



# Customer Report 2009

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By Brad Wardell, President & CEO

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# Introduction

## Why This Report

Stardock is a privately held corporation. It does not release its financials to the general public but the company has thrived by being very transparent to its customers. The objective of this report is to let people know what the company is currently doing and what it is planning to do next.

We will look at the three primary areas the company is currently focusing on:

- **Impulse**
- **PC games**
- **Consumer Software**

We will then conclude with the 2009 customer survey report that was sent out to approximately three million Stardock customers.

-Bradley Wardell  
President & CEO

# Impulse

Impulse is a digital distribution platform designed to make it easy to find, purchase, download, update and run any type of PC software.

Impulse works on the concept of attaching programs to a user account. Impulse doesn't care whether the program is free or commercial, the idea is that the individual user has certain programs that are associated with him or her.

A person who downloads and installs their software with Impulse does not have to worry about serial numbers or CDs when they get a new PC. An Impulse user simply downloads the Impulse client, types in their UserID and password, and then tells it to install the various games, applications, utilities, etc. associated with their account.

## **Making Impulse Successful**

To be successful, Impulse must meet four key criteria:

1. It must have sufficient content that a user will have Impulse installed and make use of it when deciding to purchase or download a new program.
2. It must provide a user experience sufficient to make a user want to use it for their purchases and downloads.
3. It must provide a developer experience sufficient to make developers want to put their titles on it in the first place.
4. It must have a sufficient customer base to justify publishers putting their content on it.

## **Impulse: Getting Sufficient Content**

It's amazing what a year will do.

Last year, Impulse's content mostly came from Stardock, Corel and a handful of indies.

Today, nearly every publisher, large or small, is represented on the games' side. However, Impulse has some significant challenges to address:

### **Challenge #1: Regional Pricing & Availability**

- **Different publishers will price their titles differently depending on the territory.** This is because most major publishers are actually a series of companies. It's not MegaGame Corp. It's MegaGame Europe Corp. MegaGame North America Corp. MegaGame Asia Corp. As a result, separate agreements have to be made with each territory. Thus far, our competitors have a significant head-start in this area.

- In addition, **Stardock's position of "one world, one price" requirement has resulted in many titles only being available in North America.** Customer feedback has made it clear that availability trumps consistency in pricing and as such this requirement has been phased out, but it will take some time to get worldwide distribution on many titles simply because of the time involved.

### **Challenge #2: Steamworks DRM**

Another trend we have seen in the past year has been Valve's successful work with getting Steamworks licensed as a DRM solution by major publishers. Once a game requires Steamworks, it is effectively cut off from us, which limits our content. Examples of this include THQ's Dawn of War II, SEGA's Empire: Total War, and more recently Activision's Call of Duty 4: Modern Warfare 2.

The problem is that it is not practical for us to install a game that in turn requires the installation of a competitor's store and platform in order to play it.

Stardock's alternative is called Impulse Reactor. While it would be tempting to say it is simply a response to Steamworks, the two platforms differ significantly.

Impulse Reactor includes four major features:

1. Player accounts, achievements, rankings, etc. (today)
2. Copy protection in the form of Game Object Obfuscation (GOO) (today)
3. Player to player or group messaging. (Impulse Phase 5)
4. Multiplayer services (anti-cheat, NAT negotiation, persistent servers). (Impulse Phase 5)

### **Challenge #3: Getting content up fast enough**

Getting new content up quickly has been an ongoing challenge. The competition in digital distribution has continued to put pressure on all players in this space. Not only must updates be put up quickly but users expect tremendous download speeds no matter where they are located.

Consumers can largely credit the increasing competition for their purchase dollars for the vast improvements in download speeds that most of the major digital distributors have demonstrated.

As users often remark, "What good is buying online if it takes 6 hours to download?" While I believe any objective third-party test would demonstrate that Impulse is typically 2 to 3 times faster on new installs than the second fastest provider, our ability to get *new* programs up onto Impulse remains a challenge due to all the variables involved.

Pre-loading of new content, coming in Impulse Phase 5, will also improve the user experience for users who preorder titles.

### **The Momentum**

Anyone who has followed Impulse since its initial launch last year can likely attest to the gains it has made. Based on discussions with publishers along with the numbers we are aware of, it is our belief that Impulse has become the second most popular digital distribution platform worldwide in terms of dollars generated per month.

It is our rough estimation that for the calendar year 2009, digital distribution will represent approximately 25% of the revenue for a typical PC game publisher on a new title (though this varies significantly based on demographics).

Our estimation is that Steam - as the current market leader - enjoys approximately 70% of the overall digital distribution market with Impulse at 10% and all others combined at 20% in terms of actual dollars generated per month. Steam and Impulse both have the advantage of exclusive content (Left 4 Dead, Half-Life, Sins of a Solar Empire, Demigod, etc.).

### **Impulse: Improving the User Experience**

This has been an area of challenge since Impulse's initial launch.

Here is what Impulse looked like last year:



Figure 1: Impulse in 2008 (Impulse: Phase 1)

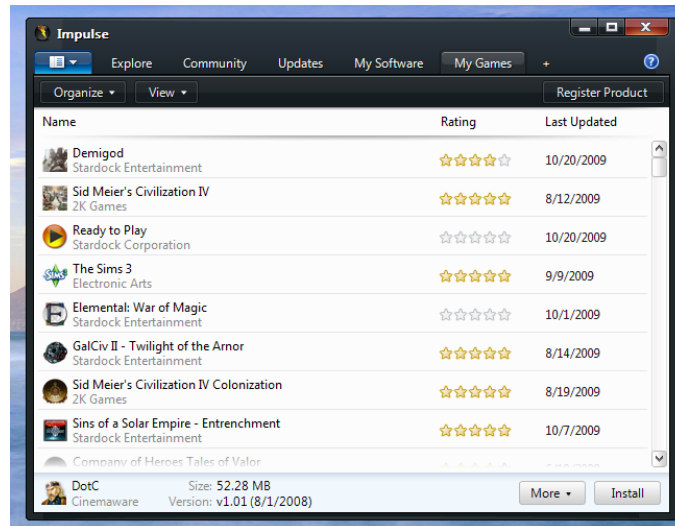


Figure 2: Impulse in 2009 (Impulse: Phase 4)

The changes aren't merely cosmetic. Impulse is the fastest client of its type and it uses relatively little memory, but Impulse's user experience has some significant challenges.

### Challenge: Better community features

Impulse's community features still lag significantly behind its competition in some areas.

Overall, what Impulse needs:

- A good in-game overlay system is needed.
- A good voice over IP option needs to be available.



- A good way to get people together for games.
- A good way to get people together for discussions, groups, modding, etc.

In the year since Impulse was first launched, a lot has been accomplished in these areas:



Figure 3: A proto-overlay exists in GPG's Demigod where users can chat with friends, chat in the game's channel, and look-up user info on a given player.

This overlay, however, is only within Demigod right now. The friends system and other features in it will need to be made more robust and universal. That brings us to the second item: Ready to Play.

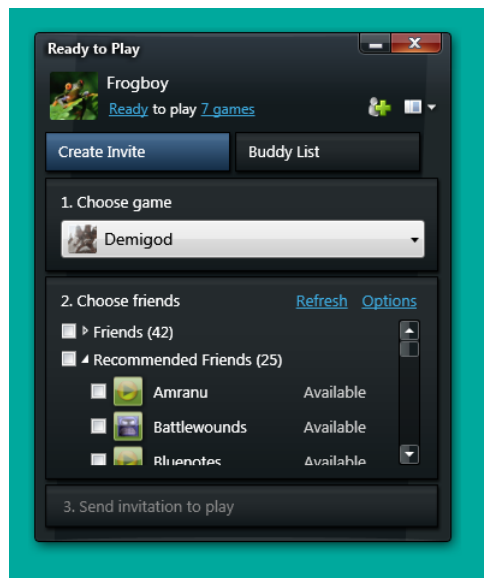


Figure 4: Impulse: Ready to Play is designed to make it much easier to find people to play games.

[Impulse: Ready to Play](#) is our major effort on gaming community building. What we wanted to avoid is making yet another instant-messenger client. There are plenty of those already. The objective with Ready to Play has been to make something that lets people get games going very quickly.

The player enters in data about themselves and the program will find users who have the same games as you do with a similar gaming profile, and let you invite them to play with you. It is designed to improve the online gaming experience for most players. It is currently in beta.

The other major effort currently in progress to help the community features is to integrate all the community features we already have together as opposed to having each one seemingly isolated. Users will be able to have groups, forums, chat, etc. all together in one place.

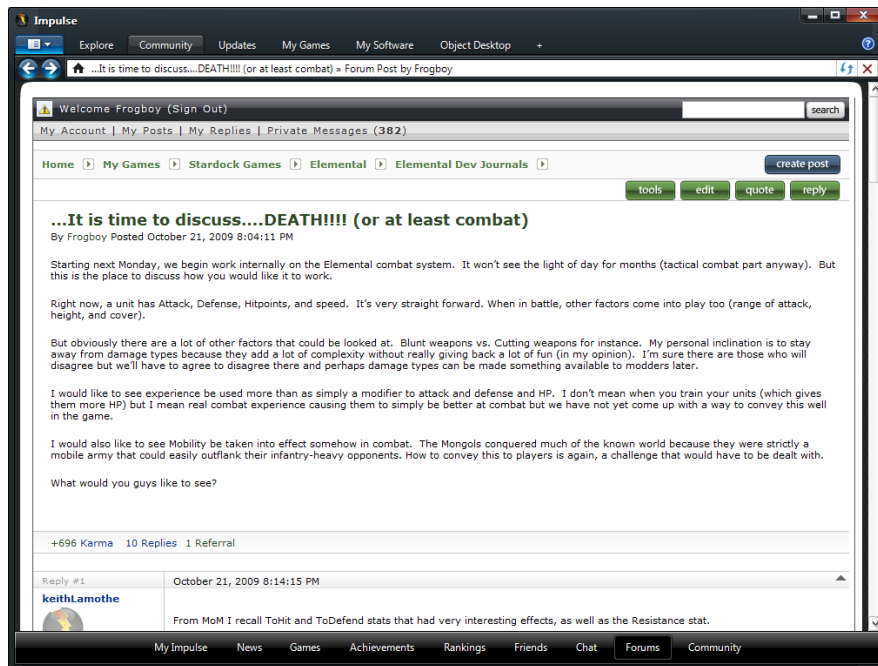


Figure 5: This needs work

With Impulse's rapidly growing user base, this is something that is getting a lot of attention.

## The Game Site Factor

One of the most significant trends of the past year we have seen has been the rise of "Weekend Sales." One major advantage digital distributors have over retailers is the ease in which prices can be altered for limited times.

These weekend sales began in earnest mid last year with the Weekend "Impulse Buys" in which a series of games were priced dramatically lower than normal. The news of this sale was picked up by some of the major gaming sites which in turn helped encourage other digital distributors to begin offering their own weekend sales, resulting in more sites to cover these events. This attracted the attention of the major publishers who began to request their own games participate in these weekend sales because of the promotion they received in the press.

In effect, the gaming news sites including Blues News, ShackNews, Joystiq, Examiner, Crispy Gamer, Gamer's Hell, Rock Paper Shotgun, Game Focus – and these are just some that I can think of off the top of my head – have resulted in an unprecedented reduction in price for PC gamers. Ironically, this fairly dramatic trend has gone largely unreported for the obvious reason: the gaming media is the source of the PC gamer's good fortune, and thus it might seem self-congratulatory for the media to point out the significant change in the average cost of a PC game in the past year.

It has also highlighted the importance of competition in digital distribution. With each digital distributor competing for customers, the result has been a vast and rapid reduction in cost for gamers.

## PC Games

### Developing and Publishing Games

These days, Stardock is best known for the games it publishes: Sins of a Solar Empire and Demigod. Stardock is also a game developer as well – Galactic Civilizations and the forthcoming Elemental to name two.

This past year, however, was quite difficult for Stardock as a publisher as the release of Demigod was troubled which I'll discuss next.

### Demigod

Last year I wrote:

Demigod is the biggest project in the works at Stardock presently. GPG's RTS/RPG combo aims to be the "Counterstrike" of real-time strategy while still providing a compelling single-player game as well.



Figure 6: Demigod

Demigod has proven to be the single biggest challenge on our entertainment side yet. The launch of the game was hamstrung by a combination of insufficient network resources and network code that wasn't scalable enough. The result was a disaster and could have been avoided by a longer, larger beta program.

Demigod was, in short, a victim of its early success. It wasn't buggy, its multiplayer experience simply fell apart once thousands of people were online trying to connect at once. It took approximately three weeks for this to be addressed.

The resulting network system is a marvel of engineering. Today Demigod is a peer-to-peer multiplayer game but one that will, if two players can't connect directly, intelligently make use of the closest Stardock server geographically. However, the damage was done and while the game got an 8 out of 10 Metacritic average, it is our belief that it could have done much better had the scalability issue been resolved prior to release.

For Stardock, the more significant shock of Demigod has been the discovery of the low number of PC gamers who play *strategy games* online. Demigod's single player experience, while decent, did not get anywhere near the care that the Internet multiplayer experience did. Despite this, only 23% of people who have purchased Demigod have ever even *attempted* to logon to play Internet multiplayer.

Demigod continues to sell thousands of copies weekly – enough to remain at retail during the Christmas season despite it coming out last Spring – but the number of people available to play online is typically less than 2,000 at a given time. This is in stark contrast to MMORPGs and FPS's which tend to have very large online communities.

Our conclusion is that strategy games that we make and publish in the future will support multiplayer but will not sacrifice the single player experience to do so.

Developer Gas Powered Games has continued to update and provide support to Demigod despite its work on Supreme Commander 2. At the time of writing, two new demigods are nearly completed along with a couple of significant updates.

## Sins of a Solar Empire

Sins of a Solar Empire continues to be successful far beyond what we had ever imagined it would be. Developer Ironclad Games has continued to provide regular updates, and development on Sins of a Solar Empire: Diplomacy (Diplomacy), the second and final "micro expansion" for Sins of a Solar Empire is nearly complete.

We believe Diplomacy will be well received by players because it adds a great deal of depth and new gameplay options (such as faster pacing options). However, we are uncertain how it will be reviewed since many of its new features are more subtle than were in Entrenchment, which had very obvious new features such as Starbases.

## Elemental

Elemental is our largest in-house game development project to date. The much anticipated fantasy strategy game has often been referred to as "Master of Magic 2".

Due to the continuing profitability of existing game projects as well as our consumer and enterprise software projects, we have had the luxury of being able to develop Elemental in a somewhat different way from our other games – we opened the beta far earlier than we have with other titles to allow players to have an unprecedented level of influence over its progress.

Moreover, we have made the entire project's development cycle very open so that even non-beta testers can chime in on their own ideas and see whether we're "doing it right". We don't anticipate Elemental being released until mid-2010 due to our intent to take our time and release the game when we are satisfied that it is a worthy successor for the turn-based strategy genre.

## Gamers Bill of Rights

In 2008 Stardock announced the Gamers Bill of Rights. It is a set of 10 basic principles that we believe PC game developers and publishers need to adhere to in order for the platform to remain competitive with consoles.

The full text is now up on a new website called: [www.gamersbillofrights.org](http://www.gamersbillofrights.org).

In essence the 10 principles are:

1. If a game does not function for a player, for any reason, gamers should be able to return that game to the publisher for a full refund regardless of where they purchased it.
2. Games should be released without material defects that affect the player experience as determined by the player.
3. Games should receive free updates that address minor defects as well as enhance the game experience.
4. Games should not require a third-party download manager to be running to work.
5. Games should function adequately on the minimum hardware requirements.
6. Games should not install hidden drivers or services onto a PC.
7. Games should allow users to re-download the latest version of the game even if purchased at retail.
8. A game's "Copy protection" or "DRM" should not inconvenience gamers.
9. Games should not require an Internet connection to play unless absolutely necessary for the game experience.
10. Gamers should be able to sell or transfer physical copies of their games to another person.

Over the past year, a great deal of effort has been put in to evangelize these principles to developers and publishers not on the basis of ethics or morality but because they make good business sense.

To that end, one might compare the state of PC gaming in 2008 to 2009 and decide whether they believe things have improved. We believe they have.

In Stardock's case, we had the opportunity to put our money where our collective mouth was with the problematic network performance of Demigod when it was first released. Players who were unable

to play the game online were allowed to return the game to Stardock for a full refund even if they purchased it at retail (which effectively meant we ate the difference between wholesale price and retail).

At the time of this writing, approximately 2,000 users did return Demigod to us. Approximately 60% of those users purchased at retail. Nearly 90% of all users who returned Demigod subsequently re-purchased the game once the network issue had been resolved.

# Consumer Software

## **A quick note on Enterprise software**

Stardock's enterprise software development has continued to grow in the past year as Dell, HP, and other OEMs have increasingly begun including Stardock software with their computers. The "Dell Dock", developed by Stardock, has received positive feedback from customers and the media alike for instance.

## **Consumer software at a glance**

The company's consumer software largely focuses on a type of Windows utility known as a desktop enhancement. Desktop enhancements allow users to alter the way Windows looks, feels, or functions.

The migration from Windows XP to Windows Vista was difficult for this group as it required a great deal of effort to take advantage of the new version of Windows. Until this year, our desktop enhancements were largely Windows XP utilities that worked on Windows Vista.

In 2009, we began to release new programs that took advantage of Windows Vista and Windows 7. Below we will talk about the main products our customers use.

## **Object Desktop**

The most popular of Stardock's products is [Object Desktop](#). People are often unaware of just how popular Object Desktop and its related technologies are. They are probably on your computer right now in some form or other.

Object Desktop is the name of the consumer product that includes Stardock's most popular desktop enhancement utilities. These utilities allow users to change the look and feel of the Windows GUI.

More importantly, Object Desktop is really a suite of technologies that are licensed in many forms by companies looking to "skin" their GUI. If you've seen a "skinned" UI on some program where it has been done very well, odds are it's been done under the covers with Stardock's technology.

## **Programs of Object Desktop**

The programs of Object Desktop are often very well known on their own. However, most users prefer to simply purchase the entire suite at once. Below are the main programs of Object Desktop:

### **WindowBlinds**

At the time of writing, WindowBlinds 7 is about to be released. It is, in our view, the most compelling version of WindowBlinds yet released.

WindowBlinds allows users to change the look and feel of Windows by applying a “skin”. It has historically had millions of users. However, since the release of Windows Vista, the popularity of WindowBlinds has declined largely due to the relatively poor quality of most WindowBlinds skins and the fact that Windows Vista’s native look called “Aero” was “good enough”.

Even I had stopped using WindowBlinds because, as a developer, I simply found Aero to be pleasant enough to use and because I often ran obscure utilities, I found many WindowBlinds skins to not be fully compatible with those programs (visually, the programs still ran but a given skin might not support a particularly obscure control).

However, this year, Stardock has developed WindowBlinds 7 which is largely a rewrite of WindowBlinds that makes it, in my opinion, compelling again.

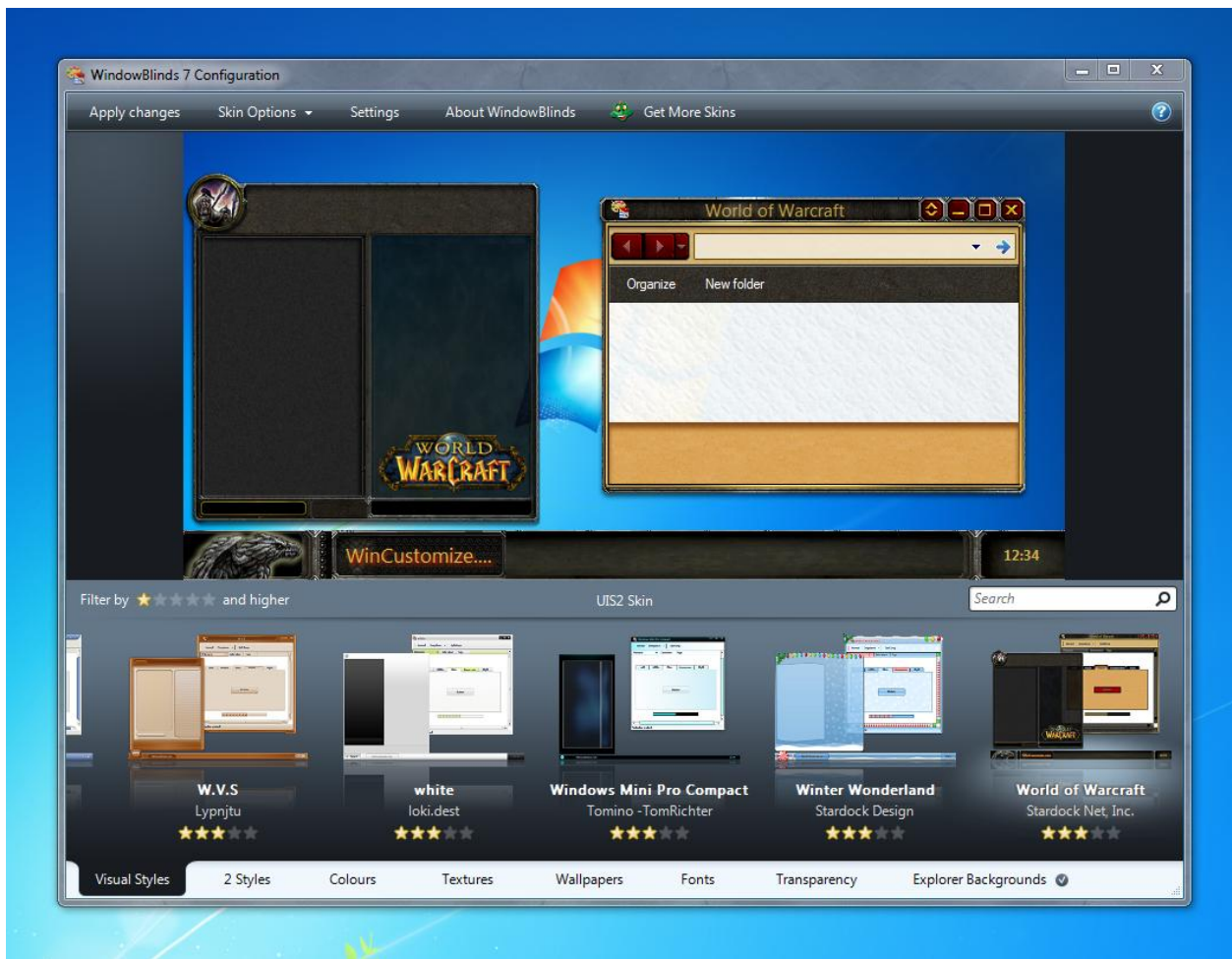


Figure 7: Choose amongst the thousands of different skins

The biggest problem I had with WindowBlinds is that 99% of the skins available for WindowBlinds are terrible. While Stardock makes the program WindowBlinds, individual skinner from around the world make the skins with varying degrees of quality.



With WindowBlinds 7, Stardock recognized this problem and has addressed it in 3 ways:

1. It allows users to customize Aero itself.
2. It allows users to customize their existing favorite skins much more extensively than in the past.
3. Stardock has contracted top skimmers to create professional quality skins to give away (these will start to flow out in the coming months).

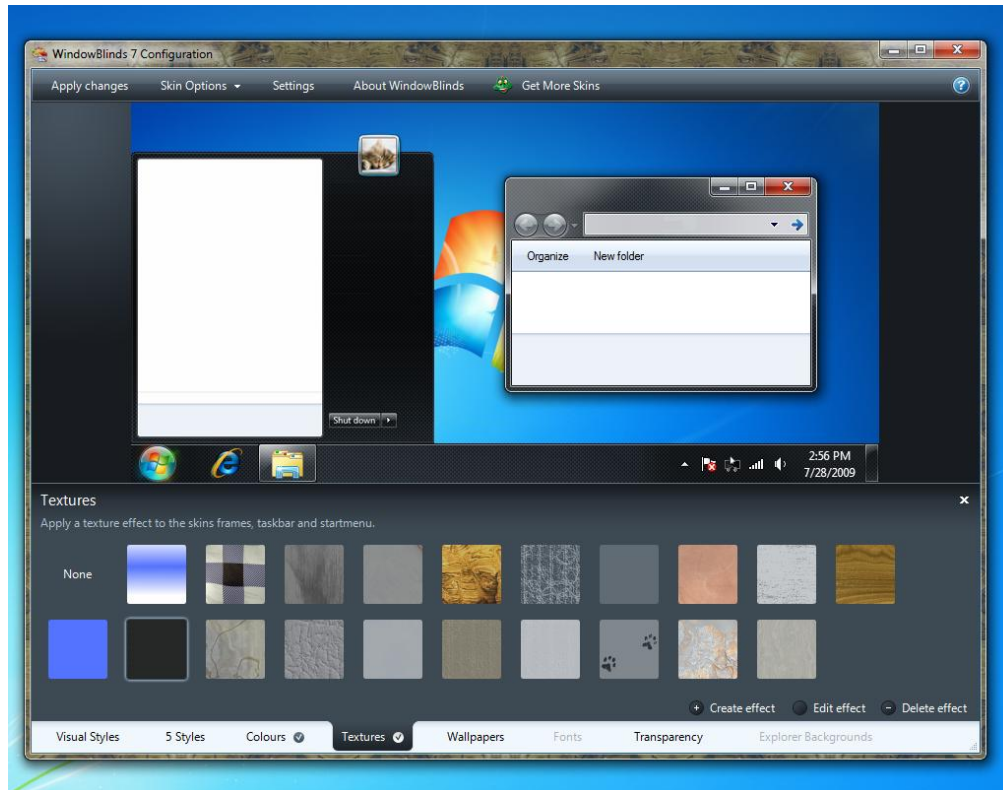


Figure 8: WindowBlinds 7 lets users customize the existing Windows Vista and Windows 7 skin

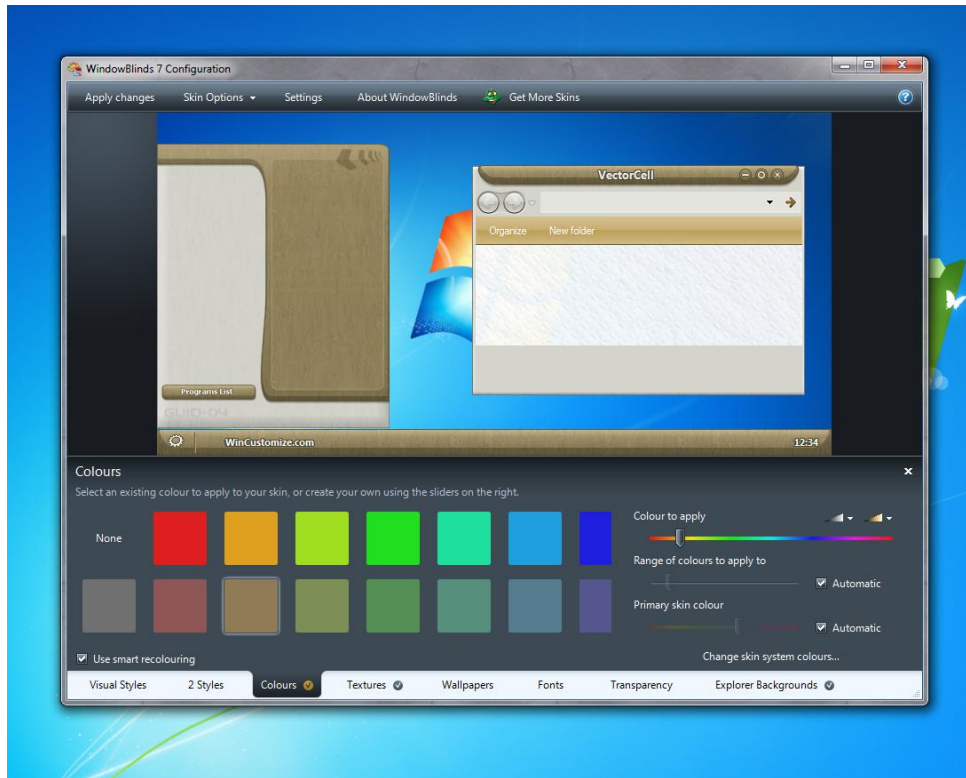


Figure 9: WindowBlinds 7 lets users customize the skins they do like in a lot of new ways to greatly increase the value of those skins.

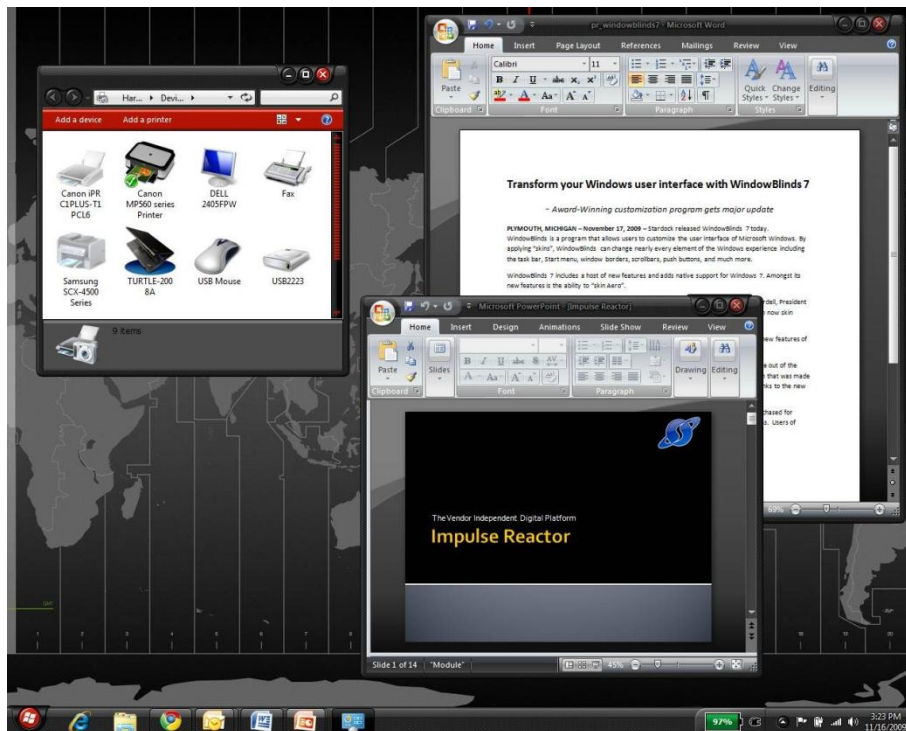


Figure 10: Stardock has started to provide its own skins to up the quality

Quick demo: <http://forums.impulsdriiven.com/369350>

Website: [www.stardock.com/products/windowblinds](http://www.stardock.com/products/windowblinds)

## Fences

The most common Twitter search on “Stardock” brings up Fences. Fences seems to be Stardock’s new “killer app”. In essence, it lets users organize their desktop by grouping icons together in “Fences”. It has only been out a few weeks and has already received nearly a million downloads on CNET’s Download.com alone.



Figure 11: Fences in action

Fences is a free program which has helped its popularity. Probably one of the most popular features of it is also its simplest: Users can double click on their desktop to hide all their icons and then double click again to show them.

In a couple of weeks, Fences Pro will be released which, amongst other features, will allow users to create Fences that automatically organize new icons as they are added. So for instance, images added to the desktop would automatically go to a fence designated for images.

Website: [www.stardock.com/products/fences](http://www.stardock.com/products/fences)

## DeskScapes

Right up there with WindowBlinds and Fences is DeskScapes. People have talked about having animated wallpaper for years but while the idea is obvious, the execution of the idea is more challenging.

Simply put, attempts at having animated wallpaper programs in the past have always failed because they either were not very compatible, slowed down the computer, or were just plain obnoxious.

Most users never see their desktop backgrounds thus if it slows down the computer, even a little, it's not likely to survive. If they do see their desktop, they don't want to have it distracting them.

What makes DeskScapes 3 (which was just released as I write this) so compelling is that it treats animated wallpaper as merely an extension of existing wallpaper.

That is, even if you never want to use a single animated wallpaper, you'd still want to use DeskScapes in all likelihood if you're even remotely interested in your desktop background. That's because DeskScapes can enhance your existing static wallpapers in interesting ways that previously would have required a user to load up the image into Photoshop to tweak it.

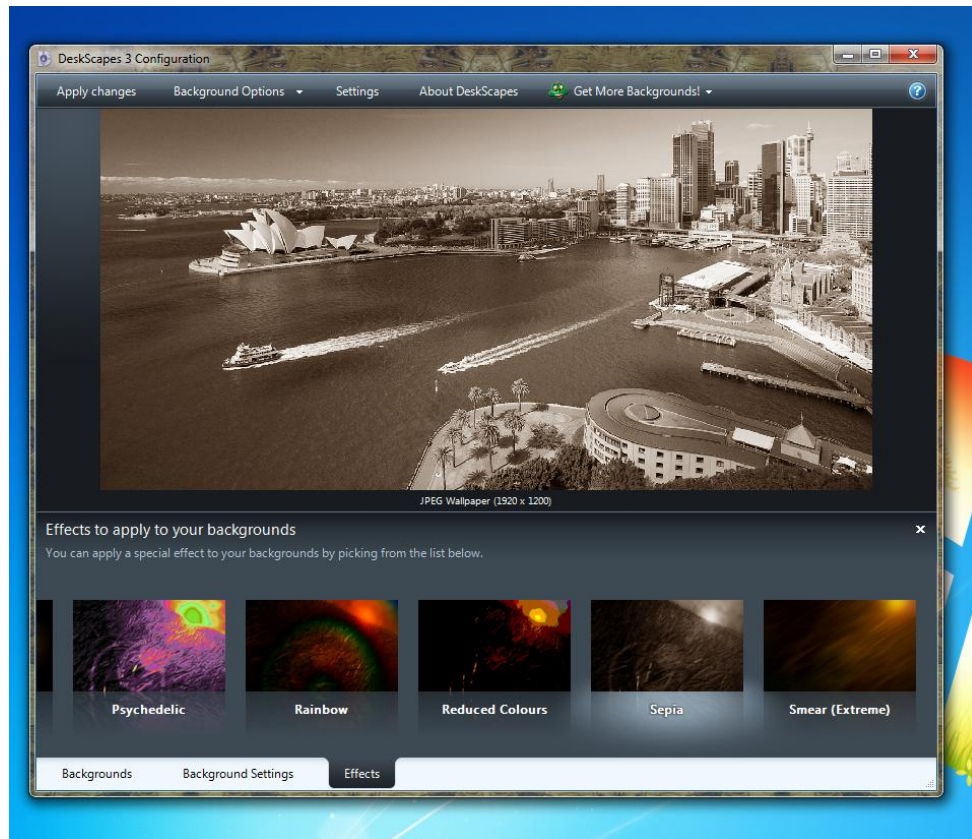


Figure 12: DeskScapes can enhance existing wallpaper

When I get photos from people that are nice enough to use as wallpapers, I would tend to load them up into Photoshop and change them into Sepia or use some other filter so that they're less distracting. DeskScapes allows for this without affecting the existing file and will remember settings.



Figure 13: One popular effect is to put a porthole around the edges of a wallpaper to give icons a clearer view

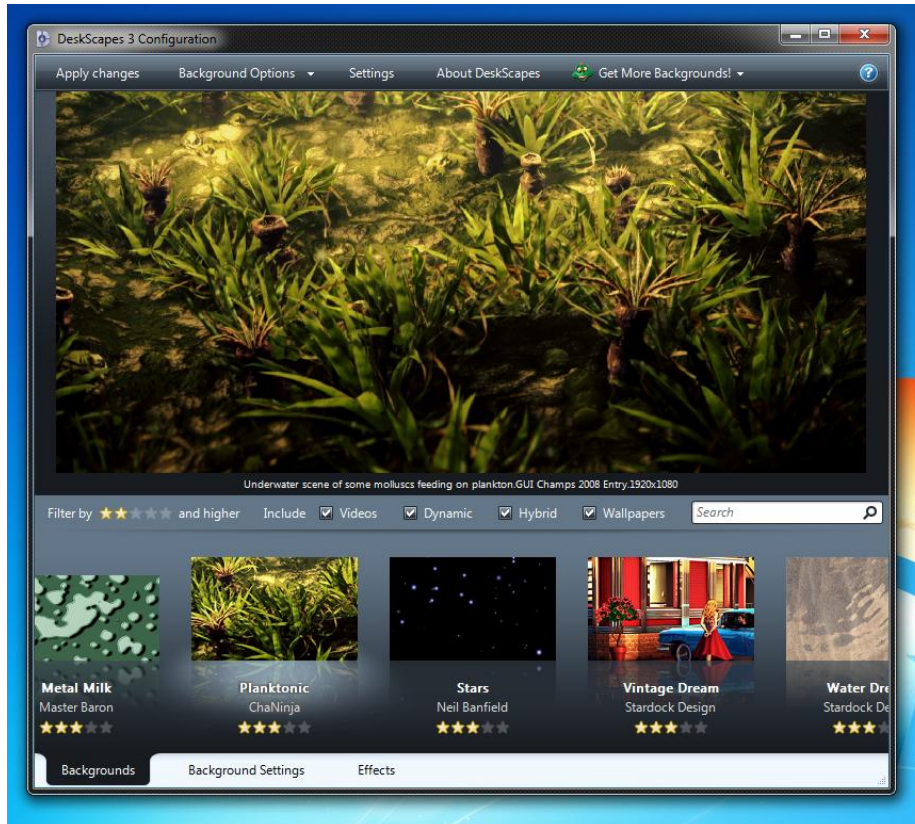


Figure 14: Animated wallpapers, of course, are included as well

Because there are hundreds of animated wallpapers in existence already DeskScapes has become the de facto standard for animated wallpaper on Windows. The fact that DeskScapes gives users a lot more options for both existing wallpaper and animated ones without slowing down the computer has made it a lot more popular since its recent version 3 release.

Website: [www.stardock.com/products/desksapes](http://www.stardock.com/products/desksapes)

## MyColors

The other major consumer software product that Stardock develops is called MyColors. While typically licensed to OEM makers, MyColors is essentially the opposite of Object Desktop. That is, instead of downloading a bunch of programs and then finding skins and themes to go with them, you instead find the theme you want and MyColors makes sure all the programs you want are there.

In effect, the user (or OEM) is paying for the theme content rather than the technology.



Figure 15: MyColors

Website: [www.stardock.com/products/mycolors](http://www.stardock.com/products/mycolors)

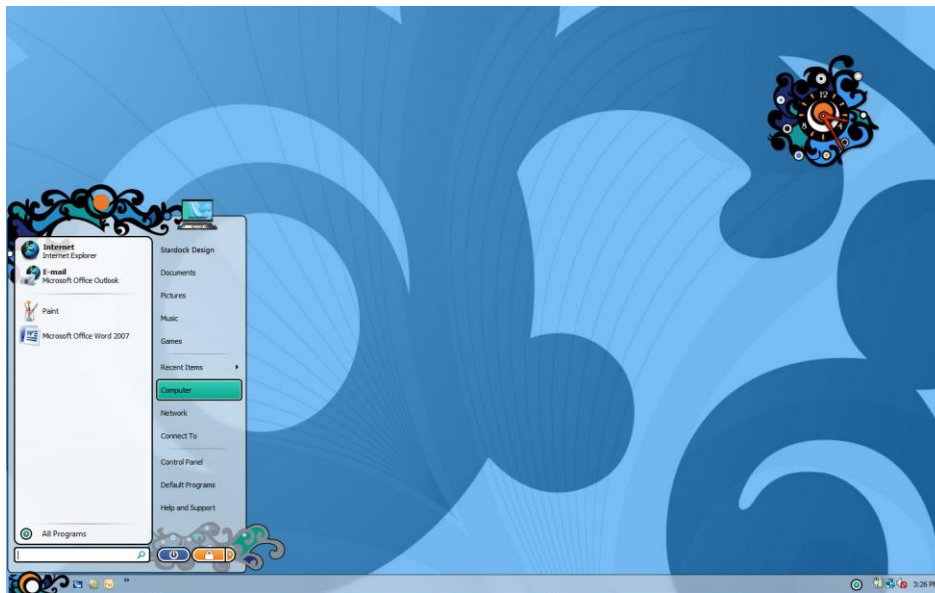
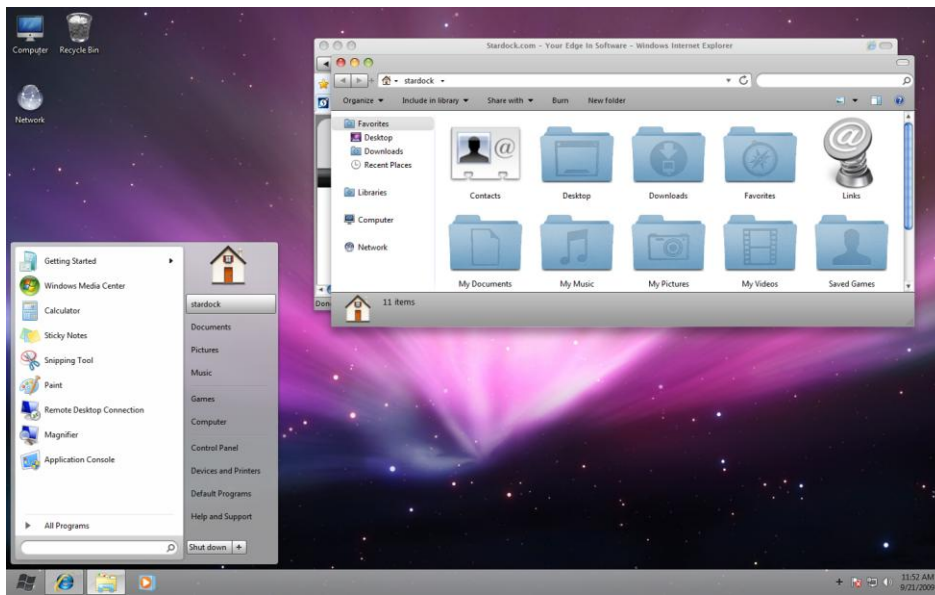


Figure 16: MyColors used by HP for their Artist Edition





Figure 17: MyColors used on the Nickelodeon PC



## Stardock Customer Survey 2009 Results

Every year Stardock sends out to its customers a survey asking them for their opinions on Stardock's software, the direction the company is taking, and what kind of computing environment they are working with. This year, the survey was sent to approximately 3.2 million active Stardock customers. Below are some of the results:

### Who are Stardock users?

- 96% male
- 35% 20 to 30 years old, 28% are 31 to 40
- 63% are in the United States (24% are in Europe, 9% are in Canada)
- 67% described themselves as expert or power users.

### Which Stardock programs are they using?

- 44% have Galactic Civilizations (last year 45%)
- 51% have Sins of a Solar Empire (last year 43%)
- 19% have WindowBlinds (last year 28%)
- 18% have ObjectDock (last year 22%)
- 13% have Object Desktop (last year 22%)
- 47% have Impulse (last year 31%)

### What do you think of Impulse?

- 19% Have not tried it, do not know what it is (last year 52% Have not tried it, do not know what it is.)
- 59% have tried it, like it (last year 24%)

### How do you purchase software?

Today:

- 34% in a box ( last year 58% in a box)
- 61% digitally (last year 42% digitally)

### What does Stardock need to work on to improve most?

1. Email Support
2. Tutorials
3. More advertising and marketing

### What do you think needs to be improved in Impulse the most?

1. Community Features

2. Providing Demos
3. Auto-Patching

### **What would make you purchase more software in general (not just Stardock software)?**

- 64% LOWER price (last year 38% LOWER prices)
- 33% better quality at initial release (last year 30% better quality at the *initial* release)
- 35% less copy protection or DRM (last year 17% less copy protection/DRM)
- 10% better support (last year 5% better support)

### **What is your overall opinion of Stardock?**

- 90% Very positive or somewhat positive
- 8% neutral
- 2% somewhat negative to very negative

(virtually identical to last year)

### **Popular Third-Party games with respondents**

These are games that users commented that they particularly liked in the survey.

- Braid
- Elven Legacy
- Majesty 2
- Space Rangers 2
- Sword of the Stars
- World of Goo

## Conclusions

This document is by no means comprehensive, but hopefully it'll give you a decent overall view what Stardock is working on.

If you want to keep up on what's happening at Stardock, here are some of our more popular websites:

- [www.stardock.com](http://www.stardock.com)
- [www.impulsedriven.com](http://www.impulsedriven.com)
- [www.sinsolasolarempire.com](http://www.sinsolasolarempire.com)
- [www.demigodthegame.com](http://www.demigodthegame.com)
- [www.elementalgame.com](http://www.elementalgame.com)
- [www.galciv2.com](http://www.galciv2.com)
- [www.objectdesktop.com](http://www.objectdesktop.com)
- [www.windowblinds.net](http://www.windowblinds.net)
- [www.objectdock.com](http://www.objectdock.com)
- [www.wincustomize.com](http://www.wincustomize.com)
- [Dream.wincustomize.com](http://Dream.wincustomize.com)

See you next year!

- Brad Wardell, President & CEO, Stardock Corp.