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**From:** Jean-Emile Elien </O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=MICROSOFT.ONMICROSOFT.COM-55760-JEAN-EMILE ELIEN>  
**To:** Phil Spencer  
**Sent:** 3/19/2021 11:51:13 PM  
**Subject:** Re: GP relative to studios

Fair. We never publicly talk about the factors leading up to close, just how to deal with the effects of the decision. Again, platform guy asking about the content business.

This is also the second time you've called me on a "question that sounds like an opinion" which leads me to believe this happens to you a lot. I promise, if I have an opinion that is worth me sending an email, I will give it. I appreciate this forum too much to be disingenuous.

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**From:** Phil Spencer <philsp@microsoft.com>  
**Sent:** Friday, March 19, 2021 4:39:23 PM  
**To:** Jean-Emile Elien <jelien@exchange.microsoft.com>  
**Subject:** RE: GP relative to studios

I don't think we've ever closed a studio due to the studio's P&L. It's almost always been either from leadership leaving (Lionhead as an example) or team just losing it's passion (Ensemble as an example).

**From:** Jean-Emile Elien <jelien@exchange.microsoft.com>  
**Sent:** Friday, March 19, 2021 3:47 PM  
**To:** Phil Spencer <philsp@microsoft.com>  
**Subject:** Re: GP relative to studios

My turn to say: Honestly, I don't know. I don't really know what goes into closing a studio: how much funding vs. personnel vs. output feeds into the decision.

In my mind, if a studio completely needs to prove their worth by being net value over their costs, it adds a ton of pressure to release hits on a regular basis. If a game is niche, though, too bad?

This is not armchair quarterbacking, I swear. I'm just super worried about the moat you've built, that the winds will change and we have a bloodbath a few years down the road. Especially given our peer cloud companies underestimating of the game creation process. And "but by the grace of God go we".

Not my job, I appreciate - so trying to train my mental model on how to think about the content-side of the house to not be worried. Especially where the economics has changed with GP.

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**From:** Phil Spencer <philsp@microsoft.com>  
**Sent:** Friday, March 19, 2021 3:18:23 PM  
**To:** Jean-Emile Elien <jelien@exchange.microsoft.com>  
**Subject:** RE: GP relative to studios

I feel like the highlighted question is a preview of an opinion you have. Do you think gamepass would have saved a studio we once owned?

Phil

**From:** Jean-Emile Elie <[jelien@exchange.microsoft.com](mailto:jelien@exchange.microsoft.com)>  
**Sent:** Thursday, March 18, 2021 1:27 PM  
**To:** Phil Spencer <[philsp@microsoft.com](mailto:philsp@microsoft.com)>  
**Subject:** RE: GP relative to studios

That's completely fair. I'd be really saddened if the reduction of an inherently creative endeavor to a single cell going red was the determinant.

How about looking back on the studio closures of the past – would a product like Game Pass have changed your mind on any particular studio's closure?

As to how people like a particular game, that isn't my interest, because I like genres that aren't "the hotness" and am excited by Game Pass' potential to allow those kinds of games to have a home.

Ultimately, this for me is looking to understand the major investments of our org in determining how to best support it. FWIW – I don't expect concrete answers – and I see a \*lot\* of opinions across the org. Just training my ML on what I should see as the art vs the science of Gaming.

**From:** Phil Spencer <[philsp@microsoft.com](mailto:philsp@microsoft.com)>  
**Sent:** Thursday, March 18, 2021 12:30 PM  
**To:** Jean-Emile Elie <[jelien@exchange.microsoft.com](mailto:jelien@exchange.microsoft.com)>  
**Subject:** RE: GP relative to studios

The truth is to your answer of how to measure worth is, we don't know. It's some combination of attract and retain to our service. Different games perform differently, some are very high on play and therefore a higher impact on retention, others are good top of funnel for attract but don't get much play. You need both. I'd be lying to you if I told you we had the excel sheet of the value of a game completely figured out. We are working with the MS chief economists on the value of content and they have a model that we've working but it's not complete (and likely never will be).

At some point what you are asking is "why do people like X" and that's a hard question to answer. It's going to be a very organic process for us.

Phil

**From:** Jean-Emile Elie <[jelien@exchange.microsoft.com](mailto:jelien@exchange.microsoft.com)>  
**Sent:** Thursday, March 18, 2021 11:21 AM  
**To:** Phil Spencer <[philsp@microsoft.com](mailto:philsp@microsoft.com)>  
**Subject:** RE: GP relative to studios

The moat is clear – I've heard as much from Google friends about the chill the ZeniMax acquisition had on their plans.

So how should studios now measure their worth to the portfolio? I know you dislike the Netflix analogy, but I am trying to understand the equivalent of "ending a show" in their model. We ended further investment in Bleeding Edge, for example – is that how I will see changes going forward?

Still waiting for episodic (RIP Tell Tale) content to show up in GP – that will be awesome.

**From:** Phil Spencer <[philsp@microsoft.com](mailto:philsp@microsoft.com)>  
**Sent:** Wednesday, March 17, 2021 4:06 PM  
**To:** Jean-Emile Elie <[jelien@exchange.microsoft.com](mailto:jelien@exchange.microsoft.com)>  
**Subject:** RE: GP relative to studios

Totally think differently today.

We need to drive engagement, that is the oxygen for our service and business growth. Engagement comes through content. As we drive engagement the content becomes more valuable. We are actually the better owner for any game ip than any other publisher on the planet right now as we can drive engagement through retail and subscription which leads to higher revenue.

I want to keep that lead and actually extend it so our investment in studios, as you've seen, has increased. I want to make it clear to Google, Amazon etc that you are NOT going to catch us in gaming. And one of the reasons sited internally at Google for them divesting of the first party was our ZeniMax acquisition. I just want to put us out of reach.

Phil

**From:** Jean-Emile Elie <jelien@exchange.microsoft.com>

**Sent:** Wednesday, March 17, 2021 3:51 PM

**To:** Phil Spencer <philsp@microsoft.com>

**Subject:** GP relative to studios

**Importance:** Low

Offhand question, based on the Google and Amazon news relative to their attempts at building gaming studios:

Does Game Pass change how you think about the value of a studio? In 2014 BGP (Before Game Pass), the life of a studio felt like it was determined by its ability to sustain itself in content produced. Farther away from the business than I am now, but given each studio pitched their own revenue, that's how it looked.

Given the transition, how do you now think about the value of any given studio relative to the portfolio? With it representing ¾ of your staff, I assume it is something that is top of mind.

Not critical, no relation to any current org drama – just catching up on the developments in other cloud companies coming to grips with the reality of gaming (“win at gaming” indeed), and how with your heavy investment in content plays out relative to the teams involved.

I know that studios also get to define additional revenue streams outside of Game Pass, but I figure that is gravy.