



# CUSTOMER REPORT2015

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November 2015

Prepared by

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## Who are we?

Stardock is an independent software company founded in 1993. We're best known for software and games such as Galactic Civilizations, Object Desktop, Sins of a Solar Empire, Start8, Fences and WindowBlinds.

Because we've been around so long and we're independent (I own the whole company) we have the unique opportunity to discuss candidly technology trends and industry issues that most consumers may be unaware of. We have also had, due to our longevity, the opportunity to be the first to develop or popularize some of the technologies you use on your computer right now.

Here are just a few things Stardock pioneers over the years that you may take for granted today.

- We made the world's first commercial 32-bit PC game (Galactic Civilizations for OS/2).
- We were the first company to make a multi-threaded video game.
- ZIP files being treated like folders? That was us.
- Desktop "gadgets" and "widgets". Seemed like a good idea at the time.
- Pioneered digital distribution of games (we eventually sold our technology to Gamestop).

Today, Stardock is located in Plymouth Michigan (Stardock Plymouth) with a second studio located in Towson Maryland (Stardock Towson). We're still very small (fewer than 200 people total).



Figure 1: Stardock Plymouth building

## Why this Report?

Stardock is a privately held, independent software company. Since I founded Stardock, over 20 years ago from my college dorm room, I've always held that our customers have an inherent right to know what we're up to and where we're going.

For nearly a decade now, we've released annual reports to our customers.

You can read 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>
- <http://www.stardock.com/press/CustomerReports/Stardock2014.pdf>

# The state of the gaming media

While the number of new games released each year skyrockets, the challenge for getting coverage for these games has increased. Much of this challenge is due to the way digital media now generates its revenue.

Years ago, there were a handful of major game sites, often connected to a major print publisher that had a dedicated staff of ad reps who secured advertising agreements with major publishers. As people have migrated away from reading print publications, the number of game sites has increased dramatically. In turn, game publishers have migrated away from negotiating individual ads with the game sites to using ad networks (Google ads being an example).

While there is nothing inherently wrong with ad networks, they have the unintended consequence of making sites value only the number of clicks content creates without consideration of the value of the click. Historically, ad reps for magazines would stress the demographic and loyalty of its readership to potential ad buyers. However, in the age of ad networks, much of this distinction is lost.

Another trend that is straining the gaming media has been the disproportionate effect of ad blockers that target these ad networks. Our research has indicated that a substantial percentage of PC gamers are utilizing content blocking in one form or other. This results in a reduced ability for sites to pay for editorial content.

We are not making any judgment on the use of ad networks or content blockers. It is, what it is. However, the combined effect of ad networks and ad blocking has had a significant impact on the ability of game developers, particularly those creating new IP, to get coverage for their games.

For game developers, there are 3 paths to getting coverage:

1. Have a mainstream title that will generate enough clicks on its own to justify assigning staff to cover it.
2. Have a topic that is controversial enough to draw page views.
3. Have a title that delivers something interesting and innovative that will draw readers.

For most game developers, item 1 is not an option.

Item 2 poses challenges to editorial staff as the #gamergate controversy over the past year has demonstrated. Freelancers with an agenda may be willing to work for little financial compensation but they can alienate readers who don't subscribe to the freelancer's politics. Over the past year, editors have clamped down somewhat to prevent agenda driven freelancers from using their sites as a vehicle to promote this or that political cause.

Item 3 is the area we believe game developers should focus on more. Sending broad, generic "pitches" to the gaming media is no longer a viable strategy. Instead, the onus is on the game developer to make the case that their game will be of interest to a specific site rather than treating game sites as a press-release distributor / review giver.

# The state of the PC gaming industry

As a practical matter, Steam has become the de-facto platform for PC games. While other digital stores exist, virtually all of them sell Steam keys. The notable exception being GOG which appears to be thriving and is in beta with its answer to Steam in the form of GOG galaxy.

## Curation & Refunds

In Spring of 2015, Steam instituted a very consumer-friendly refund policy for players. While the refund policy received a lot of coverage, what has received less coverage is the relaxing of what titles are allowed on Steam.

In an age where it has become very easy to make “a game”, Steam has been put into the nearly impossible position of being the gatekeeper of whether a game even has a shot at generating income. For an independent developer, not being on Steam is the difference between a viable and non-viable game.

By relaxing the curation in exchange for a liberal refund policy, Steam has essentially let the market make the call instead. This has not altered the 80/20 rule (20% of the titles will make 80% of the revenue). What it has done is made sure that the 80% of the titles that share that last 20% of the revenue have a smaller piece individually of that pie.

There is no solution to the above conundrum. It is a straight-forward trade off. It creates an opportunity for third-parties (selling Steam keys or GOG) to create a curated site that sifts through the 400+ games released each week (who often have forum groups with no comments and no reviews) to get to the 2 or 3 that PC gamers might genuinely want to play.

## State of the software industry

In the software industry, we are in a period of de-consolidation. The market is now so fractured that few companies can even contemplate supporting them all with any sort of specificity. Outside a handful of mainstream applications, the Windows, Mac/iOS and Android market appear to be developing their own unique ecosystems.

For Stardock this has meant us de-emphasizing our software development budget as Microsoft Windows has been our primary target and the market for Windows software has dramatically decreased over the past 5 years as users have migrated to other platforms for their core computing needs.

However, with the rise of Windows 10, we believe that we will again be able to focus our Windows development on a single version of Windows.

## DirectX 12 and Vulkan are game changers

Whether you're a PC or console user, you may not know this but the technology under your games hasn't really changed since 2003. Many hard-core gamers are painfully aware of this while others believed we had simply moved into "diminishing" returns where each new generation of console or PC games would be an evolution rather than a revolution.

I wrote about [why DirectX 12 is such a big deal at MSDN](#). What it boils down to is that your CPU has not really gotten that much faster in the past decade on a per core basis. Instead, they have added more CPU cores. Unfortunately, the underlying software tech that game developers use to make use of those cores has been extremely limited until DirectX 12 (and Vulkan). To be fair, PS3's libGCM is comparable for users who want to win at Trivial Pursuit "Who had the first multi-core graphics API?"

With DirectX 12 (and soon Vulkan) you will begin to see some fundamental changes to what games can do. It will be akin to what we saw going from DOS to Windows and sprites to 3D models.

Here are the highlights of the tech:

1. [As we demonstrated with the alpha build of Ashes of the Singularity](#), GPU stacking becomes possible. This means that you can just go out to the store, buy another graphics card and put it in your PC while keeping your existing one to get more perf.
2. When all your CPU cores can talk to your graphics cards, your limiting factor because your graphics card instead of your CPU. Obviously good news to AMD and NVIDIA. But also good news for gamers since it will mean a massive jump in visual fidelity.
3. DirectX 12 and Vulkan mean that you can use your CPU cores for more interesting things like physics modeling, more AI, more characters, etc. (again, the alpha of [Ashes of the Singularity](#) arguably has the best non-cheating AI of any RTS ever even in alpha simply because its AI is not tied to the gameloop but instead is multi-core).

These 3 changes are as big a change for game development as the Voodoo 3dfx was.

## What's next for Object Desktop?

Object Desktop has been Stardock's flagship product line since 1995. It turned twenty years old this year. Conceived in 1993 as a suite of small apps to improve the OS experience, Object Desktop exists to give people the OS of tomorrow today (that phrase sounded a lot more clever in 1993).

It's sometimes a little thankless since people will view what we're doing as things that should already be part of the OS. Luckily, as time has shown, the OS vendor often adds what we make to the new version of the OS.

You can read an article on [Object Desktop history in its 10 year anniversary from inception here](#).

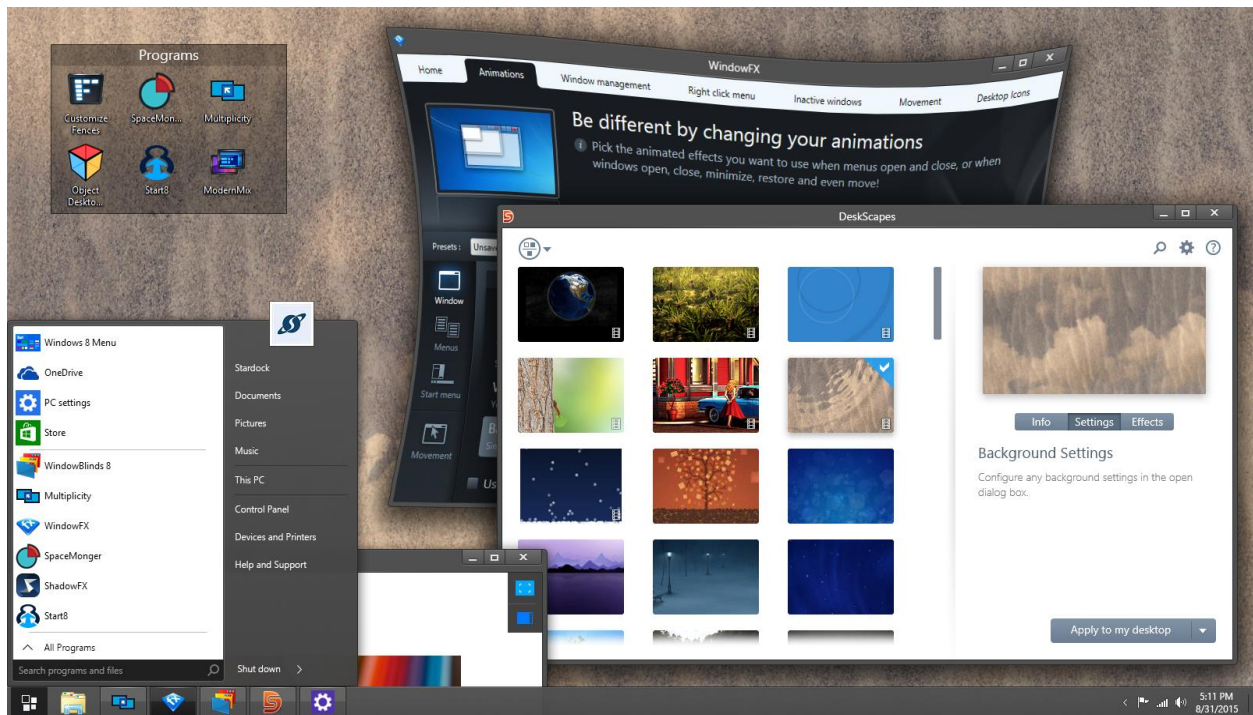


Figure 2: Object Desktop 2016

Stardock has already released Start10 to combine the features of the Windows 10 start menu we like with the features of the Windows 7 start menu we like. We're also working on a new version of Fences and WindowBlinds and Multiplicity.

Overall, for the next major version of Object Desktop we're going to be focusing less on visual customization and more on productivity customization. Some of this first showed up in Object Desktop 2016 with the addition of Multiplicity and SpaceMonger. We plan to take this further next year.

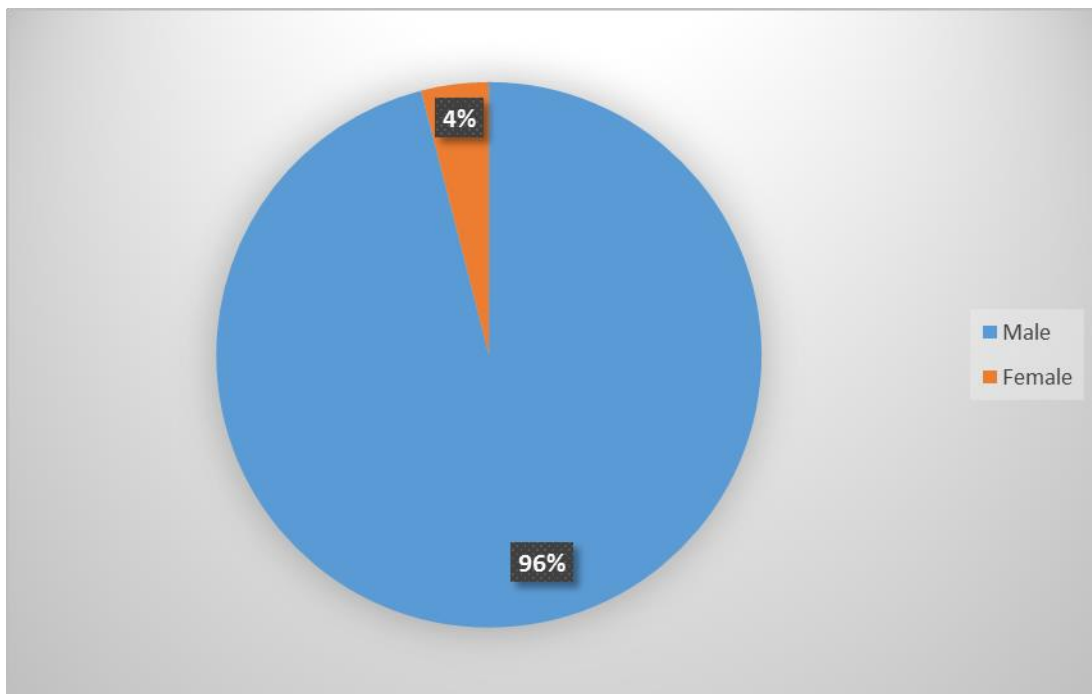


# Stardock 2015 Customer Survey Results

Each year we send a survey out to our roughly 6+ million customer email list we've accumulated over the years. While the results we receive are subject to the usual selection bias, they are quite useful in terms of comparing one year to the next.

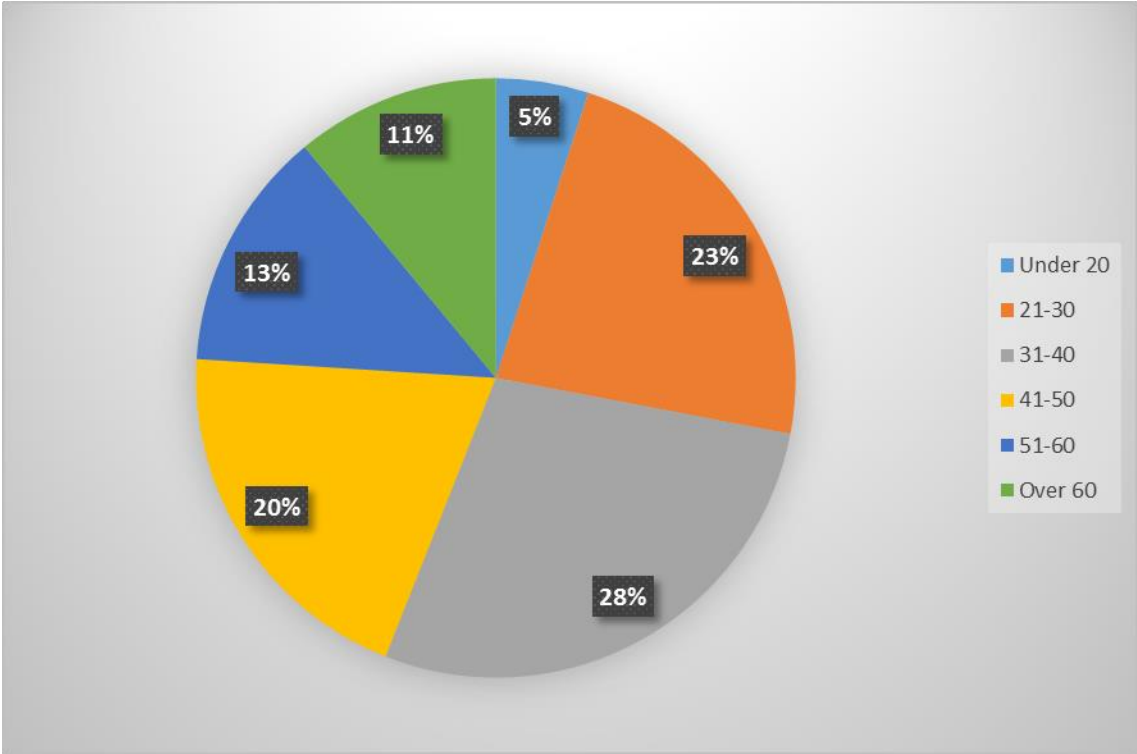
Here are the results:

## Are you male or female?



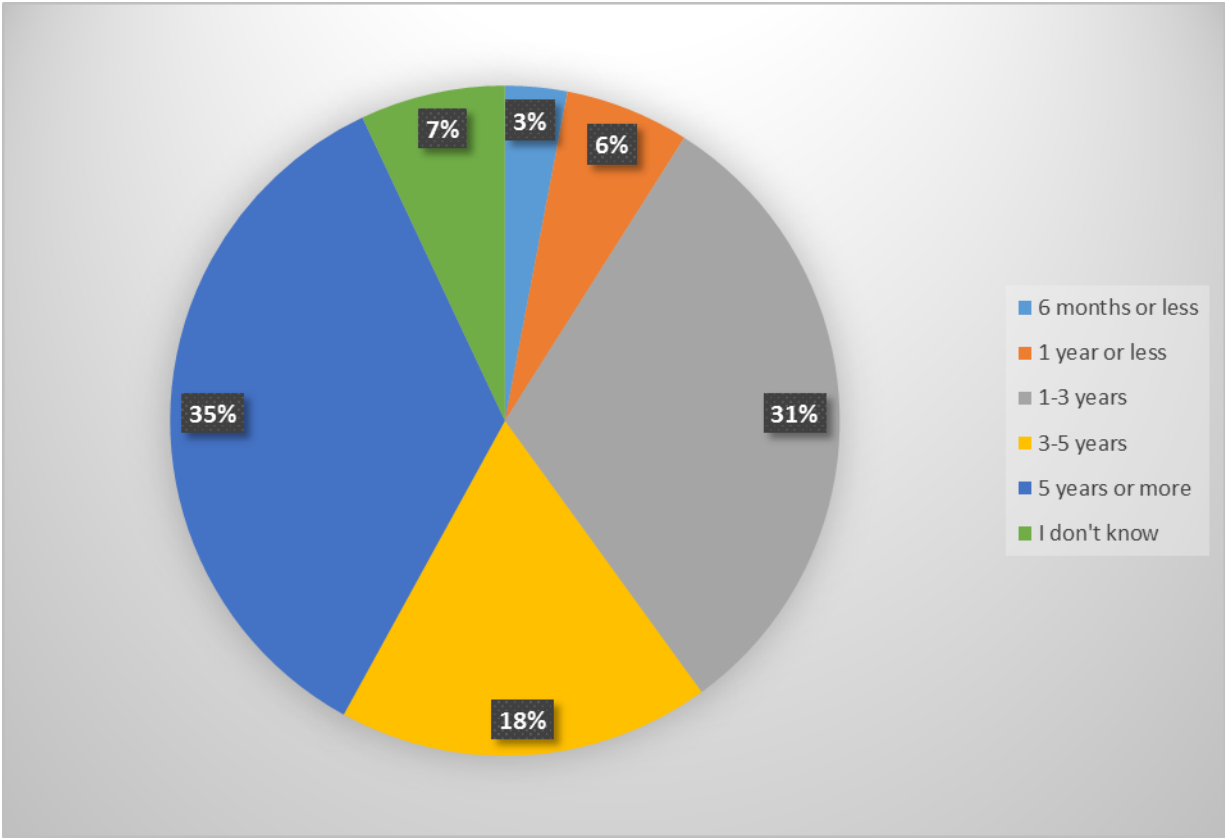
Essentially the same as last year.

**How old are you?**



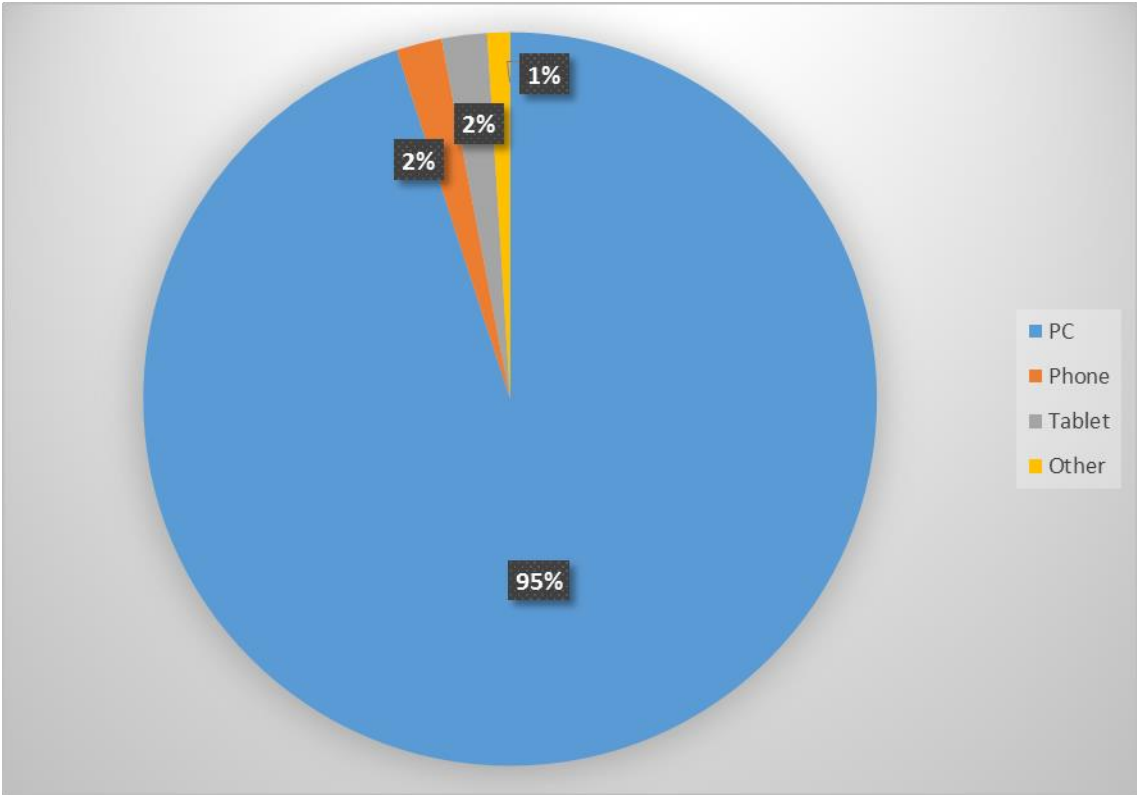
User base is slightly younger this year than previous years.

**How long have you been a Stardock customer?**



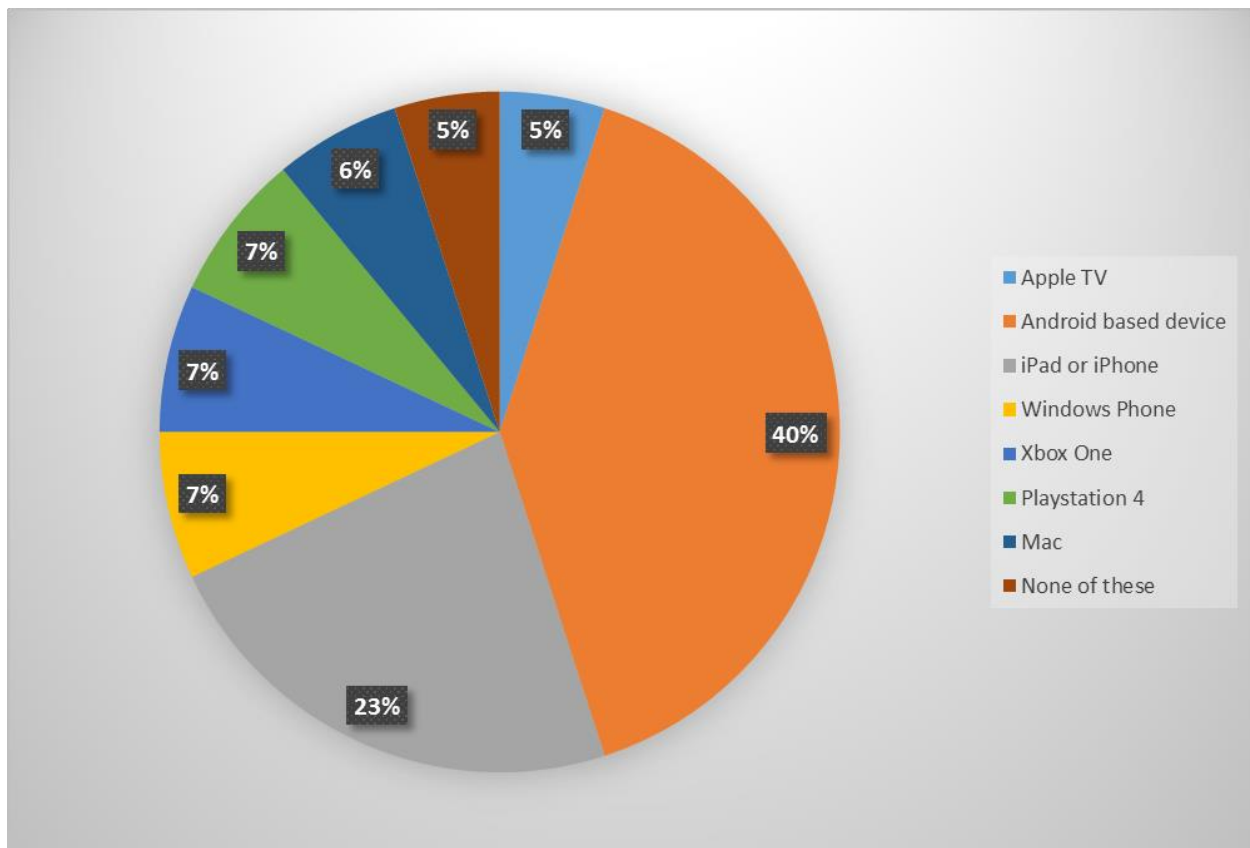
Since Stardock released relatively few new products this year, it is not surprising to find out that our customers have been with us longer than in previous surveys.

What device do you purchase most for?



Our customers are dominated by PC users.

## What devices do you own?

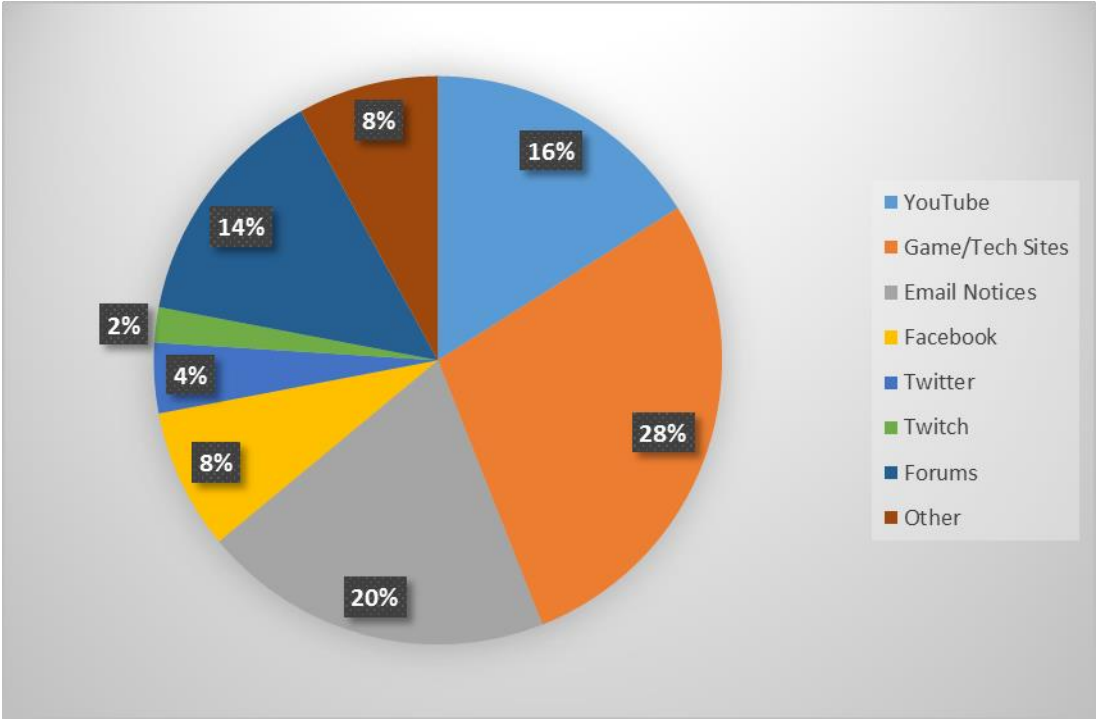


Taken with the previous question, this is quite interesting. Most of our customers do have other devices but spend virtually all their money on the PC.

However, that said, the previous question failed to explicitly list the consoles thus biasing it towards PCs. But it does show that smart phones and tablets might not be a good target for us.

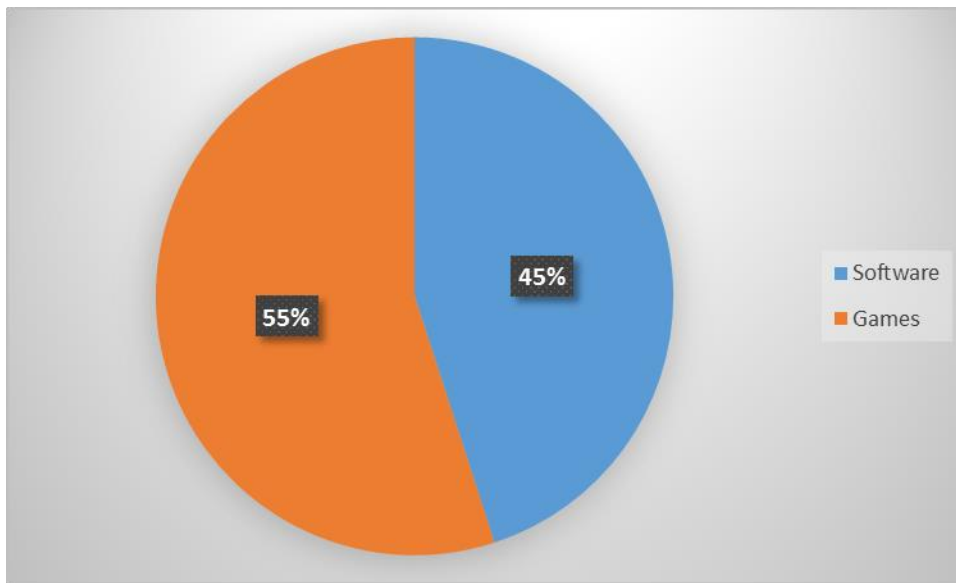
These numbers remain essentially unchanged from last year.

**Where do you learn about new products and games?**



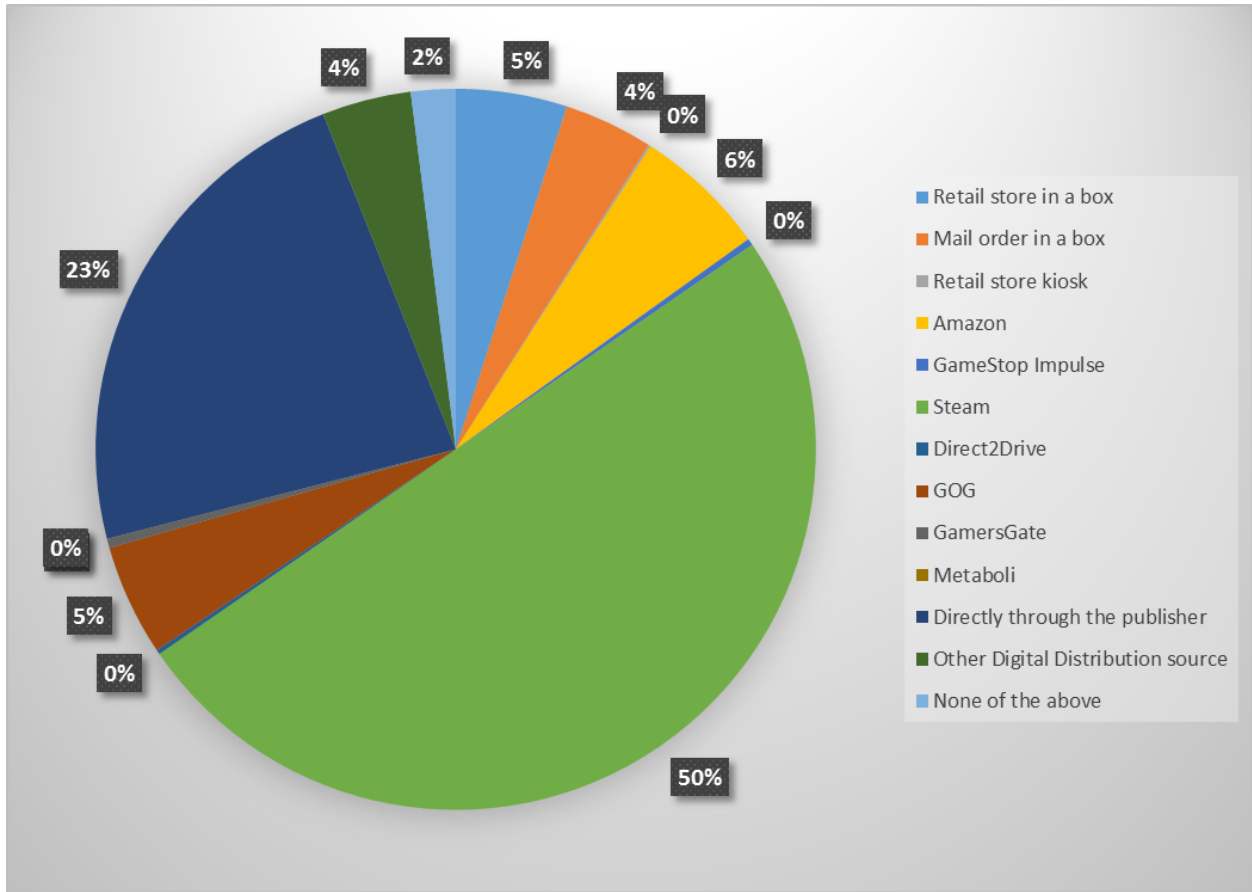
No big changes here from previous years. However, one thing to take away from this is that Twitter is not the effective marketing channel that some believe it to be.

**What do you use most from Stardock?**



This is a defining moment for this survey. It's the first time the games have won on this question.

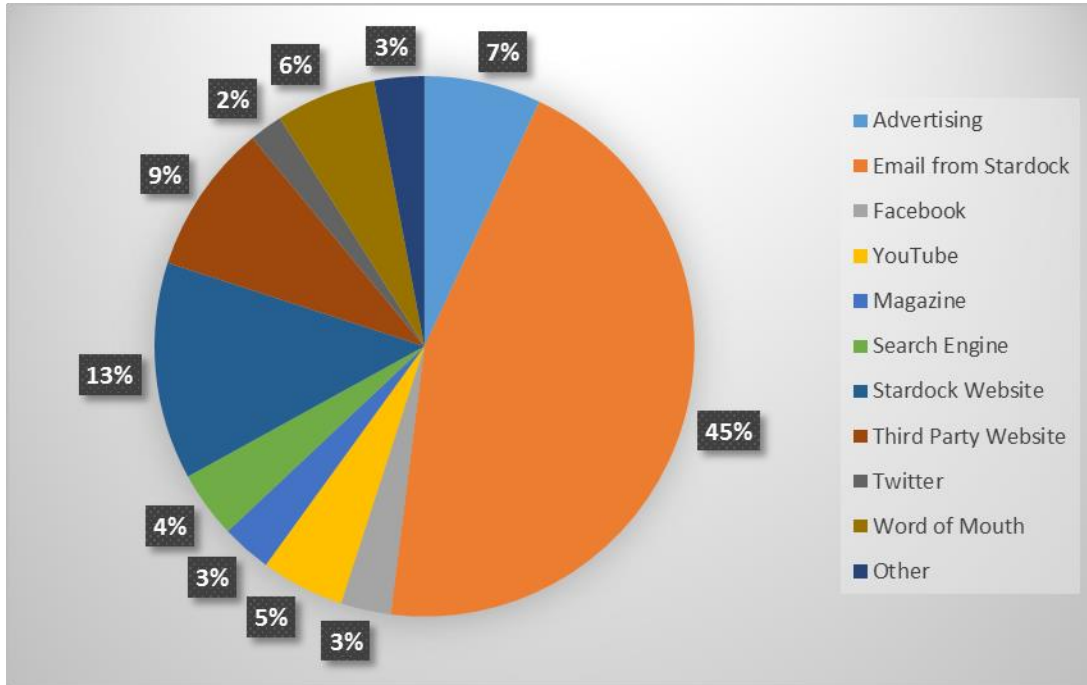
### What is your preferred method of purchasing software?



For the first time, Steam is now the majority. When we started these surveys, retail in a box dominated. It's now at 5%.



## Where do you hear about Stardock products?



This is almost the same as previous years.

It does, however, demonstrate that Stardock continues to rely on its email list too much.

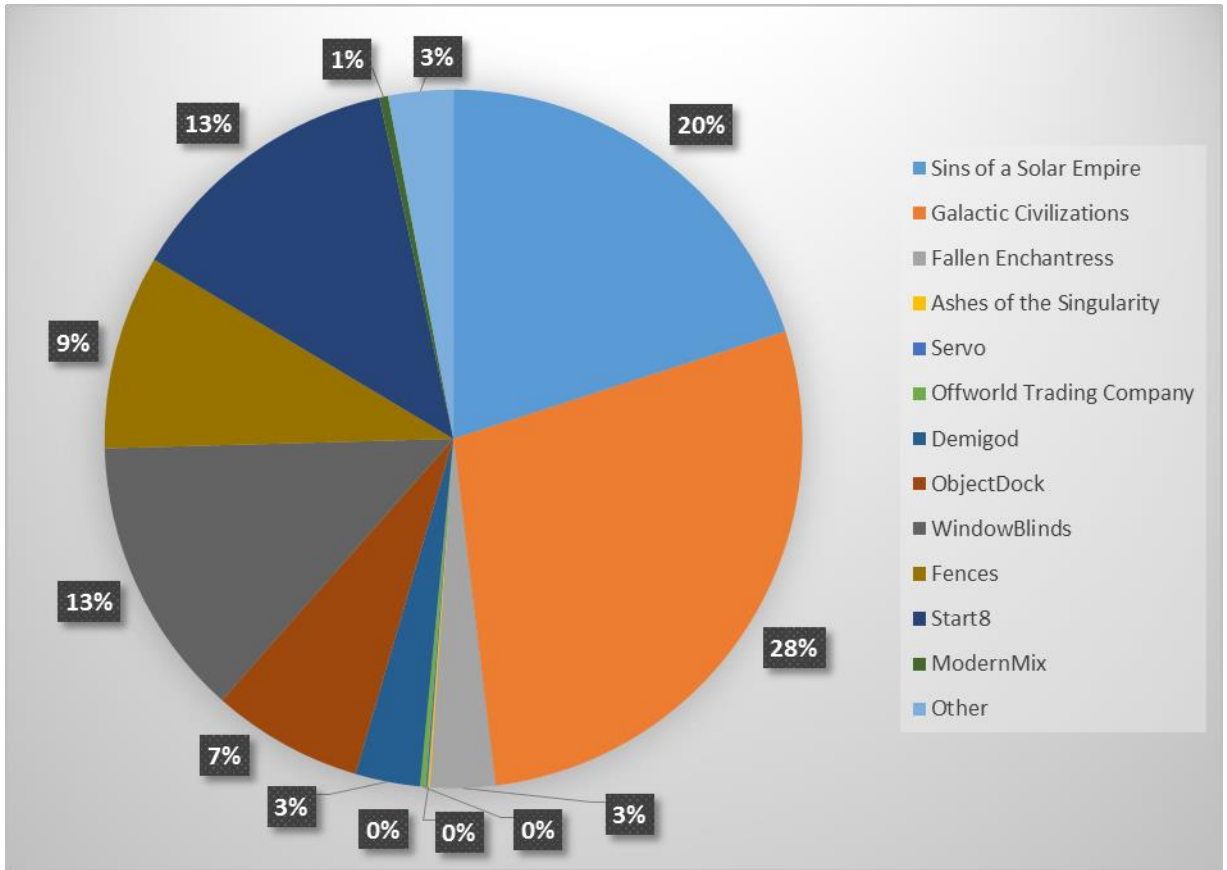
Almost half our customers hear from us from email. Now, this is selection bias at its finest (since we sent the survey via email). However, ideally third party websites should be more represented than the 9% they received here.

This past year we put quite a bit of effort into Twitter marketing which got us from 1% in 2014 to 2% this year.

Lesson here:

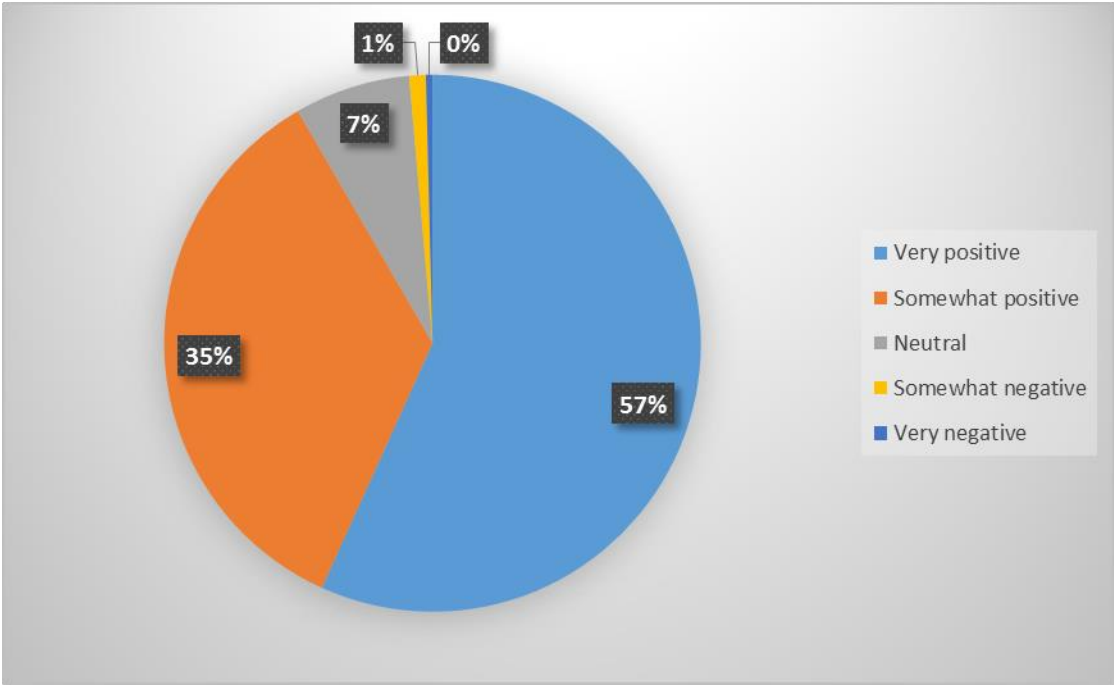
1. Stardock should be doing more with YouTube
2. Stardock should be working more with the game and tech sites

Which product introduced you to Stardock?



Not surprisingly, Galactic Civilizations continues to win this question. Start8 has an impressive 13% despite being so new.

**What's your overall opinion of Stardock?**



Little changed from previous years (selection bias in effect but useful for year to year comparisons). 92% of customers have a very or somewhat positive view (exact same as last year). The other percents remain exactly the same as last year.