



LATEST ISSUE
March 2014
Issue Highlights
[SUBSCRIBE NOW](#)

Home » People » Offbeat



Game on: Are you a gorilla?

A close look at the evolution of a market leader in the gaming industry

By Harsh Pamnani and Debprotim Dutta | 30 January 2013



In the last few decades, it has become fairly common to see new and innovative technology products create a new market for themselves. The phenomenon of the search engine is a prime example and epitome of how one innovation can create an entire category of products in the marketplace from nothing. Two decades ago, there were no search engines around and people did not have the luxury of 'googling' anything. Things, however, changed dramatically in the 90s, when many search engines like Yahoo, AltaVista, Ask Jeeves, and Lycos came into existence. These significantly enhanced the researching and information-gathering capabilities of human beings.

[Most Popular](#) [Recent Updates](#)

No results available

POLLS

Do you think the mandatory CSR spending by corporate India will be good for the social enterprise sector?

- Yes, it will encourage India Inc. to collaborate with social entrepreneurs
- No, it will make social enterprises redundant, as businesses set up foundations
- Can't Say

[Vote](#)

[View Results](#)

[Polls Archive](#)

HOT TAGS

[Ankush Chibber](#) [Ashna Ambre](#) [Avanish Tiwary](#) [Bharat Banka](#) [E. Gurusamy](#) [Entrepreneur](#)

When search engines first came into the market, they were serving niche users and were in the stage known as 'bowling alley'. They moved from one niche segment to another and acquired more users. Soon, the demand for search engines skyrocketed and took the form of a tornado and search engine became a mass market product. In October 2012, Google had a market share of 85.15 percent followed by Yahoo and AOL at 7.30 percent and 0.3 percent respectively. By virtue of its market share, Google is akin to a gorilla in the industry of search engines whereas Yahoo is a chimpanzee and AOL is a monkey.

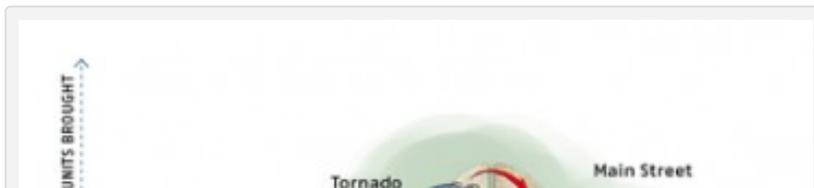
Stages of growth

In the book *Inside the Tornado*, Geoffery Moore explains the various stages in entrepreneurship comparing it to a bowling alley, tornado and main street. He has also explained the down strategies that these companies employ using the concept of the monkey, chimpanzee and gorilla in an industry which they adopt in a free market. Different business stages require different strategies. The biggest challenge for companies is to identify times when they need to change gears and adopt a different strategy. For example, during the bowling alley stage, a company needs to be very good at product leadership and customer intimacy, while during the tornado stage, it needs to shift to product leadership combined with operational excellence. In the main street stage, the focus is on operational excellence and customer intimacy.

The companies which are able to make the required transitions are able to succeed and also become market leaders; others either survive or die their natural death.

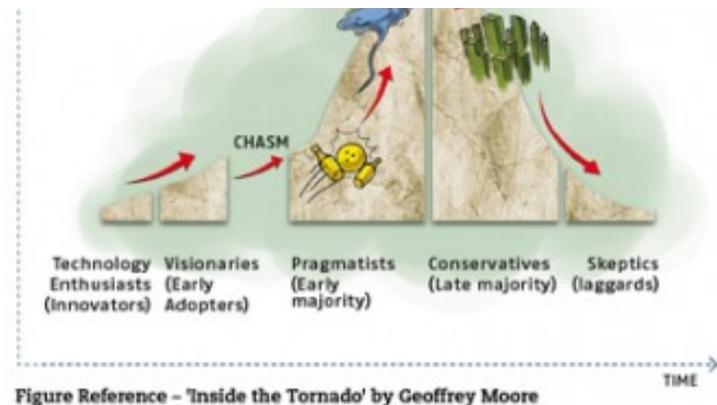
In this article, we have explained our understanding of the concept of Inside the Tornado with the example of an Indian company—Indiagames, which started in 1999 and went on to become the 'gorilla' of the Indian gaming industry, capturing major market share. The illustration provided below shows the Technology Adoption life cycle of a company. The technology market is divided into five main market segments—Innovators, Early adopters, Early majority, Late majority and Laggards. The marketer should focus on just one market segment at a time—using each group as a base for moving to the next group—starting with the innovators and finally ending with the laggards. Customers in every market segment have different psychographic profiles, so marketing strategies that work in one market segment would not necessarily work in another.

Cracking the gaming code



-> **Innovators:** They are the first people to adopt a technology. They are the source of initial service references and the test-bed for introducing future modifications to the

Bharat Banka E-commerce Entrepreneur
Entrepreneurship Facebook flipkart funding
Google India Manish Sabharwal marketing **Nandini**
Vaidyanathan Nexus Venture Partners **Ravi Kiran**
Richard Branson **Shonali advani shruti**
Chakraborty smetv social media **Sourav**
Majumdar **startup** startups Twitter VC venture
capital



product. In 1996-97, the Indian gaming industry was virtually nonexistent. Gaming was limited to a few upper middle class children who bought imported video games. This was also the era when Pepsi and Coke were allowed to re-enter India and thus started their slug fest to capture market share which is continuing unabated till date.

As a young gaming enthusiast, Vishal Gondal, Founder and CEO of Indiagames, developed a game in which a player could hit Coke cans with Pepsi bottles.

A simple game which tried to address the frustration of a company was a major hit because of the emotional attachment, novelty and simplicity of the idea. Pepsi became his first customer and installed this game on employee desktops, so that they remained motivated. It was an instant hit, so much so that Pepsi installed touchscreen-enabled gaming consoles at theaters as well. Post this success, Gondal worked with other brands such as Kellogg's on various other advertisement games. He created an online game on the Kargil war which was very successful. It was downloaded one lakh times across the world and Gondal received media attention when Indiagames was featured on media streams such as CNN and BBC.

-> **Early adopters:** They have the insight to connect an emerging technology with business opportunity. They act as references and bring in resources such as seed funding and venture capital to the table. In 1999, during the dotcom boom, Infinity Ventures and ILFS invested in Indiagames.

-> **Chasm:** As shown in the illustration, there exists a chasm between different market segments. Chasm is a valley of death. Most of the companies die in the chasm and are not able to reach the main market, where the actual profits are made.

Indiagames did not have the right strategy in place to successfully utilize the investments and grow exponentially. In order to attract more customers, Indiagames spent heavily on advertisement. However, coupled with the fact that the Indian gaming industry was in its infancy and the western market was lukewarm to an Indian company, it failed to win any major consumers. It was staring at bankruptcy with only Rs. 8 lakh left in the bank. Its online gaming plan had failed and its newest game *Gulli Danda* had also tasted failure. Between 1999 and 2001, Indiagames was drowning in the chasm.

-> **The bowling alley:** The bowling alley comes right after the chasm and represents that part of the lifecycle in which a new product gains acceptance from niches within the mainstream market but is yet to achieve widespread acceptance across the mass market. Companies provide customized solutions to niche problems. The correct strategy in this space is to move from one niche to another until the company obtains critical mass and develops momentum.

After 2001, Indiagames decided to focus on the niche market of mobile gaming. The mobile market was expected to be the next big thing. Indiagames developed a set of 11 games for Nokia over this period which became the largest portfolio of games for Nokia. The association with Nokia gave Indiagames a solid platform to launch games for adjacent niche segments. It started developing games for mobile operators such as AT&T and Verizon on a 50:50 revenue sharing basis. The cost of making these 11 games was low and Indiagames made around \$1 million on the games. Consequently, in 2002-03, their revenues jumped.

-> **Tornado:** It signifies the transition from a niche market to a widespread adoption across the market. Tornadoes, as the name suggests, obliterate the existing paradigm and thrust one company into a position of market leadership while other companies are forced to play second fiddle. The market leader is clearly established and tornadoes shower it with both money and power. In the tornado stage, a large number of new customers enter the market simultaneously, thereby creating a demand which far outstrips supply. This is the point where the company should only be focusing on 'shipping' the product.

Indiagames acquired the rights of *Spiderman* from Marvel comics. In 2003, Indiagames became the first Indian company to launch Spiderman and this became a major hit game. After the success of Spiderman, it acquired the rights of *Hulk*, *Jurassic Park*, *Bruce Lee* and, by 2004, became market leaders in the mobile gaming market. One of the vendors which happened to be at the right place at the right time becomes the beneficiary of the tornado and captures a huge market share. After the tornado, the market structure is defined as follows:

-> **Gorilla:** The vendor which captures the maximum market share. Gorillas will have about 50 percent market share and earn 75-80 percent of industry profits as a result of dominating the tornado period.

-> **Chimpanzees:** These vendors were just not prepared to step up and seize the opportunity when the tornado arose. As a result, they could never attain the market share of the gorillas or their profits. They serve a small portion of the market and try to form a niche within that.

-> **Monkeys:** They try to fill the small pockets of the market which are not served by either the gorilla or the chimpanzees. They play on wafer-thin profit margins as their focus is on providing same solutions at a lower cost.

In 2004, TOM Online from China acquired the stake of Infinity Ventures and ILFS. After the TOM Online acquisition, a new era of growth started. Cisco and Adobe invested in Indiagames. It opened multiple international offices, hired many people and started developing more games.

In 2007-08, TOM Online exited and UTV bought the stake of TOM Online. Around this time, Indiagames had 80 percent business coming from international markets and 20 percent from India. The next few years saw an unprecedented telecom boom in India. The mobile penetration in the country suddenly skyrocketed and was accompanied by the increasing use of mobiles for various purposes, one of the major ones being mobile gaming.

Indiagames rode this sudden demand or tornado of gaming to evolve as the gorilla in the market. The company, thereafter, has established relationships with more than 80 telecom operators such as Vodafone, Verizon, T-Mobile, AT&T, Hutch and Airtel in more than 75 countries.

Indiagames has also formed partnerships with several major game publishers and media companies in the world such as Electronic Arts, Disney, THQ, Atari, Universal, Fox, Warner brothers, Sony, MTV, 2K Games and others. Usually, a gorilla makes a lot of profits during the period of the tornado. A company has to innovate, introduce new products and start new tornadoes to remain profitable; else it would enter into survival state.

Indiagames innovated and entered into another tornado: the tornado of PC and online games. Around 2008-09, many gaming companies started bringing Korean and Chinese games to India, but Indiagames focused on Indian consumers, who are very different compared to Chinese and Korean consumers. Indiagames launched online games on-demand (subscription-based model) and created a catalog of best PC and online games. In India, it runs the subscription-based PC games service called 'Games on Demand' across all major broadband operators.

-> **Late majority (Conservatives):** Conservatives are afraid of high-end technology and hence they tend to invest towards the end of the technology lifecycle, when products are extremely mature, have low prices and are treated as commodities. After the tornado stage, supply increases and demand starts going down and this is the time when a product becomes a low-cost commodity and enters into the Main Street—the conservative market. Some of the games which Indiagames has developed have gone onto become commodities.

-> **Laggards:** They use technology only when it becomes a necessity for doing certain work. The Indian gaming industry has not entered the laggard market segment yet, as people of our parents' and grandparents' ages do not play such games.

In 2009-10, Indiagames entered into new markets such as Interactive TV (ITV) games and iPhone- and Android-based games. Today, it is the largest operator of ITV Games Services with leading satellite TV service providers in India. It has started developing freemium games in which games are free and the monetization source is the brand advertisement. Indiagames has also launched a few other products catering to certain niche segments.

In 2011, Walt Disney Company acquired Indiagames for an estimated \$80-100 million. In April 2012, Indiagames reached a milestone in the mobile gaming world when it crossed the 100 million downloads mark on the Nokia Store. The series of tornadoes continues unabated for Indiagames.

Source courtesy: Geoffrey A Moore's *Inside the Tornado* and *Crossing the Chasm*

© *Entrepreneur India January 2013*

Related Posts

[How to find your first 50 customers](#)

[Like. Share. Repeat](#)

[The television will be revolutionized](#)

[Of men and mentors: Alok Kejriwal](#)

[Taking a giant leap on new gaming app Flying Felix](#)

Tags:

2K Games, AltaVista, atari, Debprotim Dutta, Disney, Electronic Arts, Fox, Harsh Pamnani, Indiagames, MTV, Sony, THQ, TOM Online, Universal, Walt Disney Company, Warner brothers, Yahoo



67



2



6

2 comments

Arun Kumar MK On 7 August 2013 at 1:02 pm 1

Good effort in clubbing reality with theory. Thanks for the article.

http://Www.Youtube.com/watch?v=Au_wbIDU9Ac On 21 November 2013 at 10:38 pm 2

Thanks for one's marvelous posting! I quite enjoyed reading it, you happen to be a great author.

I will make certain to bookmark your blog and will often come back later in life.

I want to encourage one to continue your great posts, have a nice evening!

[+](#) Leave a Comment

Name

E-mail

Website



The image shows a reCAPTCHA prompt. At the top, the text "iChesSu" is written in a stylized, handwritten font, followed by the word "prompted" in a bold, sans-serif font. Below this, there is a yellow input field with the placeholder text "Type the text". To the right of the input field are three small icons: a refresh icon, a speaker icon, and a question mark icon. Further right is the reCAPTCHA logo, which consists of a circular arrow and the text "reCAPTCHA™". Below the input field, there is a link for "Privacy & Terms".

Submit

[About Us](#) | [Sitemap](#)

Entrepreneur · India's No 1 Magazine For Business Owners

© Network18 Media and Investments Limited. All Rights Reserved.

Network **18**