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Study Strategies of Freakomon in Development for Video Game Industry

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Abstract

Nowadays, big companies and want to fast-growing must be on the basis of knowledge management and been realized to be part of a strategic development in any corporation, especially those companies which specialize in information – related field like gaming industry, is one of the smokeless industry brings leading revenue on the world. Some analysis and comparison Freakomon on the market of video game had considered development strategy of Freakomon in this video game industry. From a few studies about the feature of the gaming industry, the author had recommendations, and a focus on the utilization of the CRM (Customer Relationship Management) system is emphasized to reinforce its relationship with partners, and broadening the network will play a crucial part in the success of a newly introduced game console.

1. Introduction

Knowledge management has nowadays been realized to be part of a strategic development in any corporation, especially those companies which specialize in information – related field like gaming industry. The case of Kurosawa and his console company, Freakomon presents a typical situation when information system management can be the key to survival in the blooming market. In this work below concerns with three main points. The first point mention the connection between three stakeholders: game console companies, games developers and games buyers in the market. This conclusion comes from the situation of Freakomon when it planned to launched a new games consoles and why some games developers decided to support this introduction while competition was fierce from Sony and Microsoft. Another point worth citing is the risky position of Freakomon compared with two leading console companies during the 2000s. With high capital investment, larger distribution network and popularity in the market with new console concept, the two companies outcast Freakomon's sales, thus driving Freakomon towards the innovation of an appealing console. Freakomon's competitive condition in the market is explained by the Porter's five forces to demonstrate how he operated and managed to survive in the marketplace. Considering his operation and the feature of the gaming industry, a focus on the utilization of the CRM system is emphasized to reinforce its relationship with partners, thus broadening the network which, as I mention above, play a crucial part in the success of a newly introduced game console.

2. Relationship Between Stakeholders

In the gaming industry there are three major forces which form a firm life cycle, as

illustrated in the diagram. Starting from the game console makers, these are the companies that create the basic platform, from which game developers build their own titles and launch the products. The introduced games then are consumed by a number of games fanatics, whose demand and preference are the profound foundations for a game console manufacturer to innovate a game platform. The console companies, major game developers and game users links to each other in today's explosive market. If there's any shift in one of the forces, undoubtedly the others will suffer. An example from the study case is that when a new game released does not produce positive response from users, the console manufacturer is accordingly affected, as the game is built from its flatworm. Thus the platform loses popularity and results in under-performance of game publishers who depends on it (see Figure 1 below).

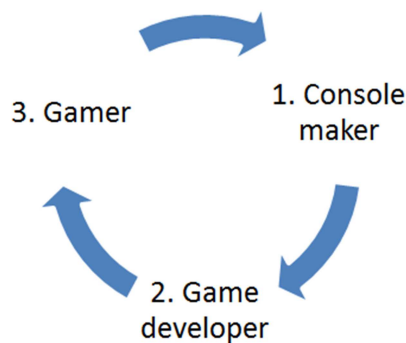


Figure 1. The relationship between Console Company, game fanatics and third-party games developers.

3. Evaluation and Discussion of Freakomon's Competitive Position

During the 2000s, Freakomon encountered fierce competition from its rivals, Microsoft and Sony. There are four factors that contributed to Microsoft and Sony's outcast over Freakomon in the market during the 2000s. Firstly, the two companies possessed sufficient financial resource to take over the marketplace, as it is widely known that Sony and Microsoft were the newcomers in the console market at that time, whereas Freakomon had already been in its prime time. In order for the two companies to reinforce their popularity over pioneers like Nintendo and Freakomon, high volume of investment was essential in developing their own game consoles. Sony, for example, set aside 2.5 billion dollars in creating and launching PlayStation2 [1], and accordingly attracted 66% of game fanatics at the time. Whereas, Microsoft did not hesitate to pay 15 million dollars to create components like chip software and servers for its Xbox console [2]. The company, although unable to capture a large market share as Sony, still accounted for 22% - an impressive figure compared with Freakomon. Secondly, both Sony and Microsoft received consistent support from third-party game developers to maintain a stable presence for its console among gamers. As for Sony, the launch of its PlayStation 2

received warm welcome from game developers and publishers due to its diversity. The impressive feature in PlayStation 2 is that besides hard-core and fighting titles, it still matches with the 1st console version, providing gamers with a wider range of titles to immerse in. The case of Xbox is slightly different, other than a video game console; it is PC-oriented and also aims at helping its own Flight Simulator franchise. It can be seen from the two examples that Sony and Microsoft succeeded in creating crucial partnership network, which means that they were able to maintain a stable and direct distribution channel. Until 2004, there had been over 1000 games designed for PlayStation 2 and approximately 700 for Xbox [3]. The third factor contributing to harsh competition in game console market is the outnumbered customer database of Microsoft and Sony over Freakomon. Due to the flexibility of the PlayStation 2, Sony grasped the opportunity to open its user's network, as the new version is compatible to games of the previous one. The same story applies to Xbox, the database of which does not restrict in console gamer but also PC users.

In such a competitive environment, Kurosawa successfully managed to survive with his strategic plan for the new game console, which can be explained using the Porter's five forces.

Threat of new entrants to the industry: Before 2000, Kurosawa was relatively renowned for its successful video games console, one of which being the Peppa Pigs franchise, yet the situation changed when newcomers, to be precise Sony and Microsoft, entered the market with high volume of investment, intending to take over the market place. The two companies originally specialized on electronics and computer components rather than game console; however they promptly fitted in with the environment and outperformed their successor – Freakomon with over 80% of the market after several years.

Threat of substitution: This typical replacement can be perceived as those products or services that meet a particular consumer need but are available in another market [4], [10]. To be more specific, in this study case, the product in threat of being replaced is the Freakomon video game console (PlaySphere) and the replacement originated from Sony and Microsoft (Xbox and PlayStation console). The two newly introduced platforms present unique features that cannot be found in PlaySphere: lively graphic design (in 3D), complicated combination of actions and hard-core theme like fighting and sporting. In order to stand out, Freakomon concentrated on the simplicity of its console with easy-to-follow scenarios and soft-core theme games to fill the lack of simple games on the market.

Bargaining Power of supplier: For the gaming industry, it is known that Sony and Microsoft were willing to spare a large sum of money to outsource manufacturers for the best components for their games console, which means that they were highly dependent on those suppliers. Freakomon, on the other side, come up with a simple design of console and utility of inexpensive and popular components, found it

easier to work with suppliers and maintain a long term partnership with them. The dependence on key suppliers was minimized considerably due to the simplicity of the product.

Bargaining Power of buyer: The power of customers is influenced by various aspects, some of which being: customer's sensitivity towards price, the cost of switching from one product to another and the distinctive value of the product [5]. Regarding the Freakomon games console, titles design on this platform often costs less than \$75, which is a bit higher than competitors' game, say, \$40 for a PlayStation 2 game. However, Freakomon was able to offer users a unique gaming experience in that the game console is easy and smart-designed, which is suitable for almost all family members. With a difference of \$35, it is understandable that many gamers were never hesitant to purchase a Freakomon console that could provide them with unprecedented experience.

Competition in the industry: During the 2000s, Freakomon entered a difficult time when competition became harsher. New organizations like Sony and Microsoft were eager to position themselves in the market, while there was no noticeable rise in demand. The gaming market stood still, with the main dominant consumers being the youngster of six and above. Newly introduced titles for Xbox and PlayStation did not cost a fortune (normally \$40 per each) whereas the presentation and complication these games delivered were outstanding in the market. Nonetheless, Freakomon utilized its confidence in the power of buyer and supplier, along with the uniqueness of the product to survive and succeed in the competition.

4. Conclusion and Recommendation

Under the pressure from leading company in the console industry, it is urgent for Freakomon to set priority on the information system to reinforce internal performance. As far as I am concerned, CRM (Customer Relationship Management) system should be the key strategy to improve productivity, especially for a company that relies heavily on the partnership with game developers and publishers.

Facing the fierce situation, managers within the company need to come up with effective solution to tackle the problems. In order to build a productive CRM system, the internal procedures should be modified to be in line with system requirements. However, as mentioned above, the modification can possibly lead to confusion among staff who once get used to the old methods, posing the needs for a clear plan of restructuring. Instead of executing changes under time pressure, it is advised that the changes be made step by step so that staff can gradually familiarize themselves with the situation. What is more, staff should be well-propagandized of the upcoming changes and the importance of resources that CRM brings about. The changes, however, need to comply with major principles of the company and in the event that there are huge conflicts between the existing procedures and CRM program that cannot be agreed on, some modifications in CRM should also be thought of to

adapt to the environment of the company. Another suggestion on the execution of CRM is that companies should be careful choosing the right partner to implement the innovation, as it is known that the successful launch of a CRM depends greatly on the contractors who holds accountable for its operation. External consultation and assistance is nearly the only choice among organizations, according to a report which indicates that 60% of in-house CRM fail to function [7]. Finding an appropriate partner with deep understanding of the company background will lower the risk of wasting time and money and at the same time guarantee high possibility of success. Besides that, the transfer of information from the old storage system to CRM needs to be conducted under professional supervision from both the company and the contractor to minimize errors and ensure that any mistake incurred during transferring can be solved promptly and does not lead to confusion and severe misinterpretation of the data. Last but not least, in order for CRM to remain productive and stable, the training of staff, especially those in direct engagement to the system, should be set as the first priority during implementation period. The reason is that it is always difficult to become used to a sophisticated new system in a short time, and theoretical training is of little help as it is far from practical situations. Therefore, I insist on placing an on-job training action plan in which staffs are continuously trained when it comes to the go-live period. On-job training proves to be much more helpful because issues emerging can be addressed directly and solved to the root. From those occasions learners quickly gain their own experience and precious lessons to adequately deal with CRM matters arising from their daily tasks. The practical training also boosts users' ego and stimulate them to discover new aspects and concepts of CRM to assist them in effective utilization. As for managers of the company, it is wise to keep a close track of the whole CRM system to define a suitable timeline of necessary updates and technical maintenance to prolong lifetime of the system. The managers should also pay attention to the training sessions to provide them with up-to-date knowledge so that they never feel discouraged and always willing to face CRM challenges.

CRM, which stand for Customer Relationship Management, is a strategy used to learn more about customers' needs and behaviors in order to develop stronger relationships with them [6]. To be precise, under the study case CRM can be defined as a typical system that keep tracks of transaction and negotiation with games developers. In order to maintain the presence of Freakomon console among players, a close link with third-party game developers is necessary in that they play an important role in connecting the company with end-users. A well organized and updated CRM will facilitate the management of the information system, avoid disorientation and therefore support Freakomon in growing long lasting relationship with games developers. First and foremost, the CRM system needs to be updated on a regular basis to ensure the authentication of the information. It is undeniable that pertinent information is the key to access a broad array of potential partners and outdated

data pose a challenge to operation. Therefore, Freakomon may think of useful methods to keep the database up-to-date, say, composing a detailed guideline for CRM users to effectively input and monitor the information they received. The guideline should be accompanied with close supervision from related division to make sure the data are consistent and authentic. Technical assistance should be available all the time so that CRM system runs smoothly and any problems incurred in the operation process can be promptly solved. Secondly, it is advisable that Freakomon provide sufficient and periodical training to the staff, especially those directly working with the CRM system. The reason is that, the system is much more complicated than much other software's and need comprehensive knowledge to master. Without proper instruction, CRM users may find it difficult to utilize the system in their assigned task. Misinterpreted in the guideline May also lead to pitiful results which may cost thousands of dollars or worse, ruin long term relationship with major partners. Thirdly, due to the complex nature of information that CRM monitors, the system should be simplified and user-oriented. By this I mean, CRM systems are often advertised as user-friendly and easy to follow, yet in fact they still pose a challenge to most people, especially first-time users when they adapt to the new system. If Freakomon could facilitate the system, staff directly involved in its operation surely can produce positive results.

Concerning the explosion of information technology, CRM system has emerge to meets the need of companies which wants to maximize their potential profit by maintaining long lasting relationship with customers. Many strive to apply CRM into their current information system, yet not all of them could pull off a roaring success due to numerous challenges arising during the renovation process. The report details three common obstacles among companies, which is the difficulties to adjust the conventional procedures with innovative ones to integrate CRM in operational process, the uncountable amount of effort and time it takes to successfully introduce the system to the whole organizations and the guarantee of consistency of the system throughout the time. With the first problem mentioned, the recommendation being the thorough search for a compatible CRM implementer who has profound knowledge and experience in conducting the system in the field where the companies specialize on. The second problem can be solved by a comprehensive campaign which delivers the value of CRM to the company and a detailed plan to conduct modifications without causing misinterpretation and negative response from end users. The final point deals with an action plan in which training for staff is the major concern to ensure stable performance of human resources.

CRM system has now become a popular tool for companies in various fields to facilitate their operational process and boost effectiveness. However, to successfully integrate the system into existing ones is a sophisticated matter that has posed a number of obstacles among organizations [8]. The first problem many companies encounter when applying CRM system is the unavoidable

restructure in their current manuals and guidelines in order to fit in with the program. The reason is that when a CRM system is applied, it is expected that every activity of the operational process should support and follow the module attached to the system so that the system runs smoothly and produce best results. This, unfortunately, causes chaos and also misunderstanding between divisions when the adjustment takes place. The changes are often expected to be planned and executed promptly to meet the deadline of internal launching, which means that staff members, most of whom are totally unfamiliar with the system, find it hard to get accustomed to the newly changed manuals and fall into confusion. What is more, in the case that management board does not take quick actions to tackle the chaotic situation, the situation gets worse during the fundamental time of replacing old guidelines with brand new ones and results in decrease in work performance. A solid example of it can be found in ELMS Limited – an UK company which was unable to deliver a clear vision of the benefits from CRM system to their operation, resulting in staff's underrating the tool and lack of incentive to move towards improving their existing process [7], [9]. Another obstacle worth mentioning is the large amount of time and effort, even money a company have to set aside when CRM is implemented. Due to the complex nature of the system, choosing an internal division to execute the program is not a brilliant idea as hardly anyone has previous experience with the tool before. Outsourcing is the common solution companies often resort to when it comes to find the right personnel to fulfill CRM tasks. However, the contractor hired to design solutions and consultations for the company does not always possess comprehensive background of the field in which the company specializes in, thus resulting in miscommunication and failure to build a CRM system truly support the operational procedures. Besides, the transfer of existing information from traditional files system to CRM takes time as every single detail need to be input manually into CRM to form a data system. Even the slightest mistake can cause the program to malfunction or produce incorrect results, meaning that the input process needs to be gone over and over until the mistake is detected and the system run smoothly. This matter surely discourages end-users and lowers their confidence in mastering the CRM system. Supposing a CRM system is initially producing positive results, companies may have to concern about how to maintain the stability of the system, which varies from technical problems to human resources. During the operation of CRM, technical problems may arise unexpectedly, sometimes causing unwanted interruption. These problems are not of the same difficulty level as normal ones (electricity failure, internet connection loss), thus requiring special attention from personnel with comprehensive understanding of the system. More than that, those who have been fully trained to work with the program may find themselves at a loss when starting to get involved in the system, for theory and practice are absolutely different. Errors and misinterpretation is unavoidable and need to be re-corrected many times, leading to frustration and even false results from

the program.

Facing the fierce situation, managers within the company need to come up with effective solution to tackle the problems. In order to build a productive CRM system, the internal procedures should be modified to be in line with system requirements. However, as mentioned above, the modification can possibly lead to confusion among staff who once get used to the old methods, posing the needs for a clear plan of restructuring. Instead of executing changes under time pressure, it is advised that the changes be made step by step so that staff can gradually familiarize themselves with the situation. What is more, staff should be well-propagandized of the upcoming changes and the importance of resources that CRM brings about. The changes, however, need to comply with major principles of the company and in the event that there are huge conflicts between the existing procedures and CRM program that cannot be agreed on, some modifications in CRM should also be thought of to adapt to the environment of the company. Another suggestion on the execution of CRM is that companies should be careful choosing the right partner to implement the innovation, as it is known that the successful launch of a CRM depends greatly on the contractors who holds accountable for its operation. External consultation and assistance is nearly the only choice among organizations, according to a report which indicates that 60% of in-house CRM fail to function [8]. Finding an appropriate partner with deep understanding of the company background will lower the risk of wasting time and money and at the same time guarantee high possibility of success. Besides that, the transfer of information from the old storage system to CRM needs to be conducted under professional supervision from both the company and the contractor to minimize errors and ensure that any mistake incurred during transferring can be solved promptly and does not lead to confusion and severe misinterpretation of the data. Last but not least, in order for CRM to remain productive and stable, the training of staff, especially those in direct engagement to the system, should be set as the first priority during implementation period. The reason is that it is always difficult to become used to a sophisticated new system in a short time, and theoretical training is of little help as it is far from practical situations. Therefore, we insist on placing an on-job training action plan in which staffs are continuously trained when it comes to the go-live period. On-job training proves to be much more helpful because issues emerging can be addressed directly and solved to the root. From those occasions learners quickly gain their own experience and precious lessons to adequately deal with CRM matters arising from their daily tasks. The practical training also boosts users' ego and stimulate them to discover new aspects and

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