Global Management for the Content Generating Firms
—Multiplatform Strategy Performance in Globalizing Processes—

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This study explores the practical aspects of the reality which any content generating firm would face every day when media related products are invented new. Creating successful new content is at the heart of any content generating firm. Especially the firm's ability to create new blockbusters is seen as the ultimate test of its ability to compete globally. At the same time, in the light of the many technological changes it is the time to rethink about the way to manage the content innovation processes. This paper sheds light on a certain firm's challenge in order to try to create the blockbusters.

Key words: digital 50, multiplatform strategy, content industry, managing content generating processes

1. Introduction

In the media industry, predictive approaches are not practically valuable. No one could ask when and how technology, consumer demand and strategies of the individual players will change. However, the one thing which can be predicted in some degree is the type of skills media companies will need to be able to react to whatever way the industry is going to develop. Moreover, when it comes to doing creative businesses in Japan, taking a position of competitive advantage is much harder than operating among the world market, they say. For this reason this paper concentrates on the strategic performance of a certain firm achieved within three years since its foundation in 2003. This paper is at the beginning of the research for the Japanese content generating firms in search of global excellence.

2. Digital Technology in the Core Processes
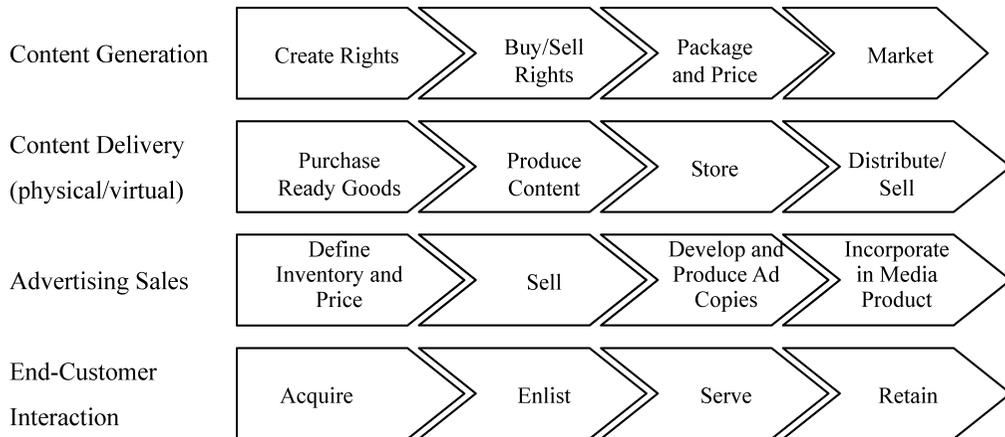
2.1 Current state of the industry

In this industry the digital revolution is far from over. The introduction of broadband and the digitization of production processes and asset management will require significant further investments, as well as major changes in the way the businesses are conducted. It is still unclear how these investments will pay off. Therefore most media firms have by now completed the phase of restructuring and returned to profitability. The main challenge they are facing now is how to create profitable growth. In addition it is becoming more and more obvious that completely new business models will emerge by the appearance of digital platforms. Media related firms are starting to rethink all areas of their businesses from product development and supply chain management to customer segmentation, advertising and organization. A shift of emphasis from the content market to the end-customer market will be needed, as well as an increased focus on true innovation and value-based pricing, rather than on quick product replication (Aris and Bughin, 2005). Digital technology can be used to reshape the core processes to improve customer service and to reduce costs. Risk can be reduced by managing products and services to individual customer needs, rather than raising the stakes and gambling on blockbusters (Aris and Bughin, 2005). In order to accomplish these issues, media related firms will have to energize their organizations and consider shifting from a content-focused functional configuration to a process-oriented structure with increased cooperation between management and creative staff.

2.2 Four core processes

The important things described above will require fundamental new skills and new ways of managing the business, while the same time preserving core skills around content generation.

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Content Generation	Create Rights	Buy/Sell Rights	Package and Price	Market
Content Delivery (physical/virtual)	Purchase Ready Goods	Produce Content	Store	Distribute/ Sell
Advertising Sales	Define Inventory and Price	Sell	Develop and Produce Ad Copies	Incorporate in Media Product
End-Customer Interaction	Acquire	Enlist	Serve	Retain

Source: McKinsey analyses in *Managing Media Companies,* p. 11.

Fig. 1.   The four core processes that characterize the media industry

Table 1.   Four basic business models support PC-based online entertainment

	Marketing of off-line entertainment	Sales of traditional content	Subscription to interactive entertainment	Community-based models
Likely segments	−Television −Movies −Music	−Music −Video −Off-line games	−Web-based games	−Self-generated content (pictures, video, blogging, etc.)
Most promising business models	−ROI-based Investment for off-line revenues	−Subscriptions −Pay-per-download	−Subscriptions −Pay-per-play	−Advertising-based
Success factors	−Focus on key sites −Go where the users are −Correlate costs to ROI	−Decreased streaming costs −Improved technology −Move to home network	−High-value content −Peer-to-peer play −Overcome free offers	−Peer-to-peer −Cross-referencing −Self-regulation
Key questions	−Will ROI be realized?	−Will customers pay? −Can piracy be avoided?	−Will customers pay? −Is it a niche market only?	−How will advertising flow into financing those new communities?
Relation to other business streams	−Promotes off-line businesses −Deepens multipronged marketing efforts	−Erodes off-line distribution channels −Will new channels make up for losses?	−Could complement off-line games	−Increase of user-generated content

Source: McKinsey analyses in *Managing Media Companies,* p. 321.

The focus will be on what skills content generating firms will need to be successful in the digitalized world and what they can do to build these skills. Fig. 1 shows the four core processes that characterize the media related industries. These four skills are closely interconnected which char-

acterized most media businesses: the content generation process, the content delivery process, advertising sales and end-customer interaction.

The concrete implications will vary significantly along the different dimensions. As one of the case studies, the following section introduces a certain firm related to create the global content continuously.

2.3 New business model

Considering the future role of digital media four basic entertainment businesses models are taken into account in the content generating industries by analyses of McKinsey & Co.: marketing of off-line entertainment, sales of traditional content and subscription to interactive entertainment as well as new community-based models (Aris and Bughin, 2005).

"Marketing of off-line entertainment" (i.e. pushing off-line sales through, for example, promotional sites) should be closely integrated into a company's overall marketing concept. Whereas many Internet businesses have attempted survival as stand-alone units, broadband allows for effective media-based promotional sites (Aris and Bughin, 2005).

Online "distribution models for selling traditional content" supported by broadband have large potential to change the media industry's current business models and, eventually, its structure. This is due to the fact that essentially intangible products—such as music, games as well as videos—may soon be consumed and sold mainly over the Internet, rather than through off-line channels (Aris and Bughin, 2005).

Subscriptions to interactive entertainment services (e.g. online games) are slowly becoming a profitable business model that fully leverages broad band capabilities. Users respond to the rapid feedback, competition and peer-to-peer opportunities offered by successful game sites (Aris and Bughin, 2005).

Community-based online models are emerging as profitable on the Internet. Early on, successful community models were paid-contents models such as most of the online dating services. Now those models are increasingly funded from advertising again, leveraging the key broadband community needs and the search advertising boom (Aris and Bughin, 2005).

3. Q Entertainment Inc. Case Study*[1]

Shuji Utsumi, president and CEO of Q Entertainment Inc., established his company in October 2003. It was actually the year the broadband businesses started to grow fast and globally, as a result of dial-up Internet users converting to broad band as well as new households leapfrogging dial-up to directly subscribe to Internet broadband services.

The company's mission is to keep on "questing for the future entertainment." Although the capital of the company is 382 million yen which is considered to be medium-sized, the president Utsumi created the unique position for the artist, Tesuya Mizuguchi, as a Representative Board of Director and Chief Creative Officer (CCO). The number of employees is sixty including contracted employees. The line of businesses are executive production, planning, development, consulting, and distribution of game content for consumer video game consoles, arcades, personal computer, and mobile phones. They have business relations with the following major partners: Bandai Co., Ltd., Microsoft Corporation, Gameloft S.A., Buena Vista Games, A Walt Disney Company, Vodafone K. K. (Japan), KDDI Co., Ltd. and more.

Q Entertainment Inc. analyzes the current market as follows. The world of entertainment content business is changing dramatically.

(1) Game industry

−Entering format transformation phase (every 5 years)

−Video game market is expanding globally. Next generation consoles will enable more real, movie-like presentation and development costs will average $10 million.

−Online game market is growing rapidly in Asia lead by Korea and China

−Opportunity for new market as new mobile digital devices infiltrates (mobile phones, mobile game devices, iPod, etc.)

(2) Global market shift

−North America and Europe are becoming a

single large market
−Rise of Asia Pacific Market (especially China)
−Japan market is somewhat left behind as a
  unique market
(3)　Digital convergence
−All content (information, music, movie,
  game) are shifting to digitalization
−Digital content are presented on multi-
  platforms
−Digital devices are now available to the public

3.1　Q Entertainment Corporate Strategy

Considering above three factors, how will they capture opportunity in this changing market, and create new value for content? They set their strategy to maximize content value by collaborating with properties and creators. In order to realize the corporate strategy, they increase business scale by targeting multi-platform and global markets. They appeal their company's representative key words as "Producing by Agility & Speed." In addition, "Producing Creative Products" needs the significant collaborations among "Property" which is movie, comic, animation, novel, music and game, "Platform" which is video game, mobile, PC online and TV, and "Market" which is North America, Europe and Asia. These three factors which are "Property," "Platform" and "Market" should be well combined to generate the blockbusters.

3.2　Multi-Platform and Global Strategy

Three factors mentioned above are actually realized by each strategic project plans. Q Enter-

Source: Q Entertainment brochure

Fig. 2.　Domain of Q Entertainment Property

tainment develops content with vision of expanding single property on multi-platform and to distribute globally as shown below (Figs. 2, 3).

3.3　Strategic project: LUMINES I, II

Their product called LUMINES I and II has made a series of strategic projects based on both their multi-platforms and the global strategies. The projects have been highly praiseworthy among the multi-platforms worldwide.

−LUMINES I: Brand-New Immersiveness
As the newly-established "qb" ("qb label," the game label established in December 2004 in cooperation with Bandai Co., Ltd. (currently, NAMCO BANDAI Games Inc.) by taking advantage of new game consoles like "PSPTM (Play Station Portable)" and "Nintendo DS," aims at offering plain and entertaining games for everyone
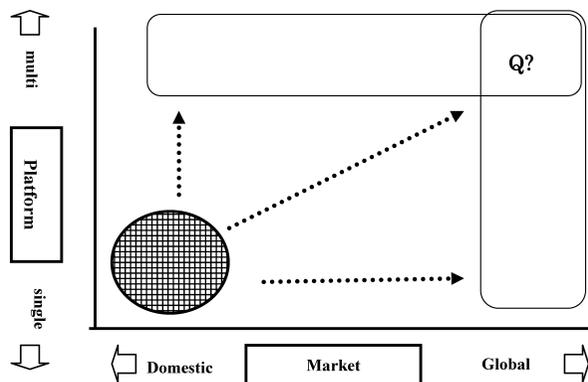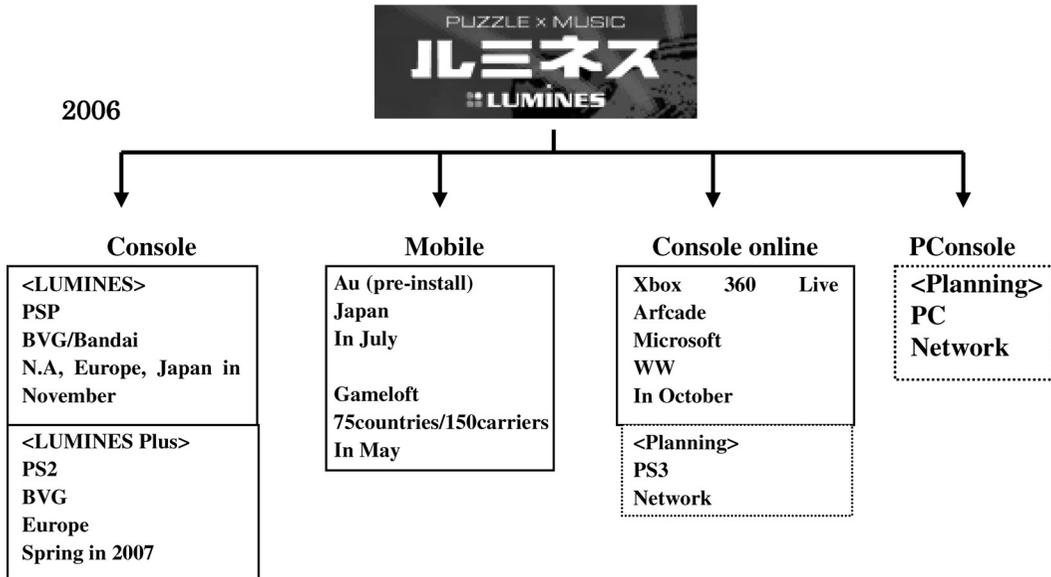

Source: Q Entertainment brochure

Fig. 3.　Strategic outlook for multiplatform and global market strategy

2004-2005 PUZZLE and MUSIC

**-Released with the launch of PSP
from Dec 04 to Sep 05 in North America,
Europe and Japan**

2006

Fig. 4. Multiplatform and global strategy for the product "LUMINES"

Source: Q Entertainment brochure

at reasonable prices. "qb label" has been developing the games, featuring: 1) Simple game style enjoyable for anyone without reading user instructions, 2) Products continually pursuing new entertainment, 3) Unique products with appointment of creators from the game or music industry, and various other genres. "qb label" is aspiring to create and expand new game buffs.) label's first software, it was released with the release of the new portable gaming device PSP (Play Station Portable). By making full use of the PSP's 16 : 9 wide screen, the clear vision and high-quality sound have realized the brand-new immersive playing sensation. The all-new "action puzzle with fusion of sound and light" has come out. The Japanese top music creator, Shinichi Osawa (Mondo Grosso), participates in this project as the sound creator.

LUMINES has been highly acclaimed by the various overseas media: USA Today named it "the best game for PSP," NEWSWEEK ranked it as the NO. 1 game, and it has won the "BEST HANDHELD GAME" in Spike TV Game Awards 2005. By October 2005, shipments of the game have reached over half a million copies worldwide, in Japan, the US, 17 countries in Europe and Korea.

−LUMINES II: Highly Anticipated Video Game Sequel

LUMINES II for the PSP (Play Station Portable) system is the highly anticipated sequel to the extremely addictive puzzle-based video game. To play, gamers control squares made of four smaller block pieces that are dropped into the playing field one at a time to form same colour rectangles. The vertical "timeline" sweeps across the playing field from left to right and wipes the same colour rectangles from the playing field. Unmatched blocks pile up, and the game ends when the pile gets to the top of the playing screen. Advance through many action packed levels, each with its own musical theme and sound effects. The most appealing challenge of this product is to feature today's most cutting edge artists. LUMINES II is the first handheld video game with actual music

videos from well known artists: Beck "Black Tambourine," Black Eyed Peas "Pump It," The Chemical Brothers "Star Guitar," Fatboy Slim "Gangster Trippin," The GO! Team "Bottle Rocket," Gwen Stefani "Hooaback Girl," Hoobastank "Born to lead," Junior Senior "Take My Time," Missy Elliott "Lose Control," and New Order "Regret," Tracks by Junkie XL ("Breezer"), Stigmato Inc. ("Reality Check"), Star Casino, Techriders and Ken Ishii are also included.   The game also introduces the original music video "Heavenly Star" by Genki Rockets. The song and video for "Heavenly Star" were produced by Q Entertainment Inc.

–LUMINES Mobile

This product has served in North America and Europe via Gameloft which covers 75 countries, 150 carriers.   "Mobile Game of the Show" prize Modojo, and "Best Puzzle Game—Wireless" IGN in E3 was given in May 2006.

–LUMINES Live!

This product has served for Xbox and has received "Best Xbox Live Arcade Game" IGN and Team Xbox in E3 in May 2006.   They add the world famous artist Madonna at this version.

3.4   Strong Tie between CEO and CCO

It is no exaggeration to say that the unique strength of Q Entertainment Inc. is the people working within the company.   "Media is a people business" This opinion is often voiced by senior media executives.   President Utsumi has considered media companies have to deal with "creators" and "transformers" separately from the beginning of Q Entertainment.   Therefore, he created a position of both CEO and CCO at the same time.

On the one hand, Shuji Utsumi, CEO, has a variety of experiences within entertainment industries.   He was founding member of SCEA (Sony Computer Entertainment America), SVP Sega Enterprise, Head of Disney (BVG) Asia.   He has abundant experiences in the US for Sony Computer Entertainment America and Sega after graduated from Wharton School of MBA program.   He has brought up after graduation from Business Administration Department in Hitotsubashi University as a global business person with a MBA holder in a sense.

On the other hand, Tetsuya Mizuguchi, CCO,

is literally a top creator in the world.   He has a bunch of work in the field of Computer Graphics. His portfolio of games includes "Sega Rally Championship," Space Channel 5.   He is perhaps most revered for creating the gaming odyssey "REZ," a 2001 release that blended electronic music with rich visual textures onscreen to create a unique shooter game.   He is called as a creator and innovator of cutting-edge in the world.   He combines a vision of technology and art.   President Utsumi has strongly supported to raise his career worldwide and to make a global network with creators and artists beyond the video game field.   In October 2006, Mizuguchi has been chosen as one of the "Digital 50," a list of 50 "New Media Producers and Innovators" selected by the Producer Guild of America.

These two tops who are totally different lead Q Entertainment Inc.   President Utsumi said that management of creatives is one of the key to operate the content generating companies.   I takes all the responsibilities of business processes worldwide and CCO Mizuguchi concentrates on generating blockbusters products.

3.5   Digital 50 as a Touchstone of Globalization

The uniqueness of their products fundamentally has resulted from the environment within the company.   They have always aimed at penetrating the world market from the beginning.   Mizuguchi, CCO, is always travelling worldwide in order to communicate the artists in many places and to find the partners to make the collaborative products.

In the course of their struggles with the global artists and the business persons worldwide, Mizuguchi was selected one of the list of Digital 50, which was one of three artists from Japan.   The Hollywood Reporter and the Producers Guild of America New Media Council present the Digital 50 to acknowledge the contribution of producers and innovators in the realm of digital storytelling. The Hollywood Reporter and the Producers Guild of America's New Media Council jointly came up with a list of more than 100 nominees that were offered to the nearly 300 New Media Council members for a final vote, which generated a response rate of roughly 22%.   The results were tabulated by the Election Trust (Roth, 2006).

4. The Content Generation Processes in the Future

Digital media and especially the World Wide Web offer significant benefits to the end consumer, as is illustrated by the fast penetration of the Internet. It is clear that digitization fundamentally influence the way traditional media are managed. Media and content related firms have to rethink not only their individual business units strategy but also their overall corporate strategy and the way they manage their portfolios. Q Entertainment Inc. picked up in this study was one of the firms. However, struggling to make an appropriate balance between arts and businesses in the global media value chain is still a great novelty among content generating firms in Japan. "Content is always global in the first place." President Utsumi, who was raised in Tokyo until 22 years old, and broke out of Japan after that, emphasized this point quite strongly. Keeping the balance between "multiplatform" and "global" strategies within the content generation process is considered the heart of the media business. This study has to be developed from both theoretical and empirical methodology to analyze the relationships between the individual firm's strategy and the evaluation of the results.

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