



Customer Report for 2014

May 2014

By

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www.stardock.com

Why this report?

Greetings! This is the 6th annual report we've done. I was so late in getting this together that I'm just skipping 2013 and calling this 2014 since we're already half-way through 2014.

You can read the previous ones here:

- <http://www.stardock.com/media/stardockcustomerreport-2008.pdf>
- <http://www.stardock.com/press/CustomerReports/Stardock2009.pdf>
- <http://www.stardock.com/press/CustomerReports/Stardock2010.pdf>
- <http://www.stardock.com/press/CustomerReports/Stardock2011.pdf>
- <http://www.stardock.com/press/CustomerReports/Stardock2012.pdf>

We produce these because as an independent, privately held company, we have the luxury of sharing a lot of marketing/sales/strategy data that we think our customers would find interesting. We hope you find the information contained within this report interesting and informative.

Stardock is currently made up of two business units:

1. **Stardock Software**, which makes consumer software and enterprise software.
2. **Stardock Entertainment**, which develops and publishes its own and third-party games.

This report also includes our 2014 Customer Survey.

To learn more about Stardock, visit www.stardock.com.

What is Stardock?

Stardock is a small, privately held Midwestern software company that was incorporated over 20 years ago. Its best known for developing desktop enhancements and PC games.

Over the years, we've developed and/or published a lot of software that was "ahead of its time". Sometimes, too far ahead of its time. ☺

Here are a few examples of things you probably haven't heard of but you will probably recognize as being relevant:

- Produced first commercial 32-bit game (Galactic Civilizations for OS/2 in 1993)
- First multithreaded video game AI (Galactic Civilizations for OS/2 in 1993)
- ZIP files abstracted as "folders" ([Object Desktop for OS/2](#) in 1994)
- Published the first stand-alone "MOBA" game ([Demigod](#) in 2009)
- Skinning the GUI (Object Desktop for OS/2 in 1994 and WindowBlinds)
- Gadgets and Widgets powered via JavaScript (DesktopX 1999)
- First consumer digital distribution platform [purchase/download/install/update/remove] (Component Manager) (1999)

More recently we've been known for making things first that were pretty obvious to anyone such as:

- [Start8](#) (added the Start menu back to Windows 8)
- [ModernMix](#) (allows "Modern" Windows 8 apps to run in a window on the desktop)

Broadly speaking, Stardock is a bunch of "techie" who have let their hobby get out of control.

In 2011, Stardock sold its digital distribution platform (branded Impulse® at the time) to GameStop. We took that capital and invested it in a Strategic Investment Fund. As a result, we currently have eight games in development (only two of which, [Galactic Civilizations III](#) and [Offworld Trading Company](#) have been announced. We have also used that capital to help launch a number of new start-ups across several different industries that we look forward to sharing with you over the coming year or two.

We are based out of Plymouth, Michigan **but have recently opened up studios in Towson Maryland and Austin Texas.**



Figure 1: Stardock's Plymouth location. We bought this building in 2003ish

With all that said, here's the report!

The state of the technology industry

These are interesting times to be an independent developer.

Retail is dead

Only five years ago, our survey showed that 58% of our customers bought their software in a box, at retail. Further, 24% of them expected to be still doing so five years from then. In reality, it turned out to be 6%. Retail disappeared even faster than our tech-savvy customer base imagined it would.

Digital Distribution is consolidating

The barrier to entry for developers to create and sell software and games has been greatly reduced. This is a wonderful thing and has created a new renaissance in the making of innovative and interesting software. On the other hand, it has also ushered in a flood of drek that has made it a lot harder for developers to get noticed.

If you make software/games in 2014 you will almost certainly be dealing with either Microsoft, Amazon, Google, Valve, Sony, Nintendo or Apple. That is a lot of consolidation in a very short amount of time.

Mobile development is [generally] not viable as a business model...yet

This will undoubtedly result in some criticism but we've spent the past 2 years interviewing countless developers (big and small) and concluded that making games or software for mobile (iOS or Android) is not a viable business model yet. That isn't to say money isn't being made on those platforms. But a viable business model requires that someone be able to reasonably project that an investment of \$X will result in a return of \$Y within a margin of error. iOS and Android more closely resemble a lottery system. If you win that lottery, you can stand to make millions. If you do not, you will not likely even come close to recouping your investment.

That market may change but I don't see it happening any time soon. These three reasons represent the core problems that prevent it from being viable:

1. Discoverability is terrible. It is difficult for quality products to float to the top. They're flooded with drek and the user experience for exploring what is available is terrible. This is not something easily addressed.
2. Price sensitivity is too severe. Prices are traditionally determined by supply and demand. There are not remotely enough *active* consumers to justify \$2 on any mobile platform.
3. Attachment rates are terrible. This is the nature of a mobile device. We do not expect to spend a lot of time actively interacting with our mobile device as compared to other devices (TVs with consoles or computers). As a result, users do not tend to become very attached to any particular item (with notable exceptions, which is why they're notable).

I think most consumers would be shocked if they knew the actual dollars earned by reasonably "popular" iOS and Android games and apps. It is one of the better kept secrets in our industry that few people discuss but everyone trying to make a living developing for mobile knows.

Once a game or piece of software leaves the very very top of the sellers, the income fall-off is severe. Our poorest-selling DLC for PC games generates more income than nearly every iOS or Android developer app we've gotten numbers for. Let me emphasize this, we've talked privately to a considerable number of developers who have made "successful" iPhone/Android games, games you've probably heard of, and their numbers are depressing. Lest someone take this quote out of context, let me also emphasize that I don't think this will be a long-term problem. The "gold rush" metaphor used for mobile is more accurate than intended.

Stardock will be supporting iOS, Android and Windows Mobile in our future titles but we are doing so as an investment in the future when we think that those platforms will become viable. It's a question of developing *exclusively* for mobile versus adding it as an additional platform.

Below are two *rough* graphs on the relation between sales position (top 100) versus income. The drop off on mobile is much steeper currently.

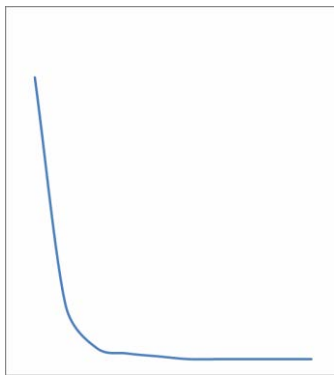


Figure 2: Mobile platform sales position (Y) vs. Income (X)

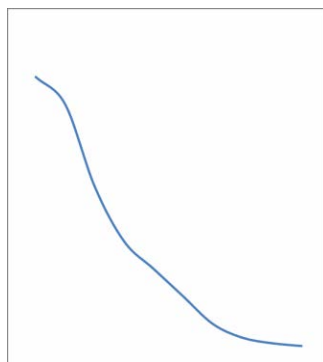


Figure 3: PC game sales position (Y) vs. Income (X)

PlayStation 4 and Xbox One are excellent platforms

You wouldn't know it yet, but both of the new game consoles are outstanding. Having 64-bit memory access and 8GB of workable memory is huge.

While the Xbox One is currently a little disappointing in the hardware area, Microsoft will be delivering DirectX 12 to it shortly (hopefully before next year's report) which should result in the two consoles being visually identical. This will be the first generation of consoles that we target with new games.

I could write an entire paper singing the technical praises of these two platforms. **This generation of consoles are the first to be interesting to us as a potential target platform to develop for.**

Customer Report: Stardock Software

Last year our software revenue more than doubled from the previous year. This is largely because of Start8 and ModernMix. We've been around for 20 years, and those two products are the closest things we've had as an unqualified phenomenon. They're the kinds of things that only happen once in a developer's career. Needless to say, their success won't last.

However, we have not been idle. We have a bunch of new tech in development that we think will be more exciting, though a lot less profitable, than Start8/ModernMix.

Start8 & ModernMix

[Start8](#) will undoubtedly be obsoleted by a future version of Windows as its stunning popularity (over 30 million downloads and counting) makes it clear it was a mistake for Microsoft to get rid of the Start menu in Windows 8. In the meantime, Start8 has been an unexpected boon. If it makes Microsoft feel better, the revenue from Start8 has helped us hire a lot of new developers making new Windows software.



Figure 4: Windows 8 got rid of the Start menu. Start8 brings it back. Our most popular product.

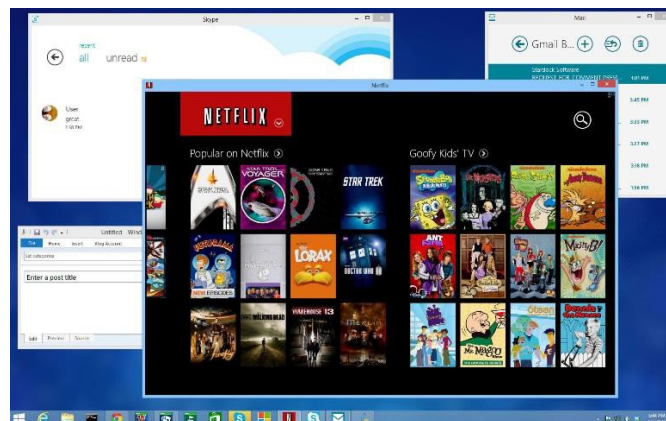


Figure 5: Windows 8 added "Modern" apps. ModernMix allows those programs to be run on the desktop in a window and multitask side by side.

The same is true of ModernMix, which allows the new Windows 8 “Modern” apps to run in a window on the desktop. Windows 8.1 Update has at least made Modern apps show up in the taskbar but it hasn’t solve the primary problem on using Modern apps on the desktop. For example, ModernMix lets Modern apps multitask effectively in a window which means being able to run the Netflix app in a window and watch a movie while working on other things.

Object Desktop Infinite

www.objectdesktop.com

Object Desktop is our primary suite of desktop utilities that lets users enhance their Windows experience. People have suggested that buying Object Desktop was like buying the next version of Windows today. Given Start8/ModernMix we’ve seen plenty of tweets joking that it’s now literally true. ☺

Traditionally, a user would pay \$49.95 for Object Desktop and then get a year of updates. After that, they could renew their access to updates for \$34.95. This year, we plan to offer an additional option called Object Desktop Infinite. Users would purchase an Object Desktop subscription for \$9.99 and then pay \$3.99 a month ongoing. This would lower the barrier of entry for users and ensure that they always get our new stuff.

The New Stuff: The Problems with Windows 8

There are a number of problems with Windows 8 that need to be resolved either by Microsoft or by a third party:

1. Modern / Win32 distinction needs to be eliminated. Apps are apps are apps. They should all work the same on the user’s system and be managed identically. We have software in development that will fix this.
2. The Windows desktop metaphor and the Metro metaphor need to work consistently (or at least have an option). Right now, users are trained to manage tasks on the bottom of the screen (taskbar) and app/system options at the top. We have software in development to solve this (at least make it an option).
3. It should be easier to mix and match Windows tablets / PCs together and use them together. We just released [Multiplicity](#) v3, which is being published by our EdgeRunner subsidiary, to address this.
4. It should be easier and quicker to move full-screened apps about via touch. We plan to address this issue in the coming year.

Stardock Entertainment

Stardock has been developing and publishing games for over twenty years. It is possibly the oldest independent game studio in the industry (we've looked into it, but it's hard to make that claim definitively). While the company has released many games over the years, it currently has three active franchises: Galactic Civilizations, a turn-based space strategy game, Sins of a Solar Empire, a space-based real-time strategy game, and Elemental, a fantasy world in which we have made multiple turn-based strategy games.

Galactic Civilizations

www.galciv.com

We are currently working on Galactic Civilizations III. We expect to release this in spring 2015, approximately 9 years after the release of Galactic Civilizations II. The new version is 64-bit only, which provides us with enough memory to have much more sophisticated galaxies for gamers to play in as well as increased visual fidelity. In addition, now that high speed Internet is ubiquitous, it will include multiplayer.



Figure 6: Galactic Civilizations III should go into wide beta release at the end of summer.

One of the aspects we are particularly excited about with 64-bit is that we can have galaxy sizes far beyond anything we've done before. Combined with support for player-created races, we can envision players having games with dozens of different civilizations fighting for control of the galaxy.

Another new feature we're excited about is 3D printing support. Players will be able to export the starships they design to be 3D printed. We suspect this feature will become quite compelling as it develops.

What's interesting is how popular Galactic Civilizations II has remained. According to publicly available statistics from Steam, it remains one of the most-played strategy games on the service.

Sins of a Solar Empire

www.sinsofasolarempire.com

Despite its last major expansion being released in 2012, Sins of a Solar Empire is still going strong. Developer Ironclad released its fantasy MOBA, [Sins of a Dark Age](#), onto Steam Early Access this year, and we wish them the best of luck in that independent endeavor. Even so, we were able to release some exciting DLC for Sins in 2013. We have no dates to share for a possible sequel at this time.



Figure 7: Sins of a Solar Empire remains Stardock's best-selling game.

Elemental

www.elementalgame.com

Elemental: War of Magic had a disastrous launch back in 2010. So much so that even after fixing the bugs, we decided to give its sequel (Elemental: Fallen Enchantress) and its expansion (Legendary Heroes) away for free to everyone who pre-ordered it or purchased it when it first came out.

Despite its rough start, the franchise has developed a popular following with year-after-year growth in revenue (which is backwards from the norm – sales normally decline over time). We anticipate it becoming our most popular franchise this year (until, at least, Galactic Civilizations III ships) largely due to the popularity of DLC for it.



Figure 8: Elemental: Fallen Enchantress – Legendary Heroes has built a substantial and growing following

DLC (Downloadable Content) popularity has allowed us to continue enhancing the Legendary Heroes codebase based on player feedback, which in turn has allowed the base game to continue seeing relatively strong sales. We have plans to do a v2.0 (free update) to Legendary Heroes later this year.

The team is also working on the third game in the Elemental universe. This one will include crafting, asymmetrical gameplay, spell research, and have a much greater focus on magic battling.

Next Year: A Preview

In 2011 Stardock sold its digital distribution platform, called Impulse®, to GameStop®. If you aren't familiar with it, it was similar to Valve's Steam but had a much smaller market share (Steam had 70% of the market at the time, Impulse around 10%).

The capital from that sale was put into an investment portfolio called the Stardock Strategic Investment Fund (SSIF) which, amongst other things, has been used provide capital to start-up game studios.

Our job has been to help bring together the best talent in the industry and provide them with the resources to do what they've wanted to do. Two of those studios have already been announced: Oxide Games and Mohawk Games.

Oxide Games

www.oxidegames.com

Oxide Games is making a new type of 3D engine (Nitrous) that is designed for games that need to handle a lot of high fidelity objects at once (common in strategy games and sometimes in role playing games). It will be using this engine first in an unannounced Stardock game. Later, Nitrous will be licensed to third parties as well as become Stardock's standard engine for our future games.

This past January, Oxide released a prototype of the engine in action in a demo called *Star Swarm*. The demo was the first time a PC could display 10,000+ high polygon units with complex, real-time lighting on screen simultaneously without requiring insane hardware.

You can try it for yourself [here](#).



Figure 9: Star Swarm demoed a prototype of Oxide's Nitrous Engine that can display tens of thousands of units on screen simultaneously. This demo was created from scratch in less than 60 days.

The Oxide team includes much of the lead engineering team of Civilization V as well as one of the architects of HLSL (the industry's standard shader language) while at Microsoft. In the next year, we'll be announcing the game we've been working on. We think (hope) people will find it quite spectacular. It is very much a game you would expect from a team that includes people who worked on Sins of a Solar Empire, Civilization IV, Civilization V, Galactic Civilizations, XCOM and Command & Conquer.

Mohawk Games

www.mohawkgames.com

Mohawk Games is the second studio we co-founded. Soren Johnson, the designer of Civilization IV and one of the best game designers in the industry, is both the co-founder and its CEO. Mohawk's first game, the economic real-time strategy game [Offworld Trading Company](#), is still early in development but already quite fun to play multiplayer or in AI skirmishes.

Offworld Trading Company will have an Early Access program later this year. The easiest way to describe it is that it takes a lot of inspiration from M.U.L.E., with a lot more player interaction in its real-time player-driven market and cutthroat corporate competition.



Figure 10: Offworld Trading Company combines economic warfare with alien colonization

EdgeRunner

www.edgerunner.com

According to our survey, most of our customers know us through our software as opposed to our games. Not surprisingly, one of our major efforts has been to create a new company to make our software successful in the enterprise market.

EdgeRunner is cofounded by Jamie McGuffie, the former SVP of Compuware. Its mission isn't just to take our existing software and distribute it to companies. Rather, it helps take software and enhance it to be more compelling for business users. EdgeRunner launched its first new product this month with Multiplicity v3. Multiplicity allows users to use/control multiple computers through a single keyboard and mouse. It's a bit like having multiple monitors, except that in this case the monitors are connected to different PCs. With Multiplicity, you get the best parts of multiple monitors (drag and drop, copy/paste, integration) combined with the best features of having multiple computers (more computing power, more disk space, easy to have multiple copies of the same program running at once).

Other Notes

We currently have eight games and a similar number of software projects in development. The next year is going to be very exciting! There will be a lot of announcements in the next several months.

Conclusions

Last year Stardock celebrated its 20th anniversary since it was incorporated. Having you as our customers matters a lot to us for reasons that go well beyond the traditional customer/business relationship. The 6+ million customers in our database represent, in my opinion, the most technically savvy, generous, supportive people in the world. Let me give you a few examples of this so no one thinks these are gratuitous compliments for the people who pay our bills:

1. In 1998, the OS/2 market died off. Stardock went from a multimillion dollar business to one that made less than \$400,000 in one year. The only reason we survived was because our former OS/2 user base bought Object Desktop for Windows, sight unseen, a year before it would be released. While “Kickstarter” is now common, most of you reading this know that in 1998 just doing credit cards over the Internet was a new thing, let alone giving \$50 to a company to make a product that didn’t exist.
2. Our forums require very little moderation (mostly anti-spam moderation). That’s because we are so fortunate that our customer are not just intelligent and personable but also treat one another with a great deal of mutual respect.
3. Even if you’re a gamer, check out WinCustomize.com. This is our customization community that’s been going strong for close to 15 years or so now.
4. The general feedback on our software and games we get. It’s easy to make bold claims on how great your customers are, but quite a bit harder to prove. In our case, thanks to the public nature of our interaction, people can go through the feedback and see that a lot of it isn’t just constructive but downright insightful. For example, we asked people to tell us [what parts of Legendary Heroes they didn’t like](#). No moderation required. Just pages of insightful and useful feedback that could be applied to future games as well.

Anyway, the point being that you guys are awesome and we feel lucky every day that we get to interact with you as much as we get to. Thank you also to those who filled out the surveys below.

See you next year!

Stardock Survey Results 2013

Each year we send out a survey to millions of Stardock customers. It's amazing how consistent many of the results are year after year. Below are some of the results in the survey. For those of you who participated, thank you for taking the time!

Are you male or female?

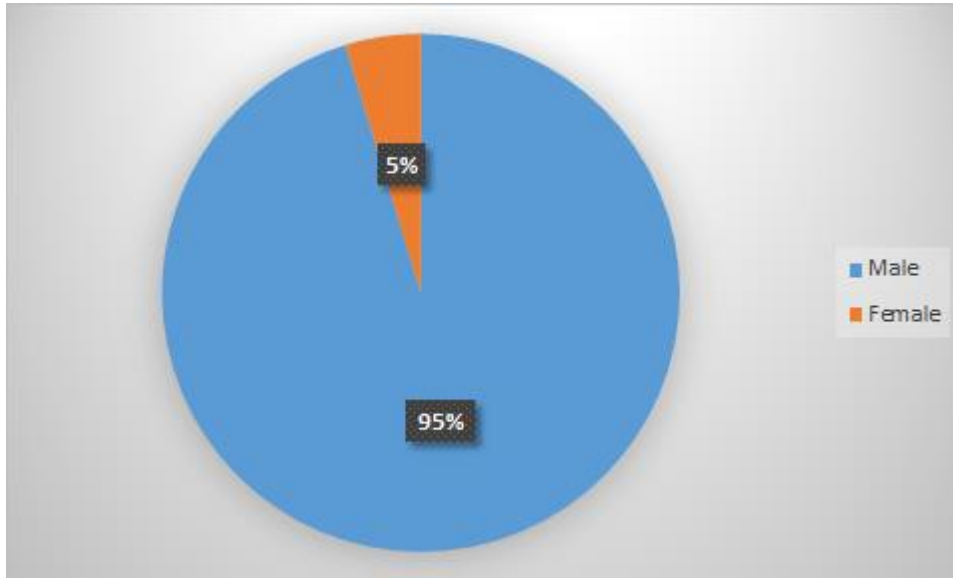


Figure 11: Male or female results (Same as last year)

It has been 95% every year since we've been doing these. Very consistent.

How old are you?

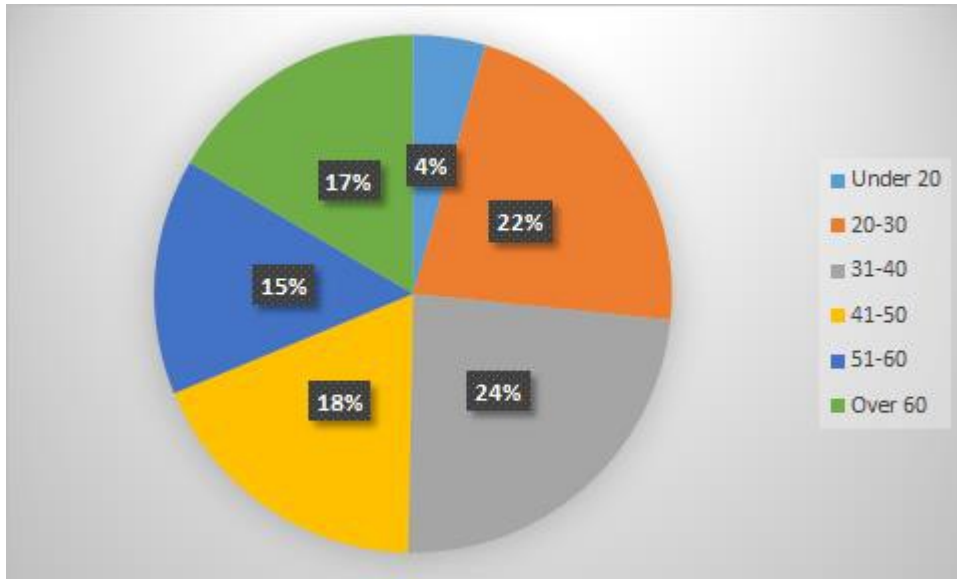


Figure 12: How old are you results: Our customer base grew older across the board with our biggest demographic moving from 20-30 to 31-40.

How long have you been a Stardock customer?

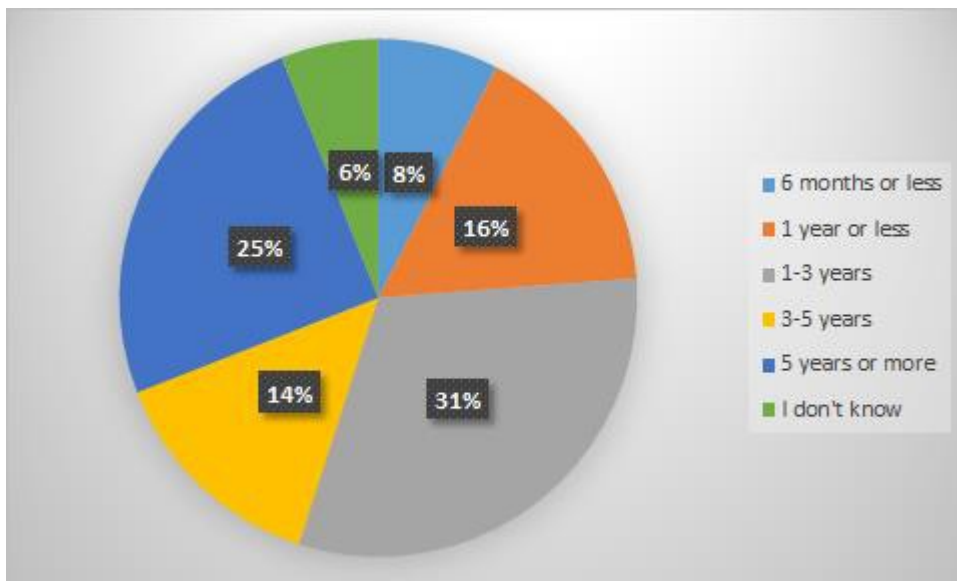
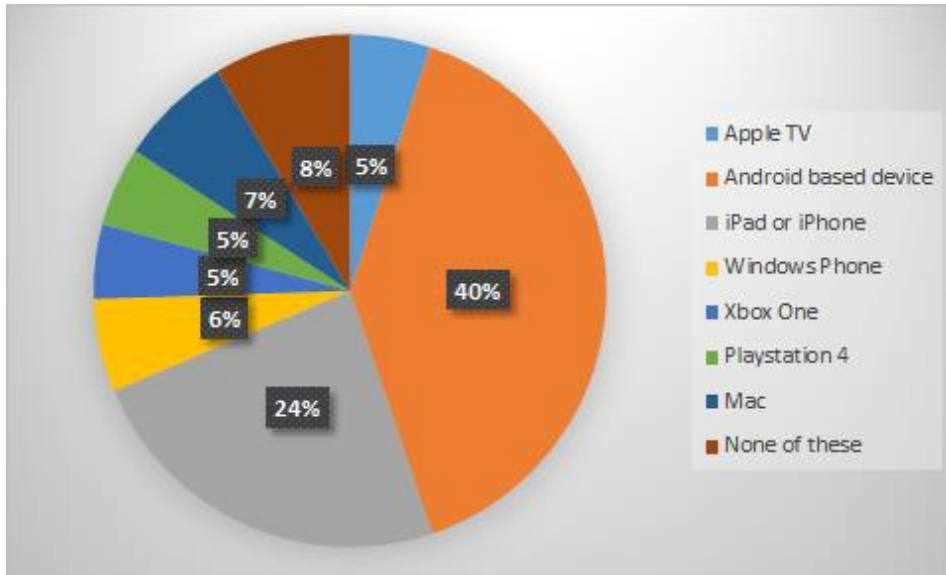


Figure 13: How long have you been a customer: Most of our customers have been with us over a year (last year 38% of our customers were 1 year or less).

Which devices do you own?



Where do you learn about new products, games, etc.?

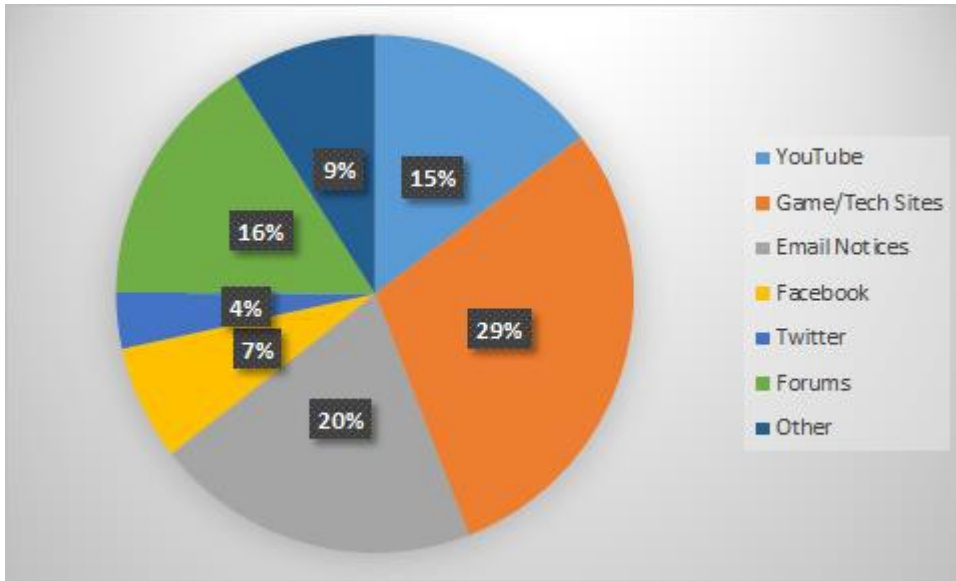


Figure 14: Some interesting results/changes here. Game tech sites used to dominate this. Email has taken over. This is not a good thing as we don't want to see success depend on direct marketing.

What do you use most from Stardock?

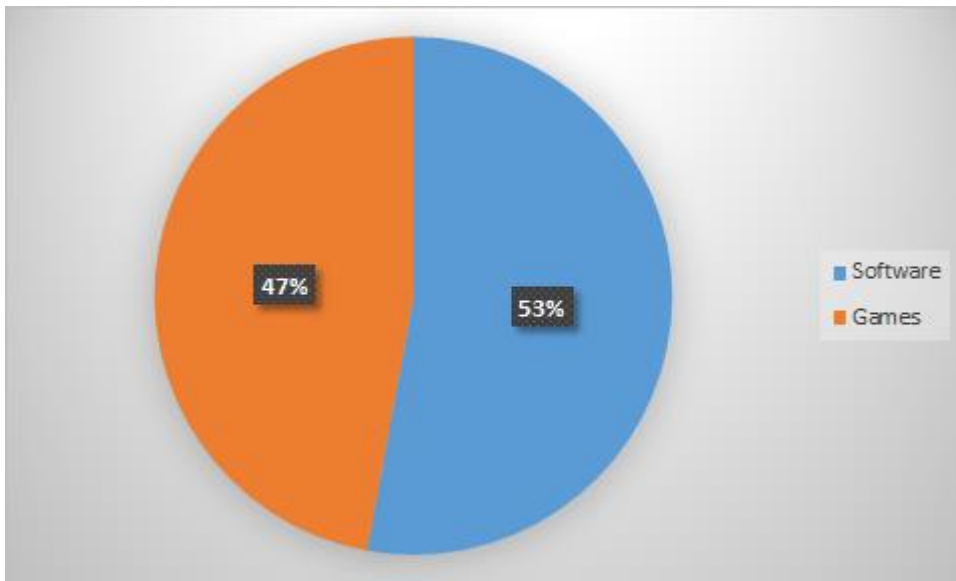


Figure 15: Identical to last year

Where do you prefer getting your software?

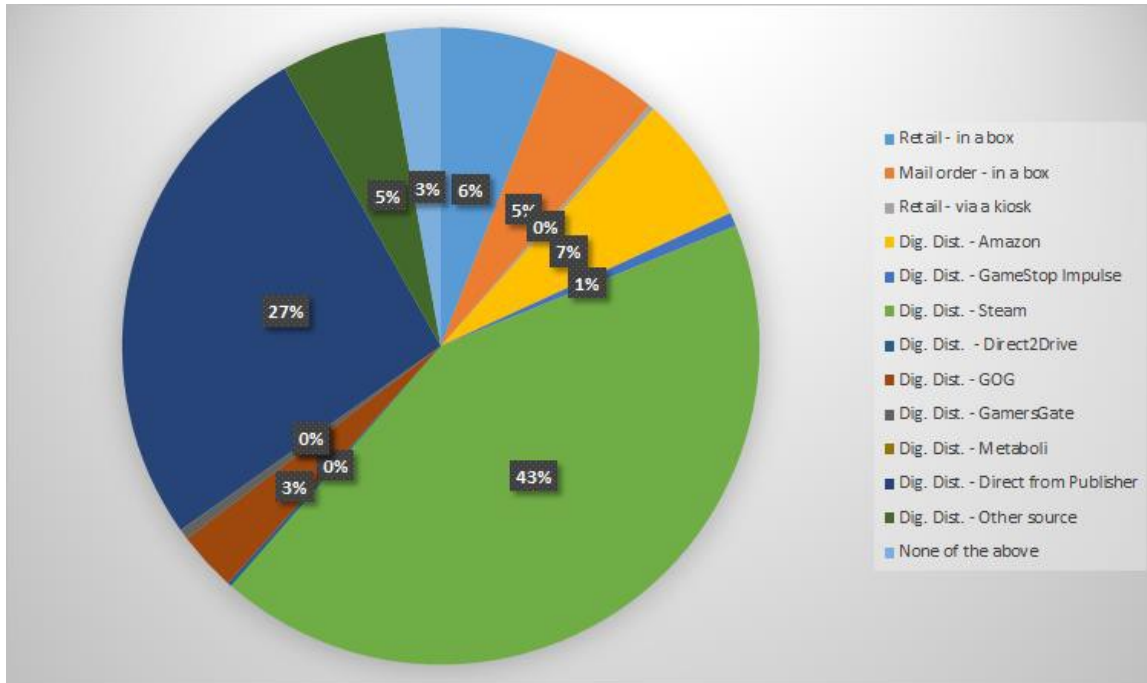


Figure 16: This is an amazing change over the years.

At this stage, it's either via Steam or Direct. Everything else really falls into "Other". It's amazing how dramatically retail has fallen.

How do you hear about new Stardock products?

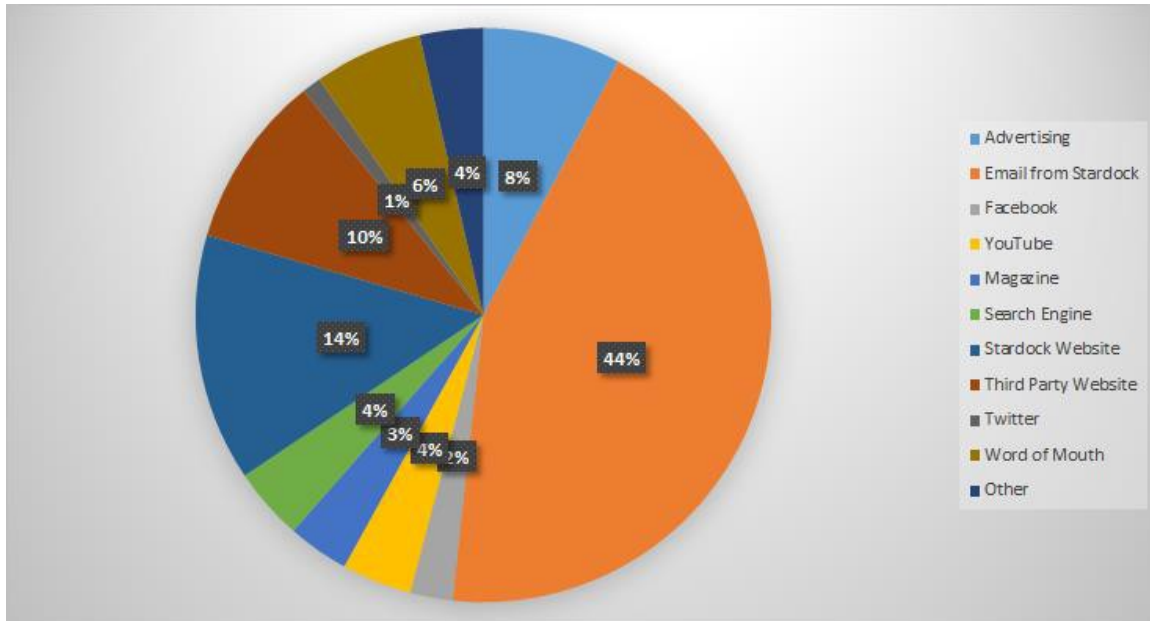


Figure 17: Discoverability is the biggest challenge our industry faces.

This worries us somewhat as it speaks to the declining *discoverability* of software that so many of our customers learn about us from directly from our emails to them. In terms of our own budget, we put a lot of time into Twitter, Facebook, search engine advertising, and YouTube videos. Can you imagine being a start-up in 2014?

When we started these surveys, advertising and magazines were dominant. The email portion has steadily increased over the years. Clearly we (as an industry) need a better communication mechanism. Email should be declining as a means of reaching customers, not increasing.

NEW question: What is your perception of Windows 8?

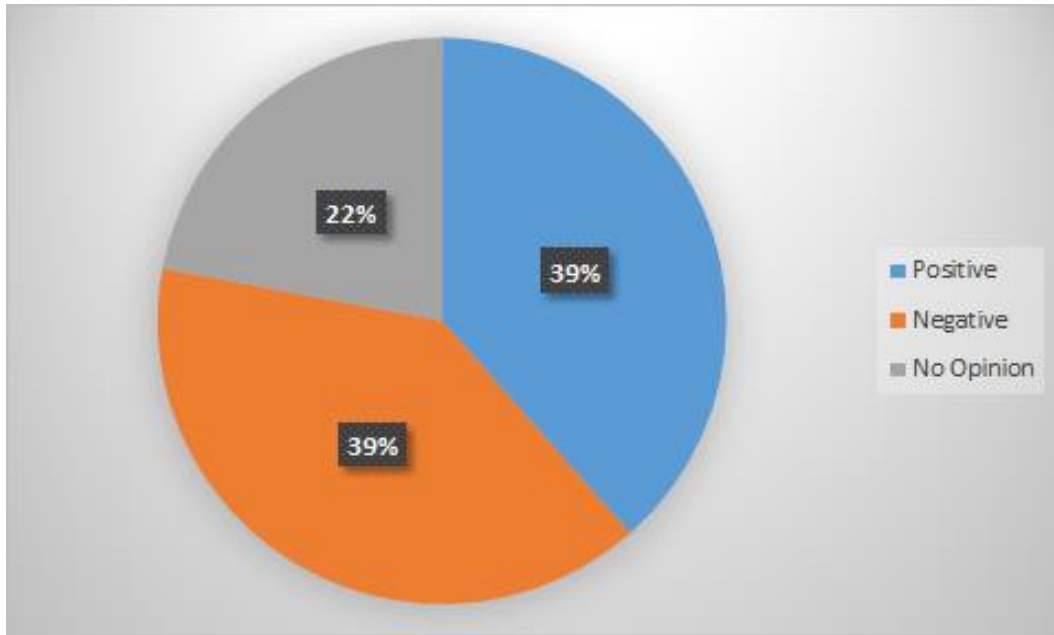


Figure 18: An even split.

Overall opinion of Stardock

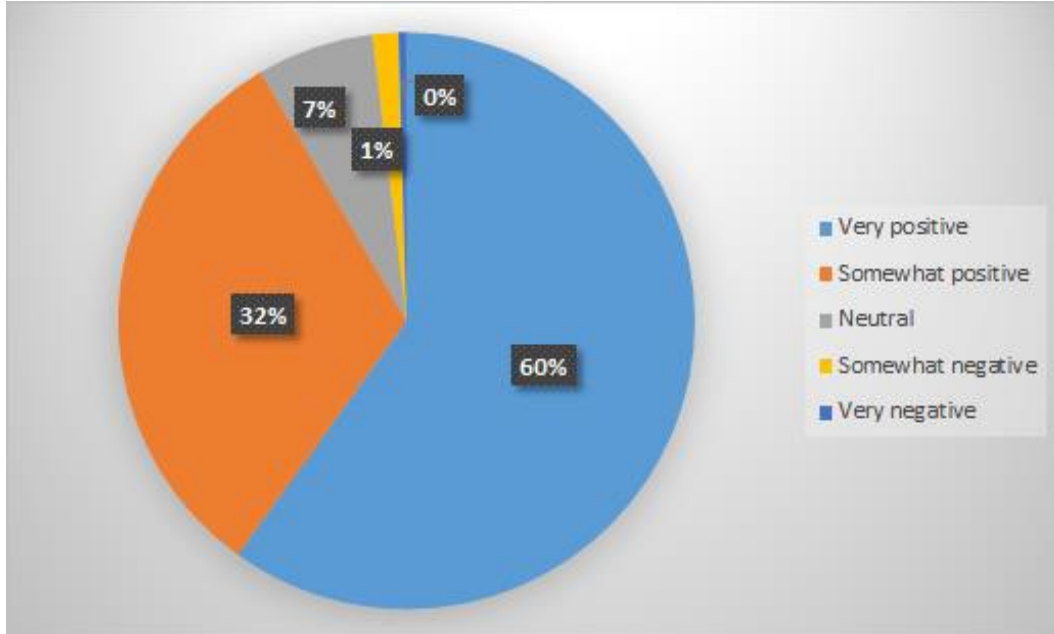


Figure 19: This was a pleasing result. Traditionally the results are 90% very positive or somewhat positive, 8% neutral and 2% negative. This year it was 92% positive, 7% neutral and 1% negative.

This question is only useful when compared to previous years, due to selection bias. We took a negative bump the year we sold Impulse to GameStop. But the positive has tended to stay around 90%. Last year was the best result we received on this survey question since we've been doing them.