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FOCUS REPORT

VALVE SOFTWARE:

ENGAGING PROSUMERS,
COMPETITORS, AND COMMUNITIES

By Jeff DeChambeau

Valve Software is an award-winning game development firm that **has the luxury of doing things its own way.** Valve freely releases, and supports, tools with which their customers modify and extend Valve's products as they see fit—a gamble that greatly benefits both Valve and the gaming community. Valve also owns a robust platform—Steam—that distributes content, networks gamers, and extracts insights by reality mining the player experience. Lessons from Valve will help guide enterprise collaborative platform design and the development of community-focused products and services.

TABLE OF CONTENTS

- 1** Opening the Valve
- 2** Extending the Platform Beyond Games: Introducing Steam
 - 2 Modest Beginnings
 - 2 Expansion & Socialization
 - 3 Further Augmentations
- 2** Valve's Take on the Customer Experience
- 3** Key Takeaways
- 4** Endnotes
- 5** About the Author

INTRODUCTION

OPENING THE VALVE

Founded in 1996 by “Microsoft Millionaires” Gabe Newell and Mike Harrington, Valve Software’s first product was the sci-fi first-person-shooter (FPS) game, *Half-Life* (see figure 2). The game was built on licensed technology¹ and was bundled with extra software that allowed players to create new content. Shortly thereafter, Valve released a comprehensive Software Development Kit (SDK) that armed amateur developers with industry-grade tools to not just



ABOVE Figure 1: Valve Software is a privately held game development company based in Bellevue, Washington.

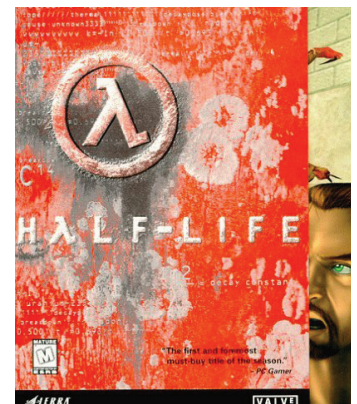
extend existing games, but modify them extensively—the only proviso being that derivative works were free to anyone who already owned a copy of *Half-Life*. In effect, Valve didn’t just release a game, they released a platform.

Valve wasn’t the first company to take this approach, but the success of this openness is difficult to overstate. Amateur developers Minh Le and Jesse Cliffe used Valve’s SDK to build *Counter-Strike*—a team-based, tactical shooter that pits terrorists against counter-terrorists—on the *Half-Life* platform. The game was incredibly popular. Because *Half-Life* was required to play *Counter-Strike*, in many cases gamers were purchasing the former simply to have access to the latter; the free software extension was

growing Valve’s customer base. Later, Le and Cliffe were hired by Valve and *Counter-Strike* was sold as a stand-alone title.

Counter-Strike’s commercial success sprung forth from its cultural success. A large community grew around the game, complete with casual gamers, amateur and professional competitors, fans, and even virtual television stations that streamed high-profile matches to the masses.² The appeal of the game reached beyond gamers; the Government of China was using *Counter-Strike* as a tactical training tool for their anti-terrorism police officers as recently as 2007.

Valve continues to improve and release free development tools to this day. They also support the developer community with a comprehensive support wiki that is edited by both, amateur and professional developers.³ Valve also has an established precedent of assigning full-time staff members to support promising community modifications by cleaning up code and offering design expertise.⁴



ABOVE Figure 2: *Half-Life*—the game that started it all.

EXTENDING THE PLATFORM BEYOND GAMES: INTRODUCING STEAM

Modest beginnings

Counter-Strike was, at its core, a social game. But the existing infrastructure for gamers to find and challenge opponents was an outdated system called the World Opponent Network (WON). Valve sought to replace it with something better. Their solution—called Steam—was not just a better way to find opponents, but also streamlined product updates, integrated social networking and real-time communication into games, provided anti-piracy and anti-cheating measures, and allowed gamers to buy new games online for download. Valve maintains an online game library that users can access from any computer running Steam.

The transition from WON to Steam was not smooth. The non-optional migration in 2004 (and subsequent release of *Half-Life 2* via Steam) was complicated by content servers that were taxed beyond capacity, resulting in downtime and legions of extremely displeased customers. However, the technical issues were all eventually resolved and Steam became a reliable platform that gamers enjoyed using. At present there are over 20,000,000 Steam user accounts.⁵

Expansion & socialization

The Steam storefront no longer showcases only Valve's products. Developers, big and small, can now sell their games to Steam's installed base through the marketplace, skipping physical manufacturing (and disintermediating traditional content publishers and distributors in the process—see figure 3). In total there over 900 titles⁶ being sold via Steam—with Valve taking a cut of each sale.

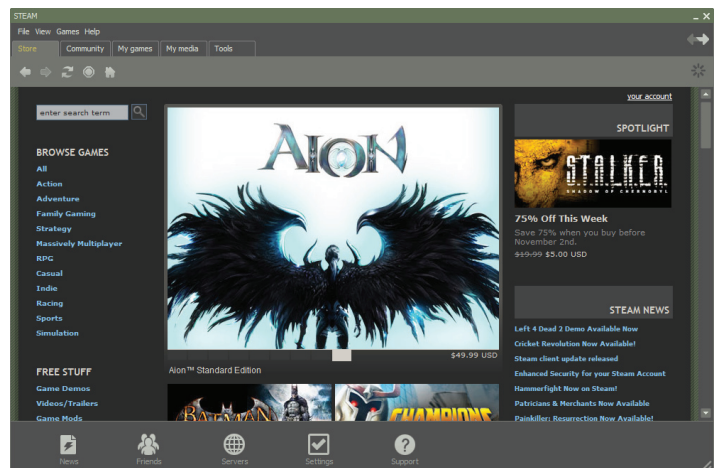
In 2007, Steam was supplemented with the Steam Community—almost like a Facebook for gamers. On a gamers Steam community profile page, the usual suspects in terms of profile information (name, age, interests) are present, but the system also keeps track of their time investment and in-game progress. These types of public metrics function as reputation measures that gamers can use to size-up potential opponents and teammates. Groups of gamers can also form their own private forums for discussing their strategies or just socializing. The community and in-game experiences are tightly-knit, allowing players to “friend” one another during a match and stay in touch afterwards.

RIGHT Figure 3: Steam, Valve's integrated gaming platform, provides a point of sale for developers as well social networking for gamers.

VALVE'S TAKE ON THE CUSTOMER EXPERIENCE

Valve does a number of other things that foster community strength and build goodwill towards the company:

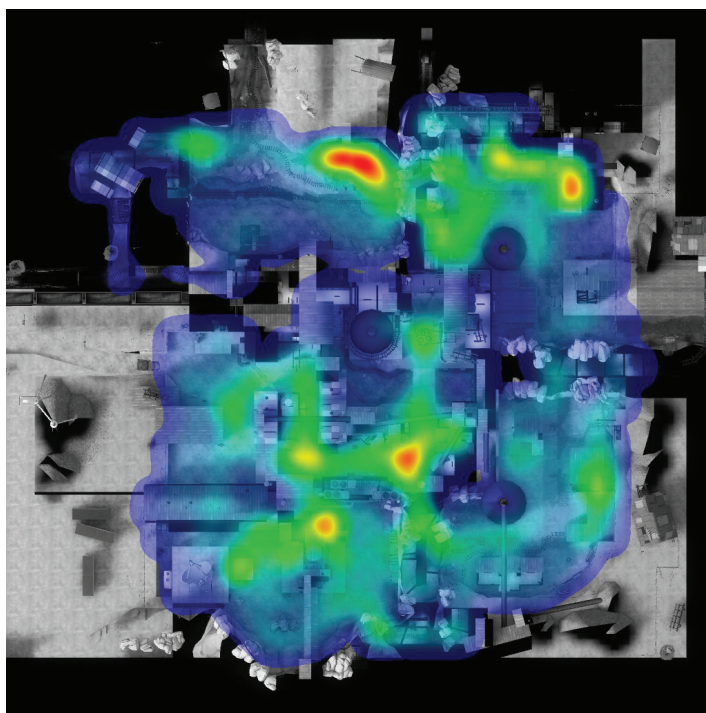
- **Gaming guest passes:** When a user buys a Valve's product they are given “guest passes” that allow them to invite their friends to try the same. Because guest passes can only be given to users with Steam accounts, Valve is able to leverage users' social graphs to bring more users to their platform, engage those players with content, and then provide them with an easy upgrade path.⁷
- **Free, regular updates:** After releasing *Team Fortress 2* (TF2), Valve used Steam not only to fix bugs, but also to deploy new content and gameplay changes based on user activity.⁸
- **Persistent licensing:** Steam allows gamers to transfer existing game licenses to their Steam accounts. This allows gamers to throw away their physical media and access their game collections from anywhere.
- **Accessibility and Openness:** Founder and CEO Gabe Newell frequently engages with fans on external discussion boards. Amateur development teams are sometimes given access to company resources to improve their projects. User-generated content is also distributed by Valve free of charge via Steam.
- **Corporate personality:** In 2008, Valve didn't only release games, they also released a song. The song, *Still Alive*, was a retrospective ballad about cake sung by a self-aware but insane computer program (an in-game character in *Portal*). The song became an instant hit online, and was popular with gamers and non-gamers alike, contributing to considerable post-release buzz for the game.



Further augmentations

In order to compile profile statistics for players, Valve mines different types of information from the computers of its customers. Information like career scores are collected and displayed for all to see, as are the results from opt-in hardware surveys. However, Valve also collects specific, non-identifying information about how players behave in-game. This information is used to provide insight into how the games are played, so that tweaks can be made to improve the experience for all.

For instance, when a new multiplayer level is released and played by the community, a “heat map” is compiled from gameplay statistics that shows what in-game areas players are statistically most likely to meet their end (see figure 4). This information could show that the levels construction biases one team over another, which can be then remedied or avoided in future designs. Data-driven solutions can then be suggested, and their effectiveness can be precisely tracked. More recently Valve has introduced Steamworks, a framework that empower third-party, Steam-compliant, developers to access similar data about their games. This kind of real-time, precise feedback allows companies to alter their products surgically and swiftly to meet consumer needs.



ABOVE Figure 4: Valve reality-mines insights from their products. This figure shows where players typically tend to die in a given level. Beware of red areas.

KEY TAKEAWAYS

Enterprises have much to learn from the world of online gaming. Valve Software shows us how to execute an effective platform strategy and engage an ecosystem of customers, prosumers, and competitors to build a vibrant and enduring community.

- **Support prosumers with time and tools.** *Counter-Strike* and the number of other highly-polished modifications would not have achieved the success that they enjoy today were it not for the tools and support that Valve provided free of charge to amateur developers. This investment was returned numerous times over in good will in the community and long-lasting game sales.
- **View prosumer engagement as a self-selecting employment process.** Thanks to *Half-Life's* open development platform, skilled amateur developers have identified themselves, their ideas, and their abilities to Valve—who in turn are free to offer employment to the best of the best.
- **Sharing makes the pie grow faster.** Valve has been able to draw more users to their Steam platform by turning competitors into co-creators and selling their products.
- **Use data to enrich customer experiences.** Games have the benefit of generating perfect information, but the real world will soon catch up and generate equally prodigious amounts of data. Real-world managers would be wise to look to virtual-world managers to see how this data can best be managed, analyzed, and used for customer engagement.⁹
- **Make data collection practices transparent.** Allowing data collection is the price of admission for those who wish to use Steam, but Valve outlines clearly what data is being collected and why. To date, the community has not complained.¹⁰

ENDNOTES

- 1 "The final hours of Half-Life: Behind closed doors at Valve Software," Geoffrey Keighley, *GameSpot UK*, uk.gamespot.com.
- 2 See Half-LifeTV, hltv.org.
- 3 The Valve Developer Community, developer.valvesoftware.com.
- 4 "Development...la mod," *Red Herring*, May 8, 2001, redherring.com.
- 5 Brian Leahy, "Live Blog: DICE 2009 Keynote - Gabe Newell, Valve Software," *The Feed*, February 18, 2009, g4tv.com/thefeed/.
- 6 Valve employee Robin Walker has all Steam games listed on his profile, 933 at the time of writing, see <http://steamcommunity.com/id/robinwalker/games>.
- 7 For more information about Valve's guest passes, see https://support.steampowered.com/kb_article.php?ref=8112-DFJL-4653
- 8 Valve also released a number of amusing promotional videos to introduce supplementary TF2 content, see them at <http://tf2.com/movies.htm>
- 9 Valve makes aggregated TF2 information available at http://steampowered.com/status/tf2/tf2_stats.php
- 10 See Valve's privacy policy at <http://www.valvesoftware.com/privacy.htm>

ABOUT THE AUTHOR



Jeff DeChambeau is a Research Analyst at nGenera. Jeff delivered a presentation on Prediction Markets at the June 2008 Enterprise 2.0 conference and has since written and co-written research projects for nGenera's Enterprise 2.0, Talent 2.0, and Marketing 2.0 programs including a recent study of Continuous Business Strategy. Jeff is also the Editor-in-Chief of the Wikinomics blog. Jeff completed his B.A. Specialization in Philosophy at the University of Western Ontario, where he was involved with student leadership and sat on the executive councils of several student-run clubs—including the Western Economics Students' Association, the school's second-largest club.

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