games such as StarCraft and Command & Conquer, making it much easier for the gamer to understand and play. The success of Armies will stem from the carefully crafted units that are designed to allow players to form their own attack and defense strategies by selecting which units to use in battle. There will be no single unit that will be considered the strongest, so players are required to mix and match units that have complementary strengths. Armies will take place in a

post-apocalyptic-world and fall into the military science fiction genre of online games.

Armies will monetize by providing players with opportunities to obtain virtual goods through micro transactions. These virtual goods will be built into missions and battles against other players to create a seamless game experience and increase the level of gamer interaction. The players will be able to earn these goods by bolstering their armies in the form of boosts/upgrades technologies, units, commanders, special attacks, weapons, and base decorations. After earning these goods, the players will have the opportunity to use these items to increase their odds of winning in missions and battles. The depth of these achievements will increase player retention, as gamers will be able to show off accomplishments to friends and win in-game currency and goods as additional bonuses.

The monetization strategy of Elevated Games will be through the accumulation of virtual goods in exchange for purchasable and earnable virtual currencies. These exchanges will consist of micro transactions in the 5 cents to 20 dollar range.

Following Armies, Elevated Games will continue to expand its game portfolio by releasing Babybots and Steampunk Samurai, consecutively by the year two, upon launching. These next two games will be focused in targeting and expanding into the children and hardcore gamer markets. Babybots is a fun and cute, Pokemon-like game that will present playful baby robots where the player will assume the role of the inventor who has to care for and discover new Babybots. This game is designed to be a nurturing game revolving around the idea of collecting, caring for and customizing the game characters and its environments targeted at children. Steampunk Samurai is a trade-and-collaboration focused character development RPG set in an alternate retro-future steampunk Japan. This is a classic tales of justice; good vs. evil, resume the princess type of online game that combines innovative tools and enemy combat type of theme designed for players to play with other gamers.

Elevated Games will continue to develop sought-after games after and during the launches of City Wars, Babybots and Steampunk Samurai to build the company portfolio and expansion of the business.

D.   <u>DEMOGRAPHICAL BACKGROUND:</u>

a.1.   ENVIRONMENTAL ANALYSIS:

A. Market Size

The United States online social gaming industry is currently experiencing exponential expansion and there are a number of optimistic signs that this sector will continue to sky rocket throughout the next few years. The "Inside Virtual Goods Report" finds that the U.S. virtual goods market grew from $1.3 billion in 2009 to $1.6 billion on 2010, of which the social gaming and gifts portion practically doubled from 2009 to 2010, growing from $490 million to $835 million. The Virtual Goods study found that 11 million people are paying for virtual goods on a monthly basis in the U.S. and that the top 2% of this group spends an average of $8-12 a month on these items, producing $300 million in total sales per year. The remaining 98% of these consumers spend around $1.90-$2.00 monthly, generating $190 million to $200 million per year.[1] This data represents explosive growth and high consumer demand for an industry that has only existed in the U.S. for three years, and proves that there is enormous opportunity for emerging online game companies like Elevated Games. Most recently, in August 2010, Games Beats has stated that according to the market research group, NPD, about 20 percent of the United States population has played a game on a social network in the past 3 months. This means 56.8 million Americans ages 6 and older have played on a social network and about 35 percent of those social networkers are new to gaming.[2] These numbers from a huge shift in consumer demand from console games to the online games due to the upsurge of social networking sites, such as Facebook, that have provided easy access platforms through which game developers can widely distribute their product.

The Evolution of Social Games

The development of social games evolved from the movement of users to social networks as spaces where they spend a sizeable amount of time interacting with friends to be entertained through content consumption. Social networking has

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1 Smith, Justin. "Inside Virtual Goods." Future of Social Gaming 2010 1.1 (2010): 151. Web. 1 Jul 2010. <www.insidevirtualgoods.com>.

2 Takahashi, Dean. "Games Beat." One in five Americans plays games online. Games Beat, 23 08 2010. Web. 23 Aug 2010. <http://games.venturebeat.com/2010/08/23/one-in-five-americans-plays-games-on-social-networks/>.

created large networks of people who are now looking for other avenues to be entertained by connecting to other individuals. This demand pushed social networks to expand their space to developers building application on top of their networker that allow developers to use this data to design social experiences like social games. Social games are essentially a new type of game, which uses social interactions as part of the game play, lending itself to viral growth.

The meaning of social games has lengthened to include everything from games played on social networks to games that depend on social networks as a core part of gameplay. There are some key components that a game should have to be deemed as a social game:

- Casual gameplay designed for short session length - Social games focus on small amounts of content, which can be digested in fairly brief sessions. This design is driven to emulate and take advantage of the high regularity of the short visits model that characterizes the way many users share with the underlying social networks.
- Use of social graph data - To be considered a social game, the game must make use of social graph data, which can come from a 3rd party social network such as Facebook or a private social network accessible to that developer.
- Free-to-play games monetized largely by virtual goods - By and large, social games are free for users to play and generate revenue using virtual goods. Monetization has also evolved to depend primarily on virtual goods, virtual currency, and micro transactions. [1]

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[1] Smith, Justin. "Inside Virtual Goods." Future of Social Gaming 2010 1.1 (2010): 151. Web. 1 Jul 2010. <www.insidevirtualgoods.com>.

[4] "2010 Social Gaming Research." Pop Cap Games. Information Solutions Group, 2010. Web. 1 Jul 2010. <www.infosolutionsgroup.com/2010_PopCap_Social_Gaming_Research_Results.pdf>.

B. Industry and Consumer Activities/Trends

The Big 3 and their effects on the industry
Of the $835 million online social gaming market, with a 70% growth rate in the US in 2010, much of this number in contributed to the largest (Big 3 – Zynga, Playfish and Playdom) developers in the industry.

- Zynga:
    - Zynga is the largest online game developer with over 200 million MAU[3]. Zynga's most renowned game is Farmville, the top played game on Facebook and generates a consequential amount of revenue from these users. 90% of Zynga's revenues come from the purchase of virtual goods through its top games, generating about $100 Million as of April 2010, with 40 million unique visitors.
    - According to a Zynga blog post, the company reported the following stats as of the end of November 2009:
        - 200 million monthly unique visitors
        - 100 million users on a de-duplicated basis
        - 1 million paying users[1]

- Playfish:
    - Playfish was the fastest growing online game development company of the Big 3 and had a reputation for very high-quality games. However, Electronic Arts ultimately acquired Playfish for as much as $400 million. Similar to Zynga, Playfish generated most of its revenues through its core games such as: Country Story, Pet Society and Restaurant City. Playfish's strengths are in its game design as opposed to monetization. However, Playfish has recently released, Gangster City and Poker Rivals, which are both measurable in the monetizing game genres.
    - It is estimated that Playfish stats in 2009 are close to these numbers:

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3 MAU: Monthly active users.

[1] Smith, Justin. "Inside Virtual Goods." Future of Social Gaming 2010 1.1 (2010): 151. Web. 1 Jul 2010. <www.insidevirtualgoods.com>.

- $20 ARPPU[4] for its core monetizing games (Pet Society doing 20-25% more on ARPPU basis)
- Total October 2009 Revenue: $8.4 million
- October Revenue for Core Games = $8 million [1]

- Playdom:
  - Playdom is the third largest online game developer. Unlike Zynga and Playfish, Playdom initially integrated its games for the MySpace platform and is currently in the process of transitioning to Facebook through acquisition and organic development.
  - Based on public statements by the Playdom to Inside Social Games, and research by Atul Bagga of ThinkEquity, here are some statistics that were generated on the company:
    - Playdom has 28 million users across all platforms, based on de-duplication.
    - 1-4% conversion to paying users across its portfolio of games across all platforms.
    - Has profitable value of approximately $50 million.
    - Approximately 220 employees as of the end 2009.
    - MySpace still embody about 60% of traffic but only about 50% of revenue. [1]

C. Comparison of Social Games to Traditional Games

Traditional games, also known as board games have been around for over 2,500 years. These games include board games like Checkers and Go that eventually evolved into console and online games in the last 20 years. As traditional gaming Web sites and platform users seem to be migrating away, social games are on the path to becoming the "next big thing" on the Internet. This new trend is being heightened by the materialization of social-networking sites such as Facebook

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4 ARPPU: Average Revenue Per Paying User is calculated by dividing up the revenue amongst the users who paid anything at all. This yields a figure that is significantly larger. In the case of a subscription MMO, the ARPPU, measured by accounts, is the subscription price, diluted slightly by free trials.

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1[1] Smith, Justin. "Inside Virtual Goods." Future of Social Gaming 2010 1.1 (2010): 151. Web. 1 Jul 2010. <www.insidevirtualgoods.com>.

and MySpace, which incorporates games with their Web site and allow users to play games online together with friends at no cost.

Traditional game users are being lured away from console games to play with acquaintances on these platforms as proven by the several hundred million registered users on social-networking sites currently. Games such as Farmville and Mafia War, on Facebook, now boast of several million players everyday. This trend points to the surfacing of social and online gaming as an area that can be further developed by developers in the entertainment and gaming industry. Game sites like Playfish are already taking advantage of the development by combining the concept of social networks and gaming. Gamers on these sites can now play games such as card, puzzle and casino games with friends from a variety of social-networks.

In comparison to the traditional gaming industry, social gaming is much more scalable, has a wider reach and has a faster iteration based on customer feedback. Social gaming has changed the idea of gaming as a serves versus gaming as merely a product. As social gaming is becoming more and more popular, traditional gaming is quickly disappearing as games continue to be more innovative, socially interactive and challenging.

Industry Opportunities

1. Growth Potential

A. Youngness of Industry
   o The online gaming industry has evolved less than three years ago and has already evolved to be an industry that is worth in the billion dollar range. The growth potential and industry opportunities for new developers, as well as the existing ones are endless. The online game industry will only continue to expand and develop upward as investors continue to pour money into the development of new online games.

B. Acquisitions by Big 3
   o Both the growing number of acquisitions and the growth of total market size suggest enormous opportunity for game developers within the social gaming space. As shown through GP Bullhound investment banking firm's advice on mergers & acquisitions and institutional capital-raising to emerging growth companies in the technology sector, the firm found that

the competitive landscape of the social gaming industry is consolidating into a few large companies, as shown in the chart in this section.[2] This trend is occurring throughout the industry with the assembly of digital networking platforms, search engines and now social gaming. As shown through the graph below, the DAU has splurged from less than 10 million DAU in May 2009 to almost 70 million DAU in less than one year of time for the leading developer, Zynga. What Elevated Games can take from this research is similar to Zynga games, the necessity to produce games that create valuable and entertaining experiences for players, but also easy to understand. To compete with major players with Zynga, Elevated Games will target the long tail, focus on capturing untapped niches, stay on top of consumer and tech trends, and innovate to create higher quality games than the competition.

[5]

o The success of the industry leaders will also create greater interest of traditional game publishers and developers, which will increase the number of acquisitions of these smaller developers. A prime example of this movement is in the recent up-to-$400 million acquisition of Playfish by Electronic Arts. Along with hundreds of millions of dollars in investments as well as some of the record engagement numbers that online entertainment has ever seen, social gaming is now affecting businesses across the entire media panorama. It's become very apparent that there are extensive opportunities for social game developers with virtual goods revenue models although the marketplace is still rapidly surfacing.

C. New Types of Gamers
o There has been an evolution of people that are playing social games who have never played games before as cultural trends and moving social interactions on social media websites and online games. These new gamers are people that may have never touched a console or played a traditional online game before, but because of the interactivity of the new

[2] Core, Bay Area. "Tracking the Trends." Is Social Gaming the Next Big Thing? 10 April 2010: 1. Web. 1 Jul 2010. <http://bayareacomre.com/2010/04/05/tracking-the-trends-is-social-gaming-the-next-big-thing-ask-steve-jobs/>.

5 Core, Bay Area. "Tracking the Trends." Is Social Gaming the Next Big Thing? 10 April 2010: 1. Web. 1 Jul 2010. <http://bayareacomre.com/2010/04/05/tracking-the-trends-is-social-gaming-the-next-big-thing-ask-steve-jobs/>.

social gaming market and the increase of their peers playing these games online, it has heightened generally non-gamers to test a social game; many of which, have enjoyed the experience in interacting with friends and have continued on to play other online games as well. This is an entirely new and growing market that has developed only in the recent years.

2. The Effects of Industry Opportunities on Big and Small Developers
   o Success of Big 3 will encourage smaller developers
   o Greater interest of traditional game publishers and developers will increase number of acquisitions of smaller developers (e.g. EA and Playfish for $300MM, Disney and Club Penguin for $700MM, etc)
   o Economic recovery will increase entertainment spending
   o Broadband improvements and lower pricing will increase number of people online, on Facebook, and playing games

C. Industry Set-Backs

1. Barriers of Entry

   • The Effects of the Rising CPA Prices
     The rising price of CPA ads[6] makes acquisitions increasingly expensive. Advertisers are struggling to link a clear return on investment by investing in various online and offline advertising platforms. In order to look ahead of CPC[7], businesses now must stay abreast on what the major engines are considering for their own CPA model. Today, CPA is considered to be an alternative form of advertising from the advertiser's point of view, since the entire burden of responsibility is on the publisher. The commissions that publishers receive are dependant on good conversion rates from the advertisements. The downside is that CPA ads prices are being consistently increased and while this form of advertising is said to be virtually risk-free for the advertiser, even beyond the pricing, it still discourages marketing innovation and diligence.

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6 CPA Ads: Cost Per Action form of online advertisement.
(http://www.allbusiness.com/marketing/advertising-internet-advertising/2648-1.html)

7 CPC: Cost Per Click

- Dominant Players Already Established Themselves

  As the top online game developers, also known as the Big 3 (Zynga, Playfish and Playdom), have been a part of this industry practically since its inception, these companies have been able to establish themselves as strong brands and powerhouses within the industry. The Big 3 have been able to thoroughly test the market and withstand market changes as they have been around for a notable amount of time. These matured companies have practically monopolized the online gaming market and have made it difficult to new developers to compete on financial and player number latitude.

- Nascent Industry

  The online gaming industry is not even three years of age; therefore, making it a very nascent market. The industry is growing at such a rate that even, at times, the Big 3, have difficulty keeping up. Because there is so much that is still unknown about this industry, there is little compiled information and research for new developers to build a strong foundation on. Along with constant technological advancements and innovation, the rapidly changing trends of gamers will make it difficult for developers to keep up with.

2. Facebook changes

Although there is tremendous opportunity present in the online social gaming industry, there are also several major threats that have recently leveled the playing field for all established online game developers and more positively, for new entrants. The most drastic change in the recent months was the policy changes the largest social media online game platform, Facebook.

A. Changes to Improve User Experience

Facebook has made extensive modifications to their Platform that reflect a growing emphasis on user experience at the expense of app virality and user lock-in. These changes range from policy and feature changes to the introduction of, and the specter of monopolization by Facebook Credits.

B. Channels for Viral Growth are Weakened

Viral channels of the past, such as "Requests" and "Invites" are now less noticeable to the recipient, making it less likely that they will result in user acquisition and viral growth. Applications will also be harder to discover, as Application tabs will be the only way to integrate an app into a user's profile.

C. Developers can no longer coerce Viral Growth

In the past, games could withhold game content from a user unless he or she successfully invited a number of friends to join the game. Under Facebook's new Policy, this coercion is no longer allowed. Again, this makes it more difficult to get players to invite their friends, and thereby achieve viral app growth.

There are additional signs that demonstrate Facebook's growing emphasis on user experience over viral growth. For instance, the new Facebook Policy states that app developers can no longer make "Invite friends" a default choice at any friend-invitation decision point. Also, applications can no longer offer a player any rewards for inviting friends or communicate with them about the game, making it more difficult to incentivize viral growth.

D. Facebook Credits Increase Buy-in, Decrease Lock-in

Facebook is currently testing its own system-wide virtual currency, called Credits. While they are currently in beta, and are expected to later segue into a system-wide option to all app developers, it is theorized that Facebook will eventually make Credits the Platform's mandatory, if not sole, virtual currency.

While Facebook takes a 30% cut of any revenue derived from its Credits, the currency's espoused purpose is not to turn a profit. Rather, Credits are intended to simplify the virtual currency system, which will make it easier for users to buy goods from a variety of games without being locked into any single game developer's proprietary currency.

E. Positive Effects on Social Gamers

Although the circumstances of Facebook's proposed policy changes have mixed effects for developers, the changes have an overall more positive effect for the actual end-users, the gamers. These changes will make social gaming a less intrusive, more pleasant experience on Facebook. Users who do not want to play social games will be empowered to ignore them, and users who do want to play see more value in games recommended by their friends.

The addition of Credits allows users to buy goods in various games without fear of loss of currency or wasting money. By allowing users to sample out the virtual goods for sale through various games, Credits facilitates the entry of users into all games' monetization funnels, which is good for all developers.

C. Negative Effects on Developers, Large and Small

Facebook's shift towards an enriched user experience at the expense of viral growth channels, will significantly affect the way all developers gain new users, from the Big 3 to the latest entrants.

The Big 3 will have to make major adjustments to maintain the viral growth of their games. They have been able to make similar changes in the past though, so though their games' growth may slow or even drop periodically, their dominance will likely remain largely unaffected.

Most smaller developers lack the budget, talent, and reach to develop social game mechanics and quality content that are sufficiently viral to counteract the reduced viral growth caused by Facebook's new Policy and Features. Thus, we will likely see a reduced number of new entrants into the social gaming space on Facebook.

Larger developers are actively adopting use of Credits already, in anticipation of their widespread use and possible monopolization. This early adoption will ameliorate any disruption to their games' monetization rates such widespread use may cause. Smaller

developers will have a harder time playing catch-up once Credits emerge from the beta testing period.

D. Positive Effects on Smaller Competitors and Elevated Games

By making viral growth more difficult to achieve, Facebook's changes to its Platform Policy and Features will deter many smaller entrants into the space that lack the innovation needed to compete. This will reduce the overall number of social games and developers in the space, making it easier for Elevated Games to differentiate from its competitors.

As already noted, Facebook Credits will move more users into all games' monetization funnels. Initial test purchases that contribute to a positive user experience will translate into long-term monetization. This will make it easier for Elevated Games to monetize its games, as monetization will hinge less upon convincing users to make a first-time purchase of a virtual good, and more upon rewarding that purchase with a fun experience.

E. Positive Effects for Facebook

Increasing its users' collective experience will make all of Facebook's users happier, cementing their loyalty to the network. As long as Facebook owns such a large user base, developers will happily adjust to the changes it enforces, regardless of the difficulty and expense incurred in doing so. In the long run, Facebook knows its changes will improve its user experience, and the social gaming experience through its Platform, as a whole.

D. Trends of Social Gaming

1. Demands in Target Market
A. Target Market
- Delving deeper into understanding the trends of the target market, the casual to hardcore online social gamer, it is apparent that a majority of social gamers play multiple times a week and even up to several times a day, proving the movement in the popularity of the online gaming culture in itself.

These consumers are casual to hardcore game players who are deeply immersed in the social networking culture. Surprisingly, multiple studies have shown that there is a higher presence of the U.S. female social gamers at 55% than U.S. male social gamers at 45%, as surveyed by Mashable Entertainment.[8] This could be due to the fact that there is a larger number of female-friendly games like: Bejeweled, Tic-Tac-Toe and other mini-games. The average age of a social gamer is 43 years old and is a full-time worker. They are familiar with playing online games through desktop and laptop computers and play games for entertainment and fun, stress relief, competitive spirit, mental workout and to connect with friends.

- The target market are males, ages 13-35 and that are active users of social media platforms like Facebook. They are casual gamers that may occasionally cross into hardcore gaming. These types of gamers enjoy a immediately clear play cycle in games that are easy to learn, but hard to master with sophisticated game mechanics that provide rewarding game play.

B. Growth Trends
- The 3-year-old social online gaming industry has been growing rapidly with little to no hesitation of slowing down any time soon. Eventually, if not already beginning to, users will mature and become more sophisticated. Viral growth is beginning to slow down due to Facebook restrictions. However, viral referrals have more importance because less quantity (spam) means higher quality (in true referrals by a friend), so a viral referral will hold more meaning for the recipient and more value for the game developer.
- These behavioral trends of social gamers can be shown through Pop Cap's Social Gaming Research provided by the Information Solution Group. Out of 1,202 gamers that participated in the survey research, the firm found that two-thirds (69%) of the social gamers played either social or hardcore games. A social game is classified as games that are a structured activity, which has contextual rules through which users can engage with one another. Social games must be multiplayer and have

8 Axon, Samuel. "Entertainment." Who's Playing Social Games?. Mashable, 17 Feb 2010. Web. 2 Jul 2010. <http://mashable.com/2010/2/17/social-gaming-survey/>.

one or more of the following features: turn-based, are based on social platforms for providing users with an identity and are casual.[9] Hardcore games are defined as a game that is challenging, deep and fun that a hardcore gamer will invest large amount of time playing.[10] Of that faction, more than half (56%) have been playing social games for over one year and within that focus group, 95% played multiple times a week, while 34% played several times a day, 30% play at least once a day and 33% play two to three times a week.[11] This information substantiates the continual increase in the growth of the online games market and the opportunity that is apparent within the industry, specifically for games that involve more strategy. As gaming is becoming more popular, consumers are spending more time playing online games. Therefore, creating a trend in the creation of more sophisticated strategy type games for more hardcore gamers.

C. Consumer Preferences

- As the online gaming industry continues to grow, gamers are starting to develop a finer taste in the types of games they prefer to play. Current consumers are maturing and have preferences in valuable experiences that can be shared socially with other players. The target market is seeking games that embody exciting and challenging storylines and game play. It is a movement in progression from simple, casual games to more complex games that allow the user to accomplish difficult goals and experience the unknown and unexpected.

E. The Integration of Elevated Games

9 O'Niell, Nick. "Social Times." Your Social Media Source. Inside Social Games, 11 May 2010. Web. 31 Jul 2008. <http://www.socialtimes.com/2008/07/social-games/>.

10 Shwayder, Ryan. "Nerfbat." Definition War: Hardcore Vs. Casual. N.p., 20 Mar 2007. Web. 15 Jul 2010. <http://www.nerfbat.com/2007/03/20/definition-wars-hardcore-vs-casual/>.

11 "2010 Social Gaming Research." Pop Cap Games. Information Solutions Group, 2010. Web. 1 Jul 2010. <www.infosolutionsgroup.com/2010_PopCap_Social_Gaming_Research_Results.pdf>.

1. Percentage of Market Share
    - The size of the primary target market is about 22 million players, based on the number of people playing Mafia Wars every month, a game that shares the same target demographics and similar game play as Atomic Armies. Elevated Games hopes to gain 20% of this market with Atomic Armies over the course of the next two years.
    - This market will grow as more people worldwide join Facebook and begin playing social games.

    - Need to figure out exact size of market, percentage of market share Elevated Games wishes to obtain and percentage growth of this specific niche market.
    - Pricing of games and gross margin targets (discount structures) for Elevated Games.
    -
2. Combating Barriers of Entry
    - Elevated Games plans to focus specifically on a niche target market in its beginning stages of launch to establish a deeper focus and competitive advantage over its competitors, specifically for the release of City Wars. The company will then eventually move off Facebook, deploy on aligned game portals (e.g. Kongregate) and independent sites that will be owned an operated by Elevated Games. Elevated Games also plans to integrate to mobile with an online, creating a universally accessible experience. Then in the long-run, enter international markets when Elevated Games becomes one of the top online developers.
    - To increase user LTV[12], Elevated Games plans to shift focus in game design and development to create games that meet user engagement, stickiness and retention. This will reduce churn[13];

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12 LTV: Lifetime Value (average total revenue earned per user before user stops playing the game)

13 Churn Rate: 'Churn rate', also sometimes called attrition rate, is one of two primary factors that determine the steady-state level of customers a business will support. In its broadest sense, churn rate is a measure of the number of individuals or items moving into or out of a collective over a specific period of time.

increase ARPU[14] in exchange for smaller expected user bases. To provide more gifting and achievement aspects in the games will in turn increase stickiness.

3. Summarization of Execution Plan
- Differentiations/Strengths
  - Elevated Games core competencies and strengths lie in knowing the customer demand and social trends, along with its user experience expertise. Elevated Games's mission is to focus on the core of the game to provide features that make it fun and engaging for the user. This includes honing into the details of creating games that target the user experience. Elevated Games has a forte in bridging the gap from intention to effect, which will in-turn, create more immersive and fun games. The company also understands that social games and Facebook are not synonymous. This is an important dissimilarity to maintain and will guide Elevated Games in adding tools to the games it creates, as the games will be created to exactingly improve and promote social experiences and not just pitching them in because they are present. These are characteristics that will differentiate Elevated Games from its competitors and will be expanded upon in the SWOT Analysis section.

- Pricing Structure
  - Elevated Games plans to have a two-tiered system where members of Elevated Games's VIP Club (top ranked/highest level users) will be offered discounted rates when purchasing virtual goods. The complete run-down of the promotional pricing model is as follows:
    - Standard game play (everyone): Free to play
    - Daily Deal: It costs $4.99 per month to subscribe to the Game Club, which also gives members access to a free game credit per month, live chat support, and a monthly punch card to earn additional free games.

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14 ARPV: Average Revenue Per User

- Marketing Strategy
  - The goal of Elevated Games is to reach out to its target market, the hardcore gamers. Elevated Games plans to achieve these goals by distributing press releases to major Online Game magazines and subscriptions. An even more direct and cost-effect approach will be to be featured in top game blogs, game news sites and interviewed on game video blogs. It will be vital for Elevated Games to also make appearances at Game networking events, panels and consumer conferences.

a.2. COMPETITIVE ANALYSIS:

	Three Rings	Ohai	HitGrab	Lolapps	Nexon	Elevated Games
Competitive Factor:	3	1	2	3	3	1
Product Uniqueness:	3	1	3	2	3	3
Price:	1	3	3	1	?	3
Service Quality:	3	2	3	2	2	3
Availability/ Convenience:	2	1	2	2	1	2
Reputation:	3	1	1	2	3	1
Number of Users:	2	2	1	3	3	1
Level of Innovation:	3	2	3	1	2	3

1 = Low
2 = Medium
3 = High

Competitors' pricing structures

	Buy in	Discount	Price range
HitGrab's MouseHunt	$1.00 - $50.00	$.06 - $.01	$.01 - $0.06
Three Rings's Bite Me	$3.00 - $50.00	$.30 - $.20	$0.9 - $18
Lolapps's Band of Heroes	$2.50 - $100.00	$0.50	$2.00 - $8.00
Ohai (in Beta)	?		
Nexon's Combat Arms	?		

Although there have been an increasing number of new online games companies infiltrating the market due to the explosion of the gaming industry in the past few years, Elevated Games still has a number competitive advantages of its competitors. Namely, Elevated Games will provide the most satisfying game experiences for its users, by providing them with focused, rewarding gameplay, undiluted by the kinds of annoying and frustrating gimmicks that are endemic to social gaming.

Delving into a deeper look into Elevated Games' major competitors, the top five competitors are analyzed below. The competitors described are based on companies that are producing or are likely to produce similar games to those that Elevated Games makes, as evidenced by their interest in innovation and medium-sized game audiences. The competition's games can also effectively compete with Elevated Game's games through the quality of game play, experience and reach. These competitors will operate similarly to Elevated Games in that they will develop niche games around untapped genres, using innovative game mechanics, and try to attract small ($100K-2M), loyal, high-ARPU ($.50 - $2) audiences.

Based on these comparisons, Elevated Games' direct competitors are actually not the Big 3 (Zynga, Playdom, and Playfish), but rather medium to smaller sized online game companies. The Big 3 are interested in developing reproducible game mechanics that appeal to broad audiences and can be re-skinned and re-deployed to cross-promote and maintain the interest of their current user base. Therefore, will most likely discount smaller businesses like Elevated Games, which succeed based on smaller, higher-ARPU audiences.

Competitors:

1) Three Rings
   - Three Rings is an independent developer based out of San Francisco, California that is an online games company dedicated to creating unique social games that bring joy to a wide audience. Daniel James and Michael Bayne founded three Rings in March 2003. Three Rings is not a large corporation or presently funded by one because they value their independence to create fun and innovative games.
   - Similar to Elevated Games, their greatest strength is in their focus of innovation and originality and creating games that are

"truly social". They are very focused on their mission and does not have a reputation for imitating other games in the market. They believe that it's possible to make really fun online games without an emphasis on flashy graphics technology and quantity of content.[14] Three Rings company culture still has the mentality of a start-up and is consistently seeking out new audiences. As stated in their mission statement, Three Rings is singularly focused on the creation of games that are different, interesting and hopefully reach new audiences. [15] However, they seem to overdevelop ideas that don't merit further development

- Currently, Three Rings's top games include, Bite Me and Bang! Howdy. Bite me is a free online vampire-themed RPG that allows its users to lead and battle through quests with friends. Bang! Howdy is a free online wild-west themed strategy game that currently has 500,000 active players. The game play of both of these games most resembles a turn-based tactics game with minor real-time strategy elements added. The player chooses a set number of units, which are then laid down on a grid. Units have a set distance they can move during their turn, and a set range at which they can attack.[16]

- Three Rings' focus on innovation will be the toughest competitive factor that Elevated Games will have to combat as innovation is also a part of Elevated Games' mission when created its games. Elevated Games Plans to counter this by combining innovation and its abilities to understand what the market is looking for. In creating games that appeal not just to a single entity of simply casual or hardcore gamers, but instead appealing to both masses, Elevated Games plans to capture the Three Rings market plus more.

2) Ohai

14[14] "Three Rings Design." About Us (2010): n. pag. Web. 30 Jul 2010. <http://www.threerings.net/about.html>.

15 "Three Rings Design." About Us (2010): n. pag. Web. 30 Jul 2010. <http://www.threerings.net/about.html>.

16 "Wikipedia." Bang! Howdy. Wikipedia, Dec 2008. Web. 30 Jul 2010. <http://en.wikipedia.org/wiki/Bang!_Howdy>.

- Ohai's mission is to craft frictionless, lightweight massively multi-player online games that create joy and connection. A former principal and advisor for Charles Rivers Ventures, Susan Wu is now the Co-founder and CEO of Ohai. Ohai raised $6 million in venture funding as a start-up. Ohai's strengths are in the company's corporate culture and brand. They strive to connect people and for minimalism, but unfortunately, neither their writing or wed design displays those characteristics. Ohai pledges to put fulfillment in their game play, to integrate their online games into all areas of peoples' online social lives and to create consistent, high quality aesthetic games. This is proven through their drastic decline in visitors in the last year as posted on Compete.com, in June 2010, down over 63%.[17]
- Ohai's top games include Second Life and City of Eternals. Second Life is a free Internet virtual world that was launched in June 2003. It allows users to interact with each other and socialize through their own avatars by creating and trading virtual property. Users can also travel throughout the "grid" and participate in individual and group activities. This game was created for gamers ages 18 and over. As of January 2010, there are 18 million users registered in this game. City of Eternals is a vampire themed game that is made to attract the Twilight-crazy crowd of teenage kids. The game play is a hybrid between familiar client-based MMOGs and more recent social games on facebook like Vampire Wars and FarmVille. Players perform missions and fight to gain experience and other assets, and they can buy virtual goods to make the game more fun.
- Ohai's strengths in creating a reputable brand and culture will be the biggest obstacle for Elevated Games to overcome. Elevated Games will combat this by creating game building its brand from ground up to create a strong rooted group of followers. Elevated games will strive to provide exceptional service as well as creating games that further push the innovativeness of the company brand and culture.

3) HitGrab
- HitGrab was founded in November of 2006 and strives to be the premier social game development company. The company

17 http://siteanalytics.compete.com/ohai.com/?metric=uv

builds highly engaging social games, consult on social network monetization and provide training on "how to market online". Additionally, HitGrab's consultation services offer turn-key solutions to clients. HitGrab's strengths are in its community involvement and nurturing corporate culture. They also have a high production value and focus on very niche innovative games. However, this could be quite daunting to a new user.

- HitGrab's top game is called Mouse Hunt, which was released in March 2008. Within 9 months, the game earned a $250,000 development grant from Facebook and is continuing to grow in popularity. Mouse Hunt allows users to act as "hunters" and catch mice with a variety of different types of cheeses and traps in order to gain virtual gold and practice points through passive game play. HitGrab developers constantly add new locations and mice and offer giveaways and tournaments to continue to entice consistent players of the game.

- HitGrab's strengths in its high production value and innovativeness will be the biggest threat to Elevated Games. However, Elevated Games plans to be more strategic in its innovation strategy as they will focus on ensuring creating an easy direction guide for new users. Elevated Games will be creating innovative games with a deep storyline, but unlike Hit Grab, they game play will be less complex than that of Hit Grab to help attract new users.

4) Lolapps

- Lolapps was founded in 2008 and is one of the fastest growing social games company with 11 games in their portfolio and 300,000 user generated applications. They are focused in building the gift, quiz and game creator platforms that provide user-generated and customizable applications. Lolapps currently has 180 million total users, with 5 million DAU and Lolapps users have sent over 5 billion gifts. In their first round of funding, they raised $4 million from Polaris Venture Partners, Ron Conway and Ariel Poler. Lolapps mission is in creating, "Games that are unique, entertaining and make people laugh." However, their operational structure is like an assembly line approach in that they just spin off the same games by creating different skins on identical engines. Lolapps lacks creativeness in their game development as they consistently copy the Big 3.

This could be due to their lack of resources and skills. They also have a more niche focus as more than half of their games are created for males.

- Lolapp's top three games include Band of Heroes, Yakuza Lords and Dante's Inferno. Band of Heroes is a WWII-inspired RPG[18] where users play as a member of an elite squad of heroic soldiers determined for gain conquest. Yakuza Lords is themed in an organized crime Asia style, where the player's journey is "their path of vengeance for the one who killed their father". Yakuza Lords allows the user to gather friends to help rebuild their family, journey to new remarkable locations and destroy rivals and build the top Yakuza Empire. Dante's Inferno was inspired by the real Dante Aligieri, a hero who defies death and fights for love against all odds. The users play this character in a journey to vanquish their foes on a journey through hell.

- Lolapps's weaknesses of their assembly line operational formation and tendency to follow in the footsteps of the Big 3 can also play out to be their strengths. The cookie cutter operation line creates efficiency in their game development, while still capturing the same market by simply twisting a previous game to create a new one. Following in the footsteps of the Big 3 can also ensure that they are closely following consumer trends. Elevated Games will combat Lolapps's strengths in strong differentiation and focus on innovation in their games. Elevated Games will tap into the demands of the market, not through following in the shadows of the Big 3, but instead focusing directly on the gamers themselves.

5.) Nexon

- Nexon's core focus is on the innovation of their online games. They introduced the first graphic MMORPG, The Kingdom of the Winds in 1995. Nexon also developed the first Internet quiz game that set a world record of 700,000 concurrent users in China. Nexon prides itself in revolutionizing the online gaming industry in pioneering the micro transaction business model, which gives access to all their games for free and expanding the gaming experiences by purchasing virtual items. Nexon's breakthrough game was MapleStory that has over 95 million users worldwide. Nexon's key

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18 RPG: Role Play Game.

strengths are in its vast resources of talented programmers and artists.

- Nexon's top game currently is the MMO first-person shooter game, Combat Arms. Combat Arms was launched on July 11, 2008 and has over 3 million registered users in the United States. The gameplay of this game is similar to popular games like Counter-Strike and Call of Duty. It also uses a competitor ranking system, using military ranks that players can obtain through completing objectives and leveling up to earn "gear points" to purchase new accessories and weapons. The game also supports community features such as clans and an in-game friends' list. Just recently, on June 29, 2010, Level Up! Interactive, the premier Brazilian free games publisher announced that it had attained publishing rights of Combat Arms in Brazil.
- Nexon's strengths in having top-notch developers and designers on their team are a relatively heavy threat to Elevated Games. However, Elevated Games plans to battle Nexon's perils through its grassroots strengths in understanding the market demands and niche focus. Nexon has a relatively broader focus in its large range of games within its portfolio. However, by focusing on the male casual to hardcore gamers, Elevate Games will have a deeper understanding of that particular niche market; therefore, creating leverage for the start-up company.

Less likely competitors

1) Challenge Games (now part of Zynga):
    - Challenge Games was founded in 2006 with the goal of creating online, short-form games that are challenging, fun and easy to play for casual to hardcore gamers. The general idea was to create games that can be played in short time increments anytime, from anywhere. Challenge Games was started by Andrew Busey, who was also the creator of web-based chat and author of one of the first online gaming books - Secrets of the MUD Wizards. The games created by Challenge Games provide added benefits in that the games are multiplayer in nature, but players can participate in the action when it's convenient for them.
    - The first title released by Challenge Games was Duels, a free MMO fantasy game that combines the head-to-head play,

collectability and trading associated with collectible card games (CCGs) - like Magic: The Gathering and Yug-i-oh - and the level advancement and character development of massively multi-player games (MMORPGs) with the ease of access and community aspects of Web 2.0 applications.[19] Duels and other games developed by Challenge Games are free on Facebook. Players can trade or sell items to other players and sign up for VIP membership.

2) Meteor Games
- Meteor Games is an independent game company founded by Adam and Donna Powell in 2007. The company was the creators of the successful Neopets.com. Meteor Games strives to create quality, highly refined experiences that complement one another. Meteor Games deems to create fun and creative social games with regular updates and new content, but similar to Lolapps, the games they create mirror the Big 3.
- Meteor Games company's top online games are Ranch Town, Little Rock Pool and Island Paradise. Ranch Town is Meteor Games's newest Western-themed Game, where users can pan for gold and churn butter to become a top ranch boss. Little Rock Pool currently shares its currency with Island Paradise and the game theme is for users to look after sea creatures in a quiet little rock pool. Island Paradise had a title debut of more than 10 million registered players. The theme of Island Paradise was to grow crops, raise animals as well as customize your own avatar on your own tropical island. Island Paradise was named the 5ht most significant social game of 2009 by Inside Social Games.

SWOT analysis

a.3.   SWOT ANALYSIS:

Strengths

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19 "Challenge Games." About Us. Challenge Games, 2009. Web. 7 Aug 2010. <http://www.challengegames.com/about.php>.

Elevated Games has a competitive edge amongst its competitors, particularly with strengths in having a strong focus, in user experience expertise and understanding the social environment. The profusion of strong networks and resources within the industry are also great leverage for the company, as this will give Elevated Games an edge amongst its competitors. Elevated Games will also have a contending pricing structure, as the cost of the virtual goods being offered will be competitively priced with its competitors.

- Focus
  Elevated Games has a deep understanding of identifying and isolating the core dynamics that make a game fun, and building around them. This aids in creating a solid focus in defining and fulfilling a clear vision for each game, which will result in a richer, more satisfying game experience for the players.

- User Experience Expertise
  The company strength in knowing how to detecting the intentions and desires of the user help Elevated Games recognize how to build an experiences that are gratifying, frictionless and intuitive for the consumer. The user experience is the most vital element in software and even more so for games. Regardless of the length of time and location, people are used to immediacy and have a need to interact with the world around them. People will take extensive measures to infuse this real-world immediacy into Elevated Games' simplified universes. Knowing this, the quicker the gap is bridged from intention to effect, the more immersive, engaging and fun Elevated Games' games will be.

- Understanding the Social Environment
  Elevated Games thoroughly understand why and how friends interact in a play-oriented setting. By knowing what makes social play fun, the knowledge is then applied to make games that are pleasurable to play with friends. It is also understood that although Facebook provides an avenue of communication from one player to another, it does not mean that including it in a game actually makes a game more "social" as social and the Facebook platform are not synonymous. The people and inherent connections between

friends in the game are what make a game more social. This is an important distinction to maintain and one that will guide Elevated Games in adding tools to the company's games that will strictly improve and promote the social experience. Elevated Games also has strengths in knowing how to identify the intentions and desires of the user; therefore, building a user experience that is fulfilling, frictionless and intuitive.

Weaknesses

As a young start-up, Elevated Games has several limitations as a new business that the company must overcome to compete with its competitors. These weaknesses include inexperience in game making, monetizing and marketing in comparison to game companies that have been in the industry for a longer period of time. Other weaknesses that Elevated Games will have to overcome are reputation, presence and reach of customers as a new company. In the early stages, there may be difficulty operation as a one-man team, with labor shortage as well as lesser funding than its competitors, prior to raising more money.

- Game making inexperience
  Elevated Games has never made a game before as it is a brand new company, but is working with solid marketing research and learning the process quickly. The company also has a strong network of game designers and developers, so they have first hand access to input and valuable feedback. The Founder/CEO, Christian Cenizal, has also been a hardcore gamer his entire life, so game design and game analysis comes naturally to the final decision-maker.

- Inexperienced at monetizing
  Learning how to effectively monetize games will be the most challenging learning curve as Elevated Games has never worked with virtual good, virtual currencies or mictrotransactions. However, the operational teams has a relatively strong business background and recognizes that it is essential to produce virtual goods desirable to the target demographic and sell them for a small enough cost that their purchase is frictionless and justifiable.

- Inexperienced at marketing

  Although the Elevated Games Management Team has strengths in personalized marketing as Christian has worked in advertising for years, he does not have the marketing experience at a corporate level of responsibility before. However, he does have experience in positioning a product to meet a consumer's need and with the right advisors, Elevated Games should be able to overcome this growth obstacle.

Opportunities

There is an enormous amount of opportunity in the online gaming world for new entrants as proven by the shift in gamer demand, lack of quality in current games, the youngness of the industry and policy changes by major platforms. Elevated Games can definitely take advantages of its competitors' vulnerabilities in creating games that fully meet the expectations of the consumers to create a leeway into the market. The global and culture influences in the mesh of technology as a necessity into peoples' daily lives will continue to rapidly increase the size of the online games industry. Therefore, posing as a huge opportunity for new developers like Elevated Games to jump on. Since there are little to no road blocks to expand internationally since the internet is now accessible to countries across the world, it will be easy for Elevated Games to scale out its games internationally.

- Lack of Quality in Current Games

  There are currently few quality, sticky games on the largest platforms like Facebook. A large number of the most popular games currently fail at simplicity, depth, or focus. For example, the number one online Facebook game, Farmville, is simple and focused, but not deep and another top game, Gangster City is deep, but not focused or simple. WarStorm is simple and focused, but not deep and MouseHunt is focused and deep, but not simple.

- Shift in Gamer Demands

  Gamers are growing more sophisticated and are prepared for more sophisticated games and are seeking more challenging games that are exciting, fun, and social.

- Policy Changes by Major Platforms

    Facebook's policy changes temporarily level the playing field, making now a prime time for market entry.

- Youngness of Industry

    The social gaming scene is young and will progress in moving forward. By entering now while it is still not fully formed, Elevated Games can affect the shape it takes as the industry matures. Also, the top three companies in the market currently are interested in expanding their portfolios of games and their core competencies, so acquisition is a good possibility as well.

Threats

The online gaming industry has just in the recent years been established and exploded as a hugely profitable market. Therefore giving the early-movers advantages, as well as a tremendous number of small developers, similar to Elevated Games, flooding into the market. With technology changing so rapidly, there will always be new technologies, services and ideas that could affect the success of Elevated Games. Domestically, in the United States, although the economy is on its way to recovery, there is still very low consumer confidence, which could potentially affect spending on new games/virtual goods.

- Early Mover Advantages

    The top three developers (the Big 3) are powerful and prepared to clone and out-advertise and out-promote any games that are dial-movers. Fortunately, they are locked into their current assembly line methods of making games, and may lack the talent needed to make successful/improved clones.

- Boost in New Small Developers

    Smaller developers, similar to Elevated Games, are sure to continue to enter the space. A talented team or individual will dilute Elevated Games' competitive advantage and compete for the same audience.

E.   <u>MARKETING PLAN:</u>

I. Marketing Strategy (Product)
      Brand name
- Elevated Games prides itself in creating a corporate culture that is deeply rooted in ensuring transparency and developing a strong connection with the community. Elevated Games strives to be the most approachable and "human" online game company in the market. They will achieve this by learning from every mistake they make, by being fun as well as real with their consumers, and by sharing learned lessons with the game development community.
- Elevated Games's brand image and name will be tied closely to the exceptional quality and depth of their games and unbeatable customer service.
- Community involvement is an essential step towards building Elevated Games' desired brand. To encourage interaction within Elevated Games and the community, the company plans to focus on the things that matter – the voice of the users. Elevated Games plans to emphasize fun within their game creation process, by introducing post-launch features and content based off user feedback, advice and suggestions.

- Branding Armies: Elevated Games plans to brand its first game, Armies, as a hardcore game with a twist of ridiculousness. The focus will be in social warfare, strategy matters and a game where intelligent thought and meaningful action is required. Ultimately, Elevated Games will prove through Armies that games can be both fun and sophisticated.

      Quality
- Elevated Games has a goal of creating the highest quality games in the market by constantly trying to outperform itself. In order to do so, Elevated Games will constantly create new and great games, by creating games for niches that are the most underserved, and by always trying to outdo its own past accomplishments.

      Scope of product line
- In each phase of the establishment of Elevated Games's game development, the goal of the company is to create dominance in

the targeted niche. The goal is to create product lines that capture footholds in the hardcore to casual male gamer that enjoys combat type games. As this niche is underserved, it will make it easier for Elevated Games to enter this realm. In the next phase, Elevated Games plans to do the same with the Farmville-oriented market.

- o Hardcore Gamer Segment: Elevated Games initial target market segment is the hardcore gamers within its overall target market. By capturing them first, Elevated Games will be able to establish a foothold in the market, and gain instant validation as a legitimately fun game.
- o Casual Gamer Segment: As the market as a whole matures, casual gamers will be increasingly influenced by the games hardcore gamers play. When gamers "grow out" of the games they're currently playing, Elevated Games plans to occupy the position of "the next sophisticated game" that they'll look for. Elevated Games is utilizing the trends of the growing sophistication in gamers to expand and the market will eventually mature to appreciate the level of sophistication that the company is providing.
- o *Growing into other markets:* Elevated Games plans to take the lessons they learn with Armies to give the company insight into additional markets (e.g. female audiences, older audiences). By learning through the release of the first game, Armies, Elevated Games plans to learn and compile research that will eventually help the company in the next phase to capture further market share in other niche markets.

Warranty

- o Elevated Games plans to offer the most exceptional customer service in the industry. Living by the mindset that success is possible and continuing to encourage others to learn from their mistakes. This is the process of offering users a "human" touch to all that Elevated Games converges in as well as being highly approachable in belief that "the door is always left open" to both its employees and to the customers.

II. Price
  * List price

- • Daily consumables: These are the cheapest priced items (ranging from $.10 to $.50 for individual items, with appropriately higher prices for value packs). They will typically be comprised of goods

which can be used on a daily basis (in-game resources, special attacks).

- Premium consumables and decorations: These will be priced higher, and will be comprised of especially powerful units that are unavailable in-game, temporary upgrades and boosts that can be conferred to units and territories, and avatar images which will be displayed next to your name. They will be priced between $1.00 and $5.00.
- Rare permanent items: These items will be available for short random periods of time. They may be based on seasons and events. Once purchased, they'll also never disappear from the user's account. They'll be priced between $5.00 and $20.00.

* Discounts
* Bundling
* Payment terms

- Consumers will pay with Paypal or credit card

III. Distribution (Place)

- o The distribution channels Elevated Games plans to channel their games through will be on major platforms such as Facebook and MySpace, as well as on its own game-specific websites.

IV. Promotion

Advertising

- o Elevated Games plans to deploy multiple micro-targeted ads on Facebook to appeal to very specific target segments (e.g. college students, young professionals, young adults, hardcore gamer nerds).
- o The advertising budget will be the greater of $2,000 or 25% of Elevated Games's monthly revenue. If viral growth is sufficiently high this could drop to 10%. This comes out to $67 dollar per day or greater. Elevated Games will have to bid around $1 per click.
- o Guerilla Marketing: Elevated Games will locate community forums composed of members of my target market segments, and enter conversations that revolve around the company's core beliefs and brand (game design, game development, or new fun social games). By adding value to the conversation, Elevated Games will avoid looking like a spammer, while still being able to drop the company link and gain some conversions.

Public relations
- o Inside Social Games: This is a top social gaming industry news site. By gaining visibility on this site Elevated Games will gain visibility in the industry. This will raise awareness among potential hires, partners, investors, and acquiring parties. It will have the drawback of alerting my competitors to what Elevated Games is doing, though they will not be able to use this information to their advantage quickly enough to affect Elevated Games's business.
- o Gamasutra: This is a top video game industry news site. Elevated Games hopes to gain visibility among and inspire potential hires and partners by being featured here. As an added benefit, hardcore gamers tend to visit this site, so Elevated Games can potentially gain visibility among my target market segment

Promotional programs
- o Armies:
    - o Added value for early users: To encourage players to sign up, Elevated Games will offer free extra resources and a choice of special unit for the first 5,000 sign ups.
    - o Reddit promotion: Reddit.com is a community of people who are typically more hardcore than the average game player. It's also a good way of gaining credible references, since all content on the site gains visibility based on popularity. Elevated Games will encourage growth by giving Reddit users special coupon codes for gaining extra resources, or a special Reddit unit.
    - o Charity promotion: Beginning in the fourth quarter, Elevated Games will begin donating a percentage to selected charities, as it is important to be socially responsible and to give back to the community.
    - o Promotion through friends: The Elevated Games Team plans to email each one their Facebook friends individually, as well as asking their friends to spread the word as well - asking for them to play the game and recommend it to their friends. Personalized emails will increase the number of people who actually sign up. This will probably get me around ~100 users.
    - o Promotion through StarCraft: There are two personalities in the StarCraft world, Mike "Husky" Lamond and Sean "Day[9]" Plott, who command large audiences. If Elevated

Games can earn their endorsement (either through paid sponsorship or just through their personal interest), the company can gain a huge number (~200,000) of incredibly precisely targeted impressions.

F. ## CRITICAL RISKS:

United States Economic Risk Assessment:
- o Return to growth
    - o The economy grew by 1.4% in the 4th quarter of 2009, quarter on quarter. Household consumption rose by 1.7%, which had triggered a 19% jump in home purchases in the 3rd quarter. However, compared with the 4th quarter 2008, when activity had fallen abruptly, growth improved by only a timid 0.1%. For 2009, negative growth will be limited to 2.4%.
    - o The poor climatic conditions in certain States do not alone explain the fall-off in consumer confidence (the confidence index lost 10 points in February). The shock of the severe depreciation of financial and property assets, the spectacular rise of unemployment, the low level of wages still prompt households to exercise prudence and continue to focus on paying down debt, which has dropped from 128% of disposable income in 2008 to 124% in 2009. Outside dollar areas, the price-competitiveness of American products will be enhanced by the currently favorable dollar exchange rates. The $700 billion Troubled Asset Relief Program (TARP) has had a considerable effect on public finances: the fiscal deficit will exceed 10% of GDP and the debt will swell (98% of GDP).[20]
    - o This will affect the online social gaming industry and Elevated Games in that gamers may spend less on virtual goods due to low levels of consumer confidence and lack of disposable income. Although people are spending less money on luxury items, the poor economy has also led to a boost in online game players as a past time to steer peoples' minds away from the stresses during the tough times. As Game Beats mentioned,

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20 "CoFace." Climate File: United States. CoFace, 24 08 2010. Web. 23 Aug 2010. <http://www.coface.com/CofacePortal/COM_en_EN/pages/home/risks_home/business_climate/climate_file//United%20States?nodeUid=572229>.

"Many players play for free, but about 10 percent of social network gamers have spent real money for virtual goods — such as better weapons or decorations. Another 11 percent indicate they are likely to make a future purchase. Gamers say they are spending 20 percent less on gaming overall since they started playing social network games." [21]This could be an effect movement for the online gaming industry as a whole and as the economy veers back up, people will eventually start spending on virtual goods again.

I. Realistic Goals:
   o In the first fiscal year, Elevated Games plans to release its first game, City Wars. The company will focus primarily on promotions and guerrilla immediately upon launch. Once the company has gained traction, Elevated Games will move its focus to public relations and advertising. Elevated Games plans to integrate an extensive marketing campaign throughout all major Gaming Conferences and Expos in promotion of City Wars that same year, but will also extend the promotional strategy in to year 2 and 3. Within Elevated Games's operational team, the company plans to hire 2 more developers during the first year to increase game development of new and current games.
   o By year 2, Elevated Games plans to see the growth, internationalization and mobile distribution of Armies and the development of Elevated Games's second game, Babybots. Elevated Games plans to reach a monthly revenue of at least $100,000 per game (~200K MAU at $.50 ARPU) and high user engagement (30%+ sticky factor[22]) by the end of year 2.
   o By year 3-4: By year 3, Elevated Games plans to release its second game, Babybots, into the market and will commence development on its third game, Samurai Steampunk. In year 4, Elevated Games will be able to see the growth,

21 Takahashi, Dean. "Games Beat." One in five Americans plays games online. Games Beat, 23 08 2010. Web. 23 Aug 2010. <http://games.venturebeat.com/2010/08/23/one-in-five-americans-plays-games-on-social-networks/>.

22 Sticky factor is measured by dividing Daily Average Users by Monthly Average Users (DAU / MAU)

internationalization and mobile distribution of all three games. The company will also be assessing the weaknesses in the Big 3 and strategize ways to exploit them and gain an upper edge.

o By year 5: Elevated Games will be implementing the strategies formulated in year 4 and capture market share from the Big 3 as well as cementing their own dominance over the current market segments. Elevated Games plans to exit this year in possible a possible acquisition, ideally to gain leverage and be named as one of the top competitors to the Big 3.

II. Commitment

o The highest level of commitment will come from the management team consisting of the President/CEO in year 1 and will eventually grow as more developers are hired in year 2 and 3. The management team will be the foundation of all of Elevated Games's management and operations as well as being the largest investors of the business. The second highest commitment will come from Angel Investors and Venture Capitalists and the board of directors and advisors, which will control a large amount of the inflow and outflow of the finances. Thirdly, Elevated Games will have ground teams that are friends and relatives of the President, as key players in the grassroots referral and marketing campaign.

III. Milestones

o Some milestones that Elevated Games has set out for its 5 year plan are monthly evaluations on the progress of the its games for the first 2 years and after stabilizing, Elevated Games will continually have semi-annual evaluations of all its current games. More specifically, Elevated Games plans to have positive revenue by year 2.

IV. Flexibility

o It is important to assess the risk factors involved in integrating Elevated Games into the online social gaming industry. There are various risks that need to be noted before, during and after the process involved in game integration into the market. Firstly, caution must be taken in Elevated Games's differentiation strategies because of the upper-edge its indirect competitors

(the big 3) since they have already built a brand and have more resources and knowledge within the industry.

o Elevated Games plans to combat its competitors through its targeted marketing tactic of reaching consumers organically. Although, it may seem that Elevated Games's marketing strategies may be broad, it is proven through various mediums of communication (referrals, magazines, conventions and expo, etc.), are all effective in the presence and consistency in advertisements actually helps build the company's brand image.

G. <u>OPERATIONAL PLAN:</u>

Christian Cenizal will be serving as the CEO / Founder and currently as the sole driving force in the design ing and development of Elevated Games. Christian has a Bachelors of Arts in Design and Media Arts from UCLA and has worked in broadcast, film, advertising (print, web, commercials), animation, web and mobile app development, and visual effects. He has held executive roles in previous companies/organizations, proving his strong management skills, creative-thought process, execution of new systems and ideas, along with solid communication abilities.

Christian is a recognized designer and developer with exceptional work ethics and passion for the arts. He has a wide range of programming and production skills that include, but not limited to: C++, MEL script, Adobe CS, AfterEffects, Premiere Pro, Final Cut Pro, Java, Flash and Action Script, HTML/CCS, PHP. He and will dive head on into learning a new language or even creating his own if the situations calls for it. Some of Christian's prized work includes: programming the user interaction design for W+K Tokyo's website, the online 3D tour of the Google Nexus One, and was responsible writing code to create generative for the visual effects in afor recent IBM projects. Along with working with one of the most documented clients in the industry, Motion Theory.

Christian has also done work in web design, film, and print industries and has a deep interest in installation art. He was a guest lecturer for the Art Center College

of Design this past year. Christian enjoys any problem-solving work that requires the visual sensibilities of a designer as well as the procedural logic of a programmer.

The combination of Christian's technical, managerial and artistic background proves to be the driving force and benchmark for the success of Elevated Games. The company will be expanding its executive team by the end of the first quarter where Elevated Games will be seeking an equally dedicated, skilled and passionate CTO and COO to help continue the expansion of the company.

H.   FINANCIAL PLAN:

Pro Forma Income Statement

	2010	2011	2012	2013	2014
REVENUES					
Cash Receipts	350	385,500	771,000	1,542,000	3,084,000
Other Revenue					
TOTAL REVENUE	350	385,500	771,000	1,542,000	3,084,000
OPERATING COSTS					
Salaries & Wages	-	(50,000)	(300,000)	(600,000)	(900,000)
Advertisement	(5,000)	(67,000)	(100,000)	(200,000)	(300,000)
Art Contractors	(2,500)	(35,000)	(60,000)	(120,000)	(150,000)
Professional Services	(5,000)	(5,000)	(5,000)	(15,000)	(20,000)
Server Space	-	(10,500)	(15,000)	(20,000)	(35,000)
Rent	-	(16,000)	(16,000)	(16,000)	(16,000)
Utilities	-	(4,000)	(4,000)	(6,000)	(8,000)
Insurance	-	(4,000)	(4,000)	(8,000)	(15,000)
Payroll Expenses	-	(4,000)	(8,000)	(16,000)	(20,000)
TOTAL COSTS	12,500	195,500	512,000	1,001,000	1,464,000
NET INCOME/(LOSS)	(12,150)	190,000	259,000	541,000	1,620,000

- As shown through the pro forma income statement breakdown above, Elevated Games plans to break-even and begin producing profits by the end of 2011. These projections take into account office space rental and equipment set-up in September 2010 and continuing to pay for all overhead costs from there on out. Within that same month, Elevated Games will be hiring two developers at $75K per year each. Art expenses will also increase substantially to

pay for new artists for the two games after the release of City Wars. These numbers increase parallel to the expansion of the company.

- The release of Babybots and Steampunk Samurai in September 2012 will help continue the growth in revenue. With all these factors in mind, Elevated Games projects to double its growth on a yearly basis from 2012 through 2014.
- By the end of 2014, Elevated Games plans to have expanded its team to 12 full-time members and break a million dollars in revenue.
- Should list EXIT strategy here.

I.   CONCLUSION:

The innovative skill sets and attention to market demands differentiate Elevated Games for all other online social gaming companies in the market. After conducting market research, industry trends, and producing a thorough internal and external analysis, Elevated Games understands that the most important way to capture the target market is by creating strong brand awareness and developing online games that have depth and are fun to play.

The online social gaming industry is highly embryonic. In order to achieve success in this industry, Elevated Games must distinguish itself from the leader, and even more so, other up and coming online game companies by targeting the core focus back towards the consumers needs and wants.

Through this detailed business plan, Elevated Games is confident that it has adequately identified and analyzed enough research to properly formulate a business strategy that will be successful for not only investors, but all stakeholders as well.

J.   APPENDIX:

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