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STRATEGY APPROACHES IN THE VIDEO GAME INDUSTRY. THE CASE STUDY OF SOUTH KOREA, THE USA AND POLAND

PODEJŚCIA STRATEGICZNE W BRANŻY GIER WIDEO. STUDIUM PRZYPADKU KOREI POŁUDNIOWEJ, STANÓW ZJEDNOCZONYCH I POLSKI

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Abstract: The problem of interested in these studies was to identify the approaches to strategies that dominate the gaming sector in the USA, Korea and Poland. Solving this problem is the main goal of the research, the results of which are presented in this article. The cognitive aim is to broaden the knowledge of approaches to strategy in new sectors, such as gaming, at various stages of its development. The methodological aim is to check the usefulness of the approach and the analysis based on the principle of the so-called “grey intelligence”. The utilitarian aim is to indicate the directions of development of companies in this sector based on the theoretical projections of the strategy. The research was conducted in Q1 2022, and the result is a description of the dominant strategies in the gaming sector. The originality value of this research is to use theoretical approaches to strategy to identify strategies in new sectors and to verify the utility of these approaches.

Keywords: strategies, strategic analysis, gaming, general management, Video Game Companies (VGC).

Streszczenie: Problemem, który interesował autorów w tych badaniach, było zidentyfikowanie podejść do strategii dominujących w sektorze gamingowym w USA, w Korei Południowej i w Polsce. Rozwiązanie tego problemu jest głównym celem badań, których wyniki zawarto w tym artykule. Celem poznawczym jest poszerzenie wiedzy dotyczącej podejść do strategii w nowych sektorach gamingowych w różnych fazach ich rozwoju. Celem metodologicznym jest sprawdzenie użyteczności podejścia opartego na zasadzie m.in. „grey intelligence”. Celem użytkowym jest wskazanie kierunków rozwoju firm tego sektora w oparciu o teoretyczne projekcje strategii. Badania przeprowadzono w I kwartale 2022 roku. Wynikiem badań jest opis dominujących strategii w sektorze gamingowym. Oryginalnym wkładem jest wykorzystanie teoretycznych podejść do strategii w badaniach sektora gamingowego oraz zweryfikowanie użyteczności tych podejść do strategii.

Słowa kluczowe: strategie, analiza strategiczna, gaming, zarządzanie, sektory gamingowe.

1. Introduction

The global gaming market keeps growing and its value is reported to inevitably increase to 314.40 billion dollars by the end of 2027 (Gaming Market..., 2021). It is a significant growth, bearing in mind that in the early 2010s its value was ‘only’ 52.8 billion dollars (Value of the global..., 2021). In terms of the volume of gamers, the tendency is the same – in 2021 the estimated number of gamers was approximately 2.9 billion, a 45% growth in comparison to the results in 2015. By region, there are over a half Asia-Pacific gamers in that number (1.478 billion), nearly 25% EMEA (715 million) gamers and the rest (703 million) shared between North and Latin America¹. The constant growing trend can be explained by many factors: the huge digital population (in 2021 nearly 60% of the global population were active Internet users (Global digital..., 2022)) interested in entertainment; the popularity of mobile devices (92.6% mobile users and the increasing importance of the mobile-first approach (Hernández-Nieto, Sánchez, and Salinas, 2015), which gives better access to many forms of gaming apps, increasing technological capabilities, and – of course – the Covid 19 pandemic, which changed people’s habits, making them play more frequently video games (in March 2020 gamers claimed that they spent 45% more of their time playing video games than in the previous weeks (Increase in time..., 2021)).

The online world is interesting in itself, but it results in many companies having to compete to fulfil gamers’ needs – to make them interested in their product offer. Companies need to stand out in the market, and this requires not only professional products and outstanding services, but also an optimal quality.

Despite rapid development over recent years, the video game industry in the authors’ opinion has not received sufficient academic attention. While there are more and more academic journals focused on a broad field called ‘gaming’ or ‘game

¹ www.wepc.com/news/video-game-statistics/ (accessed on 03.01.2022).

theory', the study has identified a significant knowledge gap with regard to the strategies adopted by Video Game Companies (VGC).

The problem that interested the authors was to identify the approaches to the strategies that dominate the gaming sector in the USA, South Korea and Poland, and was the main goal of the research, the results of which are presented in this article. The cognitive aim is to broaden the knowledge of approaches to strategy in new sectors, such as gaming, at various stages of its development (therefore three different markets, three different countries). The methodological aim was to check the usefulness of the approach and the analysis based on the principle of "grey intelligence". The utilitarian aim was to indicate the directions of development of companies in this sector based on theoretical projections of the strategy. The choice of the countries is not accidental; the USA and South Korea are the largest game producers (the late phase of growth in the life cycle of the sector), and Poland is an example of the sector's early stage of growth. In the presented research, the authors used a critical analysis of the literature, desk research analysis and a research method referring to the analysis of grey intelligence of VGC. The research was conducted in Q1 2022. The result of the research is a description of the dominant strategies in the gaming sector. The originality value of this research is to use theoretical approaches to strategy to identify strategies in new sectors and to verify the utility of these approaches.

2. Business strategy approaches in the Video Game Industry

As in any other industry², also VGC need a strategy, allowing them to gain market share, to fulfil the players' (customers') expectations and needs, to achieve competitive advantage derived from the most talented programmers and graphic designers, or to create the most unique and breakthrough business models. They may differ, based on the targeted region (and the related cultural or hardware differences), targeted clients (casual players, hardcore MMORPG players etc.), type of game (FPS, RPG, Strategy, Platform etc.), or the applied methods of monetisation (premium, freemium, free to play, monthly payment, advertisements etc.) (Klimas, 2017), all of which multiplied by constant hardware innovations.

While conducting research review across the most popular journals regarding the Video Game Industry (VGI)³, the authors identified a significant research gap in relation to the strategies followed by VGC. Williams examined the strategies of Video Games Developers, defined as a set of aspects used or included in successful

² For the purpose of this paper, the authors classified both: Video Game Developers and Video Game Publishers, as "Video Game Companies" ("VGC").

³ The review included comprehensive analysis of papers published in the following journals: Journal of Gaming & Virtual Worlds, Games and Culture, International Journal of Gaming and Computer-Mediated Simulations, Entertainment Computing, *Eludamos: Journal for Computer Game Culture and International Journal of Computer Games Technology*.

games (products), not focused on the strategies adopted by each studio (Williams, 2018), see also (Ahmad, Barakji, Shahada, and Anabtawi, 2017). The only study found by the authors dated from 2007, and focused on analysing the structure and dynamics of the industry value chain by comparing the strategy of the leading companies in this market (Tomaselli, Di Serio, and De Oliveira, 2008).

As in every other sector in the modern, complex and challenging environment, the companies operating within the VGI need a strategy, defined as a direction set for a company to achieve the desired state in the future, creating a unique position, involving a different set of activities to differentiate and build a competitive advantage. The literature presents various approaches or schools of strategy; for the purposes of this research, the authors focused on the five dominating approaches, allowing a complete holistic overview (Niemczyk, 2013):

- planning approach,
- positioning approach,
- resource-based approach,
- innovative and entrepreneurial approach,
- network approach.

The school of planning refers to the work of Ansoff and Chandler. and defines strategy as setting long-term goals and the specific ways of achieving them (Ansoff, 1985; Chandler, 1962). Based on this approach, the organization focuses on a long-term horizon and achieving economies of scale. The positioning approach was created by Porter, with the main determinant focused on building a competitive advantage, using a unique combination of activities to differentiate, and to benefit from the achieved privileged position in the sector (Porter, 1980). The resource-based approach emphasises the role of internal, non-material resources (e.g. knowledge, brand, image) in the company's growth. Those resources should be combined in such a way as to allow a company to build its competitive advantage. The remaining two approaches are relatively new, emerging in this century. The innovative and entrepreneurial approach classified innovation as the core resource of the strategy, the driving force allowing to create 'new rules' in the industry and become, what was recently named, a disruptor. The network approach to the organization's strategy, however, is the latest way of thinking about the strategy. It refers to the concept of defining a company as a network (web) of various relationships. The value is created by cooperation with the customer, knowledge diffusion, and generation of the network effect (acquiring new customers and businesses for the purposes of cross-selling).

As presented in the next chapter, based on the characteristics of the VGI globally and in the United States, South Korea and Poland specifically, its unique nature, the rapid development of the technology and the constant changes in customer behaviour and needs, invites questions about the dominating strategy approaches in the VGI. Such insights would allow the proper classification of company strategies and better understanding of the video game developers mission, vision and strategy.

VGC's strategy referring to the planning approach focuses on the long-term plans the company has. The key aspects of these plans may refer to economies of scale, important, if not crucial, given the access to the global market via video game digital distribution systems. It is also possible to produce a global bestseller, without significant capital. Such games as *Minecraft* and *Stardew Valley*, are examples of successful games created by one person. Some companies derive their success from economies of scope, achieving the long tail effect⁴. This is predominantly observed in the mobile games segment, where companies (e.g. *PlayWay* and *BoomBit*) focus on creating many low-budget games (e.g. by using the same game engine) and concentrate on further development and monetisation only of those games whose launch met with a positive response from players. Another important category of the planning approach is the broad term of "diversification". Geographical diversification (thus not the most important given the access to global market via distribution platforms like *GOG.com*, *Steam*, *Origin*, *Google Play Store* or *Microsoft Store*), sometimes can still play an important role. It is not necessary to design a game, aiming to distribute it on a particular geographical market, but to create a better brand visibility, given some specific needs of players from particular regions. The diversification would be more visible when it comes to platforms (e.g. mobile, PC, console) or the type of games (strategy, FPS, RPG, MMORPG etc.) to gain greater market share by fulfilling needs of different types of players. Lowering production costs could be achieved by creating virtual teams, consisting of developers from relatively low-wage countries (e.g. Poland, Belarus, Ukraine, India).

The VGI is a highly competitive sector. The entry barriers are low, especially given the lack of regulations, however this has raised the barrier for market penetration, as there are many companies to compete with. A strong brand seems to be important, especially now one can also observe the ongoing consolidation in the market, to gain market share. Most recent acquisitions of *Activision Blizzard* by *Microsoft* and *Zynga* by *Take-Two Interactive* are some examples. Although as already mentioned, the entry barriers are relatively low, part of the industry (e.g. the AAA segment⁵) requires licences or copyrights (*FIFA*, *NBA*, *NHL* etc.). Another important factor affecting companies' competitive advantage are business models (Markides, 2015) and monetisation models (Heitmann and Tidten, 2011; Klimas, 2017).

From the resource-based approach perspective, although similar to the planning approach, the focus is placed on non-material resources which are especially important in the VGI. The brand, image and Public Relations, but also non-material resources related to the process of game designing: own, unique game engine, own

⁴ The long-tail effect is also commonly used in Industry 4.0 and was analysed by the authors in a separate paper, see (Niemczyk, Trzaska, Borowski, and Karolczak, 2019).

⁵ AAA is an informal classification used to categorise games produced and distributed by a mid-sized or major publisher, which typically have higher development and marketing budgets than other tiers of games (Steinberg, 2007).

franchise, team with success story, technical knowledge, “type of game specific” know-how, seem to be especially important given the highly heterogeneous nature of the sector. Once the brand is created, VGC strongly rely on it. All the top 10 selling video games in January 2022, were sequels (e.g. Call of Duty: Vanguard or Mario Kart 8) and well-known franchises (Pokemon Legends: Arceus, Marvel’s Spider Man: Miles Morales)⁶. A similar observation was made by Marchand and Henning-Thurau in 2013 emphasising that “the prominence of sequels (...) suggests the need for a better understanding of factors that influence the value of sequels, above and beyond that it matters for games” (Marchand and Henning-Thurau, 2013).

An innovative and entrepreneurial approach is strongly related to the new hardware technologies, on which games rely on. VGD are usually not responsible for the development of the hardware products, but their products have to be designed in a way to keep the right balance between visual quality and performance of the game. This approach refers to blue ocean strategy as well, by creating groundbreaking games, which set a new standard, and are so unique that they cannot be compared to other published games. This could also be achieved by following a strategy focused on making money from hardware innovations (e.g. Kinect, Oculus and Google VR). This strategy approach is closely related to the cyclical nature of the sector. The performance of the games depends on the technical possibilities offered by the hardware it is using (e.g. each game is designed for a specific console) (White, 2013), meaning the popularity and effectiveness of the hardware, affects the popularity and performance of the game.

The network approach refers to vertical integration, acquiring or creating its own distributing platforms. This would be also achieved by cross-selling or using one franchise to create various games or products across different platforms. Usually in the VGI, the network effect is achieved built around brands and intellectual property. Activision Blizzard (recently acquired by Microsoft for \$68.7 billion⁷) is a good example of that strategy. Its customer base has evolved into a social network and the franchises owned, creating an ecosystem (The Fountain Group. Raymond James, 2021). The network effect strongly impacts on the MMORPG, as usually the more active the players in the game, the better experience the game provides, and (potentially) the more new players it brings.

3. Research procedure

The authors’ choice to identify the strategies followed by the biggest video game companies within the VGI across the United States, Poland and South Korea was motivated predominantly by the cultural differences of the players (Jin, 2010). Another aspect refers to the differences in the key trends on the market (forthcoming

⁶ www.npd.com/news/entertainment-top-10/2022/top-10-video-games/ (accessed on 07.03.2022).

⁷ news.microsoft.com/2022/01/18/microsoft-to-acquire-activision-blizzard-to-bring-the-joy-and-community-of-gaming-to-everyone-across-every-device/ (accessed on 13.03.2022).

consolidation of the sector in Poland, pressure on the development the NFT, Blockchain and Metaverse in South Korea, and the popularity of smartphones as the most popular gaming device by a significant margin in the United States). Finally – to identify whether the popularity of particular platforms in the abovementioned regions affects their strategies.

As mentioned above, the authors identified a research gap with regard to the strategy adopted by VGC. The research procedure was divided into four main stages:

- 1) sector's analysis across the three regions,
- 2) defining a research sample and data gathering (mission, vision, strategy),
- 3) analysis of the strategies adopted by the leading Video Games Companies,
- 4) research results.

The first stage of the empirical research was to characterise all the three regions taken into consideration. The choice of the markets of Poland, the United States and South Korea was motivated by significant cultural differences between those countries (which affects the players' needs and expectations), difference in the current trends (e.g. NFT, blockchain and metaverses), and differences in the visions and way of presenting the core values. The analysis aimed to provide general background information about the key trends within those markets, as well as answer some of the questions about identifying key differences in VGC strategies on a macro level. For each region, the study identified: how the sector evolved; the role of economies of scale; how/if the sector is regulated (the planning approach); the average margin in the sector; the main entry barriers; whether the competition between VGC is national or international; the sales structure across the sector; the way VGC compete with each other (the positional approach); the key competencies; whether the games are created based only on their own resources; drivers of the value of VGC; the dominant business models and how they differ (the resource-based approach); the importance of innovation; whether VGC compete by introducing innovative products or business models (the innovative approach); the dominant players owning all the process of the game creation; whether VGC use the network effect; the role of cross-platform productions; the key trends when it comes to overall growth of the sector; the importance of outsourcing of the core services (the network approach).

The second stage included defining a research sample and data gathering. The specific criteria of including a particular VGC into the research sample was explained, then a comprehensive list of all the companies was prepared and the necessary data gathered.

The third stage included the actual analysis of the data. The authors analysed the missions, visions and strategies with the aim to classify each strategy adopted by VGC across all three regions according to the leading and the secondary strategy approach. At the end, the results were analysed and presented in the final, fourth stage, of the research procedure.

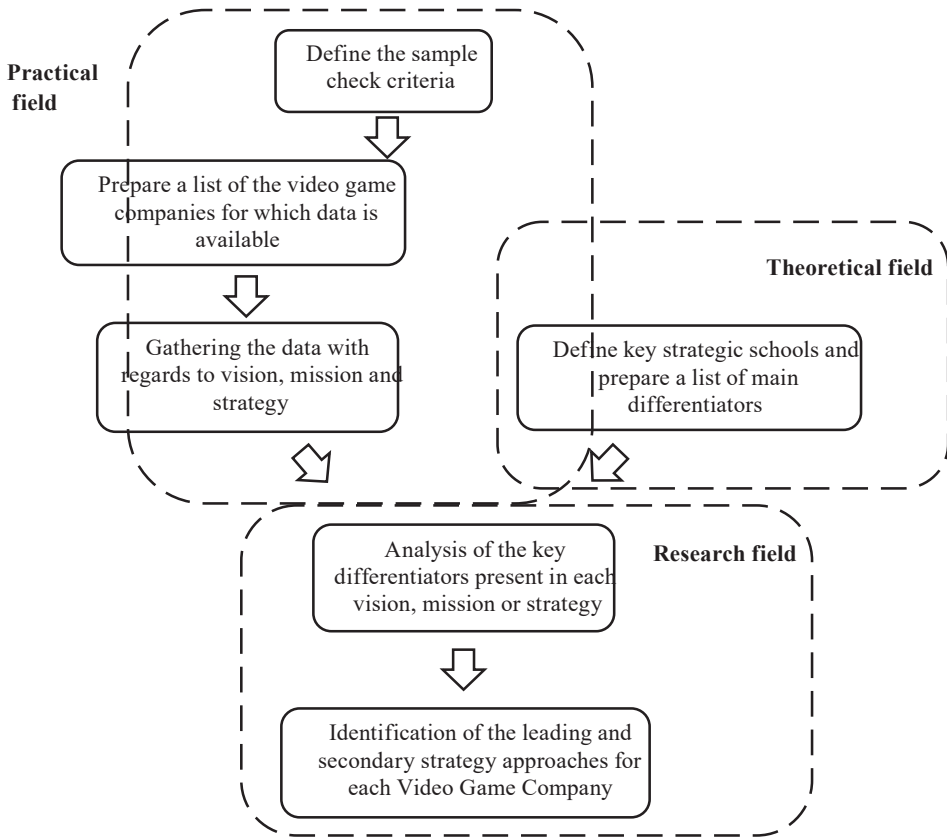


Fig. 1. Research procedure

Source: own work based on (Jasiński, 2020; Niemczyk, 2020; Niemczyk and Jurczyk, 2020).

Taking into account the differences highlighted in the previous part, the authors' goal was to identify the leading strategy approaches (in line with the five schools theory) among the Video Game Companies (VGC), and to define the main differences between the companies from the United States, Poland and South Korea. To achieve this, using publicly available sources, the authors prepared a list of 59 VGC, for which the data were available.

Then, for each of them, by reviewing their websites, analysing their periodic reports, and investors' presentations, the study identified their strategy, mission and vision. The final stage of the research procedure was based on the gathered information, to identify the leading and secondary strategy approaches in line with the aspects allowing the correct classification. The details are presented in Section 2.3. The research procedure is presented in Figure 1. It was based on the methodological guidelines in (Jasiński, 2020; Niemczyk, 2020; Niemczyk and Jurczyk, 2020).

4. Characteristics of the Video Game Industry across the USA, South Korea and Poland

The VGI in the USA

In 2020 in the US nearly 227 million people were playing video games, which means that more than two out of every three Americans can be called a gamer (Cale, 2021), a gamer of some description, as there are currently many ways to play games. The most popular are mobile games, which amounted to over 89% of all digital game scores in 2021 (US Video Gaming Industry in 2022: Gaming Devices & Video Game Content Viewership Trends, 2021), but it's not only mobile games that Americans play, and it keeps changing constantly. In 2018 in the United States the revenue from console games was approximately 16.2 billion dollars, and it outperformed mobile gaming (10.8 billion dollars) and PC gaming (5.84 billion dollars) by far (Janikowski, 2021). Yet, the recent trends show that mobile games are in pole position to dominate the market – especially since the COVID-19 pandemic in 2020 (35% of mobile gamers in the US and Canada suggested that it was the COVID-19 lockdowns and restrictions that spurred them to play more games on their phones (Makuch, 2021)). Another aspect, vulnerable to change, is the gamers' gender. The diversification is more visible day by day, as women accounted for 45% of all the gamers in the US in 2021 (Distribution of video gamers..., 2021), which shows that the companies' gaming product offer should consider many factors to satisfy its customers.

Gaming Video Content, for instance, is still a big trend and it highlights one of the growing needs in gaming – social interaction (US Video Gaming Industry..., 2021). The pandemic showed the importance of the lack of social interaction in people's lives, and Gaming Video Content allows them to avoid it. It is also very profitable. Investments in live streaming generated around 6.5 billion dollars of revenue in 2019 worldwide and Twitch itself is responsible for 23% of it, i.e. 1.5 billion dollars (in 2020 – 2.3 billion dollars (Iqbal, 2022)) and YouTube – 22%⁸. Twitch is still a popular option for both creators and users. Its creators earn a lot of money just by being close to their audience, and stream regularly (Critical Role earned nearly 10 million dollars from August 2019 to October 2020 for streaming on Twitch⁹). This is definitely an interesting way of being successful in the gaming area as video game streaming in the next few years can become as natural as streaming a song on Spotify or a Netflix movie, and a way to use the resource-based approach.

Another option, not so popular a few years ago, which attracted Americans' attention is Virtual Reality (VR). Meta, a giant US company, is now known for popularising the term and idea of a “Metaverse” – a network of 3D virtual worlds focused on social connection – and one can say that this interest started some time

⁸ www.theloadout.com/twitch/youtube-revenue (accessed on 26.01.2022).

⁹ twitter.com/InstantGamingEN/status/1445696170236342277?t=t4qkTKC07VSms9frxF-6s5A&s=19 (accessed on 08.02.2022).

ago when the company made many investments in Oculus¹⁰. It was not an obvious choice at that time, but Meta saw an opportunity to generate income, and – as seen recently – their investment in gaming blue ocean resulted in huge success (Oculus Quest..., 2021). However, Meta's actions, which could be specified as part of the innovative approach, were not the only ones showing this tendency.

There is great interest in starting gaming activity when it comes to the biggest American companies, e.g. Google, which in 2019 invested a lot of time and money in their innovative cloud gaming service, Stadia. This whole idea, which seemed inconsequential at first, quickly became an interesting opportunity for gamers. More and more followers appeared and expanded the project's popularity, which drew the VGI's attention towards the impact of cross-play. However, there are still many questions marks concerning Stadia's future (Honorof, 2021), which do not change the interest in the VGI.

The pertinence of investments in gaming is also visible in the example of Microsoft, which recently took over Activision Blizzard in the biggest gaming transaction in history (Chalk, 2022). Note that their two Call of Duty titles (Call of Duty: Vanguard and Call of Duty: Black Ops: Cold War) were the TOP2 on the 2021 best-selling video games list in America (Grubb, 2022). Hence, this kind of activity on the market may be seen as a signal that Microsoft is trying to become a huge player, 'dealing cards on the market', building its renowned positional approach.

Moreover, there are some cultural aspects as part of the resource-based approach. In 2020, Naughty Dog's employees and former employees started to loudly criticise the working conditions there, explaining in some way the 70% attrition rate that characterised the company (Marder, 2020). Overtime hours, unhealthy work-life balance, burnout are all in the name of a perfect gaming experience, and even if effective in a visual way, gamers actually care. Nowadays there are many more aspects being considered by gamers while playing a game. They want to feel a bond with the company to which give their money and time (Baker, 2021). When the overall opinion about its environment is bad, they think twice before buying a product, not to mention the developers who want to work on ambitious, but sound projects. That is why gaming companies need to project a clear and actual impression of their social attitude. For example, Insomniac Games' company vision ("To create games that have a positive and lasting influence on people's lives") and mission ("Our games promote positive messages. We tell stories about good overcoming evil. We focus on positive themes like friendship, self-sacrifice, and fighting for the greater good. And we walk the walk ourselves through our inclusive workplace culture and industry leadership")¹¹ speak a lot about their inner values, and by looking at the company overview and employees' opinions¹² it is easier to trust them.

¹⁰ www.cnn.com/2017/02/01/facebook-earnings-call-mark-zuckerberg-on-oculus-10-year-plan.html (accessed on 15.02.2022).

¹¹ insomniac.games/vision-mission/ (accessed on 16.02.2022).

¹² www.greatplacetowork.com/certified-company/1000651 (accessed on 16.02.2022).

The specific approach to sports in the USA is also a very important factor in game development. Electronic Arts' Madden NFL took third place on the list of the best-selling games in 2019¹³, which means that 572,325 units were sold, compared to only 43,492 units in Europe at that time (D'Angelo, 2018). This was not an accident, as the same tendency emerges year after year – people from different countries like different games. The specificity of each region is a factor that builds gaming companies' strategy and lets them create accurate Key Performance Indicators (KPIs¹⁴).

The Video Game Industry in South Korea

The year 2021 in South Korea raised the value of the VGI to nearly 2.4 billion dollars¹⁵ and the forecast is that this value can increase even up to 9.8 billion dollars in 2026 (South Korea video game market..., 2020). Every year, approximately 70% of the South Korean population state that they play video games (in 2015 reaching its peak – 74.5% (*Share of South Koreans playing games from 2015 to 2021*, 2022)). This applies to video games in general, as they are to a certain extent connected to their culture and the PC Bangs popularity shows it clearly.

Twelve thousand gaming centres are visited 5 to 8 times per month by 45.3% of the South Koreans (*Distribution of PC bang visitors in South Korea in 2021, by number of monthly visits*, 2021), as a way to spend their free time, mostly to play League of Legends (“LoL”), a giant on the market, reaching 46% of a playtime share in PC Bangs in 2021¹⁶. Gamers visiting these places are mostly practising, hoping to become one day be a professional e-sports player, which is the fifth-most popular future job among South Korean students, after athletes, doctors, teachers, and digital content creators, according to a survey by the Education Ministry in 2020 (Sang-Hun, 2021). This kind of mentality is reflected in numbers: 6 out of the 11 winning teams in the prestigious League of Legends World Championship were from South Korea. Hence, powerful companies are willing to support teams with a perceived potential, honouring their effort and hard work. The most titled LoL player, ex aequo, Lee Sang-hyeok, earned around 1.26 billion dollars in 2021 only in prize money (Overall leading..., 2022), and that year it was rumoured that he could change his team, T1, in a transfer move worth approximately 40 million dollars¹⁷; even if this did not happen, it shows the huge growth of this sector in South Korea.

Besides e-sport, the South Korean VGI is also associated with mobile games. It is the 4th biggest mobile game market in the world, after China, the United States, and Japan¹⁸. More than half of South Korean citizens play mobile games regularly

¹³ venturebeat.com/2020/01/16/20-best-selling-games-of-2019/ (accessed on 16.02.2022).

¹⁴ gameanalytics.com/blog/everything-need-know-interpreting-kpis/ (accessed on 16.02.2022).

¹⁵ www.ceicdata.com/en/indicator/korea/market-capitalization (accessed on 18.02.2022).

¹⁶ upload3.inven.co.kr/upload/2021/09/16/bbs/i13383973905.jpg (accessed on 18.02.2022).

¹⁷ inf.news/en/game/5a8c7f74a844440295f20c79db77f31e.html (accessed on 18.02.2022).

¹⁸ newzoo.com/insights/rankings/top-10-countries-by-game-revenues/ (accessed on 18.02.2022).

and they spend a massive amount of money on them (5.6 billion dollars in 2018 (Sue, 2019)), which attracts attention of potential developers and investors. In 2020, the mobile game market value was estimated at 6.24 billion dollars, and two South Korean companies, NCSoft and Nexon took 7th and 8th place on the list of the publishers with the biggest worldwide revenue around the world¹⁹. The most popular games in the country are mostly MMORPGs, such as the Lineage franchise, in which the mobile version M, generated 2.3 billion dollars revenue just from players' spending²⁰. The newest game from the series, Lineage W, launched in the fourth quarter of 2021, is also considered as a great prospect, topping the Apple App Store on the date of release and achieving no. 1 in sales on Google Play two days later (So-yeon, 2021). From a certain distance, one can spot the importance of the cross-platform aspect in crafting the appropriate strategy, as Lineage W is available not only on mobile Android and iOS, but also on the consoles such as PlayStation 5 or Nintendo Switch, which started to be an important aspect in South Korea. Does this mean that the console game market will catch up with smart and e-sports? It is hard to say, but one should mention that the 2019 pandemic brought a boom in the sales of various consoles, and its estimated market value increased by 32% on-year in 2021 (Yun-Hwan, 2020). Even if that was just a temporary trend, it clear that South Korean game developers understand the power of consoles in different regions of the world.

The Video Game Industry in Poland

The Polish gaming industry market value in 2021 reached 625 million dollars (*Gaming in Poland – statistics & facts*, 2022) and the forecasts show that potential growth is very likely and may oscillate even around 752 million dollars in 2024 (Kondycja Polskiej Branży..., n.d.). In previous years, the gaming market was thriving and was dominated by one company – CD Projekt. However, the recent studies show that currently other brands have recorded a huge revenue growth, coming closer to the market leader (110% increase noted by other companies in 2020 compared to only 32% in 2019 (Marszałkowski, Biedermann, Rutkowski, 2021)). This healthier tendency could be a breakthrough in expanding the Polish gaming market position on the world map and is worth monitoring. The progressing evolution of Ten Square Games (Piekarski, 2021), the appearance of Bloober Team's *The Medium* (Singh, 2021), the success of All in! Games' *Ghostrunner* (Smith, 2021), the continuing popularity of the 11-bit studios' *Frostpunk*²¹, and Techland's great plans regarding *Dying Light 2* (Fillari, 2022), and of many more companies mean getting better and better results.

¹⁹ pickool.net/deep-dive-into-the-worlds-4th-largest-mobile-gaming-market-south-korea/ (accessed on 18.02.2022).

²⁰ seoulspace.com/the-top-10-mobile-games-in-south-korea-updated-for-2022/ (accessed on 18.02.2022).

²¹ ir.11bitstudios.com/en/news/record-breaking-revenue-in-pandemic-year (accessed on 23.02.2022).

CD Projekt (as an important element of the Polish gaming industry) and the increasing relevance of other Polish gaming companies do not mean that the biggest studio suffers. Conversely, the company keeps evolving, and its activities on the market show how well-enhanced their strategic plan is²², which contains many different approaches, as indicated by the following paragraphs. This is an interesting vision that could be also easily assigned to the other companies mentioned above, as all of them tend to be somehow inspired by its market behaviour, both attractive and effective.

Starting with the planning approach, one can definitely point out some visible determinants/trends in the Polish gaming environment. The first and biggest indicator of this approach is the special care involved in developing a notable title and expanding its reputation. The companies' portfolios are typically small and every released title tends to be 'wrapped up' with a huge effort put on the marketing, merchandising, and potential collaboration with valuable stakeholders. Techland, People Can Fly, Huuuge Games, Bloober Team cannot boast many titles (bearing in mind how long they have been in business), as in the first place there is quality and not quantity. Quantity becomes important later on when the title gets the right acclaim, and then their experience and economies of scale bring them closer to achieving the goal. This is a distinctive and advantageous way, as demonstrated by the actions of CD Projekt. It is no mere coincidence that their publicly identified role model is Rockstar and its *Grand Theft Auto*, mentioned in the first section as a perfect example of long-term brand building (Jodłowski, 2016).

The positional approach also plays a large part in the Polish market and can be seen in the activities of both the smaller companies without an impressive financial base and the market giants. The former tend to try to take advantage of the market opportunities to generate a quick ROI that would allow them to take further steps into evolution, as All in! Games did with their *Ghostrunner* sales (Batchelor, 2021). The latter usually plan their actions carefully, but as soon as it comes to the crunch one can see a lot of actions taken to make the title as anticipated as possible, and Techland is a great example of that. Their flagship title, *Dying Light 2*, was recently released, and in order to build the tension and expectations of its fanbase, the company decided to use a pre-order option and three editions of the game, depending on the preference and the level of gamer's interest – standard, deluxe and collector's (Reed, 2022). This kind of activity on the market may be identified as a mix of positional, resource-based, and innovative strategic approaches.

Keeping the fanbase entertained and engaged is one of the most important aspects of a successful strategic plan nowadays, and it is part of the resource-based approach. This could begin much earlier than during the game-playing process itself. User experience affects every aspect of people's lives and thus it is important to treat the gamer as a company stakeholder. The used technologies, patents, rights to an

²² www.cdprojekt.com/pl/wp-content/uploads-pl/2021/03/aktualizacja-strategii-grupy-cd-projekt_small.pdf (accessed on 23.02.2022).

AAA title, as well as company websites' GUI, employees opinions, and the way the company communicates on the social media, all matter in attracting the attention of a potential buyer, hence it is really important to progress further. As mentioned earlier, CD Projekt's REDengine and GOG Galaxy are a powerful weapon to build a strong market position and could generate many benefits, perhaps only appreciated in a few years. The same could be said about expanding the company's capabilities by buying other studios, just as Ten Square Games did with the RORTOS²³. Still, this is also about branding, therefore if the company wants to succeed, it needs to invest in itself in many different ways (Walker, 2022).

Investment is also a major part of the innovative and entrepreneurial approach. Any negligence related to missed opportunities on the market, unnoticed niches and trends, could be costly. Thus companies' product offers tend to be very similar, which is not a bad thing in itself, as they have proven value. The choice among online options, mobile engagement, cross-platform games, schematic content marketing... all this means that it is not easy to be innovative. Blue oceans are hard to find and are mostly related to any activities enhancing the position of an existing title, which requires a powerful background. CD Projekt's works are related to the GOG Galaxy, and their collaboration with companies all over the world to make animas and comics about *The Witcher* or in the *Cyberpunk 2077* universe, hoping to gain more popularity in each region. Bloober Team worked in partnership with Take-Two to become a leading horror-game producer²⁴. Techland spoke about the 500 hours needed to complete *Dying Light 2*, to make people interested in the title. All this could be summed up in one word: exploring.

The final strategic approach, i.e. the network approach, shows its increasing importance, which directly translates into the gaming market. Living in a world where the term "network" is so widely spread (Nordin et al., 2017), the role of an efficient strategy is to take advantage of this fact, and the companies try their best to do so. The first thing that comes to mind in relation to networks – in the case of Poland – is cross-platform productions²⁵. Building a network is an opportunity that is treated by companies seriously and not just for games with built-in online features, but also the single-player games. Their producers tend, as previously mentioned, to "exclusivise" the title, which interferes with the idea of network building. Yet, in Poland the biggest video games from different studios, such as *The Witcher* and *Cyberpunk 2077*, *Dying Light*, *Frostpunk*, and *The Medium*, are all multi-platform. This helps the network effect to grow, resulting in bigger revenue recorded by the companies, and is also related to the partnerships, collaboration, fusions, takeovers, etc.,

²³ tensquaregames.com/2021/10/21/polands-game-producer-that-started-on-ten-square-meters/ (accessed on 23.02.2022).

²⁴ www.wirtualnemedia.pl/artykul/bloober-team-nowe-gry-horror-y-wyda-take-two-interactive (accessed on 23.02.2022).

²⁵ blog.grosvenorcasinom.com/how-will-cross-platform-gaming-impact-the-future-of-online-gaming (accessed on 23.02.2022).

regularly enacted by companies to increase their brand's relevance and improve its capabilities on the market (as CD Projekt did with Canadian studio Digital Scapes a while ago²⁶). The power of the many, pushes out a single individual's activities, and this happens with every stakeholder – from the user (player) to the CEO of the company.

5. Analysis of the strategies adopted by VGC

To facilitate the correct classification of each VGC's strategy, the authors designed a list of leading differentiators. For each strategic school, the key orientation was defined and the detailed distinguishing aspects of the strategy were identified. Although, the description below focuses on VGC strategies, the study also analysed the announced missions and visions, and although the difference between those three is clear for strategic management academics, these concepts are often confused in the business world. Such an approach could maximize the chance of the correct identification and classification of the followed strategy (Jasiński, 2020; Niemczyk, 2020).

The planning school is oriented on financial results and generative activities. Companies following this approach build their efficiency based on economies of scale and the experience curve, when the diversification criteria are based on the economy of scale or scope. The leading aspect, distinguishing it from other strategies, is the dominance in the strategy description of such categories as long-term production costs and product diversification. Such companies focus on long-term goals, detailing the possible way of achieving them. Finally, there is a dominance of engineers among the managers.

Increasing the market share and focusing on achieving a long-term competitive advantage, is the main area of focus for companies following the positional approach. The company's growth strategy centres predominantly on emphasising different ways of achieving competitive advantage and building the efficiency by increasing market share. The domination in the strategy such categories as sector, segment, advantage, entry barriers, risk, is common. Diversification criteria are based on balancing risk and utility (portfolios). Managers usually have a financial background.

The third strategy school refers to resource-based strategies, and is oriented on creating the value of the organization. The key competencies and values are constantly emphasised. This strategy is dominated by such categories as resources, key competencies, value creating, KPIs and stakeholders. The effectiveness is built on financial methods of value creation; a good and strong relationship with stakeholders is also very important. Similarly to the positional approach, managers usually have financial background.

²⁶ www.cdprojekt.com/en/media/news/cd-projekt-acquires-the-canadian-digital-scapes-game-development-studio/ (accessed on 23.02.2022).

The innovative and entrepreneurial approach is focused on the “blue ocean” concept, innovation and technological environment. This strategy is dominated by categories such as innovation, processes, intellectual value and property. The diversification criteria refers to the guideline to look for sources of innovation or blue ocean areas. The companies following this strategy often engage in cooptation. The effectiveness results from the continuous generation of products, business, financial and other kinds of innovation.

The final strategy approach used by the authors refers to the network school of strategy, where the orientation of strategic goals focuses on building an ecosystem defined as a network of interdependent organizations sharing resources and values. The strategy is dominated by the following categories: network, relations and stakeholders. The domination of effectiveness is based on building a network of values. The network effect is the desired concept. The diversification criteria are based on the use of the network effect, including other customer groups. The strategy classified to the network strategic school refers to ecosystems and franchises.

6. Research results

As mentioned above, the study analysed 59 companies from the Video Game Industry across three areas: the United States, South Korea and Poland. In the case of big conglomerates or capital groups, the authors focused only on those where the majority of the revenue flows come from video games (both developing and publishing them). Using publicly available sources, a list of 66 VGCs was prepared, however seven of them were omitted, because their mission, vision and strategy, were not publicly available. For the purpose of this analysis, the study did not differentiate video game developers or video game publishers, classifying them both as Video Game Companies. The research sample was dominated by Polish VGC: 28 of them come from Poland, 15 from the United States, and 16 from South Korea. The authors analysed VGC creating games for all kind of platforms (e.g. iOS or Android for mobile games, all generations of Xbox or PlayStation for console games, Windows or MAC for PC, Nintendo Switch). Nowadays the majority of VGC focus on designing specific types of games, rather than designing them for only one platform. This is even more important now, when games classified as “cross-platform games” are becoming a new trend in the VGI (Petite and Lennox, 2022). For each Video Game Company, its mission, vision and strategy were analysed, to identify specific indicators, allowing to classify the company’s overall strategy into one of the five strategy approaches. For each company, the leading and secondary strategy approach were identified. Note that the theoretical framework for approaches to the strategy related to the strategies of video game companies should be interpreted only in the context of the premise formulated in the previous chapter.

In the US Video Game Industry, the resource-based approach slightly dominates, and in five cases it was identified as the leading approach (as presented in Figure 2).

Take-Two Interactive Software's strategy, for example, emphasises its "world-class creative teams, culture of empowering our talent to enable creative expression or diverse portfolio of the highest-quality intellectual properties in the business, best in class global marketing and sales distribution or leading technology, including creative tools and enhanced data analytics", clearly indicating the importance of its resources, as a source of competitive advantage (Take-two interactive software..., 2021). The dominance of this approach means that the company is focused on building value using its key competences, resulting from the knowledge of the video game market, and concentrates on the further exploitation of these competences. The network approach was identified in over 50% of companies: in four cases as a leading one, and in other four as a secondary approach. In this approach, the descriptions of the strategy highlight building a product offer based on connections and relations with co-operators (relational rent), suppliers and customers (network effect). The innovative and entrepreneurial approach was not identified as leading in any case, however in three cases it was classified as a secondary approach (for example the re-invention of the traditional competitive mobile gaming by Skillz). "The US games industry is constantly adapting to accommodate the latest technology, and those changes have resulted in multiple avenues for them to generate a profit. By analysing the industry's trends and financial returns, the paper concludes that the industry will continue to prosper in the electronic marketplace through multiple streams of revenue" (Cruz, 2021).

The video game sector in South Korea is a mature sector. This is evidenced by the consolidation processes that have shaped the current structure, therefore, there is a high probability that the strategies will not use the classic rents (economies of scale and positional rent), but focus on rents disregarding the structure of the sector i.e. resource or network rent. The obtained research results confirm this logic of thinking. VGC in South Korea follow predominantly a resource-based approach, as shown in Figure 3, and in 50% cases it was the leading approach; the second most popular approach was positioning. The resource-based and network approaches were led mainly by such categories as NFT, Metaverse, and BlockChain – five VGC from South Korea build their strategy around them. This was unique in comparison to Poland and the United States, where they were not mentioned at all. The NFT aspect in particular, is becoming even more unpopular in Europe, as players treat this as another way of spending money for a game, which they have already bought²⁷. The biggest South Korean VGC still focus predominantly on their geographical expansion and further increase in market share (NetMarble, NCSoft and Doublegames), while the smaller businesses try to build their competitive advantage based on their unique, valuable resource (e.g. Devsisters, Actoz Soft and Playwith). It is worth noting the high position of the network approach as a secondary approach. This may indicate the importance of social capital as an implication of the growth, as confirmed in the study by P. Yung. Gaming social capital is significantly and positively predictive of

²⁷ [gamerant.com/ubisoft-quartz-digits-nft-initiative-failure-good/](https://www.gamerant.com/ubisoft-quartz-digits-nft-initiative-failure-good/) (accessed on 23.04.2022).

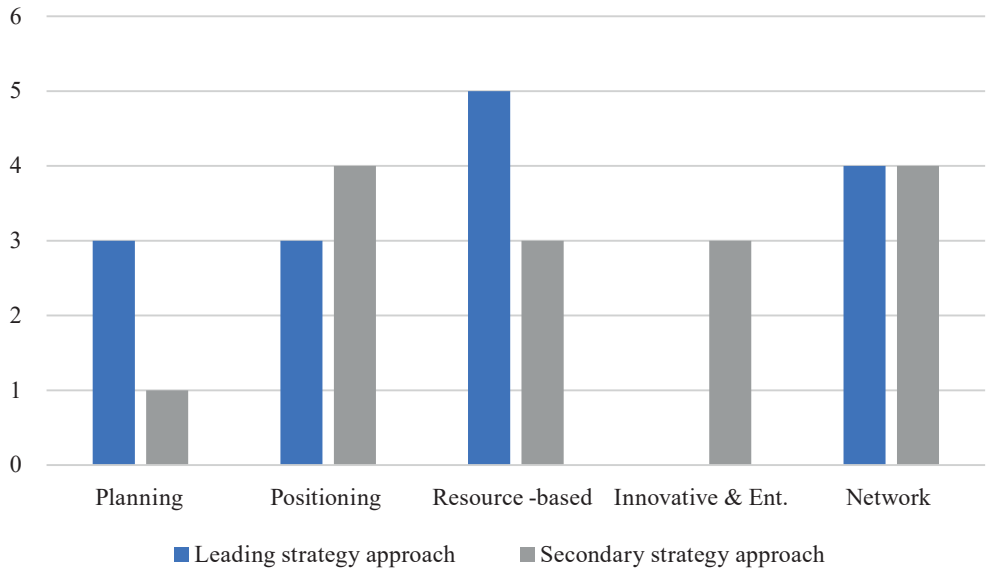


Fig. 2. Strategy approaches in the Video Game Industry in the United States

Source: own elaboration.

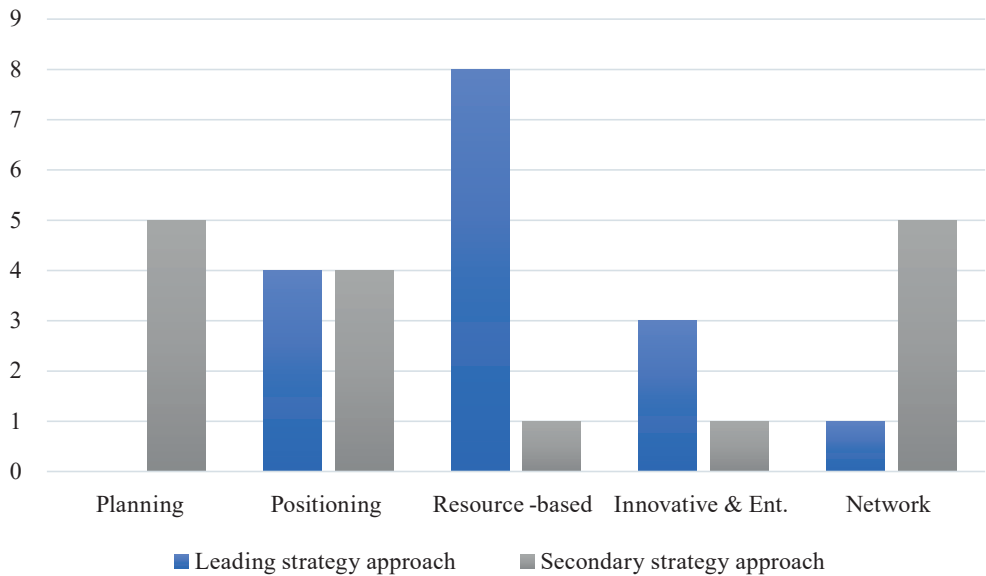


Fig. 3. Strategy approaches in the Video Game Industry in South Korea

Source: own elaboration.

bridging social capital and gaming disorder, suggesting that many opportunity costs (game community participation, creating relationships with game players, team play and guild participation) can occur to create the social capital formed by gaming (Jung, 2022).

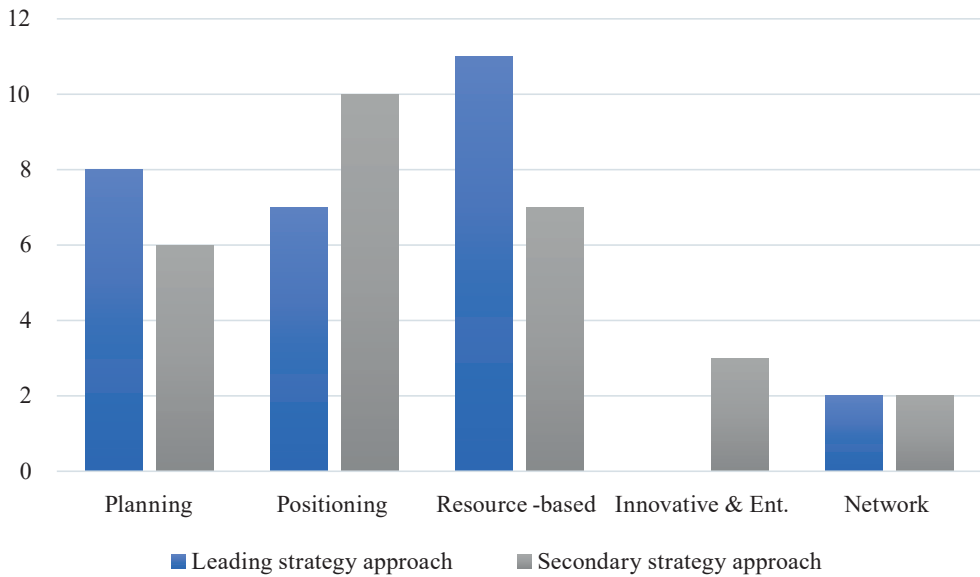


Fig. 4. Strategy approaches in the Video Game Industry in Poland

Source: own elaboration.

The video game sector in Poland is a young sector. This is evidenced by the large dispersion of companies, the lack of dominant players and a considerable focus on foreign customers, not necessarily domestic, hence the hypothetically high probability of the dominance of the planning, positional and resource strategies. In the Polish VGI (see Figure 4), the authors identified the dominance of the resource-based approach. The second most popular was the positioning approach (including both leading and secondary approaches), almost as popular as the planning approach. In comparison to the US and Korean markets, the network approach to the company’s strategy seems to not be so popular. In the research sample, only two companies adopted the network approach. The first one was PunkPirates, and the second was the Polish market leader – CD Projekt Red, with its strategy to build a community around GOG Galaxy and to increase the value of owned franchises by adding new fields of exploitation (e.g. mobile games) and development of cooperation (e.g. TV series, merchandising). Polish VGC try to build their long-term strategies based on their unique resources and competencies (11 Bit Studios, Artifex Mundi, ManyDev Studio or One More Level) or to use such resources to build a privileged position in the market (T-Bull SA, QubicGames, CreepyJar, CreativeForge and Techland).

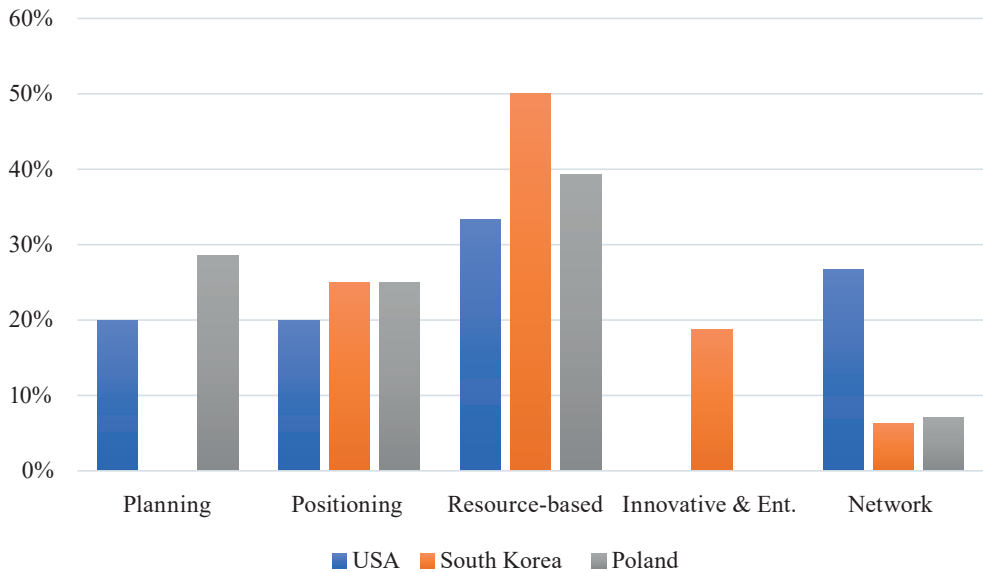


Fig. 5. Leading strategy approaches in the Video Game Industry across the analysed regions

Source: own elaboration.

Comparing the leading strategy approaches across all three regions, several differences were identified. While the resource-based approach to the video game company strategies was the most popular across all three regions, and the positioning approach was at the similar level, there were some significant changes in relation to the remaining approaches (see Figure 5). The dominance of the resource approach in the overall analysis of the three markets that are significant in terms of gaming development is in line with the premise of this approach, which competes with the key competences. In this case, these are most often the company's experience in designing and implementing games, the brand of the leading game, a well-developed sales platform and developed relations with other stakeholders. None of the analysed Korean companies adopted the planning approach, while 20% of the American and 29% of the Polish VGC included in the research sample, are developing their business based on formalised, long-term plans and economies of scale. The innovative and entrepreneurial approach was identified as a leading approach only in 19% of the Korean companies. This was led predominantly on building the strategy around new technologies (NFT, Metaverse, Blockchain), seeking to reinvent traditional business models. The network approach was popular predominantly in the United States, where VGC such as Electronic Arts and Roblox are building their strategies based on the significant engagement of its communities, or by the breadth and depth of the product portfolio, live services offerings, and use of multiple business models and distribution channels.

Finally, as seen in Figure 6, some differences in the secondary strategy approaches across the three regions were also identified. The planning and network approaches were most popular in South Korea, the positioning and resource-based ones in Poland, while the innovative and entrepreneurial approach was most popular in the United States. The majority of the Korean and American companies adopting the network approach as secondary, followed the positioning approach as the leading option, while the majority of the Polish companies adopting resource-based strategy, followed the positioning or planning strategy approaches.

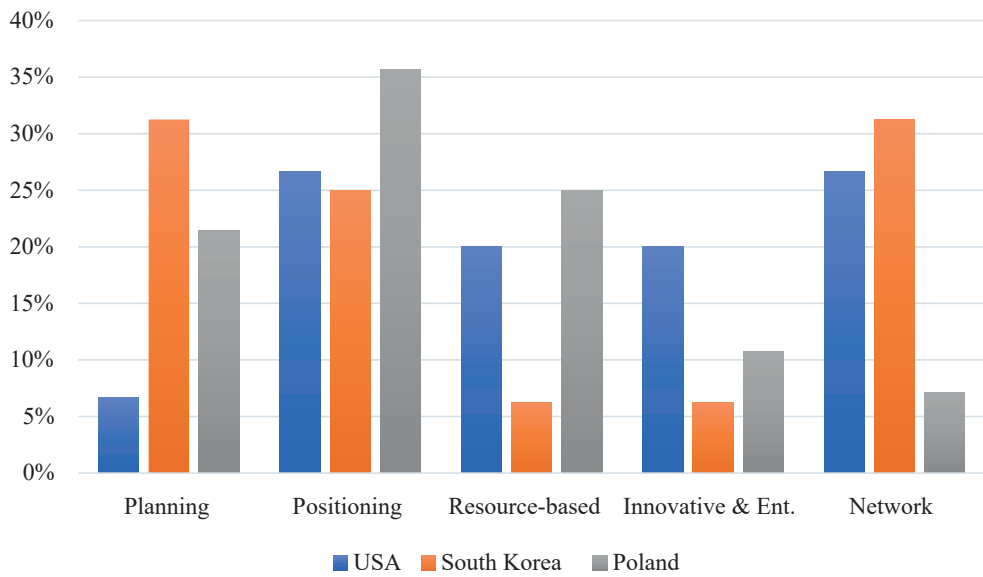


Fig. 6. Secondary strategy approaches in the Video Game Industry across the analysed regions

Source: own elaboration.

The low rank of the innovation and entrepreneurial approach as both the leading and the secondary ones to the strategy is surprising. The probable reason is that this approach is most often associated with start-ups, and not big market players. In large companies, basing the strategy primarily on innovation carries a risk. Companies of this scale cannot afford such activities. Perhaps this approach is recognised in small business strategies. An analysis of a few selected VGCs confirms such a hypothesis.

7. Conclusion and discussion

Video Game Industry around the world is still developing rapidly. Globalisation had a significant impact on the way in which the VGI’s products are consumed. The development of the Internet and global social media platforms contributed to the

overall growth of the sector within the last 20-25 years. The development of the hardware helped developers and graphic designers to push the boundaries of what is possible further and further, achieving the outputs where players are no longer sure what is real and virtual. Finally, the development of the network infrastructure allowed firstly, to connect players from all around the world, enabling them to play together, with a stable connection, and secondly, especially nowadays, to move forward into still unexplored areas such as virtual and augmented realities (AR & VR), possible due to 5G development (Orlosky, Kiyokawa, and Takemura, 2017). Ease of access to video games via digital distributing platforms like Steam, GOG, Battle.net, Origin, Epic Games Store Microsoft Store, Nintendo eShop, PlayStation Store and many others, has made the market even more competitive and the “blue oceans” harder to find. That is why the biggest players are trying to monetise their franchises in as many ways as possible and are engaging more and more in eSport. As described above, the brand is a fundamental value (characteristic for Resource Based View) in the video game industry. A brand, built and developed for years, may be irretrievably damaged by hiding the low performance of the game before official release (CD Projekt), moral scandals, sexual harassment, unequal pay, and retaliation of female staff (Activision Blizzard), poor technical and graphical quality, especially in comparison to the previous games of the studio (Konami). This is even more important as the entire gaming society stands together, despite differences observed in the regional markets across the world.

The results of the research presented in this paper point out a few trends and differences between the Korean, US and Polish video game markets; some of them may originate from cultural differences and others from the degree of the sector’s maturity in the specific region, from the market structure, or the market targeted by VGC.

In the South Korean market, the strategies are based predominantly on resources. Video games are an integral part of Korean culture. NFT and blockchain technologies are more and more popular, in contrast to other markets, where (especially) NFT is treated by gamers as another way of extracting money from them. This is true especially nowadays when paying to buy the game is just one of many ways for developers to earn money. Usually, there are some additional features in the game, which players can buy (microtransactions), in-game advertisements, monthly payments, or new content being available and sold as paid extension (called “downloadable content” – DLC). This also helps VGC to reduce impact of seasonal effects, when companies earn the majority of their money around the release date of a new product.

US companies predominantly build their strategies around the strong, globally known brands and franchises they own. Due to the size of the domestic market (202 million users) (Video gaming in the United States..., 2022), it is easier for them to derive profit from the network effect. It is also easier to build a community of players around globally known franchises, monetised at many ways (as described above).

In Poland (the smallest market from the analysed three – 11.4 million customers) (Gaming in Poland..., 2022), only CD Projekt and Techland are in a position to derive profit from their well-known brands and the globally known products. Other studios are relatively small, so they have to build their strategy based on unique resources, ideas and the most talented staff, building brands and specialising in video game niches (CreepyJar), or designing games with a unique identity (11 Bit Studios: “We consider games to be a form of storytelling. Our games expand on this by offering ambiguous choices, evoking emotions that have been reserved for other forms, tackling topics not previously seen in games, and simply looking for new ways to offer worthwhile experiences”)²⁸.

According to Coe & Yang (2022), the future of the VGI is to integrate ideas from the literature on platform ecosystems and global production networks (GPNs). Firstly, through “facilitating transactions between different types of individuals and organizations (...) and secondly, through mode of value creation through »innovative platforms«, which consist in technological building blocks that are used as a foundation, based on which a large number of innovators can develop complementary services or products” (Coe and Yang, 2022).

The critical review of the literature on the subject of scientific articles on gaming indicated that, in reality, such research is scarce in relation to other sectors. Research in the field of computer science dominates here. There are iconic magazines dedicated to gaming other than IT research, and none in Poland, therefore it is probably worth exploring this field of knowledge.

The gaming sector is one of the sectors in the growth phase of the sector’s lifecycle. Yet, the main group of customers are the players and, among the companies forming the sector, there are producers and distributors of computer games. Therefore, the analysis and prediction of the behaviour of companies in subsequent phases of the life cycle, their strategies, the possibility of implementing new approaches to strategy thanks to the mass number of contracts (complexity theory), new ecosystem research (Klimas and Czakon, 2022) may result in new knowledge in management and quality of science.

More subsectors will probably emerge from this sector, but others will also start to use its knowledge more widely. The recent years (2020-2022) of the COVID-19 pandemic and the hybrid wars have meant that solutions are already being implemented more widely: the use of games in education processes (Haberlin and Atkin, 2022), the possibilities of new areas of behaviour analysis (Ferguson et al., 2022; Scolari, Pires, and Masanet, 2022), reality and virtual design (Reer, Wehden, Janzik, Tang, and Quandt, 2022), development of cybersecurity (Khan, Merabet, Alkaabi, and El-Sayed, 2022), and others. Research on the directions of diffusion of knowledge from this sector is indeed the future of many areas of science.

²⁸ 11bitstudios.com (accessed on 29.04.2022).

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