

RUNNING A GAME PUBLISHING COMPANY

Chapter 2: Your Company

Copyright © 2006 Amarillo Design Bureau, Inc.
Written by Stephen V. Cole, designer of *Star Fleet Battles*.
Revised 13 December 06
[New material added since 2 June posting is in blue.](#)

Giving advice on setting up a company is difficult because there are so many different kinds and sizes of companies, not to mention 50 sets of state laws in the US. We'll cover a few general points and then move on to some example cases.

2A: ABOUT YOUR BUSINESS

How Big a Business?

You can start your company at any size you want. Maybe you have no real ambitions of making it big, but don't limit yourself by assuming you will fail. Keep your eyes open for opportunities to move into new areas.

Your business could take many forms and be of many sizes. We'll consider some broad categories:

Ancillary Company: You are in the game business but not really the game *publishing* business. You run a game review web site or a demonstration team. For this, you don't need an office or a warehouse or money to print a product. You just need a home computer, an Email account, a cable modem or DSL line, a mailing address, maybe a phone number (probably just as easy to skip that), and maybe spend a little money going to conventions. You might be able to get some or all of the convention costs paid by a game company if you work in their booth or demonstrate their games or run events for them. The start up capital can be effectively zero (assuming you already have home computer and start with one of the free web site places). You can run this part time.

PDF Publications: You will do a few products (actual games or add-ons to other games) but sales will be via paypal and the internet and will involve charging \$5 for the email delivery of a PDF of the "product" you did. As with an ancillary company, you don't really need to spend much money to get this going, although a hundred bucks would probably get your own web site, domain name, and hosting company started. You could easily combine this with the functions of an ancillary company or you could add this layer on top of such a company or you could do this and skip ancillary altogether. You can get your creative juices flowing, show the world that you have ideas, and maybe make enough money in a month for a decent date with an interesting person. Maximum potential is probably 500 sales of a \$5 item every two months, call it \$15,000 a year with little risk. You can run this part time.

Consolidated Publications: You actually publish paper products (books, games, etc.) but you don't run your own sales or warehouse. You hire a "consolidator" to do that for you. They take a share of the money and they handle your warehousing, and "consolidate" orders for your products with those of several (or many) other smaller-press companies to get a big enough order to get wholesalers to buy it. You might do your own advertising and have your own booth at local and even major conventions. Your product support warehouse might even have its own shopping cart so you can handle your own mail orders (although probably with Paypal instead of credit cards). You don't need much more in the way of an office or office equipment than the smaller companies. Word of warning; use print on demand to print only what you sell. You

can run this part time.

Small Press Publications: This is the low-end of being a "complete" company. You have your own office and warehouse, deal directly with wholesalers, pay for your own advertising, have your own booth at major conventions, and your company probably consists of at least three full-time people (one of whom is spending their entire time on business management, orders, accounting, and taxes, and one of whom is spending half of their time running the warehouse). This form of business is basically a full-time job, although you might have a part time job on the side to make money since during the first few months of starting up you probably won't be making a paycheck. It can easily take ten thousand dollars just to get such a company up and running, counting office rent, deposits on the various utility and phone accounts, the web site, and so forth, and that might not be enough to cover the cost of printing a modest first product.

Anything Bigger than that is just a growth of small press, with more people, more products, more income, and more expenses. But all of these "bigger" companies will start out as small press companies and try to grow. The best will succeed.

What Form of Business?

This is a good place for you to do some Google searching but we'll explain the high points. Laws vary from state to state (and Louisiana is for all practical legal purposes part of France not part of the US) so consult a local attorney or at least somebody you know who knows how to run a business.

Note: This discussion is based on the tax and business laws of the United States of America. Canada has a different set of rules, as do other countries. If setting up a business outside of the US, consult a local attorney.

Sole Proprietorship: You own everything, and you are responsible for everything. This is the simplest form of business and most small game companies are of this type. Tax forms are easy as this form of business just needs a one-page attachment to your form 1040. [Basically, all of the losses and profits are taxed as your personal income.](#)

Corporation: Legally, a corporation is an artificial human being who owns stuff (and is owned in turn by one or more shareholders or stockholders). This is a more complicated form of business and will all but require an outside accountant to do your state franchise taxes and federal corporate income taxes. The big advantage of a corporation is that it limits the liability of the corporation to the assets of the corporation. In theory, you are not responsible for the debts of the corporation. As a practical matter, almost everyone who loans you money expects you to sign a personal guarantee which eliminates the main corporate benefit. The one important thing is that if somebody sues you and gets a judgement for a million dollars, they cannot take your own assets unless they can prove you did something criminal or equally nasty. Do not start a corporation without an attorney. Maybe, if you do a lot of reading and have some business experience and own a corporation or two, you might get away with using one of those web sites that forms a corporation for you. But I wouldn't. [A few additional notes. Corporations pay their own taxes, and deduct their expenses. Thus, salaries/wages paid to people who just happen to be owners but do actual work are deductible expenses \(and don't get taxed twice\) but ONLY if they are "reasonable" for the amount of work actually done and ONLY if there is a corporate board meeting minute sheet in the corporate book which specifies this salary. Corporations are supposed to shield your assets, but there are ways around](#)

RUNNING A GAME PUBLISHING COMPANY

that. An enemy lawyer is going to look for ways to “pierce the corporate veil” and get at you directly. Lots of things count for this. One is not having the board meetings you are required to have by law. Another is not using “Inc.” as part of your business name. Another is “drawing” money out of the company without going through the motions of paying it to yourself as a salary. Another is taking corporate property home and keeping it (such as an old computer, you actually have to “buy” it for a reasonable price). Unsecured personal loans to corporate officers is another big no-no. Speaking of taxes, most states require a corporation to pay some kind of special tax such as a franchise tax. You need to find out about that before you incorporate (every state is different) and build the tax payment into your cash flow plan. As noted, every state is different. Some tax foreign corporations (those from another state in the US) and some do not. Some charge taxes for a corporation chartered in their state even if you operate in another one. California, for example, charges \$900 (minimum) per year for a corporation operating in their state, and if you move out of California they will continue taxing your corporation (incurring huge amounts of interest and penalties) until you fill out the form to formally notify them that your corporation left the People’s Republic of California.

Subchapter-S Corporation: Same as above, but the shareholders are taxed as partners. This is really good if you expect the business to lose money, since the individuals can deduct the loss from their taxes while a regular corporation can only carry the losses forward a few years to count against profits. And if you never have profits, a C-corporation is not a really great tax help. Decide if you are going to be an S-Corp or a C-Corp before you Corp at all. If you’re going to be an S-Corp, you have to notify the IRS on a special form that is in the kit you get from the lawyer, and you have only a very short time to send in that form (by certified mail!). Changing from C-to-S or S-to-C later is VERY complicated.

Partnership: These are complex beasts and you need an attorney to explain things to you and draw up a partnership agreement, which is sort of like a pre-nup. It can be an emotionally draining experience since you basically have to negotiate how you’re going to conduct open warfare with your partners if you have a falling out. Don’t start a partnership without a partnership agreement in writing. Partnerships can be set up so that the partners share the profits and losses and ownership differently if you want (and agree with your partners). Normally (consult an accountant) a partnership is set up by people who each contribute various things and who get a commensurate share of the ownership, profits, and losses. In some states, an offer to buy out your partner is legally an offer to sell your share to him at the same pro-rata cost (and it’s *his* option whether to buy your share or sell his). See what we mean when we tell you that *this is a business, not a game*? You can get seriously hurt (financially) by being in business with the wrong partners. What happens if your partner moves away? What happens if just before he left, he sold his share without your knowledge to somebody you just do not want to be in business with? What happens when you find out that your partner ordered a \$25,000 computer-printing system without asking you? Can he legally do that? Can he legally offer people a job without asking you? Can he fire people?

It’s all in the partnership agreement.

Limited Partnerships: These are a little different from straight partnerships as some of the “partners” are actually investors who do not take a day-to-day role in running the company. The liability of these partners is limited to what they

invested. But if one of the investors comes into the office to cover the phones while you’re on vacation, he loses his limited liability protection. There is always one General Partner (who actually does the work of the partnership) and he IS personally liable for the debts and actions of the limited partnership. Note that the laws for limited partnerships (and partnerships) vary from state to state and you need to consult a real lawyer, not one of the amateur lawyers of the internet.

Limited Liability Companies: These are relatively new beasts. In theory, they are non-corporations but the liabilities of the company are limited to the assets of the company, so if somebody sues the company they can get the assets of the company but not your assets ... unless they can prove that you did something really nasty or illegal and should be held personally accountable. Don’t try this without a lawyer, a real lawyer. Just exactly how it works varies widely from state to state. Big thing to avoid in LLCs or corporations is to avoid mixing personal and business assets. An enemy lawyer will use that to make your personal assets a part of what he can go after in a law suit.

What do you need?

We will assume that you plan to set up a business that could operate as your full time employment. (Later, we’ll talk about ways to enter the industry on a lower scale.) In simple terms, you need an office in which to conduct business, people to do the work, equipment for them to work on, a warehouse (to receive shipments of components, assemble products, store them, and prepare them for shipment), telephones, an account with United Parcel Service (or FedEx Ground), a Post Office address, and about a million other things. Let’s go down the list.

Office: You need enough space for everybody who is going to work there to have a place to work. It doesn’t hurt to have a conference table (which doubles as a lunch table, place to lay out graphics, and a place to assemble games when it is too cold or too hot to work in the warehouse). Obviously, you cannot get by without a restroom, but it is also handy to have a sink and a place for a microwave. You don’t really need a full-scale kitchen unless you plan to move into the spare office and live there (which might be handy once your spouse realizes just what you have done). You want someplace that is a short drive from home, cheap, has a relatively uncomplicated lease (never accept a “triple net” deal where you have to pay a percentage of your sales, those are designed for retailers), is in a low-crime neighborhood, is livable all year, and has a fast-food joint around the corner. Truck-high docks are a definite advantage. BE SURE that there is enough room for a semi-truck towing a 53-foot trailer to back up to your loading door. Check the lease carefully to ensure that none of your plans are for things your lease will not allow. Explain to your landlord just exactly what you’re going to be doing.

People: Somebody has to do the work. In theory, this will originally be you and your partners or fellow shareholders who have all agreed to throw their lives, fortunes, passion, and creativity into the new company. As time goes by, you may hire additional people.

Computer: A computer for everyone who will be in the office working at the same time. It does not matter if these are Macs or PCs, since you will probably be better off using whichever one you are already familiar with. (By the way, somebody needs to join the local computer club and attend every meeting to network with people who can fix it when it breaks down.) You will need an internet account (preferably

RUNNING A GAME PUBLISHING COMPANY

DSL or cable modem or other high-speed access), a domain name, a web site, and a secure shopping cart.

Furniture: You will need some office furniture (tables, chairs, desks, bookshelves, filing cabinets), which you should try to get free from the garages and attics of various friends, or at least get cheap from used furniture dealers, garage sales, or local estate sales. You will eventually need warehouse shelving (once the entire floor of your warehouse is covered with pallets stacked with boxes of games) so keep an eye out for a big store that goes out of business and sells off its shelving for a fraction of the price of new stuff. You will need a bunch of folding cafeteria tables to use for an assembly line and other part-time uses. If you have space, get a sofa since you'll need it when you pull an all-nighter.

Equipment: You need a bunch of this including:

- Desktop computers, which everybody needs to do their work. Get them with as much memory as possible and have the latest and greatest operating system and software installed (so you can put off being forced to upgrade as long as possible).
- a fax machine (many wholesalers send in their orders this way, but many are switching to Emailing a PDF),
- a photo copier (yes, even in the digital age, sometimes you need to make a copy of something that is not in *your* computer),
- assorted office furniture. Try to scrounge this from the attics of friends and neighbors and from used furniture stores. You can spend a fortune buying new stuff and you might as well see if your company has enough business to keep going before investing money in something non-essential. You can reward yourself for a good year with a new walnut desk.
- A digital camera will be needed to photograph your products for your web site. You can also use it to put a "virtual tour" of your office on your web site, making customers feel welcome.

Warehouse: This is a complex subject covered in Chapter 5, but generally speaking it's good to rent an office-warehouse combo so you are only footsteps away from your shipping, receiving, and assembly areas. You will need a pallet jack to move 1500-pound pallets (loaded with cartons of books). You will need a shrinkwrap machine (one of the \$5000 types, see if you can find a used one for \$1500) unless you do products that do not have to be shrinkwrapped.

Telephones: You call the phone company once you have a building and ask to have lines put in. Generally speaking, one line will work for the smallest companies, but to be really workable you would need two (one for incoming voice calls and one for incoming faxes, which doubles as a second outgoing line when somebody is on the phone and you really need to call somebody). But to be really workable, you need two incoming lines (plus a fax line), and they need to be "hunting" lines which means if the first one is busy any calls to that line get bounced to the second one without the caller knowing it. While you are at it, you really need a DSL or cable modem connection for your computers.

Shredder: You will, now and then (more often than you think) have some paper that needs to be destroyed, not just discarded, such as things with credit card numbers. To do this, you will need a shredder. Get one of the cross-cut types that chops the paper into small squares not long strips.

Two Gifts that Keep on Giving (Back to You)

Have a refrigerator in the office and stock the favorite sodas of your printer salesman, the equipment repair people,

the UPS driver, the landlord's handyman, and anybody else whom you might want a favor from some day. The cost is minimal and you cannot calculate the dollar benefit of getting the repairman on the phone and begging to be moved to first in line and actually getting him to show up quickly.

You are a game company which means a warehouse full of games. If you have some (and you should) which are suitable for normal people (as opposed to gaming nerds) then when Christmas time comes around, hand a few out to your accountant, banker, UPS driver, equipment repair technician, insurance agent, and anybody else whom you do business with and need a little good will with. Most have children who will enjoy the games.

The Accounts You Will Need

Bank Account: Get a commercial checking account, preferably with overdraft protection. Get as much free stuff as you can (free checks, free checking) by shopping around the various local banks. If your company is successful, you may want an interest-paying "reserve" account at the same bank. That is where you put the extra cash, not into the party fund.

Federal Employer Identification Number: You can usually get the bank to get you an employer identification number, used for federal taxes. If they just won't get one for you, find the IRS office and they'll give you the form.

Telephone: Get a commercial line. (You won't convince the phone company to give you one of the cheaper types of service.) For smaller companies, consider using a cell phone as your business phone since it will always be with you even when you're at a convention.

GAMA Membership: Join GAMA and hunt through the member benefits list for things you can use. They have a health insurance program that might (or might not) be better than anything you can get.

GPA Membership: Join the GPA. While they have many benefits, the biggest is being able to ask companies your size that started a year or two before you did how to solve problems you meet.

Games Quarterly Catalog Listing: Get in touch with Matthews-Simmons Marketing to get your products listed in the Games Quarterly Catalog and, most important, get your company assigned a three-letter manufacturer code. This costs nothing, and the catalog is the industry bible. Any time a gamer goes into his local store and asks the store manager to get him a copy of your game, the store manager (having never heard of your game or company) will look in the Games Quarterly Catalog and try to find your company in alphabetical order, at which point he will find your products listed (assuming you followed the instructions of Matthews-Simmons Marketing and got your products listed in their format) and order it from his wholesaler.

UPS Account: You need this for Small Press and Larger businesses, and you can of course use FedEx Ground instead. Note that the UPS shipping software *only* works on a PC so if your office uses Macintoshes you will need to buy a cheap PC (see what Circuit City or Best Buy or an on-line old computer store or somebody else has on sale as an open box demonstrator). Don't think you can run UPS software on a Mac with an emulator; UPS continually updates the software (at least once a month) and every time they update it, the company doing the emulator will have to update *that* before you can ship again. Just give up and buy a very cheap PC for this. A consolidator (if you have one) will be doing your shipping for you although you will once in a while have to ship

RUNNING A GAME PUBLISHING COMPANY

a box to him (and can do that from a storefront). Make friends with your UPS driver. Stock his favorite soda in the fridge. Some day you will be racing to pack a box when he pulls up and you want enough good will to convince him to give you a couple of minutes (or to circle back by after his next two stops) to finish packing that box. Come Christmas time, give your UPS driver a few games for his children. If you don't published games that normal children would like, trade some of your inventory to a local game store for some children's games to give him.

Merchant Bank Account: To work at the "small press" level or higher, you need a merchant bank account (that is, the ability to take credit cards). This can be seriously tricky to get since Merchant Banks really don't like mail order businesses. Sit down with your regular bank and see if they can help you, or at least advise you. If not, contact GAMA and the GPA and other game companies and see if they can recommend a bank to apply to. If not, sit down with Google and look for a company that can help you. It's a lot easier to get a Merchant Bank if you have lots of inventory and an established business with a sales record.

Credit Card: When first starting, it could be hard to get a credit card in the company name. (You will be personally responsible for it even if you do because the credit card company will insist that it's done that way.) So, apply for a card in your own name and use it exclusively for the business.

PayPal Account: Getting this is easy. Just go to Paypal and apply, but you will need a credit card and a bank account to match it, and need to keep these company accounts totally separate from your personal account. Paypal accounts can be used to accept and send small amounts of money.

ISBN Account: This means International Standard Book Number. (If nobody told you, Games are, in the eyes of the law, just really strange books. See www.isbn.org for more information. There is a company called Bowker which administers the ISBN number system in the US. You don't actually have to put an ISBN on your product, although most of us game manufacturers do (many of us without really understanding why). The book trade requires it (lots of luck selling to them) and some wholesalers and retailers use it. (The only one who ever asked me for "all of the ISBNs for all of your products" was an on-line discounter and I just never bothered answering his Emails.) The ISBN consists of 12 or 13 digits, and in some markets it makes a big difference. I would suggest that you go check www.isbn.org instead of waiting for me to retype that whole web site here. ISBN's cost money. As of 1 June 2006, the prices were listed as:

10 ISBNs: \$269.95
100 ISBNs: \$914.95
1000 ISBNs: \$1429.95
10,000 ISBNs: \$3399.95

This gets you a block of ISBN's in two weeks. To get them in 48 hours costs about \$100 more. If you type ISBN into Google, you will find any number of places that sell one ISBN for \$55 but Bowker will tell you that this is illegal. One part of your ISBNs is that you need to submit data to Bowker to be included in "Books In Print", a book store reference catalog.

UPC Account: The Universal Product Code is the bar code on the back of many products. You pay a fee (a few hundred dollars) to join the UPC club and are giving a company prefix, then you assign your stock numbers into five of the digit slots. You can buy software to create the bar codes (once you have the UPC prefix). A couple of minutes with Google will tell you more than I have space to tell you here. I found ads offering to sell valid barcodes for \$35 each with 24-

hour turnaround. Of course (and this applies to ISBN's too) if you do your first product with a "buy one" deal it won't have the same "company prefix" as products printed after you pay to join the club.

Office Utilities: Check the lease to see what utilities you are responsible for, which is usually electricity since water and sewer are cheap and often included and your building isn't likely to use gas or oil. Your lease (surprise!) is probably going to require that you pay the guy who fixes the heater, fixes the air conditioning, or fixes the plumbing. If your hot water tank explodes (ours did one very busy day) your lease will probably require you to buy another one and pay a plumber to install it.

Trash Service: If this isn't part of the lease or a public service of the local government (for which you or the landlord pay a small tax), then ask your neighbors what trash service they use. Call that service and a couple of others in the phone book. The trick here is that trash services all across the US work by a bizarre system in which the new service is relatively cheap and every year it goes up \$10 per month for no real reason. After a couple of those increases, call your trash service and ask them for the price of a new account, and if it's less than what you're paying, demand that they lower your account to that price. For extra fun, when you get a price for new service when you first move it, tell all of the neighbors what you were quoted just in case the trash company is pulling this same trick on them.

Burglar Alarm: Get one. It won't cost that much (maybe \$20 a month) and may get you a break on your insurance.

Internet: You need a web site (on your own domain if at Small Press or Larger level).

Insurance: Call two or three independent agents for a quote on general business insurance. Go over with them just what coverage they are including, and then talk to somebody else in a business of about the same size and get their advice on what coverage you need and what it costs. Your insurance policy can be a rather bizarre document. Some of them include such things as coverage should your company executives be having a party on a rented boat. If it sounds like something that is *never* going to happen, demand a rate quote without that coverage. Sometimes it isn't any cheaper (lots of stupid little things are built into a standard policy, like covering your executives if they have a party on a rented boat) but sometimes what sounds like an "oh by the way" is costing you a few dollars (or a lot of dollars) every month.

Copyrights: Ok, it's not really an "account" but it is something you need. Copyrights mean you have the right to make money from intellectual property. This includes written words, art, and sometimes physical objects such as game miniatures. You get these from the US Library of Congress. Registration costs (last time I looked) about \$25 per game. You fill out the form, return it with a check and two copies of the game, and your copyright is registered. In theory, you have a copyright the minute you write it down, but a registered copyright is more legally enforceable. Arguably, you will never be suing anybody since you won't make enough money, but go ahead and register the copyrights on the off-chance that you may be able to sell them to a bigger company someday.

Copyrights are a complicated and tricky process, and it's possible to obtain a copyright registration and find out much later that it was never valid in the first place. Spend some time with Google and maybe with another game publisher and learn all you can. I'm not going to teach it to you here (I would probably be wrong) but at least I warned you that this was something you needed to learn.

RUNNING A GAME PUBLISHING COMPANY

One thing that you need to study closely is “derivative works” which means you cannot use somebody else’s characters (say, James Bond or Jack Ryan) without their permission. Of course, that also means nobody else can print something that is “derived” from your copyrighted books. (Words mean things and just exactly what legally constitutes “derived” is a matter for you and your lawyer to discuss.) The general theory of the industry is that if you print a product that can only be used with one game (say, “new rules for Monopoly”) it’s a derivative work and not kosher. If you print a product which is “A system to keep track of your money in any money-based board game such as Monopoly” and you can also show that your system works nicely with a few other games, you might (consult your lawyer) get away with it.

The one thing you do not want to do is trust the rumors from the “amateur lawyers of the internet” about your legal status. Most of these rumors are self-serving nonsense that amount to “what I want to do (or want you to do) is ok”.

Trademarks, Service Marks, and Patents: My knowledge of these things is minimal and I would suggest that you follow the prime directive: “Assume nothing and ask somebody who actually knows about this stuff.”

2B: ABOUT YOUR EMPLOYEES

You as Your First Employee

Being the employee of a game company is scary. You have little job security (the marketplace might not buy your games, and a new game idea -- like Magic the Gathering -- could wreck what sales you do have any minute), low pay, and few benefits. You can probably make more money (by the time you count the benefits) doing just about anything else.

There are three basic ways of being a game company employee:

1. Your Second Job: This is how most people start. You have a full-time “day job” and you run your game company as your hobby. It has long been said that somebody turning out a PDF d20-clone RPG book once a month can make \$5K-\$15K per year in extra income, and you can do something of the kind with other types of games.

The advantages are that you have your regular job and its steady paycheck and benefits. You can quit your game company job at any time without serious effects.

The disadvantages are many. It uses up free time (evenings and weekends) that you should be spending with your family, and trust me, your wife is eventually going to start with “I need you to work with me in the yard, so put that crap away.” Even if you don’t have a family and would be spending your spare time hanging around with gamers anyway, it’s still a very different thing to have a “hobby” that includes deadlines, responsibilities, customers, bills to pay, and so forth. You can find yourself showing up for your day job distracted and sleepy, or just mentally exhausted. Worse, you can find yourself trying to do some of your game company work behind the back of your day job’s boss, and he will eventually figure out that he is financing your new business venture. (At least he will notice this when hundreds of dollars of office supplies go missing. All humor aside on that score, do not steal from your employer.)

It’s hard to run a game company as a night job if you have to be able to answer the phone and talk to wholesalers, printers, and so forth. You can avoid this by either having the company phone number be your cell phone (although it’s hard to explain to your boss why you “gotta take this call”) or by dealing with the word through Email (possible if you only do PDF products or sell paper products through a consolidator).

It’s somewhat easier to run a full-time game company that deals with wholesalers and printers on a night-time schedule if you have a partner or employee who works at the game company office full time. The author of this book started one of his game companies this way, with a paid employee who answered the phone and kept himself busy packing games. He as there to pick up the mail, process mail orders, take phone orders (there was no internet then but he would have been the guy to handle it if there had been), and call me (at certain times of the day when he knew I was on break) only if something really urgent happened. I even took to eating lunch at the game company office so he and I could have a half-hour or so of face-to-face every business day. Eventually, I moved on to working full time at the game company and the rest is history. (Although, having to buy my own office supplies made it a lot less fun.)

2. Working Part Time: Working part time (as opposed to a second job) means you have at least some daytime business hours in your game office. This might happen any number of ways. Perhaps your day job is actually conducted partly or mostly outside of normal business hours, perhaps your day job is part time, or perhaps your day job has flexible hours. I knew

RUNNING A GAME PUBLISHING COMPANY

one game company executive who worked four ten-hour days (for our printer!) and spent all of Wednesday in the game office.

One option you have is to go to your day job employer and say: "You know I am a creative guy. I have this idea in my head about running my own game company. If I don't try it, I won't ever forgive myself, even if the chances of success are low. However, I don't want to leave you in the lurch or burn any bridges. Can we work out a deal where I can just work three days a week here and have time to see where this business goes. If it doesn't work, it's easy for me to go back to full time. If it does, I'll phase out my hours here to make it easy for you to replace me. If you let me do this, I can promise you that for the three days I am here, I will be the hardest working son of a gun in the office, and will be totally focused on your company, not mine."

Another possibility is to get a part-time job for another (larger, more established) game company and spend the rest of your time on your own game company. That gives you some income, flexible hours (as long as you and your boss keep an open mind), a chance to gain a lot of experience and contacts inside the game industry, and other advantages. You might offer to go to conventions that the larger company isn't covering, sell your own stuff, and have their stuff on the table to sell. You could run demos for their games and your own games at local stores. You might even be able to make a deal to ship your products through their warehouse, and to buy (not steal) office supplies and other supplies (e.g., tape, shipping cartons) from them at their cost. (Since they probably buy tape and shipping cartons in much larger quantities than you do, they will get a lower price. They might even get a better price than that if they add your needs to their own!)

Another possibility is perhaps you are already self-employed at a job that largely runs on your own schedule, say doing web sites, computer graphics, television repair, gunsmithing, or whatever.

A friend of mine got himself into a trap. He worked for the government, and his job was to sit at a desk in the file room eight hours per day. Whenever somebody came in and asked for a file, he went and found it. This meant that of his eight-hour day, he actually worked about two hours. He signed up to design games for a company, using the six-hours per day he had sitting at a desk. He brought his laptop to write rules with, and kept his files studiously separate from the government's. All went well and he released a very successful title, followed by an expansion. Then the government went into an efficiency drive and noticed he was "under utilized". They fired somebody else and gave the "file room guy" that job. Suddenly, he was working a full eight-hour day. He tried to work nights and weekends, but his wife was pretty adamant that those hours were "her" time and she would not give them up. He missed deadlines, lost momentum, and eventually his very successful game brand died for a lack of any new products.

Working Full Time: This is a tremendous step and doesn't always turn out well. While leaving the non-gaming world to have your own company as your day job means more time to run your company, you have to have rigid self-discipline to keep producing products. You can run into traps that without somebody to be *your* boss, you may find yourself doing non-essential things just because one or two customers asked for them. By all means, that's cool customer service and if you want to schedule an hour or two a week for "customer request hour" then find, but if you get to the end of the week and the only thing you did were three or four short projects that you

emailed somebody for free, then you didn't make any money that week. The only thing that makes money is you creating a new product or service. Everything else is administration and overhead. Remember: Not everything that CAN be done HAS to BE done.

There is another great trap. When you suddenly change from a 40-hour day job to a 40-hour game job, you may discover a selection of relatives (parents top the list) who have no respect for the game business and consider your 40-hour game job to be time they can utilize to guilt-trip you into doing favors and errands for them. The rule here is simple. If you would not be able to take off work from a "real" job to do the errand your mother wants, you don't have time to take off from your "game" job either.

There is a book called *Getting Things Done*. Get it. Read it. Learn it. Live it. A few pointers:

1. Only handle a piece of paper once (if you can). Reply, make a decision, or realize that you're just never going to do it and throw it away.

2. Learn to distinguish "urgent" items from "important" items and give each their due place in your priority list. Also be able to tell when an important item (like your tax return) just became "urgent AND important."

3. Always have a list of things to do, but keep the clutter part of the list on a separate page.

4. Set aside four hours of core time every single day to create new products and relegate the junk and clutter of a game company (trade journals, your web site, customer support) to other parts of the day.

5. Don't keep stuff you don't need to keep. Ask yourself what would be the worst possible thing that would happen if you threw away the email on your screen or the document in your hand.

Your Other Employees

As your business grows, you may find a need to actually start hiring people. This is tricky on many levels, and can be fraught with trouble. Since game companies don't make a lot of money, what you offer may well be on the low-end of the pay scales, and if the local employment market is desperate for workers, you could have a problem finding people at a level you can afford. [Peripheral point: If you have a choice, start your company somewhere with cheap labor, cheap utilities, and cheap rent. Avoid states that are unfriendly to business, such as California.]

There are two kinds of people you can hire. Gamers and non-gamers. Non-gamers tend to expect things like benefits and decent salaries and clearly-defined job tasks. Gamers tend to work for peanuts, not really understand what the benefits they aren't getting really are, and like a more creative environment where the job they do today has little to do with what they did yesterday. But then, gamers hired by game companies seem to expect to spend at least half of their time reading game magazines and prowling through game web sites and looking at (and, gasp!, even playing) new games from other companies. Gamers make lousy employees but may well be the only employees you can get because they desperately want to work for game companies.

There is a third choice which has worked out well for my company: [College Interns](#). I am not talking about people who work for your company for free (you don't have anything to offer that would attract such interns) but people to whom you pay the low end of normal wages. Most universities have an intern program, and the people who work in that office will walk

RUNNING A GAME PUBLISHING COMPANY

you through the process. Interns don't expect benefits, work for the kind of wages that gamers work for, generally have excellent work habits, and are highly skilled and full of energy and new ideas. While you can hire generic college students for part time jobs through the employment office, interns come with an advantage in that they are (at most schools) getting college credit for working for you. As such, the grade they get (hello, Grade Point Average!) depends on what you put on the report forms that the college gives you. Because their college grade depends on your report, they tend to work hard. If the college is actually doing its job, you're going to get somebody who is 90% as skilled as an actual college graduate, and somebody who is fully up to speed on the latest concepts. You can hire graphic designers, web designers, accountants, marketing people, and general business people quite effectively. It becomes a great way for you to give back to the community, and you might even find somebody you want to hire full time after they graduate. Be sure to get your local printers and any other local business you deal with to give your interns "the tour" of their businesses as part of your education of these valuable employees.

Before hiring employees, do some research. Ask other business people, check the web site, ask your insurance company. If there is a small business advisory office at the local college, talk to them.

One thing about hiring employees. **DO NOT use the interview process to select attractive people to ask for dates. Believe if or not, that is illegal and will get you sued.**

Hiring employees costs more than their salaries. There is withholding, insurance, and state unemployment coverage. Many companies (the infamous "amateur businessmen of the net" who think if they heard it from somebody on some web site it must be true) think they can hire employees as "contract workers" and avoid all of the paperwork hassles. Not really. If somebody is physically inside your office, he's an employee. If you have day-to-day, minute-to-minute control over his actions, he's an employee. If somebody stops by your office, picks up the unassembled parts for 500 games, takes them home, and in a few days comes back and gives you 500 assembled games and you pay him 25 cents per game, *that* is a legitimate contract worker.

2C: ABOUT YOUR MONEY

This is ALL About Money

What was every fighter pilot need when entering a dive? Mirrored sunglasses, an expensive watch, *and lots of cash.*

The cash part applies to you when you enter a new business venture. Most new businesses fail and the greatest cause of failure is that they didn't have enough money at the start to keep going until sales could support the business. Of course, some new businesses were poorly conceived and/or so badly run that they were never going to reach a positive profit status no matter how much money they started with.

Depending on your business plan, your start-up capital could take from a few dozen dollars for an Ancillary Company to tens of thousands of dollars to start a "real" company. Figure on three months of bills (rent, phone, etc.) before you have a single dollar of income. Have enough money to print your first and preferably second products. Assume that this money will be gone forever and you won't ever get it back. (If you do get it back, you won't have a problem figuring out what to do with it. But do not spend money you cannot afford to lose.)

The Truth About Borrowing Money

There are a lot of ways to borrow money, all of which can easily backfire and get you in trouble. It's obviously better to start your company without going into debt, but that can be somewhat difficult if you don't have enough money. Preferably, your credit lines will be a reserve you use for short-term coverage when you need to get past some major event or issue, not something you start with. If you start with none of your own money and spend every dime you can borrow getting the office open and the first game printed, you will all but certainly fail to get enough sales to cover the next month's bills. Sources for borrowed money include:

1. Banks. You walk in, talk to your bank officer, fill out a loan application, and he or she figures out if the bank can help you and on what basis. Be warned, however, that the bank is a lot more interested in getting paid back than it is in how great your game is going to be. They are interested in "What do you have to put up for security?" which means "If you don't sell a single copy of this game, and blow all the money on printing, salaries, advertising, and rent, what have you got that we can confiscate and sell to somebody in 24 hours and recover every single dime we loaned you?"

Banks are not going to be interested in "future sales" as security (not unless you've been in business a long time and have an established sales record). They don't care how much money you *might* make if you borrow \$25,000 and give it to *Majestic Twelve Motion Picture Company* as the advance on a license; the banks only care if you can pay back the loan if your game fails to sell a single copy.

Using inventory for security is difficult unless you have proven sales histories for those products. The bank does not want to go into the game business if you fail to make a profit in that same business. Why would they when you already failed? They want their money back.

To get a loan on inventory means convincing the bank that if you fail to repay they can just call Alliance Games Distribution and unload your entire warehouse for 1/10 of what you paid for it and get enough money to pay the loan. That might work in some industries with interchangeable parts, but not in the game industry. If the bank loaned money to a building supply company so they could buy a trainload of plywood, paint, nails, and lumber, the bank has a reasonable

RUNNING A GAME PUBLISHING COMPANY

expectation that they can find somebody to buy all of that stuff if the building supply store goes under. They have no expectation that they can find a customer for 3,942 unsold copies of *Polar Wasteland RPG* if you already couldn't. Also, the chances of any of the wholesalers in our industry buying the entire inventory of a failed game company are about zero. Why would they buy the stuff even you could not sell, especially when you're going to be out of business and no longer supporting the line?

[One thing here. Try to get the bank \(if they will loan you money at all\) to give you an open-ended rotating line of credit, one without a fixed "pay it all back by" date. I have written elsewhere about "Drop off the cliff day" \(the day you will have a bill you cannot pay\). If you have a huge "pay the entire loan back" date in your future, the power curve to get over that hump may be insurmountable. Quick refinancing of that loan could be a serious problem.](#)

2. Vendors: In theory you might get printers and other suppliers of things you need to start your business to wait some amount of time to get paid. In practice, this isn't all that likely with a brand new business they have never heard of. You just might, after being established, make a deal with a printer to give you extended payment terms on printing a major product, but only after having established a warm personal relationship with them based on trust and performance. If you have never failed at any project you printed, you might get them to do this. As a practical matter, you might count on Vendor Financing for a small part of your start up capital (say, an office supply store credit card that you personally guarantee to pay if your company doesn't) but not as a major element of your financial structure.

3. Credit Cards: We all get those pre-approved credit card offers in the mail every week. Of course, pre-approved just means you are approved to apply and they will check your credit history again (actually, for the first time) when you apply. (A relative of mine gets new credit cards in the mail every month, four years after he filed bankruptcy and three years after he died. So you see what "pre-approved" really means.) Even so, you can probably get three or four credit cards with low introductory rates and credit limits of several thousand dollars each. That could give you a quick injection of cash, but *this is extremely dangerous*. If sales do not track with expectations, you will find yourself saddled with some very expensive *personal* debt. You can of course just get even more new cards with introductory rates and roll your balance over, but that trick is only going to work a time or two (if it works at all) and you will find yourself holding a ticking time bomb.

4. Partners: Maybe you have a friend who wants to be in the game business every bit as much as you do, and maybe he has a pile of cash. Hey, it *could* happen. Avoid going into business with someone you do not know well enough to trust with your life. After all, this person is going to have keys to the office and his name on the bank account, and you don't want to find both of them empty. Even with your best childhood friend, you want to be careful forming partnerships or selling somebody a chunk of your company stock. Have a real lawyer write up a partnership agreement, and/or get somebody (who isn't charging you \$200 per hour) to explain to you how partnerships work.

Some states have tricky little laws that basically say either partner can "make an offer" to buy your share at any time and you can either accept the offer, reject it, or turn the tables and buy his share at the same price (proportionately). Yes, that's what we said, in some states, an offer to buy your partner out

is automatically an offer to sell him your share. Be careful making (or considering) such offers without a lawyer. [Have a lawyer cover these situations in your partnership agreement.](#)

5. Investors: These are people who buy a share of your company but take no active roll in operating it. They may or may not have a share in controlling it. (If they just loan you money to pay back later, they're a lender not an investor.) For this you need a lawyer (and so do they). A good thing to do whenever you have investors or partners is to get them all at a table at the same time, give each one a blank sheet of paper, and tell them to write down what they think the deal is, what they're going to do, who else is going to do what else, who is going to pay what, what they're going to pay, what they're going to get, and what they think everybody else is going to get. Sometimes you find out that somebody at the table has gotten an idea into his head about something they think is going to happen, and sometimes you find out that one of your partners or investors didn't believe you when you said "no" to some idea they proposed in earlier conversations. (Once, this little gimmick revealed that one of my prospective partners expected to draw a full paycheck but only work one hour a month, that hour being used to "suggest new sure-fire ideas.") If possible, you and your prospective partners should run something together (perhaps a game convention or some other event) which has a definite cost limit and end point so you can see if you work well together.

[Warning: Avoid borrowing more from some relative than they can afford to lose. A friend in another game company once borrowed a huge sum from his parents, the proceeds of selling their house. They had two years to reinvest the money in a new house or face huge tax penalties. Needless to say, his business spent the money and could not pay it back and his parents had to pay thousands of dollars in taxes they would not have owed if he had paid the money back — or had never borrowed it. \[Tax laws have changed and this is no longer the case, but my point here is for you to avoid debts with hard deadlines for huge payments.\]](#)

6. Economic Development Agencies: Some states have a program (which some cities in those states participate in) under which a penny is added to the sales tax and this money (millions of dollars per year) is given to the city for economic development. (Texas does this.) The cities then spend this money in multi-million-dollar chunks building factories for major corporations to use in exchange for hiring a thousand people from the local population. What this has to do with you is that sometimes these Economic Development Agencies spend a hundred thousand dollars developing local small businesses (loans, loan guarantees, prizes, or grants). The author's home town awards \$150,000 in such prizes every year, and the author's company won a \$50,000 grant in 2005 for the specific purpose of hiring new employees and buying new equipment. The rules for these contests vary widely. Call the local chamber of commerce and ask them if your city has anything like this, and if they do, there will be no end of programs, seminars, and other ways to teach you how to apply.

7. Low-Money Approaches: [Start your company without having or borrowing money! How? Start one of the types of business that doesn't take more cash than you can save in a few months, such as a PDF publisher or a game review web site or a sales specialist.](#)

RUNNING A GAME PUBLISHING COMPANY

Managing Your Cash Flow

This is the single most important thing in your business. You need to know what bills you owe (and when) and what money is going to come in (and when). Much of this you know with precision. Your landlord wants the rent on the 10th and isn't forgiving of tardiness. Some of this is fairly well known, such as the wholesaler who owes you \$1,234.56 which is due on the 17th and might show up anytime between then and the 21st. Some of this is an educated guess, such as the fact that your web shopping cart averages a thousand dollars a week in sales and you can pencil in a thousand dollars of income every Friday on your cashflow document. Some of this is a wild guess, such as how many copies of the first product of a new product line you are going to sell.

You need a single cash flow document, a spread sheet separate from your accounting, one you update every few days. This is going to list every expense and every revenue item you know about. What you are looking for is **"walk off the cliff day,"** the day that you have no money and have a bill that must be paid. Ideally, you won't be able to find it within the next 90 days and unless you are planning an unusually high expense on a radically new product that is more than that far away, you probably don't need to track cash flow more than 90 days out. Consider that 90 days is 13 weeks of guessing how much your shopping cart is going to produce, and you can see that the inaccuracies pile up and a projection more than 90 days out probably isn't worthwhile anyway.

If you do need to plan for a major expenditure, then do so by budgeting a weekly amount that needs to be transferred to the cash reserve account in order to build up the cash for this expenditure.

All expenses you incur must be compared to this cash flow projection. Don't let yourself get talked into a contract for six expensive advertisements if your cash flow projection says that your "walk off the cliff day" is 47 days away (or if putting those monthly expenses onto the chart will make "walk off the cliff day" magically appear less than 90 days out).

There are things you can do to defer cash flow problems and delay "walk off the cliff day" when it shows up on your chart. You can either increase income, or decrease expenses.

Decreasing expenses is often easier, or at least more under your control. If you can delay an expenditure (such as paying yourself a few days late, or reducing your salary) you should do so. Paying bills late (utilities, rent, UPS, printers) is a bad choice you are sometimes forced to make. If you have to do this, talk to your vendors and explain to them that you're having a short-term problem and will be a few days late, or will pay only part of the bill. They may not like it, but they are likely to accept it more easily after a conversation than if you spring it on them as a surprise. Remember, however, that people you owe money to (artists, printers, UPS, game designers, etc.) are not a part of your business, and they did not sign on the "share your risk" because of the great adventure of publishing games.

Deferrable expenses must be identified, and you always need a mental note of where you're going to save a couple of thousand dollars. But watch out for what you're paying for money. Let's say that every six months you pay \$500 for 250 rolls of packing tape, using about 40 rolls a month. Short on cash this month, you go buy 40 rolls at Office Depot for \$3 each (\$120) to last for a month. You're paying \$40 to borrow \$380 for one month (close to 100% annualized interest). If you gotta, you gotta, but that's an expensive way to do things.

Increasing income is difficult, and all of the options have a cost. The easiest way is to just charge the money you need to

a credit card (or pay less than the full payment on the card balance you have). This costs money (ridiculous amounts of money) and should be avoided, but may be the lowest cost way of doing things. Be wary, however, that modern credit card agreements may give the bank the option to quadruple your interest rate if you change your payment pattern. Trying to raise money with sudden discount-sales of your products is generally unproductive and (even if it works) will have long-term problems. Say you have a printing bill coming due and did not sell enough to the wholesalers to cover it (never mind that you should not really have printed it in the first place if you didn't have the cash on hand to pay the bill) and suddenly get the idea to sell it for half price on your web site. This violates "channel manners" and is probably going to encourage the wholesaler to drop your line like a hot potato. Modern "situational ethics" would suggest that the world just had to accept that you are desperate and must do this, but actions have consequences and companies that screw their customers can expect the same in return.

The best way to manage a cash flow problem is to not have one. Keep track of your cash flow, know where the problems lie, and schedule any discretionary expenses to match your income. Always have a clear reserve (money in a reserve account) and a dynamic reserve (identified expenses you can reduce or delay at minimum penalty).

I could ramble on about cash flow all day. Cash flow will kill you if you don't avoid the "run out of money" situation. Even after two booming years, I'm working the numbers to avoid a crisis I can see nine weeks away when I have to print three really big printing jobs at once.

I can remember being in the office of a friend's game company when the guy who cast his miniatures walked in and said "I am going to go pick up some metal, give me a check" and my friend said "No, we aren't spending any money today" and the casting guy had a choice of unpaid leave or working in the warehouse game packing line until the cash situation improved. The casting guy was not happy, not least because he knew that unless he started casting a major production run pretty soon, he would not be able to run the equipment enough hours to produce the required miniatures for a future product release date.

I had a relative in a non-gaming business who pointed out to her boss that he had just ordered her to mail a check that was more than the bank balance. The boss told her "that check won't clear for several days and one good sale on a credit card tomorrow or the next day will cover it." She resigned and found another job, working for an honest business. Seriously, mailing a check you cannot cover (on the theory that money you don't really know is going to arrive will somehow show up) is dangerously risky and should never be done. If you get caught in this, you won't just be embarrassed, you are committing a crime. At the very least, the bounced check charges are going to hurt ... a lot.

KEEPING THE BOOKS

If you have never kept the books on a real business, *you do not know how to keep the books on a real business.* Bookkeeping is far more than balancing a checkbook (although if you can't do *that* quit reading until you find a partner who can). This book is not going to teach you to be an accountant, but it will perhaps give you enough scary second thoughts that you will realize that you need someone who knows how to keep books or do accounts or manage a business or call it whatever you want to call it, but this is real world stuff that can

RUNNING A GAME PUBLISHING COMPANY

get you into serious trouble if you screw it up.

The really amazing thing about the game publishing business is that anybody who can play a wargame (adventure game, role playing game, anything sold at Origins or GenCon) seems to think he (or she) knows how to run a business (game publishing or a retail store).

YOU DO NOT.

To run the books of a business, you have to be taught how (either in school or by a charitable relative or employer willing to teach you the skills). Let's try a little test. What are the three key financial documents that comprise the "Holy Trinity" of accounting? If you do not know, do not try to start a game publishing company until you learn (or get a partner who knows) what they are, what they do, and how you generate them. Just so you'll know, the three key documents of the "Holy Trinity" are: the Balance Sheet (a list of everything you own and everything you owe, known as the assets and liabilities), the Profit and Loss Statement (otherwise known as the Income Statement, this document keeps track of profits on transactions and in effect calculates tax liabilities), and the Cash Flow Statement (which just counts dollars coming and going and, in effect, warns you if you're not going to be able to pay a bill).

They form the "Holy Trinity" because you cannot hide anything from an auditor or investor if he has all three sheets. Say you go borrow a ton of money. That shows up as revenue on Cash Flow, doesn't show up at all on the Income Statement, and shows up on both sides of the Balance Sheet.

Some definitions are in order. A "bookkeeper" can keep track of what's going on. An "accountant" can do that, plus analyze the data to generate warnings of things about to change. A "manager" can do that (or most of it) plus actually deal with problems and issues as they appear.

The present author can tell you that his wife keeps the books of his business, and that when it was doing \$200,000 revenue per year she was fully-occupied (working half a day on Saturday) and when it suddenly started doing \$250,000 she was worked to death and ended up coming in all day on Saturday and half a day on Sunday. (Then she took our shopping cart to the next level of automation and cut back to merely 45 hours a week.) Do not think that you can do the bookkeeping in a few hours a week while spending most of your time designing games.

Here are a few of the things your bookkeeper (business manager, accountant, call it what you will) has to do...

1. Balance the checkbook.
2. Make bank deposits.
3. Write checks.
4. Keep track of what's going on.

Ok, that sounds easy. It's not. Let's break it down.

1. Balance the checkbook: Actually, this is fairly easy as a function, the problem is that you may during a given month have hundreds of transactions: paying bills, depositing checks, receiving PayPal transfers, receiving credit card settlements, paying routine bills by draft, paying vendors by check, etc.

2. Make Bank Deposits: This sounds simple. You see a check laying on your desk and you fill out a bank deposit form and deposit the check. Not so fast! How did that check get on your desk? What is it for? Is it the right amount? Did a wholesaler take a discount he had not earned? If a wholesaler underpaid his invoice can you cash the check can you still collect the unpaid portion? If you got a credit card order, was it for the right amount? Do you even have a matching order?

3. Write Checks: This sounds simple. Here's a bill. Write

a check, put it in the envelope, stick on a stamp, drop it in your out box.

Not so fast!

Do you really owe the bill? Is the bill correct? Does the bill get adjusted for damage during shipment or poor quality products? Do you owe the bill now or next week? Have you got the money to pay it? Will that money be there by the time the check clears or will drafts and automatic payments use it? Will you have the money when it is time to pay the bill? Is there a discount for paying the bill now rather than later?

Bills aren't the only checks you write. There is the payroll, which is complicated (hourly employees, salaried employees, overtime, tax withholding, benefit withholding, etc.) and can get you in deep trouble (forget to deposit the federal tax withholding and the government will shut down your company). Do not try this at home. Get somebody who knows how to do it or learn how to do it before you start a game publishing company.

4. Keep track of what's going on. This one is the hardest because it covers so much ground.

The bookkeeper (accountant, manager) has to keep track of inventory levels, and more importantly must be able to say "I heard at the meeting you were going to print a new sheet of (something). Are you aware that based on stock levels and rate of sale we will be out of (something that could be printed on the same sheet) in less than three months?" At the very least, your financial manager should be able to answer the question "are we going to run out of something soon that I could stick in this slot?"

Then there's cash flow. The bookkeeper-accountant needs to be the one who constantly tracks whether the company is meeting its sales goals, holding expenses within budget, and most important, keeping track of "walk off the cliff day" ... that day in the future when you won't have the money to pay the next bill. If that day gets close enough that you don't have time to do anything about it (within 30 days), you're going to be in a mad scramble to borrow some money or sell something to somebody fast enough to cover the bill.

Did we mention invoices? Wholesalers will send purchase orders (which the bookkeeper-accountant has to keep track of). The bookkeeper has to then issue an invoice so that the warehouse can pull, pack, and ship the package. The bookkeeper also has to generate any special paperwork (such as overseas shipping security documents) that goes with the shipments. The bookkeeper then faxes the invoices to the wholesalers, and keeps track of when their checks are due. The bookkeeper has to be the one who says "they haven't paid their bill and I don't want to ship them anything else" and then either has to call the wholesaler and get them to pay or convince the sales manager to call them and say "our mean accountant won't sell you more stuff if you don't pay your overdue bills first!"

The bookkeeper also handles individual mail orders through the mail, phone, and shopping cart. The bookkeeper has to charge credit cards, issue invoices, calculate shipping costs (when those are charged to the consumer), and be the one who says "This is the turkey who gave us a hot check, what were you doing taking an order from him?"

The bookkeeper-accountant tends to become the adult supervision for gamer geeks who thought they knew how to run a company and actually did not. The accountant has to be the one who says: "You cannot order that equipment, commit to that advertising, or send that to press because we won't have the money to pay for it, and NO, I'm not going to

RUNNING A GAME PUBLISHING COMPANY

authorize that expenditure on the theory that some mail order customer is likely to order something in the next week.”

2D: THE PEOPLE YOU WILL MEET

THE TWELVE PEOPLE YOU NEED IN YOUR BUSINESS

During your exploratory period, gather a group of friends you wouldn't mind being stuck on a desert island with. These should include:

The Print Buyer: Someone who knows about printing and publishing. This person will make sure that what your design can actually be printed, and can talk the language of printers and make sure it gets printed.

The Marketing Guy: This is someone who knows about marketing and doesn't mind making sales calls, and who in fact enjoys it and has experience doing it. Note: any idiot can do great advertisements and spend \$10,000 running them in magazines. You need a marketing guy who knows where to spend that money so that you're going to get it back, and make more money besides.

The Business Woman (a.k.a., bookkeeper, accountant, manager): This is someone (preferably not a gamer, preferably a woman) with a degree in business or accounting who *knows how to run a business*. If you have never run a business, do NOT assume you can do it just because you know how to play or design complex games. Business is not a game. Lose the game of business and you can lose your money, your family, your house, and even go to jail (with no “get out of jail free” cards). This person will probably be the Vice President in Charge of Shopping Around for Bargains.

The Game Designer: This is someone who is a game designer (preferably with published games under his belt), and is also an expert developer and playtester. You might need several of these, and you will need more developers and playtesters than designers. You could, in theory, run a publishing company without any in-house designers, but that puts your product lines at the mercy of people you do not control.

The Proofreader: This is an expert at spelling, grammar, and editing. It makes your games look bad if they have misspelled words in them.

The Graphic Artist: This is someone who can produce decent computer graphics, simple drawings, diagrams for rulebook examples, and a little art. [You can buy anything else from real designers and artists. This could also be a good spot for a college intern who is getting a degree in graphic design and will work cheap while building a portfolio of published things that will get her a better job later.](#)

The Writer: You need someone who can write fiction and other prose easily (without forcing himself or herself to do it). There are three kinds of writers: those who do it naturally and easily, those who do it with difficulty only when forced, and those who simply cannot do it at all. You need to have at least one of the first type, and he may well be the same person as one of your game designers or the marketing guy. This person will have all kinds of duties, such as writing advertising copy, mail order instructions, press releases, short (or long) pieces of fiction, etc.

The Barracks Lawyer: This is someone with business experience or paralegal training who can understand and draft contracts. Not just big deals with *Majestic Twelve Motion Picture Company*, but somebody who can read and understand the business terms of your vendors. Note, don't actually use contracts he writes but give them to a real lawyer to do over. Please.

The Webmaster: You will live or die by your web site, which must be continually updated, renewed, and rearranged.

RUNNING A GAME PUBLISHING COMPANY

People in cyberspace assume that if your web site does not have a "last revised" date in the previous 30 days you went out of business. It isn't fair, but that is the way it is. [This function can often be farmed out to a fan of your games or to a college intern getting a degree in web design.](#)

The Computer Guru: You need someone who can get your computers connected, your software set up, and fix them when they crash. This person should stay up to date on your computers and software, read daily newsgroup discussions, and know where to go for answers. [This, preferably, needs to be somebody who works full time at your company on some other job. You don't need them every minute but when you need the guru you want him or her to already be there.](#)

The Warehouse Guy: You absolutely must have somebody who worked in a warehouse and understands shipping, packing, receiving, warehouse management, inventory control, bills of lading, etc.

You want as few people as possible to share the profits with, so each person must cover several bases. Not all of these people will actually be partners in the company, but you will need their knowledge and help. The only way you can make it work is for each person to have more than one job, but each job should have one person in primary charge of it. And while you will have to wear more than one hat, you don't get to wear the same hat all day on any given day.

THE THIRTEENTH MAN

You need one more person in your business circle, that being your mentor. This should be a personal friend, somebody who has been in the game publishing business a few years longer than you have, somebody you can go to for advice or information a few times a year. Without a personal relationship you can cover this base with the GPA mailing list (or this book, to a limited degree), but it would be great if you knew somebody who could tell you where to find information, good deals, land mines, artists, wholesale terms, and so forth.

If you are starting your game company the right way (start two years ago) then one of the things to accomplish in those two years is building such a relationship. You can do it by just wandering around Origins striking up conversations with game publishers until you find somebody who really enjoys talking to you, or you can build a relationship the old fashioned way by working for one or more companies as a playtesters, event runner, booth monkey, and proofreader.

The most important thing that your mentor can do for you is to nominate you for membership in a certain super-secret industry professional discussion group that has a lot of very useful and extremely private information.

THE FIVE OUTSIDE PEOPLE YOU MEET IN BUSINESS

Your Printer: There may well be a bunch of these folks in your life, but we'll consider them all as one outside entity. You want to be your printer's favorite customer (you can never hope to be the biggest one) and there are three simple rules to make this happen:

1-pay your bills on time,

2-send your print jobs to him in the easiest-to-digest form possible, and

3-ask for his advice and listen to him.

Get him to teach you, as fast as possible, a crash course in how the printing industry works. Understand the concept that printing more of the same thing is cheaper than printing half as many of two things. Understand that what looks like a sliding scale of cost vs print quantity is actually a fairly straight per-

copy charge with a single "make ready" charge added in. Understand that if your printer works in 32-page signatures that handing him a 34-page document will cost extra money and handing him a 30-page document leaves two blank pages on which you could have printed something (a play-aid form or an ad for your other games).

Your Lawyer: Ideally, you shouldn't need a lawyer all that much. You might pay to have him set up the business for you, but you probably aren't going to be suing a lot of people and if you aren't incredibly stupid you won't be sued by anyone either. Even so, if you do get served some kind of legal notice (in most cases, you'll get a nasty letter before a law suit arrives in the mail) you will want to already have a relationship with a lawyer who can solve your problem for you.

Your Accountant: This person is different from your in-house bookkeeper, in-house accountant, or business manager. Your outside accountant does your corporate or partnership taxes (you need this if you are selling over \$100,000 per year and probably before that). Corporate tax forms (both state and federal and sometimes local) are complex things which are not designed for normal people to fill out after briefly skimming the instructions.

Your Banker: In all probability, you aren't going to be a big enough company to need a personal relationship with your banker, and your chances of getting a large unsecured loan to cover your next "shot in the dark" game project are pretty much zero. Even so, having your banker at least know who you are and what you do can be important. You might actually want to borrow at least some of the money for major new equipment (said loan secured by the equipment) or some other project just to establish a credit history. More importantly, you need your banker to actually call you if your bank account is overdrawn so that you can drive down to the bank with cash money (from your personal funds if need be) to cover the deficit. It would also be nice if this banker would call you if a big check from a major wholesaler bounces, since that will probably trigger bouncing your own checks.

Your Insurance Agent: This person doesn't really work for you; he works for commissions on what he can sell you. That does not mean it is an adversarial relationship, just that you don't ever say "sell me whatever you think I need ... here's a blank check" if you want your business to stay healthy. Your agent should ideally advise you on what coverage you do and do not need, will work with you to reduce costs (the primary way they can do this is to "not cover" some risks, but an independent agent can "shop around" to save a few bucks), and will find the best price for it among many companies. In most cases, business insurance is contracted annually and paid monthly. Some insurance companies want you to pay two or three months up front which means at the end of the year you will have a few months without this payment. Save the money for the annual renewal. Another tip: *read everything*. A section title that says "copyright infringement insurance" does not mean you can go violate somebody's copyright and do an unauthorized expansion to his game; it means if you accidentally use some trivial piece of somebody's property the insurance company will negotiate a settlement. Be careful and ask questions. You may see a line in your coverage that says if your company executives are drowned on a fishing boat it pays off. Ask if this is costing you extra or is part of a package. Ask what it would save if you deleted it.

RUNNING A GAME PUBLISHING COMPANY

THE PEOPLE WHO WILL CONTACT YOU

Aldo: Every month, you'll get an Email from Aldo who wants information on new releases to include in GAME BUYER. He isn't interested in your press release that says "six new games, stock number, price" he wants a full write up including sales points. (Actually look at a copy of Game Buyer to see what he wants.) It's worth a try to send him a write up, cover art, and sales points, but he gets several times as many game announcements as he has room for, so don't be broken hearted about him not printing your item. Talk to him about which of your products have the best chance of being listed.

Andrew: This is the guy from Diamond-Alliance who asks for information on new products every month. He particularly wants colorful cover art. He prints everything he gets so be sure he gets accurate and timely information including color art.

Artists: Send them a nice note and direct them to your art guidelines on your web site. Ask them to write back with samples or the url to their on-line gallery *after* they have read your guidelines. Don't tell them that your guidelines are a "take it or leave it" deal but don't agree to changes unless they are in your interest or you really want this guy's art.

Conventions: Decide what your convention support policy is. This may be to: ignore them, to list them on your web site (maybe only if they have scheduled events for your game), to buy ads in their programs (or just offer to trade merchandise for these ads), or whatever else it is. Then, send every convention a copy of the policy and make sure the policy has clear instructions on how they can get whatever you are offering them. [Spend some time making your policy what you want it to be, and if a convention somewhere wants a special deal ask them what they have to offer in exchange. Most conventions will take merchandise for ads, but some insist on paying cash. Decide if your going to pay cash and if not, tell the ones that insist on cash "No hard feelings, but we trade product for ads and do not pay cash. If you don't want to do it that way, no problem, I'm sure you'll find companies that will pay cash. We have no trouble finding plenty of conventions that will trade for merchandise. We'll both come out ok."](#)

Game Designers: This refers to those who have a game and want to sell it to you or make a deal to print it; those who actually want salaried jobs are covered under Job-Seekers. Send them a nice note and ask them to send a one-page summary of their game and the kind of deal they expect. If that looks interesting, ask them to sign a release before sending the game.

Games Quarterly: [Matthews-Simmons Marketing runs the Games Quarterly Catalog and you definitely want to get the free listing and even pay the \\$200 for a catalog page. Whether you want to pay serious money for full-color ad pages in Games Quarterly Catalog or Games Quarterly Magazine is up to you. You can also buy a sponsorship for National Games Week although I would not recommend it.](#)

Gamers: Also known as end-users, customers, and the guys who ultimately pay your bills and decide if your company stays in business. Some will call with rules questions, some will call with "why" questions, some will ask about the schedule, some will have suggestions or requests, and others will just want to chat. Be polite and give each of them a few minutes; you never know when one of them will give you a good idea, or pass on how excited he is to others. (Yes, if all ten thousand of your customers call this week, you won't get anything done, but you'll probably get four or five calls a week maximum.) Also, being rude to such a customer guarantees that he will

pass along everything you said to everyone he knows. [One thing you can do is get one of those little "hourglass" things \(some have colored liquid\). If somebody is asking a rules question, take whatever time they need to get their answer. But if they want to ask "why" questions, tell them you only have a couple of minutes but if they can get to the point you'll take a shot at it. Offer them the alternative of Emailing a "why" question which you will answer on the "why page" of your company magazine, when space is available.](#)

Job-Seekers: Most of these will be wannabes who think that working in the game industry means 20 hours a week of work, 20 hours a week playing games, and the paycheck of a professional engineer or accountant. Be gentle. Be Kind. Anyone who has experience and credibility and a realistic attitude about what they expect to get paid should be treated with respect while you decide if you have a job for them or not. (Generally speaking, if you can't get your work done and you are not making money you could make if you had more time, you may want to change something and that might be the number of employees.)

Long-Distance Salesmen: Tell them not to call back (demand to be put on the "do not call" list) and hang up. Do your own research and find your own long distance deal. Better yet, assign this to the Vice President of Shopping.

Marketing Companies: See "Scam Marketing" in Chapter 7. Most companies that want you to pay them up front to send your advertisement to a bunch of supposed buyers will do everything they promise, but they never promise to get you new business and they know ahead of time that their efforts are going to fail.

Nigerians: See chapter 9. These criminal gangs always have sixty million or eighty million in ill-gotten gains they want you to help them move to the US. You'll just have to pay a fee up front and ... guys, *there are no millions*. Get over it.

Polymaner: This is an internet newsletter about new games. Send them press releases with art about every new game you do. Ask them to tell you the kind of information they want (they don't want your one-size-fits-all press release) and give it to them.

Printers: You'll get emails now and then from printing companies. Send them a nice note, put them in your file of printers, and ask them to quote on some future job that seems to be within their specialty.

Retailers: If you want, check their web site and if they're a discounter just delete them and set a filter to kill their emails. Or you can treat discounters like any other retailer; your call. Anyway, treat all retailers with respect since they have a tough job deciding whether to carry your game and you don't want them to make the wrong decision (not to carry it) for the wrong reason (because you were rude). Retailers who ask questions should get answers. Retailers who ask for support should get a 9x12 envelope with signs and posters and shelf talkers. Retailers who want to buy from you should be sent your retailer terms (see Chapter 9C). Retailers who want to participate in some program you are doing should get to participate with the minimum hassle. Ask all retailers you talk to if they carry your game in stock. Those who do get listed on your retailer locator. Those who say "no, but we'll special order it for your customers" do NOT get on the retailer locator.

Spam: Filter it or delete it, but never answer it and don't waste time complaining about it.

Wholesale Buyers: You wish. A few will contact you first; most have to be hunted down and convinced to buy your product. But once you have a relationship with a buyer from a

RUNNING A GAME PUBLISHING COMPANY

retail chain or a wholesaler, you will hear from them. Treat them royally.

UPS Tracking notices from vendors: Send these to the warehouse supervisor. It's *his* job to have that information if anybody at a staff meeting asks for it.

Dealing with Artists & Sculptors

This should always be done as a matter of mutual respect between equally creative people (even if your game designing creativity and their artistic creativity are different kinds of creativity). You don't have to send him a birthday gift every year or invite her to Christmas dinner with your parents (unless something is going on romantically), but you deserve to be treated with respect and to get that respect you must first give it. (Note, for convenience, the term "artist" will hereafter include "sculptors".)

In some regards, business relations with artists can become almost adversarial (or very adversarial) and trying to avoid such adversarial relationships with precise terms and agreements can simply provoke an unhappy exchange. If you end up negotiating with someone you are sure is trying to cheat you or trick you, just don't do business with them. Dealing with anyone, an artist or anyone else, should be a joy, something to welcome, something both sides learn and benefit from without rancor.

Something to remember is that there are a lot of artists out there looking for work. This does not mean that you get to treat artists like dirt; it does mean if you just cannot get along with someone, there is someone else who can do your art.

New Artists: You will, if you are in the game publishing business, get Email from a new artist every week. They are always looking for work and Email every company they can find. Keep all of these Emails in one place so you can find a new artist if the ones you have been using get hit by a bus or something. Go check out their web sites and sample art, and send them a note referring them to your art guidelines. Try to always have some product in the future that needs some semi-generic art, and tell any artist that shows up: "Here is a product I have coming up in a few months. Feel free to send me a one-sixth-page black-and-white picture suitable for that product. If I like it, I'll use it and pay you for it. If I don't like it, I won't buy it, but you won't be out much work."

Kinds of Artists: Artists come in two varieties. The first charges higher prices and wants "a commission" which means they get paid (by you) whether you like or use the resulting art or not. The second charges more reasonable prices and works to deliver what you need. All artists would like to be the first kind, and most start out as the second kind. Many top-rated artists remain in the second category forever, and these are easier to deal with. Generally speaking, avoid the "pay for it even if you don't use it" deals unless you have no other artists who can deliver, or you just really want to use that artist, or you have seen their work before and are confident they can deliver. Some artists in the first category charge multi-thousand-dollar fees and, well, I have seen some truly horrid art result (for other companies).

Some artists try to switch to the first category and, finding little success, switch back to the second category in order to find more work.

Artists Guidelines: You need to have a set of art guidelines (see the annexes for a sample), preferably posted on your web site. These need to be clear and to precisely define the way you do business. They also need to include the phrase "These guidelines apply to all transactions with artists

unless agreed otherwise in a hard-copy letter signed by both the company and artist." Artists who do not like your guidelines may simply mention their own policies in their emails and assume that this legally obliges you to play (and pay) by their rules. Whether a judge would agree or not is something you do not want to find out. Always tell any artist "This assignment or opportunity is made under my posted artist guidelines." Be sure that whenever you update or change your guidelines, you date the new copy and Email all of your artists that you have updated your guidelines. This is also a chance to send a note to every artist you ever heard from, giving them a few sentences of news about your company and new products, telling them new guidelines have been posted, asking for their input, and offering them an "open call" assignment (as above).

Kinds of Art: Cover art, interior art, logos, die cut counters, stand-up "cardboard miniatures", and many others.

Stretching the Art Budget: Whatever the art budget it, there will be times you need to get more from it than mere dollars can support. There are several ways to do more with less.

1. Re-use existing art in different projects. This works very well if the projects target different markets, such as art done for an RPG being used in a board game. Be sure that your art guidelines define that you have the right to do this and what you pay your artists for re-use of their work. Another way to do this is to have artists send complex cover art "in layers" which means you could pull the goblin out of the cover picture to put on the goblin page of your RPG.

2. In-House graphics: Having somebody around who can do example of play diagrams or simple three-view engineering diagrams of vehicles, or drawings of insignia and equipment, allows you to fill up space with things that are at least better to look at than crayon drawings or blank spots.

3. Clip Art: Buy one of those "800,000 clip art picture" packages and you can fill in odd corners and empty spots with reasonably presentable pictures that your customers probably haven't seen. These packages are royalty free. [Read the fine print. Some of them are royalty free only if you print fewer than some number of copies.](#)

Dealing with Outside Game Designers

This should always be done as a matter of mutual respect between equally creative people. You don't have to send him a birthday gift every year or invite her to Christmas dinner with your parents (unless something is going on romantically), but you deserve to be treated with respect and to get that respect you must first give it. We can assume, for convenience, that the terms "designer" and "writer" are interchangeable for purposes of this discussion.

In some regards, business relations with outside designers can become almost adversarial (or very adversarial) and trying to avoid such adversarial relationships with precise terms and agreements can simply provoke an unhappy exchange. If you end up negotiating with someone you are sure is trying to cheat you or trick you, just don't do business with them. Dealing with anyone should be a joy, something to welcome, something both sides learn and benefit from without rancor.

Something to remember is that there are a lot of designers and writers out there looking for work. This does not mean that you get to treat them like dirt; it does mean if you just cannot get along with someone, there is someone else who can do games or magazines or articles or adventures for you.

Kinds of Writers: Writers, and assignments for them, come in many varieties. We can break the assignments and

RUNNING A GAME PUBLISHING COMPANY

designers down into two categories:

1. A game designer with an entirely new and independent game. An unpublished designer probably has grand ideas of how much money he is going to make (ideas that have no basis in reality). A published designer may have a much better idea of what he will make (but if this is based on his experience with another company, his idea of what you can sell of his game may or may not prove to be correct). The key element here is that if he is creating something truly new, who is going to own it? Can he sell the sequel to another company? Can he sell another company the board game version of the RPG he did for you? What if he does three sequels and then stops? Do you have the right to hire other authors to do further sequels? Who decides if the creatures in such a sequel have the right stats on them, you or him? What if he does a sequel you don't want to print? What if you want a sequel he doesn't want to write?

2. A writer or designer who wants to add something to your existing product line. This is easier, less risky, probably less rewarding, but why do you think Hollywood insists on doing sequels? Because if gamers are playing it, they want more of it and more things like it. There are many key questions here. Who owns his work? (Probably you since his is a derivative but get it in writing or he may end up owning a part of your universe.) Who has the final say over the hard numerical data? (Just because he adds a new spaceship to your spaceship game system does not mean he gets to assign it a cost out of proportion to its firepower.) Derivative writers (who do work for existing game systems) sometimes wail that they "don't want to lose control of their creation" but shucks, you are the publishing company so why should you want to lose control of yours?

Writer Guidelines: If you are seeking articles, entire games, expansions to existing games, play aides, tactics papers, or whatever for an existing game system, you should have clear writers guidelines downloadable from your web site covering what you want and what you pay. These need to be clear and precise without limiting the kinds of material you would at least consider. You might even have a list of "automatic rejections" to save time. Your guidelines also need to include the phrase "These guidelines apply to all transactions with artists unless agreed otherwise in a hard-copy letter signed by both the company and writer." Writers who do not like your guidelines may simply mention their own policies in their emails and assume that this legally obliges you to play (and pay) by their rules. Whether a judge would agree or not is something you do not want to find out. Always tell any writer "This assignment or opportunity is made under my posted artist guidelines." Be sure that whenever you update or change your guidelines, you date the new copy and Email all of your writers that you have updated your guidelines and send a copy to the GPA and other industry mailing lists. This is also a chance to send a note to every writer you ever heard from, giving them a few sentences of news about your company and new products, telling them new guidelines have been posted, asking for their input, and inviting them to discuss future projects.

You probably want to have a "style sheet". Some publishing companies have a policy of rejecting anything with "three typos on the first page" but personally the author of this book would rather fix typos on a great article than take a perfectly-formatted boring article and try to make it worth publishing.

Meet Your Nemesis

Every game publisher eventually acquires a nemesis, or maybe more than one. Sometimes one of them retires and another takes up the torch.

Your nemesis is somebody who hates you, hates your games, hates your business model, or just hates everybody and takes it out on you, your game, and your business model.

Maybe you created this nemesis by refusing one of his very reasonable requests (such as putting your entire product line on the web in PDF form as a free download or publishing his game design and paying him \$25,000). Maybe he just decided to hate you. Maybe he thinks he should have your job.

Your nemesis will haunt your BBS (but mostly other forums and news groups since they are all cowards afraid to have their statements challenged by you) with charges that your game is no good, that you are mean to customers (you did refuse to give him a free PDF copy of all of your games, after all), that your game is too expensive or is badly made, or that you cause cavities. He may run events for your games at conventions and change the rules while explaining that "the designer is a jerk and won't fix this rule even though he secretly admitted to me that I am right and he was wrong." A favorite line of the Nemesis Character Class is "I know the rules of their games better than they do." (Note: actually, he doesn't. He just knows his interpretation of your rules better than you do.) My own personal nemesis -- well, one of them, he has long since retired to be replaced by others -- once told everybody that I made a million dollars a year and should be spreading the money around to people like him who supported my games. He also told people that the only reason there had never been a computer version of my game [at that time, anyway] was that I was demanding ridiculous contract clauses and a lot more money. (Both of these claims were total nonsense.) Your nemesis will explain in detail to everyone who will listen the secret workings of your business (based on his fantasies about what you're doing and why you're doing it, his theories will be totally wrong but nobody will know that). Your nemesis will explain why your secret motives for things you are doing secretly are evil (even if you have no such motives and are doing no such things). If you ever get upset with anyone in public (no matter how justified you were or how rarely it happens), your nemesis will make sure that everybody hears about it along with the claim: "That's just typical of him; he treats everybody that way all the time. It's amazing that his partners/employees let him out in public."

You can spend hours tracking down and refuting what he says, but that is ultimately what he wants. He wants you to pay attention to him, and for that matter he wants everybody to pay attention to him.

What to do about him? Well, you could (in some cases if he gets really stupid) sue him, but frankly, none of us are in the game business because we love lawyers, and few in the game business make enough money to sue anybody over anything. The best result is to ignore him, and to counter his nonsensical charges with public statements and press releases that (while they refute his claims) are not directed at him.

Remember: Annoying you, and getting you to take time away from your work to deal with him, is his hobby. The time you spend responding comes out of your working time. You are wrestling in the mud with a pig, and he's enjoying it. Every time you send a direct response to him, he knows he took an hour away from your work. It means he is winning.

Or said another way, when you wrestle in the mud with a pig, the pig is enjoying a lot more than you are.

RUNNING A GAME PUBLISHING COMPANY

2E: WAYS YOUR COMPANY CAN FAIL

This part is easy. Any one or two of the following will do it.

Drain as much money out of the company as possible by paying yourself as much as you can and by spending money on things you could get along without. *[Alternative: Try to always keep a few thousand dollars in the bank. It's not unrealistic or unwise for a small company with three or four employees and a hundred thousand dollars in sales to have ten or twenty thousand in cash saved up to pay for your next big project.]*

Print products on credit and hope that sales will cover the bills. *[This is a desperately risky move. You should have the money to pay the printer before the game goes to press. Use your start-up money to print the first game, and the profit from each game to pay for the next game. Set aside some profit from each product until you have enough money to pay for the next TWO products. That way, if one of them is a flop you can still get another, hopefully more profitable, game into print.]*

Bet the company on one product, or one product line. *[You may have to do this on the first product, although it would be better if you didn't have to. Always have somewhere else to go if the next product you print flops.]* For example, launch an entire line of miniatures at once, spending several thousand dollars on sculpting, before you find out if there is any market for them. *[Start with four packages and enough money to pay for them and for two follow-up packages scheduled 60 days later. You will have to have follow-ups to get the first orders, and will be stuck with producing them before you know if the first packs sold well enough for wholesalers to restock. The concept is minimal exposure. Do not risk more money than you could afford to flush down the toilet because sooner or later one of your brilliant product ideas is going to be just that.]*

Trust your printer and never get competitive quotes. For extra credit in causing your business to fail, trust your printer when he suddenly raises his prices 30% or suddenly doubles his minimum print run. *[Always always always get two bids. Any time a printer tells you that there is no less expensive or faster way, find another printer who knows a better way.]*

Gamble on the Unknown. Trust a vendor you have never done business with to deliver an absolutely critical product exactly on time and entirely within specifications when you didn't give him enough time in the first place. *[I don't even need to comment on that one.]*

Start feuds with other companies. One really excellent way to do this is to violate their copyrights. Insulting them in public is another excellent way to start a feud. *[Feuds are psychic energy sinkholes which leave you too drained to do your work but accomplish absolutely nothing.]* For extra credit, start a feud with GAMA or with the Adventure Gaming Academy or with Matthews Simmons Marketing or somebody else who is a figure in the overall industry.

Do not pay your bills on time. *[The way to become anybody's favorite customer is to pay your bills on time.]*

Avoid doing a budget or projected cashflow. This way, you can happily spend all of the money in your bank account a week before you find out what State Franchise Taxes are and that this will cost you a couple of thousand dollars a year ... which is due immediately. *[Always have a cash flow projection 90 days in advance listing everything you know you will receive and everything you know you will spend. Make the best guesses you can for things you know will happen but don't know the exact numbers for. Always know "walk off the cliff*

day" ... the day when you will run out of money and have a bill to pay. Ideally, you should not be able to find "walk off the cliff day" in your 90 day projection. Update this every month.]

Undercut the retailers. Sell your products at a discount on your web site. You can easily run your competitors (the retail stores) out of your market (i.e., convince them to drop your product lines). *[The term "channel manners" means not disrespecting your customers. You don't try to solicit stores to buy directly from you and you don't try to actively encourage gamers to buy from you instead of from the stores.]*

Undercut the wholesalers. Sell your products to retailers for less than the retailers can buy them from the wholesalers. *[This way, the few stores who will buy this way will convince the wholesalers to stop selling your games to the many more stores who do not buy direct.]*

Underestimate Administration. Assume that the non-game work will be a small part of your business and that game designers, developers, and playtesters can get this done in a few spare minutes. *[In fact, the "administrative" parts of the business -- selling, warehousing, production, assembly, taxes, accounting, and so forth -- will take most of the time of one entire employee, if not two.]*

Blow off Andrew and Aldo: These two guys will, every month, ask you for information on upcoming products which they will then convey to the retailers. Ignore them, since the retailers love to be surprised by new products, and who the hell said that just because their name starts with the letter "A" that they get to find out first what you are doing. *[Seriously, these guys will pave the way to good release sales if you give them accurate information when they need it, including cover art.]* For extra credit in making your company fail, give Aldo and Andrew incorrect information.

Blow off the GPA: Seriously, who cares what that bunch of chipmunks, losers, and wannabe publishers has to say about anything. *[Every company of any size should belong to the GPA and be on their internet mailing list server. The information is invaluable, and if anybody posts anything that is just dead wrong, six other people will correct it the same day. Information available includes contacts with good printers, marketing advice, access to good deals on components, and lots of industry gossip.]*

Don't Just Read industry mailing lists, but Reply: The entire industry deserves to hear your opinions on the issues of the day, including the Origins Awards, the lazy retailers, the wholesalers who want you to take all the risks, the predatory "big companies" that ruin the industry, just how incompetent GAMA is this week compare to last week, the fact that you not only don't know how to contact that guy somebody is looking for but don't know why anybody would want to contact him, and your views on everything else. *[The various industry lists are great in that they include a lot of information including, most importantly, which wholesaler is about to go out of business without paying your bills. Just remember that every word you type on one of those lists, whether you are arguing about the Origins Awards or railing against the stupidity of spending money on advertising, it's a word that isn't in your next book. Learn when to let some arguments go on without you.]*

No second volley. Launch the company with one great game ready for press and assume that you can whip up the sequels or an entirely different game in no time at all. *[Most of us have played "age of sail" games where you get double-effect for the "initial broadside". Same thing.]*

Skip Quality Control: Don't waste time with quality

RUNNING A GAME PUBLISHING COMPANY

control checks on your product. *[One of the three things that sell a game is the last game that the customer bought from you. If it was junk, the assumption will be that your future games are junk. Check each component as it arrives from the vendor. When your assembly line is running, spot check random boxes to be sure they have all of the parts.]*

Skip the research and just make up your own discount terms. The wholesalers are sure to admire your innovation. *[Seriously, if you haven't made good enough friends with somebody in the game business who will simply let you copy his terms sheet, you don't need to be in the business. See the sample terms sheet in the annexes.]* For extra credit, skip the research on what products people want to buy.

Get a licensing deal with a major motion picture studio by giving them all of your working cash and promising to pay them that much more a year down the road. With this license in hand, you can easily attract buyers, investors, and lenders. *[Just a hint. Banks take a dim view of such licenses and will not count them in evaluating the assets you have to back up a loan. If banks loan you money, they want either money or something valuable, like your house, that they can take away if you do not pay. They consider the value of a prepaid license from Majestic Twelve Pictures to be zero since they are not in the game business and cannot use this license for anything other than to line their bird cage. Even better, most licenses come with a "guaranteed future payment" to the movie studio and this counts as a liability on your balance sheet, so if you have a home equity worth twenty thousand dollars but have a guaranteed royalty payment due to Majestic Twelve for ten thousand, they will only loan you ten thousand and then only with your house as collateral.]*

Announce new products you haven't even done a preliminary design for. Give details of these products, such as price and contents. *[Sadly, you may have to do a certain amount of this, just because you have to announce products 90+ days in advance and because you cannot afford to finish a product and leave it laying around for 90 days while the wholesalers figure out if any stores want it.]*

Mess with the Eagle. The Federal government (and for that matter, state and local governments) can get really serious about you paying your bills. If you don't pay the credit card bill the bank will charge you ridiculous interest, void your card, and eventually write off the loss. If you don't pay your printer, you will have to find another printer (to whom you will have to pay cash). If you don't pay UPS, you can take your packages to the post office (put the postage on your credit card) or call FedEx Ground (and pay them cash). But if you do not pay your payroll taxes or corporate income taxes, a Federal marshal will install a padlock on your door. If you don't pay your county taxes, you will find out that your local deputy sheriff is not that moron with a bullet in his pocket, but a no-nonsense hard case who has his own padlocks.

2F: LICENSES AND DEALS

Getting A License for Background

Many people think that licensed games sell better, that is, games based on the licensed intellectual property of some movie producer or book publisher, such as Star Trek or Honor Harrington or Harry Potter. They may be right; such games tend to sell well because they have a built-in audience.

Licenses are not cheap, and can involve major amounts of money spent and promised up front. They aren't automatically successful and sometimes are more bother than they are worth. Before pursuing a license, consider the following:

1. Get a lawyer: You need to have an attorney who is familiar with intellectual property law, copyrights, trademarks, and licenses. *Do not even think* that you can sign such a license without an attorney to read it. Another part of the general category of getting good advice is to talk to other companies that have gotten licenses from the same people and find out if they regard the licensor as a good bunch of people to deal with.

2. Royalties: The licensor is going to want money for the use of his property, in the form of a royalty based on how many you sell. Obviously, you want this royalty to be as low as possible but you probably won't be in a position to bargain much. Ten percent of net receipts is a fairly common royalty these days; if offered something lower, feel lucky.

3. Advance: The license will require you to pay an amount of money up front, the day you sign the license. You want this to be as low as possible, but it could easily be five or ten thousand dollars or more. Banks are not going to loan you this money unless you have something else (say, your house) to back up the loan. Banks consider the monetary value of pre-paid licensing royalties to be zero because they cannot get the money back and aren't interested in being in the game business and the chances they could sell that license to somebody else before it expires are pretty much zero.

4. Guarantee: This is the scary part. You will be expected to guarantee a certain amount of total royalties over the life of the license. This is often expressed as "five thousand against ten" which means you pay five thousand dollars advance the day you sign the license and promise that by the end of the license you will have paid them a total of ten thousand dollars (meaning five thousand dollars more). You will probably be required to give a personal guarantee that this will be paid, so the corporation isn't going to save you from the debt. In some cases, the license includes a minimum per-year royalty for the term of the license. Something to consider is that if you get to the end of a guarantee period and haven't sold enough copies to "earn out" the entire guarantee, you might still want to renew the license if you made a significant profit on the overall deal even after paying the "unearned" licensing royalty.

5. Approvals: The licensor is going to want to have the right to approve or disapprove the game (or other product) you publish, probably before it is published. This can get tricky. If at all possible, get a licensing deal that starts the term of the license only when a product is approved (although, if the licensor agrees to this, he will probably put a limit on how long you have to actually submit something for approval). The approval process can be easy or difficult, depending on the licensor, and can cover everything from typos to fiction you create to whether your rules work to the advertising that you run to the art you use. There are nightmare stories of licensees who spent years trying to get a product approved, had to completely redo it several times, and ended up wasting too

RUNNING A GAME PUBLISHING COMPANY

much time and money to make the product worth printing given the royalty costs. (Note: Do not pay for advertising that you scheduled to run at the estimated time that the licensor would approve your game. If they don't approve it, or don't approve it on time, you may waste advertising money. This gets really tricky if you have a limited license term so you can't afford to wait 90 days after you get the approval before product release.) Try to get an approval process that includes interim approval steps (outline, first draft, etc.) and an agreement that once they approve something, it stays approved. Nightmare stories exist of a major motion picture corporation which had a low-level executive approve every step of a game over a year-long development period, only to have a high-level executive disapprove the final product and demand changes that took the design all the way back to blank paper. Another problem is physical presentation approval. The licensor may well insist on seeing a complete published copy before giving final approval. Given the size of a minimum print run (to get one copy, you may have to print a thousand or more) this can spell disaster if you have thousands of copies of something they disapproved. Try to get them to agree to a clause that if the licensed game meets the publication standards of one of your existing products, they cannot disapprove it. Failing that, if they insist on approving the actual item, try to get them to agree to base this approval on a prototype. While a hand-built prototype could cost a hundred dollars or much more, it's cheaper than a full print run. If they insist on having an actual published copy to approve, you may want to consider just walking away.

6. Term: This is how long the license lasts, usually two years but take whatever you can get. As mentioned, try to get a deal where the length of the license starts running only when they approve a product. Some licensors simply will not do that and you should think long and hard about whether to take such a deal. It has actually happened that a license expired before the licensee got the licensor to agree to a publishable draft.

7. Renewals: Try to get a clause in the contract that you can renew the license if you want to without having to renegotiate. They may flatly refuse to do this. If you're thinking about doing a single book based on their property, decide if you can make enough money in the first term to be worth it. If you are counting on a series of products, you want a renewal clause. Try (you probably won't succeed) to get a renewal clause with a lower (or no) advance and guarantee.

8. Area: Some licensors insist that you can only sell in the US, or in the US and Canada, or they want more money for sales overseas. Very few game companies sell enough games in Europe to pay a fee for Europe that is equal to the fee for the US alone.

9. Access: Get as much as you can from the licensor. If you are licensing a movie, insist on being given a file of still photos from the movie that you can use in the game and in advertising.

10. Products: Most licenses are going to be based on doing one kind of product (or sometimes just one specific product). You'd love to have a license that allows you to do T-shirts and coffee mugs and mouse pads and calendars. Ask for that to be included in the agreed cost and if they balk ask that you get these rights at least for products that support, advertise, and are based on your game.

11. Copyright: If possible, you want to retain the copyright to your game design, but the licensor is certainly going to want to retain the copyright to his intellectual property and may well insist on gaining the right to any "background" which you create (and he approves). The licensor may well insist on

gaining the right to your game design (meaning that at the end of your license he can license another company to publish *your* game). You might avoid that by using a game engine you copyrighted before getting the license, but the licensor may still insist on obtaining rights to *that* game engine (even if not ownership) which he can license to someone else later without your approval or any royalties to you.

Getting A License for a Game Engine

You might want to consider licensing the rights to another company's game engine. This is particularly workable when you own some exciting background and another company has a best-selling RPG system.

Read everything above about licensing a background, as what is below is only notes on what is different.

The good part of licensing a game engine from another game publisher is that they are in the same business you are in and are likely to be more realistic about those ten thousand dollar advances. You are far more likely to get into a reasonable discussion of how best to do things with a game designer than with a motion picture company. On the other hand, you may run into an egomaniacal genius who thinks he invented game publishing and who as a grossly inflated value of his game engine and the attitude of "if you aren't paying me this much money then I don't care". On the other hand, you may find somebody with a game engine who is more interested in licensing it to you than you are in licensing it from him, because your background is going to help build his player base.

1. Get a lawyer: You still need a lawyer, but it may cost you a lot less as he doesn't have to negotiate for you against a corporate bureaucracy. It's even more important to talk to other game companies that license the same engine.

2. Royalties: These vary widely in the game industry. One or two percent of net receipts is a good figure, but some charge much more (and some of those may be worth it, most are not).

3. Advance: You are far more likely to get away without an advance, or with a modest one, since everybody in the game industry knows just how big game publishing companies really are.

4. Guarantee: These are often very modest in the game industry and are often based on a year rather than the term of the license.

5. Approvals: You want a deal that give the licensor the right to approve how you used *his* material but does not allow him to make changes to *your* background. On the other hand, he won't agree to let you make changes to *his* background. He may well insist on the right to approve such things as the presentation of the entire book and may well demand that you fix typos even if they have been in your published books for years.

6. Term: This is pretty much the same as licensing a movie property but may be easier to negotiate.

7. Renewals: This is pretty much the same as licensing a movie property but may be easier to negotiate.

8. Area: This is pretty much the same as licensing a movie property but may be easier to negotiate.

9. Access: Get as much as you can from the licensor. If you are licensing a game engine, you want the text files for any rules you are going to repeat.

10. Products: This is pretty much the same as licensing a movie property but you are not likely to get the right to do T-shirts that celebrate his game engine, only T-shirts that

RUNNING A GAME PUBLISHING COMPANY

celebrate your game.

11. Copyrights: This is pretty much the same as licensing a movie property but may be easier to negotiate.

Buying Out Another Game Company

You might find the opportunity to buy out another game company. This can be a good thing ... or a nightmare. Let's say you are buying out *Moribund Games*. Here are some key points to ponder.

1. Pay a fair price. Whatever you are buying (inventory, equipment, furniture, contracts, licenses, copyrights, web sites, intellectual property, or whatever) has a value and you need to pay no more than it is worth. Inventory can be dangerous because printing cost is the easiest to calculate and the least relevant. Does it matter if *Moribund Games* has 3,000 copies of a book that costs \$3 each if they couldn't sell them? You need their sales figures. If *Moribund Games* is selling 100 copies of that book a year for \$6 each, then the value of that inventory may well be something around a thousand dollars, not the nine thousand they paid for it. Of course, you could pay a thousand bucks for it, throw 2/3 of it away (for a tax loss of \$667) and then sell the rest.

A few questions come into play here. Is it likely that their sales rate will continue? If that 100 copies per year was last year and the year before was 300 copies than maybe the next year will see only 30 copies sold, and the value of that whole pile of books could be a couple of hundred dollars.

On the other hand, is there a way you could get more sales than they did? Could you cut the price, bundle several books together, or do sales tricks they never tried?

Absolutely insist on a written inventory which you hand verify. Open every box, make sure it contains what is marked on it, and check a few books out of each box for quality. All of that is a tremendous amount of work (ask friends and family to help) but will avoid having their innocent mistakes (mislabeling this, not noticing that this entire box is defective) land on your bottom line years later. When this deal is over, there will be no *Moribund Games* to answer up for their failings (or even answer friendly questions about why this was printed the way it was printed).

If you are buying any furniture or equipment from *Moribund Games*, be sure to establish price and condition in writing as part of the deal. Have every piece of equipment turned on and operated in your presence. Get a third party (if possible) to check it. Demand to be given the manuals for anything that could logically need one. Compare the price that *Moribund Games* wants for its shrinkwrap machine to what you can buy a new or used machine for on the open market.

2. Why are they selling? A company that could not make a profit and is quitting in disgust is one thing; a growing profitable company is worth much more. (Such a company might be for sale if key owners have become unavailable to continue running the business.)

3. What debts do they have? Now, it would seem obvious that if you are acquiring assets AND debts that you simply subtract debts from assets to figure out a starting price.

What is less than obvious is Federal bankruptcy law. If *Moribund Games* is deeply in debt, and if you buy the assets and not the liabilities, and *Moribund Games* then files bankruptcy, the creditors of *Moribund Games* can (sometimes, depending on many factors) force YOU to pay the debts since you are the "constructive heir" to *Moribund Games*.

More than one amateur businessman in the game industry has thought he could take his failed company, sell the good

parts for cash (that he pockets) and then bankrupt the rest. That is obviously unfair — *and the law doesn't allow it*. Of course, given what lawyers cost, the creditors may never bother to come after you, but check with your lawyer to see if they can.

Debts can become a means of financing the deal. Suppose that *Moribund Games* owes *Big Printing Company* about ten thousand dollars. *Big Printing Company* is watching your deal carefully. They have little chance of ever being paid by *Moribund Games* but they are absolutely salivating at the idea that you will pay the bills. You can go to *Big Printing Company* and discuss the situation. Offer to assume the *Moribund Games* debt (perhaps at a serious discount) on the condition that you can pay it off over two years with little or no interest. This is better for *Big Printing Company* than not getting paid at all. One thing to watch is a deal that says you will use *Big Printing Company* for all of your printing (no matter what they charge). Never take such a deal but insist that you will give them the opportunity to bid on your printing.

4. Synergy and Leverage: There may be ways that you can make their stuff worth more to you than it is to them. Go over their inventory carefully. Is there some component of a dead game that you could use in your own products? Is there some expensive multi-part game which is out of one relatively inexpensive part? Would sales of their products increase if the product line became active again? (One warning: Let's say that a freelance designer wrote most of their books and *Moribund Games* insists that this designer would love to go to work for you. Have a deal in place with that designer, or at least a conversation with him — and a backup designer you can call right away — before basing a deal on what somebody who is not part of the deal will or will not do.) Which bring us to...

5. What could go wrong? Anything, everything, surely something. When negotiating the deal, look (and perhaps have others look) for places that things could break down. Here are some examples:

The deal includes *Moribund Games* doing certain work on unfinished products. What if they don't do it? You need to hold some of the payments until this is done. Everything that they are supposed to do which they do not do at the time of signing needs to be tied to some part of what they get not being paid until they produce.

Part of the deal includes buying something in the hands of a third party, perhaps a printer or a miniatures production house. You may be planning to move the negatives and press plates from their printer to your own printer, but do not assume that *their* printer will gladly hand over these items. That printer may well refuse to do so and might be within his rights. [Note: Modern printing in 2006 tends to not reuse plates. New technology avoids negatives and prints the computer files directly to a plate. Once used, the plate is discarded because it's usually damaged when dismantled. This is good in that you don't have to get the plates or verify if they are still good. This is bad because without the plates you MUST get the original computer files that produced the plates, and you must verify that the files are uncorrupted.] The molds for the miniatures may be in the hands of a casting house that wants to become your casting house (even if you don't want them to). All of this is called Third Party Performance. The contract between Your company and *Moribund Games* cannot compel the actions of a third party. If the list of things you are buying includes items in the hands of third parties, contact those third parties to discuss what *their* view of the situation is *before you sign the contract*. They may refuse to hand over these items

RUNNING A GAME PUBLISHING COMPANY

until you pay certain debts of the old company (debts that the old company may, rightly or wrongly, insist that it does not actually owe). In one case where the present author bought out another company, there was a \$4,000 “amount in dispute” between the company selling out and a third party that held certain critical items. The company selling out insisted that they did not owe the money, but the third party would not hand over the property without being paid. Fortunately, a clever lawyer had anticipated such things and wrote into the contract a provision that allowed us to pay the third party out of funds due to the company selling out and let *the two of them* go argue the rightness or wrongness of their dispute between themselves. In a separate case, a third party noted that it did indeed have the production item we had bought and they freely acknowledged that it belonged to the company selling out. When it came time to pick this item up, however, they demanded to be paid for items unrelated to the deal that the company selling out owed them for. (Technically, these items were in dispute as the company selling out insisted that the item was faulty and had refused to pay for it.) Since we wanted to do business with this third party (and they with us) they eventually agreed to ignore the non-related dispute. However, every time we go by their business we get asked — again — if we would please pay the old unrelated debt and collect from the out of business company. We simply have no way to do that, and aren't in the business of collecting other people's bills.

6. Moving Their Stuff: If you aren't taking over the building that *Moribund Games* now uses, you have to move their stuff to your building. That could be across town or across the country. There are three choices for this.

Move it yourself: Shop around for a cheap rental truck and go get the stuff. (Budget has the best deals as these words are written but the marketplace does change.) This is the cheapest way and the most under your control.

Freight company: Go to their warehouse, load everything on pallets, and call a regular freight company and ship it as a regular shipment. This may or may not cost more, and until you have the stuff loaded up and weighed it could get pretty hard to get any kind of comparison. Even so, it's a better choice than...

Transfer and storage companies: Otherwise known as moving companies, they usually move entire houses of furniture rather than business inventory, but they can handle it. The problem is that there are so many cheats, crooks, and scam artists in that business field that your odds of getting burned are far higher than you should have to deal with. In the case of the present author, we hired such a company to “pick up these pallets, store them 30 days until our new building was ready, then deliver them”. They set a price for doing this which seemed very reasonable. Then, after our inventory was locked in their warehouse, they suddenly advised us that the price quoted was only to pick it up, not to store it or deliver it. If you cannot avoid dealing with transfer and storage companies, get a detailed written price (not an estimate!!!) that very specifically spells out what they are going to do and how much they are going to charge for doing it. Do not let them “estimate” *anything*. If they say they cannot give a firm price, find out why and find ways to solve their problem in doing so.

Co-Production Deals

These take several forms, and are basically deals between two companies (or a company and an individual) to produce a game or other product.

A few possible forms of deals are:

A freelance designer wants you to publish his game. He

offers to pay some or all of the production cost if you will just get the game into print and onto the market. A variant on this is that you hire an outside designer to create a game that you want for a particular marketing niche.

Another company has a really great game engine in print and you have some really great background (or maybe the other way around). You don't want to sell part of your intellectual property and he doesn't want to sell part of his, but you both think it would be cool if a game was published.

A Service Supplier wants to do something with your game, perhaps an on-line version.

Some General Concepts about Deals

A deal should be win-win. Both sides should come out with more than they went in with. Deals should not be done to punish each other. Some of the wins are tangible (e.g., money) and some are semi-tangible (getting into more markets) and some are intangible (learning from another business a new way to do things).

Small deals such as “ok, you can reprint this spaceship design from my game system in your magazine, which will make more people buy your magazine and let more people see my game system” don't need much more than an Email or letter stating who provides what, does what, and owns what. There isn't enough money to sue over (or even pay a lawyer to write a letter) and if the other guy screws you, you just don't do business with him again.

Deals involving a thousand dollars or more deserve a written contract, quite possibly one done by a lawyer or at least reviewed by a lawyer. Be careful, however, as it can easily cost a thousand dollars to have a lawyer write such a contract and if the deal is going to net you three thousand dollars then maybe it's not worth doing if you have to have a lawyer.

Deal with honest people, and establish a reputation for dealing with others fairly and honestly.

Making a deal within the limits of another deal:

Perhaps one of the reasons that you and the other company want to make a deal is that one of you has a licensed background (or game engine) that the other wants to us. Any deal between the two of you must be done within the limits of the existing deal. Most licensing deals prohibit sub-licensing, which means whoever owns this license is going to have to be the “producer” of the product. Of course, the greatest “pre-existing deal we have to work within the limits of” is the law. You cannot make a deal that violates the law and expect it to hold up.

Being Your Own Lawyer: In a perfect world, nobody would ever do this. Real lawyers would write real contracts in clear and simple terms for reasonable amounts of money. On planet Earth, however, game companies write their own contracts all the time (no matter how stupid doing this is). You pay a lawyer to write one contract and then, whenever doing a similar (or even very different) deal, rewrite it to cover that. (Hey, if you can write game rules, contracts would be a snap, right?) Most of the time, these “game designer-written contracts” are fine as items aren't in dispute or there isn't enough money to matter. The author of this book strongly suspects that a judge would take a very dim view of a contract written by two non-lawyers.

Beware Assumptions In Deals: Avoid assumptions in deals (or non-deal transactions); get everything written down. Ask every possible question. Have a nice rambling chat with the other guys to see if anything falls out of the conversation by accident.

The present author has been part of many deals, and has

RUNNING A GAME PUBLISHING COMPANY

seen many others make deals. It being easier to see the mistakes of others, let me recount a few that I have witnessed. Details have been changed to make sure nobody can figure out the real people I am talking about.

Deal #1: In one case, a game company hired a designer to create a game. It was a typical deal, where the designer did the work on his own time (he had a day job) and was promised a royalty. They had a contract covering this. The problem was, the outside designer never finished the game (due to his wife refusing to give up any of “her” share of his free time). This situation dragged on for some months, and the game publishing company was getting upset because the game was expected to sell a lot of copies. Then, one day, the designer lost his day job and proposed that he should become a full-time paid employee of the game publisher (while working at home in another state). That way, the designer’s wife could not complain about him using “her” time and could not complain about his lack of income while he took a sabbatical to create a game. I knew both parties and often had conversations with both of them on many subjects; they were both great guys I still call friends. When talking to the designer, he was bragging about how he was really making money since he was on full time salary and had future royalties coming to boot. I thought that this was a very good deal, too good a deal, but none of my business. The publisher later remarked to me that: “It goes without saying that his royalty deal was cancelled since everything an employee does belongs to the company.” *Oops.* Trick is, nothing in writing said that anything an employee did was company property, and nothing in writing cancelled the royalty deal. Back when the designer first proposed becoming a salaried employee, the publisher had it in his mind that “this cancels the royalty contract” but did not think it necessary to say so. He should have spoken up, since he did end up paying royalties AND salary. If he had said at the time “Ok, but you have to sign away your royalties” then the designer could have said yes or no to that. They might have worked out that the salary was in fact not employment at all but an advance on royalties.

Deal #2: In another case, a different publisher had a deal with an outside writer to create a certain item (about a hundred pages of material). The written contract said “If you do not deliver the finished document by 1 December, you don’t get paid.” [Now, this is a bad way to write a deal since the writer had, in effect, agreed to finish the book without pay if he missed the deadline. The deal should have either cancelled or had a penalty clause instead of a non-payment clause.] The deadline came, and the writer had not finished the work (but was over halfway through). He called the publisher and said “Do you still want me to finish it?” (implying, he thought, that: “We are agreeing here that you will pay me despite the deadline, right?”). The publisher said “Yes, by all means, finish it!” (implying, they thought: “You fully realize that you are not going to get paid, but you DID sign a contract to deliver the document so finish the bloody thing”). In this case (I knew both parties) I had the strong suspicion that neither party raised the key point because neither party wanted to hear what they could be confident the other party was thinking. The writer finished the project, delivered it, and asked for his check. The publisher refused, citing the contract. The writer said “but we changed the contract!” and the publisher said “We did not.” The writer never did get paid. He could have, perhaps, sued in small claims court (hard to do when you’re a thousand miles away) and argued to the judge that there was clearly “no meeting of the minds” but that since his work had “obvious

value” he should be paid anyway. He might have even won, or the contract might have stood as written. Instead, he had a sour taste in his mouth and never wrote anything for any other game company and the industry lost a talented writer.

Deal #3: In another case, a publisher hired an artist to create a product cover. The publisher knew that the outside designer of the game in question had an “art approval” clause in his contract, but did not mention this to the artist, since it really wasn’t any of the artist’s business. [Oh, yes, *it was.*] The publisher did, however, tell the artist to speak with the designer about ideas for the cover. The game designer assumed (oh, *that’s* an ugly word) that the publisher had told the artist about the approval clause. The artist said: “Under my terms, I will provide two sketches for you to pick from. I already talked to the publisher, and one will be [X] and the other will be [Y].” The game designer said: “I hate [Y] and will not use it, so send me the sketch of [X] which doesn’t sound that good, and how about [Z] for the other sketch.” The artist responded: “You are getting [X] and [Y].” The game designer and artist each assumed that the other was just being a jerk and the conversation ended shortly thereafter. If *either* had tried to be civil, they might have (in a rambling conversation) accidentally discovered the art approval clause of the designer’s contract and had a good laugh over the matter at the publisher’s expense. But the designer assumed that the artist knew about it and was just being a jerk, while the artist assumed that no such clause existed and that the designer was just on an ego trip. [The game designer knew full well that this was “the Big Origins Product (TM)” and that time to get the cover was running out. He should have made a greater effort to clarify the situation.] The two sketches arrived. The designer said “I told him I would not approve [Y] and not to send it, and I really don’t like [X], so let’s see some more sketches.” The publisher didn’t like the idea of having to pay for extra sketches (a contract clause he didn’t mention to the designer since it was none of the game designer’s business, and besides, the Origins deadline was approaching) and suggested that the designer call the artist and figure something out. The designer called the artist, but the artist refused to send more sketches, and the designer finally agreed to use cover sketch [X] just to “go along to get along”. Weeks went by and the cover arrived. While it generally conformed to the sketch, the artist had painted the human people with unusual skin tones (purple, green, etc.) like a paisley print, insisting that this was a “Cool Madison Avenue Technique” that would sell lots of games. The game designer said “Hell, no!” and vetoed the cover as was provided under his contract. The publisher said: “I don’t like it either, but he’s a big name artist and this is what he sent and my contract with him says I have to buy it. Why don’t you call him and maybe he’ll be reasonable?” [Notice that nobody in this conversation even suggested a “conference call” since all three of them had begun to suspect that a major “failure to communicate” was happening and nobody wanted to be blamed by the other two. Also note that the publisher, the guy who had withheld the key information from the artist and designer, didn’t want to be a part of the unpleasant conversation and ducked his responsibility by having the designer call the artist.] The designer called the artist and said he hated the painting and wanted another one (or at least wanted that one fixed). The artist said, in effect, “Tough!” and dug in his heels as the argument raged for an hour. The game designer, in a deeply sarcastic tone, said: “Words of one syllable. Hear me well. Cover No Good. Cover will not be used. You will not be paid. Do new one.” The artist found this a little strange since the

RUNNING A GAME PUBLISHING COMPANY

game designer did not have art approval and said: "Who cares what you think? You don't have art approval!" The game designer then answered: "Yes, I do have art approval, and I have disapproved this cover. It will not be used. You will not be paid. Are you going to do it over, or does the publisher call another artist?" The artist said "*Nobody told me you have art approval!*" and the designer said "It wasn't my job to tell you." [Note, while it really *wasn't* his job, it *WAS* in the interest of somebody who had art approval to tell the artist that somebody other than the company writing the check had to approve the art. *Anybody who has "art approval" in his contract needs to say so to the artist.*] The artist then demanded several hundred dollars from the designer to change the art. The designer said: "I have art approval but the publisher pays you, so don't ask ME for more money. I don't know what your contract with him is and don't care. You can go talk to him, but until it's fixed, this art isn't going to be used." The publisher ended up paying much more for the art than (the very high fee) he had contracted for and everybody involved was upset with each other for months. Much later, the artist did another cover for the same game publisher and game designer and made it a point to be sure that he knew who had approval and who did not. In fact, that particular artist wrote it into his standard contract that he was to be told if any extra-contractual parties had art approval and what happened if they disapproved it. While such a clause may or may not have been enforceable, the point was not enforcing it but making sure he was told who he had to satisfy.

Deal #4: You may not know everything you think you know. In one case, the present author ordered some game components safe in the assumption that nobody in the industry used a certain kind of acid-based paper. He found out a few years later than many people in the industry still used that kind of paper and that in fact his products had included it for years. This obscure little fact happened to come out in a rambling conversation on another topic, when the supposed industry ban on the paper (that wasn't banned) was used to illustrate another point.

Deal #5: Sometimes what sounds like a great deal is based on somebody else taking a gamble, with you being the loser if their game failed. A company approached me, offering to buy my company for a princely sum, plus handsome royalties. His theory was to use my intellectual property to launch an internet-based real-time multi-opponent gaming business. Sounded like a good deal, a golden parachute for my retirement, and I was even offered a deal to remain in charge of paper products. I got the contract, read it, and had no issues with it. I showed it to my attorney, who pointed out some things that the contract said, some it implied, and some on which it was silent. The bottom line was that these guys did not have the money they were promising me, but expected to make enough money from their "sure fire hit" game business to pay me. (Danger, Will Robinson!) The problem is that if their business went bankrupt, I would have in effect traded the most valuable thing I owned to be last in line for a share of the corpse of a corporation whose only asset was my company. The way the deal was written, ownership of my property passed to them immediately (in exchange for an IOU that might have become worthless), something required by the people they were borrowing money from, said people knowing that if the start-up company went broke, they could get *their* money back by selling *my* company to somebody else. My attorney called them to say that the deal would only proceed when they found a way to guarantee I would get paid (such as

pledging the title to an office building, but they didn't own an office building, or anything else) or when the deal was restructured so that they got ownership only after payment had been made (something their financial package would not accept since my property was, unknown to me, the collateral for their loan).

RUNNING A GAME PUBLISHING COMPANY

2G: RANDOM BUSINESS ADVICE

1. A game idea that should sell and deserves to sell might not sell, and there's no evil conspiracy that is stopping it from selling. If it doesn't sell, maybe it wasn't such a good idea.

2. Try to give employees a chance to make mistakes and learn from them. Who knows, maybe just because their idea was dumb the last time *you* tried it doesn't mean that the idea hasn't finally come of age. Avoid this in expensive things.

3. Loyal customers are the most important resource you can hope for. You recruit them by giving them value, innovation, quality, and substance. They will come back for that. Even so, you cannot run a business by doing what the last customer who showed up in your Email told you to do. If you try, you'll be halfway done with what he wanted when the next guy who thinks he knows how to run your company Emails you.

4. Communication is vital. You must give people clear instructions rather than just assuming they will have picked up your intention by ESP.

5. Hire good people and let them do their jobs, but do keep an eye on what they *are* doing since they might not be doing their jobs. Gamer geeks who want a job at a game company want to run their own game company someday. Encourage and support them but you don't have to provide them with free office supplies and you don't have to let them run their new business on your time clock.

6. Once every couple of years, take a cheap night time college course in business. A couple of times a year, take a one-day (or two-day) business seminar in your local town.

7. Doing business is building relationships with people and companies and organizations and even game systems. Study ways to be more effective in business.

8. Try to understand that most retailers just are not going to stock a game that they sell one or two copies of per year.

9. Read the industry trade journals, even the articles about other tiers of the industry.

10. Every time you go on vacation, take an hour to visit a game store (or several hours for several stores over the course of the week). Look around, ask questions, offer help. (In theory, this makes a small part of your trip deductible, but don't push that.)

11. Understand the industry. You serve every one of the levels, your vendors and authors and artists, and your wholesalers and stores and customers. Understand each one of them.

12. I seriously wonder if we might not all make more money if we could publish our games in Spanish, German, and Japanese.

13. Not everything that *can* be done *has to be done*.

14. Creativity is the most important thing. Give yourself time to think freely and be creative. Learn to find creativity within yourself on demand. Respect the creativity of others. If somebody creates a new something for your game that doesn't fit into the game, at least respect that he had a spark of creativity, developed an original idea, and respected you enough to want to show it to you.

15. Sometimes you have to publish a product that won't make a profit because it enables other products. For example, you might not sell many large-hex maps but if you don't have them available you cannot sell miniatures that require large-hex maps to game.

16. Your personal life has to exist, has to be cared for and fed, has to be allowed to flourish. Working an entire weekend

to make a deadline is noble and we've all had to do it. Working all of *every* weekend is counter-productive and stupid. You'll be so burned out by Monday that you will lose more time than you gain. Take care of your health, get some sleep, see your parents and cousins, call an old friend, read a book, see a movie. Your employees will appreciate a calmer and happier boss.

17. Give something back to the industry every year. Write an article, give a seminar, or mentor a young designer at a smaller company.

18. If you act like you are open to new ideas, new ideas will find their way to you. If you act like you just aren't going to give new ideas a chance, new ideas will not walk in your door.

19. Running a business gives you an opportunity to do many things that most people don't get to do. Embrace these opportunities and consider them a chance to grow.

20. As a small game publisher, you can quickly react to trends and ideas and have a new product on the market in 4-6 months, something big companies cannot do. The drawback is you don't have the money to make ten thousand dollar printing mistakes. Now, if we could just get Alliance to drop that nonsense about 90 days notice of new product releases (which is needed only by comic book stores that aren't carrying games anyway) we nimble little companies could put new ideas into stores in 30 days.

21. When and if you can, do business-to-business stuff with people in the adventure game business. If you need some generic item in small quantities that some other company is buying in huge quantities, ask them if they will sell you some of their surplus (but only if this is convenient for them!). You may reduce their overstock, get better prices, help their cash flow, and make a friend. Consider that *Medium-Sized Game Company* may be big enough that they can invest the money buying dice a hundred thousand at a time, even if this is a year's supply. If they'll sell you (at their cost) some of their surplus stock, it means they still got that good price on what they needed, they don't have to tie up so much of their own cash for a whole year, and you get a cheaper price. But they're doing you a favor and don't beg them to do this. If they think it's a dumb idea, quit trying to talk them into it.

22. You don't have to know how to do everything, although the more you know, the better. You don't even have to know somebody who knows everything, although the more direct connections you have with knowledge, experience, and skills the better. All you really have to know is somebody who knows somebody. If you want something done you have never done before and have no idea what to do or how to do it or who to call, and you don't know anyone who does, ask your network (printers, other game companies, your landlord) "do you know anybody who can do this for me?"

23. If you're the head of the company, you're probably the best game designer the company has. Take a few hours every day to design something. Don't get bogged down in meetings, deals, and paperwork.

24. There is an old joke about "if you need something done, give it to the busiest employee since he won't have time to dawdle over it." Of course, this is a morale wrecker if that employee watches the guy across the hall surf the web for three hours, and isn't going to work if the guy has other things that you want done immediately that he sets aside. Give each job to the person who is best for it (based on knowledge and availability) and give each person a clear understanding of how much time he can spend on it.

25. Everybody in a small game company has to wear

RUNNING A GAME PUBLISHING COMPANY

many hats, but nobody gets to wear the same hat all day. You cannot ignore your other six jobs because you worked all day on one of them.

26. Somebody in your company has to be in charge of keeping the current customers happy, and somebody (preferably somebody else) has to be in charge of getting new customers.

27. Treat people with respect, kindness, and politeness. On the other hand, nothing says you have to be polite to someone who is deliberately rude, or that you have to respect someone who shows no respect for you.

28. There are going to be things that change everything, such as switching from a consolidator to selling directly to wholesalers, or switching from printing company to print on demand to print it yourself. These things will (repeat that) will change everything (repeat that) everything. When such paradigm shifts happen, look at every aspect of your company and how it will be affected, particularly including all of the plans you had made earlier.

29. Lead by example. You cannot chew out an employee for taking a three-hour web-surf on your time clock if you do the same thing in front of him. If you need to take some time off (hey, you own the company) then get out of the office, or tell everybody "I worked over 70 hours last week and I'm going to take this afternoon to pay my mother's bills. If you need me, I'm here. No, this doesn't mean you get to pay your bills on my time clock."

30. When you tell somebody to do something for you, check what they did before you hand it to the printing plant.

31. Have an executive committee meeting every day. Keep the meeting small, but some days you might expand it to include a few other people. Sometimes you might even invite the janitor or the warehouse guy or the copier repairman. Have everybody bring to the meeting (written on a piece of paper) ONE THING (which would take an hour or less) that they want somebody else at the meeting to do (e.g., mail out those review copies, check in that shipment that's been sitting by the door for a week, finalize the Origins badge list, check that invoice before it's past due, whatever). Let the boss decide which of these things are nonsense and which really need to be done, and let the boss decide if they will be done today or brought back to the next meeting. (If everybody brings something for Bill to do, the boss is going to have to decide how much of Bill's work TODAY is going to be lost to doing these things and whether any of them can wait until tomorrow.) This is a way to break bottlenecks, and avoid having trivial things that get forgotten jump up and bite your rear end three weeks from now. People can get so focused on their "real job" that they can forget their "assorted other duties". You need core time (four-six hours per day you spend on your primary job) but you cannot lose track of your other jobs.

32. The head of the company is the "everything of last resort", including the artist of last resort and the janitor of last resort and the shrinkwrap machine repairman of last resort. You have to know how to do everything, not just so you know if your employee did it right, but so you can do it if there is nobody else around.

33. Kumerian's Creed: Never fight a battle you do not have to win. (Think about that one for a while, [particularly on the second round of the next BBS flame war.](#)) Kumerian was a Klingon Admiral. And you thought the Klingons just wanted to fight all the time without even having a reason. Wrong. Wars are expensive; don't start one you don't have to win.

34. It's better to be a day late than spend a year looking at

a product with an annoying technical mistake in it.

35. You can succeed in the game business without a lot of things (talent, knowledge, money) as long as you have friends who can show you what to do, what not to do, how to do it, where to get it, and so forth.

36. Get up, right now. Go to the office photocopier. Take out your wallet and remove everything from it. Put everything in the photocopier and make a copy. Do both sides. It may take more than one sheet. Put the copies in a safe place so if you lose your wallet you know what was in it. Do this every year. And while you are at it, clean out the junk that really doesn't need to be in your wallet in the first place.

37. It's really spiffy that you have every phone number you will ever need (printer, die-cutter, artist, your mother) in your cell phone or PDA. What if the battery dies? What if it's stolen? What if, on that day, you absolutely must get some business done in a remote location with just a phone booth? Go to your computer, type every phone number you need to do business, print it out, cut away the excess paper, get some of that two-inch tape from the warehouse and "lamine" this piece of paper, and put it in your wallet. If everybody does this, some day one of you will thank me.

38. Go take the Red Cross First Aid and CPR course. It costs \$20 and takes one Saturday. You might save a life. When the present author was only 14, he had CPR training in Boy Scouts and saved the life of his grandfather, who lived another ten years. While you are at it, pay to send one employee per year to these courses. Or two or three.

39. Always have a thousand dollars in the bank. At the worst possible time, your hot water heater will explode, or your shipment will be late, or your company pick up with need a new generator, or your electric power-cutter will need the blade sharpened. That's what the "rainy day fund" is for.

Please do not post this document on a web site or pass it around. Anybody who wants a copy can ask or download a free PDF. That's not because I want to be a control freak but because I do update individual chapters whenever I think of something to add and would just as soon there be one place for the most recent copy.