



### Cocoon - The Business

Cocoon started as an idea. An idea that as the entertainment software industry becomes more mature, new game designers will need assistance to get their game concepts noticed, and to get their product to market. Assistance is about harnessing the enthusiasm and imagination of game designers whilst simultaneously developing their business and technical skills.

The entertainment software industry is extremely large - US\$25 billion worldwide. Presently dominated by the games console manufacturers – Sony Playstation, Microsoft X-Box and to a lesser extent, Nintendo Game Cube, the industry is experiencing a generational change in format and genre.

Australia has an enviable position within the world of entertainment software developers. Firstly the exchange rate makes production in Australia very cost effective. Secondly, titles produced in Australia tend to be very international – i.e. without a strong local culture (the software does not have an American or Asian influence), and thus the software is very saleable around the world.



### Business Creativity

The best ideas are often the simplest. The Cocoon business model is deceptively simple, but very potent

### The Challenge

The challenge for the Victorian Government was to realise the full potential of the entertainment software industry in Victoria. At the heart of this challenge was the need to correct the deficiencies in the entertainment software industry. Due to an absence of infrastructure that is required to support the development of games, talented people with unique ideas were unable to commercialise their concepts.

Victoria has a wealth of creative and technical resources capable of producing content for the global entertainment software industry. Despite this, and the significant growth in the entertainment software industry, the challenge was compounded by the 'dot.com' crash and the subsequent effect on the perception of 'incubators' from investors.

### The Solution

The DC Strategy (DCS) Digital Industries Group proactively approached the Victorian Government with the problem and a potential solution. The Victorian Government subsequently commissioned DCS to develop a plan to test the feasibility of a games software incubator in Victoria.

DCS investigated a multitude of options for developing a commercially successful business model that did not have the constraints of an institutional incubator. Using commercial models of growth, commercial terms and commercial supervision, rather than a traditional institutional 'dot.com' incubator model, the feasibility indicated that both Cocoon, and the game designers it supports, could be successful.

The business model projects investors will generate a positive return on their capital, as well as the incubator business units. It was designed to provide a mechanism for the synergistic combination of creative, technical, financial, accounting and legal resources.



### The Outcomes

- A commercial business model has been developed for Cocoon, which provides a platform for inexperienced game designers to get their product to market, and is an attractive investment for potential shareholders.
- Cocoon combines resources with experience to provide not only a strong development infrastructure to assist in the creation of new entertainment software development studios, but will also act as a catalyst for the entertainment software industry in general throughout Victoria
- The State of Victoria, Australia, is well positioned to realise its potential to become a global player in the creation and distribution of entertainment software
- A 'special' commercial entity has been created that is significantly different from traditional 'incubator' models in order to facilitate positive returns on investment, and hence attract key investors

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