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Creating an Uncontested Market Space and Making the Competition Irrelevant for Monumental Games Ltd. UK

By

Javed Rafiq

2007

Management Project submitted to the Nottingham University Business School in partial fulfillment of the requirements for the degree of General Master of Business Administration
CONFIDENTIALITY STATEMENT

This project has been agreed as confidential between the student, university and sponsoring organisation. This agreement runs for five years from September, 28th, 2007.

STATEMENT OF AUTHENTICITY

I have read the university regulations relating to plagiarism and certify that this project is all my own work and does not contain and unacknowledged work from other sources.
Executive summary

To Mr. Duncan Show and The Management at Monumental Games

This project is an extension of the group project, titled “Massively Multiplayer Online Games Industry: A Review and Comparison”, undertaken by Javed Rafiq, Almuntaser Alhindawi and Sim Boon Seong from the MBA department of Nottingham University Business School.

The core objective of this project has been to create an uncontested market space and make the competition irrelevant for Monumental Games Ltd. The market space in this regard has been identified as the market for Virtual Worlds and the competition under scrutiny has been the middleware suppliers, identified as “direct competitors” in the group project.

To achieve the above objective, several theoretical concepts and frameworks were drawn from the highly acclaimed business strategy known as the Blue Ocean Strategy. Though this project is centered and formulated around the above strategy, efforts have been made through a non-conservative approach to incorporate other concepts which would fill the deficiencies and gaps in the Blue Ocean Strategy.

The outcome of the project is a solution coined as, “The Complete Virtual World Solution” - a proposition never before offered in the middleware industry and which is aligned with the company’s current strategy. The solution asks Monumental Games to break away from the competition by not only approaching the existing hit driven MMOG industry from a different perspective but reaching beyond the existing demand to other groups such as the Casual MMOG industry and the Non-MMOG applications industry. Care has been taken while formulating the proposition to keep in mind the competencies of Monumental Games and the current resources available to the firm.

Further details on the project in addition to conclusions and recommendations are discussed in the report.

Best Regards,

Javed Rafiq
Acknowledgements

I would like to thank the people that helped me in the production of this project.

From Monumental Games Ltd. - Alan O’Dea, Business & Marketing Manager, Rik Alexander, CEO and Rocco Loscalzo, CTO

Sarah Davis, Thomas Chesney and the University of Nottingham Business School MBA office personnel - Elaine Kay, Kathleen Visser and Christine Dinwiddie for their assistance and support throughout this project.

And last but not the least my project supervisor Duncan Shaw for his support and guidance throughout the duration of this management project.

Dedication

This management project is dedicated to my mother Salma Mohamed Rafiq, my father Mohamed Rafiq and my wife Shama Hamid for their love, support and patience which made this project possible.
# Contents

Executive Summary ........................................................................................................ iii  
Terms And Definitions .................................................................................................. ix  
1.0 Introduction ........................................................................................................... 1  
2.0 Methodology .......................................................................................................... 2  
3.0 Literature Review .................................................................................................... 4  
3.1 Blue Ocean Strategy – The Concept ........................................................................ 4  
3.1.1 The Impact of Blue Oceans .................................................................................. 4  
3.1.2 Value Innovation: The Corner Stone of Blue Ocean Strategy ......................... 4  
3.1.3 Formulating Blue Ocean Strategy ...................................................................... 7  
3.1.4 The Strategy Canvas ......................................................................................... 9  
3.2 Discussion and Criticism ......................................................................................... 11  
3.2.1 Risk Assessment using Ansoff’s Matrix ......................................................... 12  
3.2.2 From Red Ocean Strategies to Blue Ocean Strategy ....................................... 14  
3.2.3 Technology Innovation Strategy – Use of Concepts from Disruptive Technologies ..................................................................................................................... 16  
3.2.4 Brand Strategy – Marketing the New Image .................................................... 18  
3.3 Summary .............................................................................................................. 20  
4.0 Analysis .................................................................................................................. 27  
4.1 Introduction – The New World ................................................................................ 27  
4.1.1 Implications for Monumental Games .................................................................. 28  
5.0 Reconstructing Market Boundaries and Creating New Demand ......................... 30  
5.1 Path 1 – Look across Alternative Industries ......................................................... 30  
5.1.1 The First Tier Of Non-Customers ...................................................................... 31  
5.1.2 The Second and Third Tier of Non-Customers .............................................. 32  
5.1.3 Possibilities for Disruption and Value Innovation ........................................... 37  
5.2 Path 2 – Look across Strategic Groups .................................................................. 40  
5.3 Path 3 – Look across Chain of Buyers .................................................................. 47  
5.4 Path 4 – Look across Complementary Products and Service Offerings .............. 48  
5.5 Path 5 – Look across functional and emotional appeal to buyers ...................... 52  
5.6 Path 6 – Look across time ..................................................................................... 53  
6.0 Diagnosis .............................................................................................................. 56  
7.0 Plotting the Strategy Canvas .................................................................................. 61
7.1 Identifying the Factors................................................................................61
7.2 The Present Strategy Canvas.......................................................................62
7.3 Applying the Four Actions framework for Monumental Games..............64
8.0 Discussion and Conclusion.........................................................................66
9.0 Recommendations.......................................................................................72
References........................................................................................................72
Appendix..........................................................................................................95
List of Tables

Table 3.3 (A) Concepts and Frameworks .................................................................21
Table 3.3(B) Concepts and the Application of Concepts ........................................25
Table 5.1.3 Total Area of Various MMOGs ..........................................................37
Table 5.2 Revenue Comparison of two of the most successful Casual & Main Stream
MMOGs .............................................................................................................41
Table 5.4 Status of MMOG’s in 2006 and 2007 .......................................................48
Table 5.4 A Summary of Consulting Services .......................................................50
Table 6.0 Summary of Competitors ....................................................................58

Tables in Appendix
Table A1 – Customer enquiry register, Monumental Games ..................................95
Table A2 – Research insitutuins in the Uk working on Simulation Technologies .......96
Table A3(A) – Scores set for competitors of Monumental ....................................100
Table A3(B) - Scores set for Present Strategy Canvas ........................................101

List of Figures

Figure 2 Methodology Summary .........................................................................2
Figure: 3.1.1 The Profit and Growth Consequences of Creating Blue Oceans ..........5
Figure: 3.1.2(A) The Simultaneous Pursuit of Differentiation and Low Cost .............6
Figure: 3.1.2 (B) Four Actions Framework ............................................................7
Figure: 3.1.4(A) Example of Strategy Canvas .....................................................10
Figure: 3.1.4(B) Example of Strategy Canvas .....................................................11
Figure 3.2 Difference between Red Ocean and Blue Ocean Strategy ....................12
Figure 3.2.1 Ansoff’s Matrix ..............................................................................13
Figure 3.2.2 Porters Generic Strategies ...............................................................15
Figure 3.2.3 Performance –Market Years graph for Disruptive Technologies ..........17
Figure 3.2.4(A) Brand Strategy Model .................................................................19
Figure 3.2.4(B) Maneuver Marketing Vs. Traditional Marketing .........................20
Figure 4.1 The evolution of the internet ..............................................................27
Figure 5.1 Applying the three tiers of Non Customers frame work to MMO Middleware ...31
Figure 5.1.2(A) Matrix for identifying alternative Industries for MMO Middleware & development

Figure 5.1.2 (B) Examples of a Non-Real World and Real world Simulations in 3D

Figure 5.1.2 (C) GUI interface for Process Automation in 2D and 3D

Figure 5.1.2(D) Upcoming projects in Dubai

Figure 5.1.3(A) The Disruptive Potential of Game Technologies

Figure : 5.1.3(B) Market Disruption Opportunity for Monumental Games

Figure 5.2(A) Graphical contrast between Casual MMOG and MMOG

Figure 5.2(B) Comparison of online gamers in percentage

Figure 5.2(C) Comparison of revenue streams for online games

Figure 5.2(D) Licensing options offered by middleware suppliers

Figure 5.2 (E) Product Performance graph for Casual MMOG, LPOG, PC and Console Middleware

Figure 5.3 Purchaser and Possible Influencers in Middleware buying decision

Figure 5.6 Look across time

Figure 7.2 The present Strategy Canvas

Figure 7.3 Applying four actions framework for Monumental Games

Figure 8(A) New Value Curve for Monumental Games

Figure 8(B) New Brand Strategy for Monumental Games

Figure: 8(C) Risk assessment for the Blue Ocean initiative using Ansoff’s Matrix

Figure A4 Strategy Canvas – All 9 Competitors
## Terms and Definitions

Specific terms and definitions used in the context of this report.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>2D</td>
<td>2-Dimensional</td>
</tr>
<tr>
<td>3D</td>
<td>3-Dimensional</td>
</tr>
<tr>
<td>AI</td>
<td>Artificial Intelligence</td>
</tr>
<tr>
<td>BOS</td>
<td>Blue Ocean Strategy</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>LPOG</td>
<td>Limited Player Online Games</td>
</tr>
<tr>
<td>MG</td>
<td>Monumental Games</td>
</tr>
<tr>
<td>MMOG</td>
<td>Massively Multiplayer Online Game</td>
</tr>
<tr>
<td>MUD</td>
<td>Multi User Dungeon</td>
</tr>
<tr>
<td>MTS</td>
<td>Monumental Technological Suite</td>
</tr>
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</table>

**Term**  
**Definition**  
Middleware -  
A technological platform or solution used to develop a Massively Multiplayer Online Game

Virtual World -  
A computer based simulated environment where its users inhabit and interact with each other and the environment. Simulations such as MMOG and Social networking online worlds are subsets of
virtual worlds.

Casual MMOG - Casual MMOs are online games that involve less complicated game controls and overall complexity in terms of gameplay and are developed in much shorter time.

LPOG - LPOGs are multiplayer games which host around fifty players at a time and are limited in terms of the persistence of the virtual world
1. Introduction

Monumental Games Ltd., Nottingham U.K was founded in 2005 with an ambition to produce Massively Multiplayer Online Games (MMOG) and middleware technology for the global market place. The company includes a Middleware department; which is responsible for the development of the middleware and Code, Design and Art Departments which are responsible for the creation and development of MMOGs.

Recent advancements in the broadband speeds and computing technologies have given birth to the concept of Virtual Worlds, which are essentially online 3-D worlds which host real people in the form of avatars. Virtual Worlds are not limited to MMOGs alone and have exploded on the internet with a newer and diverse range of applications. Alongside this explosion, the MMOG industry has also evolved in its own stride.

In the midst of this revolution, several middleware firms exist alongside Monumental Games which currently cater to the MMOG industry. The group project had suggested that presently the rivalry between the competitors is low, however it not necessary that in the long term the competitive landscape would remain as peaceful. The main focus of most middleware firms is to supply a middleware to MMOG developers that would help the latter reduce time and costs in developing an MMOG. But the question here is: Is that is all that is required to create an MMOG? If no, then what are the rules of the competition? Or a better question is, whether it is necessary to fight within the rules set by the competition. Further, there is no reason that Monumental has to limit itself by catering to the MMOG industry alone and that too considering the fact that middleware technology has the potential that help create innovative applications that cater to other industries as well.

It is based on the above rationale that this project is centered on and our aim would be to use the theories of Blue Ocean Strategy which would help “Create an uncontested market space and make the make the Competition irrelevant for Monumental Games”.


2. Methodology

Methodology Summary

- Analysis
  - Recommendations
  - Discussion & Conclusion
    - The new value curve for MG
    - New Brand Strategy for MG
    - Risk assessment of new strategy
    - Addressing - “Stuck in the middle”

- Diagnosis
  - Data From:
    - Competitor, Industry & MG websites
    - Group Project

- The Six Paths Framework
  - Look across time
    - Data From:
      - Several technology related research publications
      - Disruptive Potential of Game Technologies – Roger Smith
  - Look across functional & emotional appeal to buyers
    - Data From:
      - Interview with MG staff
      - Competitor websites
  - Look across complementary products & service offerings
    - Data From:
      - Industry websites
      - Interview with MG staff
      - Competitor websites
  - Look across alternative industries
    - Data From:
      - Several Research publications on 3D simulations
      - Non-MMO & MMO industry researches, press releases, internet searches, interview with MG staff & Competitors, Competitor websites
      - Disruptive Potential of Game Technologies – Roger Smith
  - Look across strategic groups
    - Data From:
      - Industry Reports
      - Industry & competitor websites
      - Group Project
      - Interview with MG staff
  - Look across chain of buyers
    - Data From:
      - Industry websites
      - Industry related books & publications

- Project Flow
  - Concept Flow

Figure 2
This report is sectioned into two parts. First, the literature review section starts off with a brief review of the Blue Ocean Strategy (BOS) and investigates the study which brought about the formulation of this theory. This essentially gives us an understanding and benefits of the theory while at the same time checks the relevance of theory to the research problem.

The frameworks from BOS that will be used to apply, analyze and formulate the strategy are laid down. The next section through criticism and discussion tries to find gaps and deficiencies in the BOS. Several other concepts and frameworks are drawn-in and integrated into the project at this stage to fill these gaps. The idea here is to use these newly introduced theories as well during analysis to give a wholesome approach to the project.

The second part of the project is the analysis section where the above frameworks are applied to the research question on a stage by stage basis. At this time, data from several technology based research publications, industry related publications, industry reports, competitor websites, internet research and interviews with MG’s staff are used to substantiate the rationale of the arguments.

The above arguments and analysis are then brought together through discussions based on which the conclusions are drawn. Finally based on the conclusions several recommendations are provided which advocate the next course of action for Monumental Games.

Some of the data from the group project has been used in certain sections of the report, however, the original references for all the data used has been included in the reference section of this report.
3. Literature Review

3.1 Blue Ocean Strategy – The Concept

The Blue Ocean Strategy (BOS) is a business strategy developed by Professors W. Chan Kim and Renée Mauborgne, of INSEAD in 2005. The objective behind the formulation of the Blue Ocean Strategy is for firms to create uncontested markets and make the competition irreverent [1].

To understand the concept behind this strategy certain terminologies have to be explained. First the concept of ocean which is essentially the universal market space. This ocean is divided into two – Red Ocean and the Blue Ocean. Red Ocean represents all the industries that are in existence in the market today and the Blue Ocean represents all the non-existent industries in the market. Hence Blue Oceans are unknown market spaces that are waiting to be explored, identified and created.

In the Red Ocean, the industry boundaries are defined and accepted and the rivals are aware of the competitive rules. In the war to outperform the rivals and grab a greater share of the existing demand, the market space gets crowded and the chance of producing profits and growth are reduced. The products thus become commodities and cutthroat competition ends up making the Red Ocean bloody. By venturing into untapped market space and creating demand, the Blue Ocean, in contrast, gives the opportunity for high profitable growth. Though Blue Oceans can be created well beyond the existing industry boundaries, most are created from within red oceans by expanding the industry boundaries. It has to be understood that though the term “Blue Ocean” in itself is new, their existence is not.

3.1.1 The Impact of Blue Oceans

Blue Ocean Strategy is the result of a decade-long study of business launches of 108 companies spanning more than thirty industries over a 100 years (1880-2000). The focus of the study was to quantify the impact of Blue Oceans on a company’s growth in both revenues and profits.
Of the 108 companies, the study concluded that 86 percent of the launches were line extensions, that is, incremental improvements within Red Oceans of existing market space. However, these launches only accounted for 62 percent of the total revenues and 39 percent of total profits. The remaining 14 percent of the launches, which were aimed at creating Blue Oceans, generated 38 percent of the total revenues and 61 percent of the total profits. Though the study did take into account the total investments made for creating Red and Blue Oceans (regardless of their outcomes in terms of subsequent revenues and profits, including failures), the performance benefits of creating Blue Oceans are clearly evident here.

<table>
<thead>
<tr>
<th>The Profit and Growth Consequences of Creating Blue Oceans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Launch</td>
</tr>
<tr>
<td>Revenue Impact</td>
</tr>
<tr>
<td>Profit Impact</td>
</tr>
</tbody>
</table>

Launches within red oceans | Launches for creating blue oceans

*Source: Blue Ocean Strategy (2005)*

*Figure: 3.1.1 The Profit and Growth Consequences of Creating Blue Oceans*

### 3.1.2 Value Innovation: The Corner Stone of Blue Ocean Strategy

The above study identified that it was the approach to strategy that separated winners from losers in creating blue oceans. The companies caught in the red ocean followed a conventional approach, racing to beat the competition by building a defensible position within the existing industry order. The creators of the blue ocean businesses, however, did not use the competition as their benchmark. With this understanding a concept called “Value Innovation” was coined. The focus of value innovation is not to focus on beating the competition but to make the
competition irrelevant by creating a leap in the value of buyers and the company thereby, opening up a new and uncontested market space.

Source: Blue Ocean Strategy (2005)

Figure: 3.1.2 (A) The Simultaneous Pursuit of Differentiation and Low Cost

Value Innovation aims at creating a new value curve brought about by the company’s strategy which affects both its cost structure and its value proposition to buyers. The core concept is to create cost savings by reducing or eliminating the factors an industry competes on. In contrast the buyer value is lifted by raising and creating elements the industry has never offered before.
The new value curve is created by asking four key questions which challenge an industry’s strategic logic and business model.

- Which of the factors that the industry takes for granted should be eliminated?
- Which factors should be reduced well below the industry’s standard?
- Which factors should be raised well above the industry’s standard?
- Which factors should be created that the industry has never offered?

3.1.3 Formulating Blue Ocean Strategy

The essence of formulating BOS requires companies to reconstruct market boundaries so as to break away from the competition and create blue oceans. For this a Six paths framework is used as follows.
**Path 1: Look across Alternative Industries**

Though it may not be clearly distinguishable a firm competes not only with firms in its own industry but also across other industries that produce alternative products and services. As per BOS, alternatives include products and services that have different functions and forms but the same purpose.

**Path 2: Look across strategic groups within industries**

Every industry has companies which focus on certain market segments (strategic groups). The key to redefine market boundaries, in this context, would be to break away from this focus on a strategic group by understanding why the consumers move from one strategic group to another.

**Path 3: Look across the chain of buyers**

It is a common perception by most companies that their customers are the ones that buy their products. However, there is also the possibility that the buyer may not be the user. Hence, it becomes important to look across the chain of buyers who are directly or indirectly involved in the buying decisions.

**Path 4: Look across complementary product and service offerings**

Few products and services are used in vacuum. In most cases, other products and services affect or complement their value. As per dictionary.com complementary is defined as “acting as or providing a complement that completes the whole” Thus complementary products can be understood as a product or service that complete the original product.

**Path 5: Look across functional or emotional appeal to buyers**

Competition in an industry tends to converge not only on an accepted notion of the scope of its products and services but also on one of the two possible bases of appeal. Some industries compete principally on price and function largely on calculations of utility; their appeal is rational. Other industries compete largely on feelings; their appeal is emotional.
Path 6: Look across time

Most companies are reactive to external trends and they evolve incrementally and sometimes passively as events unfold. Others look across time and are proactive. The latter mentioned companies shape the market and become the trend setters. To look across time would mean to look at what value the market delivers today to the value it may deliver tomorrow [1].

3.1.4 The Strategy Canvas

BOS provides us with the Strategy Canvas, which is a diagnostic tool that shows what the current competitive situation looks like as well as a planning tool for identifying untapped innovation opportunities. Once the strategy canvas is prepared for the current competitive scenario a company can see where its strategy and that of its competitors converges and diverges. At the same time the company would be able to identify the “white space” opportunities for innovation.
The Strategy Canvas of [yellow tail]

Figure: 3.1.4 Example of Strategy Canvas

The x-axis consists of the factors that need to be raised, reduced, eliminated or created. While the y-axis shows the level of “effect” or “value” (low or high) each factor has in relation to the industry.

Another example of a strategy canvas would be the canvas for the seventh generation of the video game console market where the Nintendo Wii created a blue ocean initiative. Though it might be too early to speculate who the winner in this generation would be, it does seem that the Wii is on a winning spree outselling the X-box 360 and the PS3.
3.2 Discussion and Criticism

Foremost, it would be necessary to question the 10 year study that lead to the formulation of the BOS. The focus of the study was mainly on the profit and revenues generated by companies in the blue ocean and the red ocean. However, it would probably have been more sensible to include the factor of hit rate of success or failures of these red/blue ocean initiatives. Blue Ocean Strategy, like many other published strategy theories falls into the trap of studying only the successful organizations.

The above argument holds higher importance for the BOS, since the approach of the strategy in itself asks for a change in status quo. The four actions frame work calls for a change in the way the firm exists as opposed to the industry standard and this brings in the aspect of risk.
Of course, there is no business venture which is without risk, be it a red ocean or a blue ocean business. However, one has to keep in mind that there are several concepts (Red Ocean Strategies) and tools available in the academia to succeed in a Red Ocean business. Further, using Blue Ocean Strategy by itself would not do justice to a project of such nature. The BOS does have its shortcomings that need to be addressed. Certain gaps need to be filled and the BOS would need to be used in conjunction with other concepts, theories and frameworks to achieve an outcome that would be wholesome on its own.

3.2.1 Risk Assessment using Ansoff’s Matrix

Both Ansoff’s Matrix [2] and the BOS have one thing in common. Both portray alternative growth strategies for firms. The concept of reconstructing market boundaries as per the BOS would lead us to growth using existing or potential products in present or new markets. In contrast these attributes are considered in the Ansoff’s Matrix which presents us with four possible product-market combinations and the risks associated with the same.
In market penetration strategy, the companies seek to achieve growth with existing products in their current market segments. The aim or the focus of the firm would be to increase its market share. This would be the least risky of the strategies because it leverages many of the firm’s resources and capabilities.

Market Development strategy would include the pursuit of additional market segments using existing products. This may be a good strategy if the firm’s core competencies are related to the product it holds than to its experience in a certain market segment. However, as the firm is expanding into a new market, this strategy holds more risk than the market penetration strategy.

Product development strategy requires a firm to develop new products targeted at its existing market segments. This would be a sensible strategy if the firm’s strengths are in line with its specific consumers rather than the product itself. However, this strategy carries more risk as opposed to simply increasing the market share.

<table>
<thead>
<tr>
<th></th>
<th>Existing Products</th>
<th>New Products</th>
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<tr>
<td><strong>Existing Markets</strong></td>
<td>Market Penetration</td>
<td>Product Development</td>
</tr>
<tr>
<td></td>
<td>Least Risky</td>
<td>Risky</td>
</tr>
<tr>
<td><strong>New Markets</strong></td>
<td>Market Development</td>
<td>Diversification</td>
</tr>
<tr>
<td></td>
<td>Risky</td>
<td>Most Risky</td>
</tr>
</tbody>
</table>

Source: Ansoff IH. 1968

*Figure 3.2.1 Ansoff’s Matrix*
Diversification carries the most risk as it requires both product and market development and it may be outside the core competencies of the firm. However, diversification may be a reasonable choice if the high risk is compensated by the possibility of a high rate of ROI.

In conclusion, while the BOS is formulated for Monumental Games, the Ansoff’s matrix would help us identify one or more of the strategies mentioned above and the risk associated with the same.

### 3.2.2 From Red Ocean Strategies to Blue Ocean Strategy

The arguments used in the Blue Ocean Strategy and the Porter’s Generic Strategies [3] conflict with each other. In BOS, the Value innovation concept brings about a new way of thinking, asking firms to create cost savings by reducing and eliminating factors an industry long competes on and consequently lifting buyer value by raising & creating factors the industry has never offered before. The former aspect brings about cost savings and the latter provides differentiation.

However, Porter’s generic strategies ask for a value-cost trade off through the use of one of the two strategies - cost leadership strategy or differentiation strategy. The firm’s strategy is asked to make a choice between differentiation and low cost, but not both.
A combination of more than one strategy is frowned upon (Stuck in the middle). According to Michael Porter a firm trying to seek the advantages of more than one generic strategy may not achieve any advantage at all. For instance a company differentiates itself by providing high quality products, risks the possibility of undermining it quality if it seeks to become a cost leader. Even in cases where the quality is not compromised there is a chance that the company may project a confusing image to its consumers.

BOS argues that cost and differentiation strategy can go hand in hand as per the following .BOS states that there may be a fundamental change in what buyers value but companies with the focus on benchmarking one another do not act on, or even perceive the change and these factors need to be eliminated. The factors to be reduced are the ones which are directed at those products and services that have been over designed in the race to match and beat the competition. Companies over serve their consumers, increasing the cost structure for no gain.
Raising the factors would require the company to uncover and eliminate the compromises that the industry forces the consumers to make. Finally the company needs to create factors that would create new demand and shift the strategic pricing of the industry.

However, it would be sensible, once the BOS is formulated, to test and check if Monumental Games would become a victim and get “stuck in the middle” due to the lack of a coherent strategy. Factors such as quality of the product and company’s image would thus need to checked and borne in mind while formulating the BOS.

**3.2.3 Technology Innovation Strategy – Use of Concepts from Disruptive Technologies**

The BOS is a general strategy that can be applied across industries. However, as Monumental games exists in a technology based industry, the use of a technology innovation strategy along with BOS would do more justice to the project.

Technology innovation has mostly been looked upon as either incremental or radical. Incremental innovations build on and reinforce the applicability of existing technology \[^4\]. The characteristics of such a technology are that it would strengthen the value of existing technology by making the products better, more reliable, cheaper and easier to use. Radical Innovation, on the other hand, creates changes and destroys the value of an existing knowledge base \[^5\]. These changes negate the value of existing technology by providing an alternative that entirely different and that cannot be adapted by the older technology.

A variation to the above was introduced by Clayton Christensen from HBS in 1992 called Sustaining and Disruptive technologies \[^6,7\]. The definition of sustaining technology is similar to the definition of incremental technology, in that the improvement is made on established products and technologies. However, the disruptive technologies do have the value-destroying characteristics of radical innovation; they work much more slowly and methodologically through an industry.
Disruptive Technologies start off by providing a worse solution to its consumers than the existing technologies. The power of these technologies lie in their ability to meet the needs of a niche market that is unaddressed by the present technology companies.

The link between Disruptive Technologies and BOS can be made from the above. The concept of “worse solution” can be linked to the “eliminate” and “reduce” aspects of the four actions framework of the BOS. Worse solution does not have to mean a bad technology solution, but in terms of a technology that is limited in features, capabilities and performance as that of the existing superior technology. Removing the features and capabilities would thus bring about the cost savings that BOS intends to deliver. Conversely, by “meeting the needs” of a small portion of the market the buyer value element can be fulfilled by addressing the “raise” and “create” aspects of the BOS.

Source: Christiansen, C 1997 – The Innovators Dilemma

*Figure 3.2.3 Performance –Market Years graph for Disruptive Technologies*
According to Christensen disruptive technology does not destroy the value of established technology in the short term. Instead they disrupt its value gradually by systematically stealing away consumers from the bottom of the value chain. As the disruptive technologies improve their services to their consumers they move up the value chain and become a real threat to existing market leaders. Christiansen and other authors have provided examples of disruptive technologies in the computer disk drive industry, hydraulic machinery, steel processing and aluminum production.

3.2.4 Brand Strategy – Marketing the New image

The formulation and execution of Blue Ocean Strategy would essentially give a face lift to the company and its products and this requires a new brand image. Innovative products and services do not guarantee success if the role of marketing/branding is neglected \[8\]. Often the role of marketing a new innovative product is quite conventional, limited to selling the ready product to ‘customers who might not even know what they want’ \[9\]. The BOS being a business strategy model does not cater to the aspect of Brand Strategy and thus it needs to be addressed.

In this context it is important to understand the purpose of brands. Brands facilitate the identification of products, services and business as well as differentiate them from competition \[10\]. They are effective and compelling means to communicate the benefits and value a product or service can provide \[11\]. Brands are a guarantee of quality, origin, and performance, thereby increasing the perceived value to the customer and reducing the risk and complexity involved in the buying decision \[12\].

The idea behind BOS is to create an uncontested market space offering a unique value proposition to its consumers. Whatever the proposition may be, it is important that the product or the service is identifiable by its consumers and that they are aware of the uniqueness in the offering. BOS states that whenever a company offers a leap in value, it rapidly earns a brand buzz and a loyal following the marketplace. Even large advertising budgets by an aggressive imitator rarely have the strength to overtake the brand buzz earned by a value innovator \[1\]. However, the existence of a coherent brand strategy at the launch stage would be very important
for a company offering a value-innovation proposition which would make it stand out of the competition.\textsuperscript{13}

\begin{figure}
\centering
\includegraphics[width=0.45\textwidth]{brand_strategy_model.png}
\caption{(A) Brand Strategy Model}
\label{fig:brand_strategy_model}
\end{figure}

The brand strategy can be described as the disposition of the number and nature of common and distinctive brand elements that a company applies throughout its organization.\textsuperscript{14} The brand strategy is always based on brand core, its values, the associations and the products and services.

It would also be interesting to apply the BOS in combination with Michael’s Smock’s concept of maneuver marketing.\textsuperscript{15} Smock points out that the essence of maneuver theory in marketing is to help the company shape the competitive landscape to its advantage and the disadvantage of its adversaries by winning without fighting. The idea, thus, is to break away from traditional marketing by being agile, smart and proactive by banking on responsiveness, intelligence and assertiveness.
3.3 Summary

A summary of the literature review which essentially indicates the concept, description and source of reference is provided in Table 3.3(A). Similarly the Table 3.3(B) signifies the connection between the concept and ‘the application of the concept’ for this project.


Figure 3.2.4(B) Maneuver Marketing Vs Traditional Marketing
<table>
<thead>
<tr>
<th>Concept</th>
<th>Description</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative Industries 3.1.3</td>
<td>Industries that have products and services that have different functions and forms from the present industry but have the same purpose.</td>
<td>Kim, W. C. &amp; Mauborgne R. 2005. <em>Blue Ocean Strategy</em>. Boston: Havard Business School Press.</td>
</tr>
<tr>
<td>To look across time 3.1.3</td>
<td>A concept which asks businesses to be proactive and have the foresight on how the trends will change and how they will deliver the value to the consumers in the future.</td>
<td>Kim, W. C. &amp; Mauborgne R. 2005. <em>Blue Ocean Strategy</em>. Boston: Havard Business School Press.</td>
</tr>
<tr>
<td>Concept</td>
<td>Description</td>
<td>Reference</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td><strong>Strategy Canvas 3.1.4</strong></td>
<td>Strategy Canvas is a diagnostic tool from the blue ocean strategy that shows what the current competitive situation looks like as well as a planning tool for identifying untapped innovation opportunities.</td>
<td>Kim, W. C. &amp; Mauborgne R. 2005. <em>Blue Ocean Strategy</em>. Boston, Havard Business School Press.</td>
</tr>
<tr>
<td><strong>Porter’s generic strategies 3.2.2</strong></td>
<td>Three separate strategies for a firm to gain competitive advantage recommended by Michael Porter. The three strategies are cost leadership, differentiator and a focus strategy. Cost leadership strategy focuses on being the lowest cost supplier and thus achieving profitability from an above average price-cost margin. A differentiator focuses on differentiating its products/services from its rivals and charging a higher price for it. A focus strategy concentrates on a particular segment of the market and applying one the previous strategies.</td>
<td>Porter, M. (1985) ‘Competitive advantage’ Free Press, New York.</td>
</tr>
<tr>
<td><strong>“Stuck in the Middle” 3.2.2</strong></td>
<td>A situation where a firm tries trying to seek advantage of more than one generic strategy ends up not achieving any advantage at all.</td>
<td>Porter, M. (1985) ‘Competitive advantage’ Free Press, New York.</td>
</tr>
<tr>
<td>Concept</td>
<td>Description</td>
<td>Reference</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Incremental Innovation</td>
<td>Incremental innovations are defined as those innovations that build on and reinforce the applicability of existing technology</td>
<td>Dewar, R. D. and D'Litton, J. E. November, 1986. <em>The adoption of radical and incremental innovations: An empirical analysis</em>. Management Science 32(11), pp. 1422-1434.</td>
</tr>
<tr>
<td>Radical Innovation</td>
<td>Radical Innovations are those innovations that create changes and destroy the value of an existing knowledge base. These changes negate the value of existing technology by providing an alternative that entirely different and that cannot be adapted by the older technology.</td>
<td>Leifer, R., McDermott, C, O'Connor, G.; Peters, L.; Rice, M.; Veryzer, R. 2000. <em>Radical innovation: How mature companies can outsmart upstarts</em>. Boston: Harvard Business School Press.</td>
</tr>
<tr>
<td>Concept</td>
<td>Description</td>
<td>Reference</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Concept</td>
<td>Application of the Concept</td>
<td>Reference</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Alternative Industries 5.1</td>
<td>Identify industries that could use products and services that have different functions and forms of the products and services provided by Monumental Games but essentially fulfill the same purpose</td>
<td>• Several Research publications on 3D simulations&lt;br&gt;• Non-MMOG &amp; MMOG industry researches, press releases, internet searches, Interview with MG staff &amp; Competitors, Competitor websites&lt;br&gt;• Smith, R., 2007. The Disruptive Potential of Game Technologies. <em>Research - Technology Management</em>, 50(2), pp.57-64.</td>
</tr>
<tr>
<td>Strategic groups 5.2</td>
<td>Identify strategic groups within the MMOG industry</td>
<td>• Industry Reports&lt;br&gt;• Industry &amp; competitor websites&lt;br&gt;• Group Project&lt;br&gt;• Interview with MG staff.</td>
</tr>
<tr>
<td>Chain of Buyers 5.3</td>
<td>Identify the buyers who are directly or indirectly involved in the buying decisions of products and services from Monumental Games</td>
<td>• Industry websites&lt;br&gt;• Industry related books &amp; publications</td>
</tr>
<tr>
<td>Complementary products and services 5.4</td>
<td>Products and services that affect or complement the value of current offerings from Monumental Games</td>
<td>• Industry websites&lt;br&gt;• Interview with MG staff&lt;br&gt;• Competitor websites</td>
</tr>
<tr>
<td>Functional and Emotional Appeal of products 5.5</td>
<td>Identify the functional and emotional appeal of offerings in the middleware industry. Contrast, compare and generate new ideas.</td>
<td>• Interview with MG staff&lt;br&gt;• Competitor websites</td>
</tr>
<tr>
<td>Concept</td>
<td>Application of the Concept</td>
<td>Reference</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Disruptive Technologies 5.1.3 5.6 | The concept of disruptive technologies is to be used in conjunction with concepts “Alternative industries” and “Look across time”. The idea is to look for new disruptive possibilities that could open up for Monumental Games | • Smith, R., 2007. The Disruptive Potential of Game Technologies. *Research - Technology Management*, **50**(2), pp. 57-64.  
• Several research publications on 3D simulations  
• Non-MMOD & MMOG industry researches, press releases, internet searches. Interview with MG staff & Competitors, Competitor websites |
| Strategy Canvas 7.2 | Develop the strategy canvas for Monumental Games and its competitors for the present situation. Formulate a new value curve for Monumental Games by developing a new strategy canvas | • Competitor Websites  
• Industry press releases  
• Internet research  
• Interview with Monumental Staff |
| Maneuver Marketing 7.0 & 8.0 | Check if competitors in the industry are agile, smart and proactive within the industry by checking the responsiveness, intelligence and assertiveness of the PR Campaigns. website message and interviews | • Competitor Websites  
• Industry press releases  
• Internet research |
| Brand Strategy 8.0 | Develop new brand strategy for Monumental Games | • Reasoning and arguments  
• Based on the outcomes of the above research |
4. Analysis

4.1 Introduction - The New World

Going back in time it is impossible to pinpoint when the Internet snuck up on us and changed everything. In less than a decade the Internet became the dominating media and the driving force behind social awareness, entertainment, education, new communication and commerce.

The concept of 3D online Virtual World is not new. In the second half of the 1990s virtual spaces like “The Palace” and online role playing games like “The Realm & Meridian 59 Online” came into existence. These worlds provided little entertainment or informational value and were limited due to the connection speeds. These worlds collapsed until the arrival of broadband and Web 2.0. Revolutions were created in online space through successes such as Wikipedia, YouTube, MySpace and blogs. Essentially all of these portals pointed in one direction. - The power of virtual communities and the subsequent user generated content created by these communities. Combining this phenomenon with the possibilities offered by a 3D environment has opened up the doors to a new world.

![Diagram of web evolution](image)

*Source: Icarus White paper 2007*

*Figure 4.1 The evolution of the internet*

The term “virtual world” was searched on Google over 250 million times in March 2007[16]. Virtual worlds like Second Life, World of Warcraft and the Runescape now boast literally
millions of active users. This growth is exponential; Second Life alone has added more users in the last six months then in all previous years combined.

The advancements in computing technology and broadband speeds have made the virtual world more accessible to the world population. Virtual worlds are constantly evolving as virtual communities begin to create their own in-world content. Complex economies are developing based on virtual money with virtual land and property sales soaring. Versions of 2 D Web 1.0 and Web 2.0 content such as conferences, magazines and news feeds are now visible on 3-D worlds. Even Virtual Investment Banks have taken shape in Virtual worlds. Ironically virtual worlds have also seen the collapse of such institutions. In August 2007, a virtual bank by the name of “Ginko Financial” in Second Life collapsed and was declared insolvent and was unable to pay back $ 750,000 to the residents of Second life who had invested in the bank. There is no doubt that whatever has happened in real life is soon going to happen or at least be simulated in the new world.

4.1.1 Implications for Monumental Games

So where does Monumental Games fit into the “new world”? The answer lies within the technology that the company holds – The Monumental Games Technology Suite. An MMO Middleware which essentially serves as a platform for developers to build virtual worlds, with considerable time savings and reduction in costs. Middleware as per industry standards helps reduce game development time by at least 50% and cost savings from 50% to 65% in MMOG development.

Apart from the technology itself, Monumental’s core objectives are to be a premier Massive Multiplayer Online (MMO) games developer and publisher. Monumental is currently developing its first in-house MMOG, Football Superstars, and aims to publish it by 2008. However, it has to be kept in mind that making the above game a reality in such a short time has been made possible because of the presence of the MMO middleware technology. Then again, the use of this middleware or the game development capabilities of Monumental does not have to be
limited to MMO game development alone. As mentioned before, the term Virtual Worlds do not
have to be limited to MMOGs alone and can be used across various industries.

The presence of Monumental’s Middleware combined with a current 3D revolution is a perfect
setting for the company to create an uncontested market space. By creating and capturing new
demand as opposed to fighting in the red ocean of existing MMO games middleware,
Monumental could soon be swimming in a blue ocean of un-contested market space and make its
competition irrelevant.
5. Reconstructing Market Boundaries and Creating New Demand

5.1 Path 1 - Look across Alternative Industries

“I wouldn’t want to limit licensing middleware to game developers alone.” Interview with Alan O’ Dea, Monumental Games

In the broadest sense, a company competes not only with the other firms in its own industry but also with companies in those other industries that produce alternative products or services [1]. The key here is to look for alternative products and services that have different functions and forms but the same purpose.

The aim of looking across alternative customers is to create new demand. For this BOS has provided a simple tool called “The three tiers of Non Customers” to identify such customers.
5.1.1 The First Tier of Non Customers

The first tier non-customers are the closest to the market and sit at the edge. These consumers are waiting to jump ship as soon as the opportunity presents itself. In the MMO industry market these would constitute game developers who want to develop MMOs for the latest video game consoles – the Play Station 3 and the X-Box 360. The current market that Monumental is operating in is the PC MMO games market. This has mainly been attributed to the fact that the previous generations of game consoles lacked internet connectivity and thus did not enter the MMO market, with a few exceptions which did not create much of an impact (Final Fantasy XI & Phantasy Star). These are the next obvious customers who are to “jump ship” and become the next consumers for Monumental. For, the middleware for consoles, once developed, would present the same distinct advantages of MMO PC game development.
This section of the report limits itself from commenting any further on the MMO console game market. The aspect of MMO console market will be dealt in next section “Look across strategic groups” where the analysis and discussion of this topic holds higher relevance.

5.1.2 The Second and Third Tier of Non-Customers

The term “refusing non Customers” applied to the “second tier” should not be taken too literally. These are customers who either do not use or cannot afford to use the current market offering because they find the offerings unacceptable or beyond their means. Their means are either dealt with by other means or ignored and this is a potential ocean of untapped demand waiting to be released [1].

The third tier constitutes the un-explored non-customers who are farthest from the market. Their needs and the business opportunities associated with them have somehow always been assumed to belong to other markets and hence are not targeted by the company [1].

Before we explore these two tiers in terms of MMO Middleware market we first have to define what products and services Monumental can offer. The first is the offering of developing simulations of the real world or otherwise in a graphical format. The second is the aspect of networking across the internet (or WAN) wherein, the client or the user can log on to the server (the host) and interact with other users and the world itself.

To create a distinction between these two tiers of consumers and apply them to the MMO Middleware companies, we can group them into two - industries that use a graphical user interface (GUI users) and others who don’t (Non-GUI users). The aspect of networking across the internet, WAN etc to access data, information or simulation also has to be considered in this respect.

The Second tier (GUI users) can be defined as those industries which are currently using an application across the internet which is displayed in a 2D format, text format or any digital
format. The idea would then be to identify such industries who would benefit from making the transition for their existing format to a 2 ½ or 3D virtual format in a networked environment.

The third tier (Non-GUI), thus, can be defined as those customers who do not in anyway use or view digital information or transfer this information across a network, but providing a solution in a virtual world format would benefit them enormously.

However, even by using the above classification the industries across which a virtual world simulation can be applied remain broad. So in order to narrow down our focus we can introduce two more factors – industries requiring a real or physical world simulation and the industries that do not.

<table>
<thead>
<tr>
<th>IT Industry</th>
<th>Automation Industry</th>
<th>Construction Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Operating Systems</td>
<td>• Process Control</td>
<td>• Real estate Marketing</td>
</tr>
<tr>
<td>• Enterprise Resource Planning</td>
<td>• Building Management System</td>
<td>• Collaborative Design</td>
</tr>
<tr>
<td>• Document Management Systems</td>
<td>• Fire /Security/ Access Control</td>
<td></td>
</tr>
<tr>
<td>• Internet Browser</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 5.1.2 (A) Matrix for identifying alternative Industries for MMO Middleware & development**
Real world simulation can be defined as those simulations which bring into a 3D format the real/physical aspects of the world e.g. buildings, city, trees etc. The Non-real world simulations are defined as that cannot be related to the physical aspects of the real world but can be viewed in a 3D format e.g. a text, internet browser, document management systems etc.

However, before Monumental offers its products and services across these alternative industries, it becomes important to check if the latter would in fact benefit from the same. Several studies in the field of 3D animations have confirmed that using 3D or moving from 2D to 3D does not always benefit the end user but in fact deteriorates the functionality. Usability Engineering studies conducted on moving from 2D to 3D for various applications such have confirmed that the efficiency, effectiveness and usability of an application worsened by doing so [17, 18, 19]. However, this does not mean that cross selling to this alternative industry cannot be achieved. There are possibilities to look forward to which would be discussed further in the section titled “Look across time”.

However, this project has uncovered two industries where MMO technology can be used with increased functionality for the users.
One such industry is the Automation industry which would fall under the GUI user category explained before. Building Management Systems (BMS) for example is a branch of process automation which provides monitoring and control of commercial or industrial complexes from a remote location. A 2D GUI is used to assist the operator to monitor or control the process itself or the building as a whole. Several studies conducted on the usability, functionality, error rates, reaction times etc on 3D simulated process automation have clearly indicated that a 3D GUI holds much better benefits over its 2D counter part [20, 21]. It was only recently with the growing importance of networking across remote locations did the BMS vendors start providing internet based protocols [22]. This is where the MMO Middleware can find a niche by providing the platform to build 3D based simulation with network connectivity.

![Automation - From 2D to 3D](source: scada.com)

*Figure 5.1.2 (C) GUI interface for Process Automation in 2D and 3D*

A second industry, (Non-GUI, non–network based industry) is the Construction industry. It is true that architects and engineers do use 3D simulation during project development. However, the focus here is not towards design but towards improving the marketability of upcoming prestigious real estate projects for property developers. Until now the marketing material used in upcoming projects are mostly limited to brochures, websites, stand alone simulations etc. But if a virtual online world could be used as a new marketing and presentation channel, clients and possible investors could log on to the virtual simulation of an upcoming project and see first...
hand how the property looks or feels like much before the completion date of the project. Here again experiments conducted on 3D simulations of building complexes such as residences, art galleries, castles etc have shown that users showed high level of interest and enjoyment while using the applications \cite{23,24,25,26}.

Currently, though there is the existence of several 3D virtual world simulations in the market all are limited to the use on a single PC. An MMO can not only provide the opportunity to log on from a remote location but can also provide enhanced features such as the use of an AI character to respond to clients interactions or even holding a virtual meeting with the realtor in the virtual world. The Dubai construction industry would be such a market with several prestigious upcoming projects where majority of investors are from outside the U.A.E. “The world” – an artificial archipelago that replicates a scale model of the world and “The Hydro polis” – an underwater 5 star hotel, “Dubai land ski Dome” – a ski slope with 6000 tons of true snow, to name a few, are projects which still are marketed using traditional tools of marketing \cite{27,28}.

Source: dubaicity.com

*Figure 5.1.2 (D) Upcoming projects in Dubai*
5.1.3 Possibilities for Disruption and Value Innovation

In the paper “The disruptive potential of game technologies” - April 2007, Roger Smith establishes the evolution of game technology using Disruptive Technologies strategy\textsuperscript{[29]}. 

![Diagram showing the evolution of game technology]

**Source:** The Disruptive potential of Game Technologies – Roger Smith, April 2007

**Figure: 5.1.3(A)**

He argues with examples showing how simulation technology in military simulation industry (Virtual Trainer) brought about disruption in the PC games industry. The PC games industry started off as “not good enough” for serious training, but it was appropriate for a small niche of PC gamers. This low end technology provided solutions at a lower cost than the existing technology to previously non-existent consumers of simulation systems. The same way Smith argues that this solution from the PC industry disrupted into gaming consoles industry which again had potential drop in costs. But as market years progress the disrupted technologies start to pose a threat to its predecessors - a scenario very much visible today in the PC and game console industries. The author also argues that new technologies in the market such as MMOGs and X-
Box Live are in fact technology disruptions that would possibly move on to wireless systems in the future.

The above diagram shows a market disruption opportunity for Monumental Games. A scaled down version of the middleware and the services provided by MG would be enough to satisfy the BMS market. For instance modules and features such as customer services, billing, dynamic load balancing, effects editor, day night cycle, character systems, VOIP, etc can all be eliminated thus cutting down the cost while providing a valuable solution to the BMS industry. The functionality requirements of BMS user are not the same as that of a MMO gamer as the latter looks for factors such as look, feel, graphics, detail, playability etc and the requirement is for a technology that would host thousands of users at a time.
Table 5.1.3 Total Area of Various MMOGs

<table>
<thead>
<tr>
<th>MMOG</th>
<th>Area (Sq. Kilometers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dark &amp; Light</td>
<td>40,000</td>
</tr>
<tr>
<td>Star Wars Galaxies</td>
<td>2025</td>
</tr>
<tr>
<td>Horizons</td>
<td>1024</td>
</tr>
<tr>
<td>World Of Warcraft</td>
<td>950</td>
</tr>
</tbody>
</table>

Source: www.mmosite.com

Even world development time required by the MG development team to create virtual worlds for the BMS industry can cut down costs. Current MMOGs host thousands of square kilometers of virtual spaces to satisfy the gamers needs which would not be the case for the users in the BMS industry.
5.2 Path 2 – Look across strategic groups

“We are planning to incorporate a Casual MMOG development division in Monumental in 2008” – Interview with Alan o’ Dea

Most companies focus on improving their competitive position within a strategic group [1]. If we were to look at the various strategic groups of consumers for online gaming we could divide them into four broad categories – PC MMOG, MMOG for consoles (PS3 and Xbox 360), Limited Player Online Games (LPOG), and casual MMOs. Casual MMOs are online games that involve less complicated game controls and overall complexity in terms of game play and are developed in much shorter time [30, 31]. These games are also limited in terms of level of graphics, sound, action etc as opposed to a fully fledged MMOG (development cost of $30m) and are developed on a much lower development and distribution costs (less than $1m). [32,33,34]. LPOGs are multiplayer games which host around fifty players at a time and these games are limited in terms of the persistence of the virtual world. Even now several very successful LPOGs exist in the market and are generally come as a packaged with standalone games eg: Call of Duty 2, Battlefield 2, Colin McRae Rally etc.

*Non- Java Based Casual MMO (Maple Story)    MMOG (Lord of the rings online)

* The emphasis on non-java based casual MMOGs is mainly because the middleware provided by Monumental Games cannot be used to develop java/shockwave/flash based Casual MMOGs

Source: www.gamespot.com

Figure 5.2(A) Graphical contrast between Casual MMOG and MMOG
Casual online games are a serious business. In 2006 when the market value for MMOG in the western world hit $1bn for the first time it was mainly attributed to the growth in more casual MMOGs [34]. Even the number of consumers being attracted to Casual MMOs runs into millions [32,33,34].

<table>
<thead>
<tr>
<th>Strategic Group</th>
<th>Launch Date</th>
<th>Accumulated Subscriptions</th>
<th>Revenue in USD</th>
<th>Average Revenue/Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lord Of The Rings Online</td>
<td>Main Stream MMOG</td>
<td>April 2007</td>
<td>4 million in 4 months</td>
<td>USD 88 million in 4 months</td>
</tr>
<tr>
<td>Maple Story</td>
<td>Non-Java/Flash Based Casual MMOG</td>
<td>2003</td>
<td>14 million in 3 years</td>
<td>USD 215 million in 3 years</td>
</tr>
</tbody>
</table>

Source: [www.maplestorynexon.net](http://www.maplestorynexon.net), boston.com, gamestudy.org

**Table 5.2 Comparison of Revenue of two of the most successful Casual & Main Stream MMOGs**

However, the revenues generated from subscriptions, in game advertising and trading from these casual MMOs are much lesser compared to that of the main stream MMOGs. For instance the above comparison of two of the most successful games in the mainstream and casual MMOG shows that the latter, though it has a higher number of subscriptions the revenue is considerably lower. The above is not an isolated case and the argument can be further strengthened by looking at the overall figures.
Figure 5.2(B) Comparison of online gamers in percentage

The above graph from Parks Associates shows that there are more online casual gamers (27%) than MMOG players (7%).
However, studies from Park associates shows that service revenues from MMOG are the highest compared to the revenue from casual MMOG premium subscriptions and games-on-demand combined.

Though derivative revenues from secondary market and in game advertising are both inclusive of casual games and MMOGs, the revenues from MMOG subscriptions still hold higher value than the rest.

From the above arguments it is clear that for casual MMOs the development costs and revenues are lower than the MMOGs. Also the various components and features provided by the MMOG middleware would not be required to produce a non-java based casual MMOG. For instance a high definition 3D graphics engine required to make a main stream MMO is not required for casual MMOs. Interestingly all of the the direct competitors of MG in the middleware market is
mainly towards fulfilling the requirements of the main stream MMOs. Others middleware suppliers including MG who might seem to be focusing on casual game developers provide the same licensing and pricing options to casual as well as MMOG developers.

<table>
<thead>
<tr>
<th>Assessment needed</th>
<th>Icarus Commercial</th>
<th>BigWorld Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monumental Games Prototype</td>
<td>HeroEngine Source Code</td>
</tr>
<tr>
<td></td>
<td>* Emergent Platform beta</td>
<td>HeroEngine Basic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HeroEngine Prototype and Evaluation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monumental Games Production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Emergent Platform beta</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Perpetual Entertainment Commercial</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assessment needed</th>
<th>Multiverse Development Kit</th>
<th>Kaneva Game Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>No assessment</td>
<td>No upfront fees</td>
<td>Upfront fees required</td>
</tr>
</tbody>
</table>

* Assumption due to unavailability of up to date information

Source: Massively Multiplayer Online Games Industry: A Review and Comparison From Middleware to Publishing, 2007

**Figure 5.2(D) Licensing options offered by middleware suppliers**

MG gives game developers (casual or MMOG) the option of purchasing a complete commercial license for $600,000. Considering the cost of developing and distributing a casual MMO is $1mn as opposed to $30mn for MMOG, the cost of licensing the middleware does seem steep for the former. Availability of a scaled down lower priced version of middleware would not only add value to the casual MMO developer but would also have benefits for MG. First, MG would have to provide after sales service only for those modules and features supplied, reducing servicing costs for the company. Secondly, shorter development time for a casual MMO would allow MG to cash in earlier on the payments.
It is true that MG does provide a prototype license for no upfront fees with a 25% back end royalty when converting to a commercial license. Here again both MMOGs and casual MMOs are valued as the same strategic group and again it is important to keep in mind that the revenues generated by the latter are much lower. Even competitors such as Multiverse, which provides its platform for no upfront costs, charges its consumers a flat fee of 10% as part of revenue sharing when the game developer charges its players.

In the same way, the developers of LPOGs can also be provided with a scaled down version of MMO Middleware as several of the features such as AI, 3D engine, physics engine, etc are already available with the LPOG game developer. However, the aspect of possibility of integration of the existing modules to the MMO middleware will need to be investigated before focusing on this strategic group.

The final strategic group for MMO Middleware is the console MMO market. Many of the middleware suppliers including MG are now working on porting (the process of moving from one platform to another) their existing technology to consoles [35]. However, porting is a costly affair and has been termed a “Herculean process” by MMOG developers/publishers in the industry for there are still many challenges that need to be sorted out by the console manufactures themselves [36,37]. Further, many publishers are starting to realize that the continued growth of console gaming has contributed to the migration of gamers away from the PC and providing the games on consoles only increases their costs without much effect, for number of users remain the same [38]. Moreover, the keyboard still remains the dominant means of game play control and communication between the MMOG players. Console based MMOGs would essentially need to strive hard to break this “lock-in” and so that the MMOG players would accept console game pad by moving away from the keyboard [35,36,39]. A fact worth mentioning is that the console market is currently being dominated by the Nintendo Wii which is incapable of running a MMOG [36]. That leaves the market for console MMOs to be shared between Xbox-360 and PS3. Further, DFC 2007 report on online games, has forecasted that in 2012 the leading platform for online game revenue would still be from the PC [40]. Hence, the market size of MMO console gamers as opposed to the millions of PC gamers is meager and unimpressive.
Yet probably with the focus of benchmarking each other the rat race in the middleware industry is focusing on the aspect of porting to consoles. This does not mean that MG should not work on porting its middleware for use in MMO development for consoles. The efforts however, in this regard could be reduced, at least until the console market is stabilized and the technology challenges are sorted out by the console manufacturers.

Figure 5.2 (E) Product Performance graph for Casual MMO, LPOG, PC and Console Middleware
5.3 Path 3 – Look across Chain of Buyers

The purchasers who pay for the product or services may differ from the actual users and in some cases are important influencers as well \(^1\). The case is true for purchasers of Middleware as well. Joe Ludwig from Flying Labs Software, a MMOG developer, in his tips for evaluating middleware commented, “Include more than just programmers in the evaluation. Include the artists, sound engineers and operations” \(^41\). An effort has been made as part of this project to identify the purchasers and influencers \(^{42,43,44}\). However due to lack of information on how the middleware suppliers focus on influencers or purchasers we would be unable to identify any new insights in terms of a blue ocean initiative.

![Diagram of Purchaser & Possible Influencers in Middleware Buying Decision]


*Figure 5.3 Purchaser & Possible Influencers in Middleware Buying Decision*
5.4 Path 4 – Look across Complementary Products and Service Offerings

“We want to work towards a collaborative environment with the game developers” Alan O’ Dea

Untapped value is often hidden in complementary products and services. The key is to define the “total solution” buyers seek when they choose a product or service. [1].

MMO Market research report 2007 from DFC intelligence indicated that “the track record of MMO developers efforts has not been good and that a great deal of money has been lost in this industry” [45]. If history is any indication, most of the games would disappear to be replaced by other passionate optimists” [46].

<table>
<thead>
<tr>
<th></th>
<th>January 2006</th>
<th>September 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of MMO Games announced</td>
<td>310</td>
<td>205</td>
</tr>
<tr>
<td>Games Cancelled</td>
<td>118</td>
<td>Not Available</td>
</tr>
<tr>
<td>Under Development</td>
<td>91</td>
<td>70</td>
</tr>
<tr>
<td>Released</td>
<td>101</td>
<td>135</td>
</tr>
</tbody>
</table>

Source: Compiled from persistentworldz.com and runnorpg.com

Table 5.4 Status of MMOG’s in 2006 and 2007

From the above table one can see that the MMO games market is not as blue as it may seem. The DFC report continues on to say that success with MMOG requires a disciplined approach to product development, technology, operations, customer service, emerging trends and a solid understanding of the overall competitive landscape. However, the report concludes that even though the market is overcrowded there is still room for innovation and growth.

On analyzing MG’s middleware enquiry register from May-05 till date we can see that 56% of the potential enquiries came from Startup MMO studios, 27% from individuals and only 8% from experienced MMO studios (Appendix 1). It is obvious from above that the companies venturing into the MMOG market are new and lack experience.
Acquiring the license to a middleware and having a good development team alone does not ensure the launch of a successful MMO. Several other aspects of the business such as marketing, finance, publishing etc need to be taken into account too. Interestingly, only four of the nine direct middleware competitors including MG offer consulting as a service and only two offer services outside of technology consulting.
### Summary of Consulting Services

<table>
<thead>
<tr>
<th>Company</th>
<th>Pre Game Development</th>
<th>Game Development</th>
<th>Post Game Development</th>
</tr>
</thead>
</table>
| Monumental Games    | 1. Production Strategy  
                      2. Art, Audio and Content Pipeline Planning and Management  
                      3. Marketing  
                      4. PR  
                      5. Publishing  
                      6. Business Planning  
                      7. Finance | 1. Design  
                      2. Studio Management  
                      3. Infrastructure Management  
                      4. World Building  
                      5. Programming & Software Engineering  
                      6. 3rd-party Integration  
                      7. Live Operations Management  
                      2. Customer Relationship Management |
| Big World Technology| 1. Studio establishment and growth  
                      2. Production strategies  
                      3. Art and content pipelines  
                      4. Finance  
                      5. Publishing | 1. MMOG design issues, including effective documentation  
                      2. Script treatments and character design  
                      3. World building  
                      4. Programming and 3rd-party integration strategies  
                      2. Live game management  
                      3. Hosting |
| Icarus Studios      | 1. Prototype development  
                      2. Project Outsourcing | 1. Design Consulting  
                      2. Staff Augmentation  
                      3. Studio Services | 1. World Hosting Services |
| Emergent Game Technology | 1. General Engineering Services  
                      2. Product Specific Engineering | | |

*Source: Complied from Competitor websites*

*Table 5.4 Summary of Consulting Services*
MG’s strategy for providing higher number of consulting services (especially for Pre-Game Development) is a sensible one considering the state of the industry. However, one service that is missing is “Feasibility Study”. From the group project we have understood that every middleware supplier (with Kaneva and Multiverse as exceptions) assesses and evaluates the game developers and their business idea before providing the evaluation copy of the middleware. In other words, the middleware companies are evaluating the feasibility of the developer and possibly the project idea itself. Providing a feasibility study as chargeable or non-chargeable on a case-to-case basis would add more value to the consumer and thus provide that “total solution.”

MG’s strategy of introducing a “collaborative environment” where the company partners with the game developer to produce the game needs special mention here. Unlike most other Middleware suppliers MG plans on offering the services of its in-house game development team and publishing team to work collaboratively on a project. Of course, collaborating with every developer is not a pragmatic approach and that is where the addition of a feasibility study consulting service would value to the MG as well. However, the novel idea of collaborative environment should not be limited to MMO titles alone and this service can be marketed and offered to non-MMO applications as well.


5.5 Path 5 – Look across functional and emotional appeal to buyers

Competition in an industry tends to converge not only on an accepted notion of the scope of its products and services but also on one of the two possible bases of appeal. Some industries compete principally on price and function largely on calculations of utility; their appeal is rational. Other industries compete largely on feelings; their appeal is emotional. [1]

If we look across the competition in the middleware industry we would find both functional and emotional bases of appeal. Companies such as Big World Technology compete on the basis of functions and calculations of the utility of their products. The utility of the product revolves around offerings such as ease of use, time savings, complete management and cost savings. On the other end of the spectrum firms such as Multiverse and Kaneva are more in line with the emotional appeal to buyers. They offer a product that is available to anyone who wants to build an MMO and is provided free of charge with less emphasis on the product offering itself.

The outcome of both these bases of appeal becomes apparent to the buyer from the type of licensing options these firms offer and the assessment criteria before a license is granted to a MMO developer. Interestingly, firms such as MG and Icarus have combined the best of both appeals by providing a prototype license which offers the developer the ability to acquire the product with no upfront cost but with the condition of paying royalties once the product is commercialized.

This functional-emotional appeal trade off can be further extended. The functional aspect of the middleware for use in casual MMO and non-mmo applications can be projected by making the offering for a scaled down product that would fit the functional requirement for the respective consumer. The Casual MMO developer can thus be given the option of licensing a scaled down version of the middleware that would best fit their functional requirement. The emotional appeal can be maintained by providing the prototype license with lower royalties (less than 25%) for the casual MMO developer and by eliminating the commercial licensing fees for the non-MMO applications.
5.6 Path 6 – Look across time

To look across time would mean to hone in on clear observable trends that are irreversible. Businesses must have the foresight on how the trends will change and how they will deliver the value to the consumers in the future.

The current revolution in virtual worlds and the speculations clearly indicate that these worlds are here to stay, if not change the landscape of the internet itself. Market Data from Gartner research in 2007 predicts that by 2010, 80% of Fortune 500 Companies will have some form of MMO/virtual-world presence. Considering mainstream adoption, Gartner states that virtual worlds have passed the “hype curve” and the “trough of disillusionment” and are now squarely moving into the “slope of enlightenment” [16].

As mentioned earlier MMO technology in itself is a disruption of virtual trainers pertaining to defense and simulations industry. Any new offering from the MMO technology companies to the defense/simulations industry would in effect be serving the high-end customer demand. The goal of major players in an industry is to push the technology higher in the value chain, leaving the lower end underserved [29]. The applications for which virtual world/MMO technology can be used are only limited by our imagination. Several researches are already underway that are looking at transferring 2D technology to 3D technology as in the case of Document Management Systems which are still being perfected [47,48]. The implications of adding network capability to such applications have not been considered yet. Perhaps as the market years progress the next step would be the emergence of ERP applications in 3D capable of operating across the internet. Considering present developments such as 3Dmailbox.com where emails are viewed in 3D and 3D chat applications such IMVU.com, which aims to replace its prior 2D counterparts, the above speculation does not seem too far fetched.
But the question is how new applications for MMO middleware can be explored outside of simulations and defense industry. The answer possibly lies in middleware company partnerships with educational institutions and further exploration through research. Investigations into the partnerships made by the direct middleware competitors show that none have undertaken any initiative with educational institutions and look across time to offer applications in industries apart from defense simulations.

The prototype license offered by MG to educational institutions does indicate that the company has realized the potential of the technology it holds. In this regard it would be best to bring to the attention of MG the existence of the Virtual Reality Applications Research Team (VIRART) at the University of Nottingham which works on the development of virtual environments in industry, education and community applications and has worked in collaboration with well known names like Rolls-Royce and British Nuclear fuels laboratory. Recently VIRART has to its credit numerous awards and the recent one the SET for Britain special award for
commercialization of research [49]. A summary of a few research institutions which are in to development of simulation based cross industry applications is provided in Appendix 2.
6. Diagnosis

Before the value elements are identified and the new value curve is created for MG it is important to diagnose the current state of the industry. The group project has essentially identified the middleware competitors and their offerings. However, it is necessary to regroup the data and analyze it from an angle relevant to BOS. To achieve this a summary of the nine direct competitors and MG has been prepared.

Effort has been made to study the efforts of the competitors through press releases, company websites, product brochures, industry interviews and attendance in various trade shows. Combining this information with an understanding of the competitors’s product offerings and other services (game development, consulting, publishing etc) we would be able identify the state of the industry and pinpoint factors that need to be altered or created.

The summary has been organized in the following way.

**Overall Focus of the firm**

The idea is to look at the areas where the company is focusing on. Effort has been made to summarize the overall message conveyed by the competitors through their press releases, company websites, product brochures, industry interviews and attendance in various trade shows.

**Focus on Alternative Industries**

This part seeks to find evidence if the company has been moving or trying to move into industries other than the MMOG industry. For this three elements are considered 1. focus on non-MMO applications, 2. Partnerships with educational/research institutions and 3. The use of technology jargons used in the company’s website and product brochure. The second point is aimed at finding out if the company is working towards any future moves in terms of developing a non-MMO application. By quantifying the level of technology jargons used it would be possible to see if the company is offering or intending to offer its products to other industries where the MMOG terminologies are hard to understand.
Focus on other Strategic Groups
This section tried to look for evidence where the company has aligned its offerings to other strategic groups such as the LPOG or the Casual MMOG game developers. By looking at the product and licensing offerings it would be possible to check if a scaled down version of the product or a different pricing strategy is in place to satisfy any of the above strategic groups. Also any evidence that shows the company’s plans on porting its middleware to consoles has also been identified.

Focus on complimentary offerings
Two complimentary offerings – consulting services and game development services provided by the companies are identified.
## Table 6.0 Summary of Competitors

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Overall Focus of the Firm</th>
<th>Focus on Non-MM0 Application</th>
<th>Partnerships with educational institutions or research institutions</th>
<th>Use of Technology Jargons (MMOG Related)</th>
<th>Middleware offering for Casual MMOG</th>
<th>Pricing Strategy</th>
<th>Option of Scaling Down Middleware for Non-MM0 and Casual MMOG</th>
<th>Middleware offering for Consoles (Porting)</th>
<th>Consulting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big World Tech</td>
<td>Focus on MMO Games developers/publishers &amp; experienced studios. Mostly featured on only on game related websites. Only game related trade shows attended in the past 2 years. Eg. E3 in 2006 &amp; Austin GDC 2007</td>
<td>No evidence of any focus on such applications</td>
<td>No evidence of any such partnerships</td>
<td>Evidence of Casual MMOG middleware for that market. However this group is offered the same standard middleware at standard pricing</td>
<td>Flat rates for all strategic groups.</td>
<td>The client software automatically scales down for casual MMOGs however this means that casual MMO developer has to still purchase the main product at the same price. BigWorld clearly states on website that no educational version is currently available.</td>
<td>Middleware ported over to X-box 360. Currently working on porting to PlayStation 3</td>
<td>Yes – Similar but limited offering compared to Monumental games. Includes both Business &amp; Technology consulting services offering</td>
<td></td>
</tr>
<tr>
<td>Sinomens</td>
<td>Focus on MMO Games developers &amp; experienced studios. Company featured on game related websites only. Only game related trade shows attended in the past 2 years. Eg. E3 in 2006 &amp; Austin GDC 2007</td>
<td>No evidence of Non-MM0 application. AWOMO project which also is a game related virtual world project.</td>
<td>No evidence of any such partnerships.</td>
<td>No evidence of any middleware offering for casual MMOG from websites, press release, interviews or technology brochure</td>
<td>Flat rate for all strategic groups.</td>
<td>No evidence found for any such offering</td>
<td>Posting of current PC middleware to consoles in the short term.</td>
<td>Yes – However only technology consulting is provided</td>
<td></td>
</tr>
<tr>
<td>Company Name</td>
<td>Overall Focus of the Firm (Details from Company Brochure &amp; Website; Trade Shows attended)</td>
<td>Focus on Non-MMORPG Application</td>
<td>Partnerships with Educational Institutions or Research Institutions</td>
<td>Use of Technology Jargons (MMO/Related)</td>
<td>Middleware Offering for Casual MMOG</td>
<td>Pricing Strategy</td>
<td>Option of Scaling Down Middleware for Non-MMORPG and Casual MMOG</td>
<td>Middleware Offering for Consoles (Porting)</td>
<td>Consulting Services</td>
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<td>------------------------</td>
</tr>
<tr>
<td>Foxes Studios</td>
<td>Focus on MMORPG Game development/publishing. Company focused on games related to websites only. Only game related trade shows attended in the past 2 years, eg. E3 in 2006 &amp; Austin GDC 2007</td>
<td>Availability of an application which can communicate between in-world mobile phones &amp; real world mobile phones. No other evidence of other applications.</td>
<td>No evidence of any such partnerships.</td>
<td>Medium</td>
<td>No evidence of any middleware offering for casual MMOG from websites, press releases, interviews or technology brochures.</td>
<td>Flat rate for all strategic groups.</td>
<td>No evidence found for any such offering</td>
<td>Porting of current PC middleware to consoles in the short term.</td>
<td>Yes — However only technology consulting is provided with exception of staff augmentation services which focus on outsourcing engineering staff to game developers.</td>
</tr>
<tr>
<td>Missileway</td>
<td>Focus on MMORPG &amp; Non-MMORPG applications (Ex: websites). However, no proactive marketing in terms of Non-MMORPG applications are evident from interviews. Trade shows attended — E3 2006 &amp; GDC 2007</td>
<td>No, current licensees include educational institutions but the projects are Television/Moviemaker/Media/ MMO Games (Project 300 &amp; Firefly).</td>
<td>Yes, Georgia Institute of Technology — Cultural MMOG Harper College Tech. — Research on Game Technology</td>
<td>High</td>
<td>No evidence of any offering for casual MMOG. However, as the platform is free to download, it is up to the discretion of game developer to use the platform for any application as desired.</td>
<td>Flat rate of 10% revenue sharing and 2 to 3% collection charges.</td>
<td>Up to the discretion of the game developer to choose and reject modules as befitting. However, the same licensing charges apply.</td>
<td>Exact details known for consoles. However, posting to Inxure and Mac is other unknown platform (possibly consoles) are on the roadmap.</td>
<td>No Consulting services are provided.</td>
</tr>
<tr>
<td>Kavana</td>
<td>Focus on 3D virtual World of Kavana &amp; MMOG middleware</td>
<td>No, current licensees though include educational, social &amp; religious institutions are developing MMOGarc.</td>
<td>No</td>
<td>High</td>
<td>No evidence of any offering for casual MMOG. However, as the platform is free to download, it is up to the discretion of game developer to use the platform for any application as desired.</td>
<td>Detailed pricing not available</td>
<td>Up to the discretion of the game developer to choose and reject modules as befitting.</td>
<td>No plans to move to consoles.</td>
<td>No</td>
</tr>
<tr>
<td>Company Name</td>
<td>Overall Focus of the Film (Details from – Interviews/Details from Company Brochure &amp; Website/Trade Shows attended)</td>
<td>Focus on Non-MM0G Application</td>
<td>Partnerships with educational institutions or research institutions (Yes, No)</td>
<td>Use of Technology Jargon (MMOOG Related)</td>
<td>Middleware offering for Casual MMOG</td>
<td>Pricing Strategy</td>
<td>Option of Scaling down middleware for Non-MM0G and Casual MMOG</td>
<td>Middleware offering for Console (Future)</td>
<td>Consulting Services</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
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<td>--------------------------------------------------------------------------------</td>
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<td>---------------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Noz Tech Ltd</td>
<td>Focus on MMOG &amp; Simulations development</td>
<td>No, however current license includes Television based MMOG – Rag Doll International</td>
<td>No, however current license includes Television based MMOG – Rag Doll International</td>
<td>No</td>
<td>Moderate</td>
<td>No evidence. Middleware not licensed</td>
<td>Not Available</td>
<td>No plans to move to consoles</td>
<td>No</td>
</tr>
<tr>
<td>Linden Labs</td>
<td>PR Focus on Second life &amp; related services (Second life gold)</td>
<td>Services are offered within Second life</td>
<td>Services are offered within Second life</td>
<td>Low</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Perpetual Entertainment</td>
<td>Focus on MMOG development</td>
<td>No</td>
<td>No</td>
<td>High</td>
<td>No</td>
<td>Assumed as flat rate for all strategic groups</td>
<td>No evidence found for such an offering</td>
<td>Yes, website claims availability of middleware for next-generation Consoles</td>
<td>No</td>
</tr>
<tr>
<td>Iggilant Game Technologies</td>
<td>Focus on Games Developer/Publishers – MMOG with Kubo Systems</td>
<td>Yes, Simulation for Defense – Kubo Systems</td>
<td>Yes, Simulation for Defense – Kubo Systems</td>
<td>High</td>
<td>Yes</td>
<td>Assumed as flat rate for all strategic groups</td>
<td>No evidence found for such an offering</td>
<td>Yes, Available for PS2 &amp; Xbox 360</td>
<td>Yes, Technology Consulting only</td>
</tr>
<tr>
<td>Monumental Games</td>
<td>Focus on clients for MMOG/Non-MM0G related application – Game development</td>
<td>No, however the company does aim to get in to this sector</td>
<td>No, however the company does aim to get in to this sector</td>
<td>No</td>
<td>High</td>
<td>Yes, company offers prototype licence for mini MMOG</td>
<td>Yes flat rate for all strategic groups</td>
<td>No</td>
<td>Yes, business &amp; technology consulting</td>
</tr>
</tbody>
</table>
7. Plotting the Strategy Canvas

7.1 Identifying the Factors

From the above summary eight factors have been identified within the middleware industries that need to be altered in MG’s strategy in order in create a blue ocean initiative. These are

Overall services

1. **Game development Services** available within each firm. However, several firms utilize their game development services for in-house projects only and thus do not add value to a consumer.

2. **Consulting Services** if any provided by the firms in terms of business consulting services and technology consulting services.

3. **Porting** to consoles. This factor identifies the future moves of the companies in terms of developing a middleware for the consoles market.

Middleware offering for Casual MMOG (& LPOG) developers

4. **Product features** for casual MMOG (& LPOG) middleware. The current middleware provided consists of features which are superfluous for use in casual MMOG development.

5. **Level of Pricing** for casual MMOG (& LPOG) middleware. Essentially this factor points out whether the competitors have identified casual MMOG developers as a different strategic group and whether they have set a relevant pricing strategy.

6. **After sales service** for casual MMOG (& LPOG) middleware. A factor essentially related to the above factors. The lower the product features, the lower the after sales service that need to be provided as the licensed middleware is scaled down.
Offering for Non- MMOG related firms

7. **Proactive marketing** that would help the Non-MMOG related firms identify the existence of a middleware and service offering for developing a non-MMOG application.

8. **Use of Jargons.** Companies tend to use high jargon levels to bring out the detail in their product and service offering. However, in the MMOG middleware industry this would mean that non-MMO related industries, though they could benefit from the technology do not understand its potential due to the use of terminologies only understood in the gaming industry. This essentially causes a lack of awareness and investment in virtual worlds by a non-MMOG related company through the use of products and offerings from a middleware supplier.

7.2 The Present Strategy Canvas

Keeping the above factors in mind, a strategy canvas is created to understand the present market scenario for all the competitors of MG.
Figure 7.2 The Present Strategy Canvas
The factors mentioned in the X-axis of the above canvas are subjective in nature. To display these factors as part of the strategy canvas in an objective way as high-medium-low for each an analysis was done using arguments and logic. The details of how the canvas was constructed and the related arguments are provided in Appendix 3. Also the competitors are separated in to three groups to provide more clarity on the basis of the game development service provided by them. The companies under each group since they show a similar level of effect of each factor and the averages of their effect was taken to produce a single value curve for that group. However, the analysis has been conducted for each firm and a strategy canvas which includes all the firms separately is also included in the Appendix 4.

BigWorld Tech is the only firm under Group A as the firm provides game development services to external parties through its sister concern – Micro Forte. Firms such as Simutronics, Icarus etc form group B - though they do have a game development department, their services are utilized only for in-house projects and thus not provided to external parties. Hence these companies have been given a low level of focus for game development under overall services. Finally, Linden Labs appears under group C, for the core focus of the firm is on its virtual world and its business model is entirely different from the rest. Kaneva though it has a virtual world was included under Group B so that the focus of its business can be analyzed from a middleware competitor and developer point of view. Finally Nice Tech Ltd has been eliminated from the strategy canvas due to the unique nature of its offering.

7.3 Applying the Four Actions framework for Monumental Games

By linking the arguments made in the six paths frame works to the identified factors we would be able to create a new value curve for MG. For this the four actions framework would need to be used where we can eliminate, reduce, raise and create factors that would bring about a new strategy that would lead MG to an uncontested market space and thus make the competition irrelevant.
### Applying the Four Actions Framework for Monumental Games

**Figure 7.3**

<table>
<thead>
<tr>
<th>Raise</th>
<th>Reduce</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offering for Non-MMO Related firms</strong></td>
<td><strong>Casual MMOG Middleware Offering</strong></td>
</tr>
<tr>
<td>- Proactive Marketing</td>
<td>- Level of Pricing</td>
</tr>
<tr>
<td><strong>Overall Services</strong></td>
<td>- Product Features</td>
</tr>
<tr>
<td>- Game &amp; Virtual World Development</td>
<td>- After Sales Service</td>
</tr>
<tr>
<td>- Consulting</td>
<td>- Porting</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Eliminate</th>
<th>Create</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offering for Non-MMO Related firms</strong></td>
<td><strong>Overall Services</strong></td>
</tr>
<tr>
<td>- Use of Jargons</td>
<td>- Collaborative Development</td>
</tr>
<tr>
<td></td>
<td>- Complete Virtual World Solution</td>
</tr>
</tbody>
</table>
8. Discussion and Conclusion

New Value Curve for Monumental Games

<table>
<thead>
<tr>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
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Figure 8(A)
The main idea behind the formulation of BOS is to create a new value offering that reduces the cost for the firm while at the same time raises value for its consumers.

Foremost, it has been made clear in the earlier sections about the disruptive potential of the middleware technology and the developing interest shown by non-MMO game industries to invest in virtual worlds [16]. However, from the various possible options available in the market MG has to stand out and communicate that the company is capable of offering such a service. It has been understood from interviews conducted with MG staff that 90% of the enquires to the company arrive through internet searches. The company website thus becomes the main communicative tool for the company to the outside world.

The level of jargons used by MG and its competitors is high for the focus of the firms is essentially on the MMOG industry. Reducing this factor not only communicates the presence of the MG in the market place but also proves that the company’s offerings are aligned to serve other industries. However, care must be taken that this does not deter the game developers to think that MG will not cater to their requirements. One solution to this problem is it to have two separate links to the main page of the company website, that would direct the respective consumer to the relevant portal that would speak the language understandable to them.

The element of proactive marketing to attract non-MMO industries has been identified as a factor to be raised. Evidence from the competitor summary shows that all firms except Linden Labs are essentially reactive in terms of marketing their services for cross industry application to non-gaming industries. The list of licensees, press releases and the trade shows attended by all firms are essentially game industry related. Through there are a few middleware firms who have licencees from Non-MMOG industry, the undertaken projects are MMO games. E.g.- Project 880 which is an MMOG based on a movie. Linden Labs due to the nature of its product Second Life is proactively marketing cross industry applications within its virtual world. However, Linden Labs stands at a disadvantage for whatever application that can be developed has to be applied within its virtual world. This essentially limits the possibilities. Being more proactive would thus bring the same advantages to MG as reducing the level of jargons would.
Similarly this factor of proactive marketing can be applied across the casual MMOG middleware offering as well for none of the competitors have the term “casual MMOG” appearing on their websites, press releases or interviews.

Reducing the pricing level and product features brings about a new value proposition to the Casual MMOG developers. Scaling down the existing middleware by locking out the superfluous features can be done without any added cost for MG. Of course the company would have cost savings by providing after sales service only for those modules that are supplied.

Porting as mentioned before is an expensive process and it requires four to six months of concentrated effort (per console) by the existing middleware team (Interview with MG staff). The porting process can be slowed down and developed gradually through incremental development milestones. Tremendous cost and time savings can be achieved this way. As evidenced before the console technology has not yet standardized or stabilized for the MMOG industry, porting at this stage could lead to repetitive work leading to added investment.

Two new factors have been created that the industry has never offered before. Collaborative development is a factor that MG is currently developing and this differentiates the company from the rest of its industry. However, this focus does not have to be limited as an offering to game development firms alone. The factor of game development has been raised and extended to be read as virtual world and game development. This means that MG could offer its development services and work collaboratively on non-MMO applications with the interested firms. Calling it game development or virtual world development does not make a difference to Monumental, as it is requires the same skill set to develop a simulation for a game or a virtual world for other applications.

MG would thus be focusing on its competency of development while the project requirements and specifications would be provided by the client. This is another added value to the Non-MMOG companies who possibly have no experience in development of virtual worlds.
Essentially if all the factors are weighed together and compared to the rest of the middleware industry an entirely new value proposition is created – an offering of a “Complete Virtual World Solution” which identifies itself with both non-MMOG industry as well as for all the strategic groups of the MMOG industry.

Firms in the industry have compelling tag lines such as “The complete MMOG solution” (Big World Tech), “The Ultimate MMOG platform” (Simutronics) and “Changing the Virtual World” (Multiverse). However, none offer a proposition which is truly a complete solution for Game developers or Non-MMOG companies. All companies lack in terms of a certain factor or another. This is where the new value curve for Monumental Games would make a difference by creating an uncontested market space and thus make the competition irrelevant.

Based on the above arguments a new brand strategy has been created where the brand core signifies, “The Complete Virtual World Solution”. The brand association and its values have
been set based on little or no change to the existing products and services that MG currently offers.

<table>
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<th>Existing Products</th>
<th>New Products</th>
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<td><strong>Existing Markets</strong></td>
<td><strong>Market Penetration – Least Risky</strong>&lt;br&gt;<strong>Collaborative Development</strong></td>
<td><strong>Product Development - Risky</strong>&lt;br&gt;<strong>Casual MMO Middleware</strong></td>
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<td><strong>New Markets</strong></td>
<td><strong>Market Development – Risky</strong>&lt;br&gt;<strong>Non – MMOG Firms</strong></td>
<td><strong>Diversification</strong>&lt;br&gt;<strong>Most Risky</strong></td>
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</table>

*Figure:8(C)Risk assessment for the Blue Ocean initiative using Ansoff’s Matrix*

Apart from changing certain factors that cater to the existing MMOG developers, the new BOS initiative asks for product development and market development strategies, both of which are risky. However, For Casual MMOG middleware MG would not have to invest in terms of developing a new product and would only need to scale down and lock-out certain features and modules of the existing product and this way the risk is minimal. On the other hand, entering a new market in terms of Non-MMOG firms, MG would be working with firms to develop an application for them. In reality the current prototype licensing option offered by MG is essentially an invitation to such firms. So essentially if we were to look at the factors that need to be changed (Jargons and Proactive marketing) all MG would be doing is gearing its operations up for a certain market that it was already open to servicing. Again bringing in the aspect of collaborative development into the equation, the risk of entering such a market is not that high.
Finally, MG would be enabling a market penetration strategy by entering in to collaborative development agreements with its consumers by leveraging not only MG’s resources and capabilities but also that of its collaborators.

**Would Monumental get “Stuck in the Middle”?** By delivering a middleware for Casual MMOG developers, MG would essentially be gearing up to cater to a strategic group within the MMOG industry itself. Of course it is differentiating itself by doing so and with cost savings. However, this would not relay a confusing image to its consumer for 1. The target market though entirely different is within the MMOG industry and 2. The MMOG developers are aware of the difference in the markets and 3. The quality of the product in itself does not change but is only scaled down to meet the needs of the new strategic group.

At the same time, MG by not joining the rat race in the industry at this time by reducing its efforts of porting its middleware is going to achieve savings in terms of cost, efforts and time which can be channeled towards the other factors identified in the new strategy canvas.
9. **Recommendations**

Recommendations have been suggest below for Monumental Games to align its business with the new Blue Ocean initiative.

1. **Introduce the New Brand Strategy** by announcing the new brand core message - “The Complete Virtual World Solution” that communicates the following.
   a. Development of Non- MMOG applications which are not limited to simulations and defense applications.
   b. Monumental Games’ new initiative of collaborative development with the MMOG and Non-MMOG industry.
   c. Capability of Monumental’s technology offering that caters to all strategic groups within the MMOG industry – Casual and main stream MMOG.

2. **Proactively Market** the advantages of Monumental’s product and service offerings to Non-MMOG industries. This can be done by using the following tactics.
   a. PR campaigns on non-gaming and gaming websites through press releases and interviews that communicate the offering to the Non-MMOG industry.
   b. Attend Trade shows that are not limited to the gaming industry.
   c. Introduce separate links to the main page of the company website that exposes the respective consumer to the “right amount” of Jargons.
   d. Consider revising the “Games” in the company name(possibly Monumental Worlds) which will communicate to the Non-MMOG companies that Monumental’s consumer focus is not just on the gaming industry.
   e. Develop partnerships with research/educational institutions such as VIRART offering the current prototype license which enables the institutions to acquire the technology free of charge to develop new applications.
3. Develop a new middleware offering for Casual MMOG developers by taking the following steps
   a. The middleware department to 1. Investigate the architecture of Casual MMOG’s
      2. Identify and the modules and features in the present middleware that are not
         required for Casual MMOG. 3. Develop a lock out mechanism to supply only the
         relevant modules as per consumer requirement.
   b. Develop a new license offering that is based on the outcome of the above point.
      This licensing cost and backend royalties for licensing the casual MMOG
      middleware should thus be lower than licensing the complete middleware by
      keeping in mind that the revenue and profits generated by the Casual MMOG
      middleware developers is lower than the other MMOG.

4. Reduce the current efforts of porting the middleware to consoles however
   a. Constantly update the middleware department on the latest developments in this
      sector.
   b. Formulate a road map to develop console middleware as a long term initiative.
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## Appendix

### Appendix 1 - Table A1

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Appendix 3

Arguments leading to the creation of the Strategy Canvas

From the summary of competitors one can see that the focus of most companies with a few exceptions is mainly on the MMOG industry. Emergent, which was an indirect competitor until September 2007, did use its technology for cross industry applications. However, it has to be noted that the project undertaken by the company are defense based simulations which is effectively serving the higher end of the market. Again, it is no surprise (identified in the group project) that several of the indirect competitors had in effect been focusing on non-gaming industry applications using the game engines they supplied.

The other competitors - Multiverse, Nice Tech and Simutronics have acquired some licensees from the Non-Gaming industry. However, the projects are all MMO games for the movie television industry eg- Project 880 is a MMOG based on an upcoming movie title.

The only other contenders who are striving to look across alternative industries are Linden Labs and Kaneva through the use of their virtual worlds. However, whatever new applications that can be developed within these virtual worlds limit the potential of their technologies. Further, the two companies do not offer any services of their development teams considering the fact that non-mmo industries possibly have no capability to develop an application on their own. Even other companies, like Simutronics, Icarus & Multiverse though they do have game/virtual world development teams are focused on their in-house projects and are not offered to external parties.

It is quite possible that competitors do want to enter the Non-MMO application market; however no proactive effort to do so is evident. This point is quite surprising considering the fact that all these companies have the potential technology that is capable of serving across alternative industries. Currently there is an unfulfilled market space which MG games through an early entry can strengthen its position giving it a competitive advantage in the industry.

Further, considering the speculation that fortune 500 companies wanting to establish their presence in the virtual world area, it would be important for MG to be proactive and assertive in terms of providing a technology as well as development services to develop new applications.
However, this would mean MG would need to communicate in a compelling and effective way the benefits and value its product/services can provide. For instance the use of technology jargons in all competitor websites are heavily focused on gaming industry. Press releases and attended trade shows and even website messages of all firms are focused towards gaming industries.

The competitive arena in terms of focus on product for casual games MMO developers is also very reactive. None of the company’s website have the term casual MMO appearing on their website with exception of BigWorld and Emergent. The latter’s offering is for its game engine and not for the MMO middleware and it needs to be seen if it would offer its new product to this strategic group. BigWorld on the other hand offers the same middleware to the casual game MMO developers treating it as the same strategic group as the main stream MMO developers. The advantages of scaling down the existing middleware by locking out the superfluous features not required by the casual game MMO developers have already been discussed before. Again, the offering has to be communicated to this strategic group that there exists a product which is tailor made for them at the relevant price.

The summary also clearly shows that porting the middleware for consoles is either underway or is in the short term plans of several competitors. As discussed before it would be sensible at this time for MG to reduce its efforts in this aspect.

Even though, most firms do have a game development department these departments are utilized only for in-house projects. Game development services are thus not offered to external parties.

Finally in the aspect of consulting, only a few firms provide this service as mentioned before in the section “Look across Complementary services”.

So based on the above rationale, and combining with the summary of competitors, the 8 identified factors are rated on a scale of 1 to 10 based on the level of effect a certain factor creates. These factors are then connected for each competitor on the canvas to achieve a value curve for that company.
The strategy canvas which includes all the 9 competitors is included below. However, reading a canvas with this many competitors with 8 factors at the same time is very difficult. Hence the companies have been grouped into 3 and the average score of each group has been indicated as the effect or value for that group for a certain factor.
### Scores set for all 9 competitors & Monumental Games

**Table A3 (A)**

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<th>Level of Pricing</th>
<th>Product Features</th>
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Scale of 1 to 10
Scores set for “The Present Strategy Canvas”

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<th>Overall Services</th>
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Scale of 1 to 10
Appendix 4 – Figure A4

Strategy Canvas - All 9 Competitors

Strategy Canvas Present

Factors

BigWorld Technology
Simutronics
Icarus
Multiverse
Kaneva
NiceTech
Perpetual Entertainment
EmergentGame Technologies
Linden Labs
Monumental Games

Use of Jargons
Proactive Marketing
Level of Pricing
Product Features
After Sales Service
Game Development
Consulting
Porting

Applications for NON-MMOG related firms
Casual MMOG middleware are offering

High
Medium
Low