

## Unit 1

### Case

#### Portable Fun Instruments

Yash Gupta is the founder and president of Portable Fun Instruments ( PFI), a company that has had great success in the handheld game market. Its first products were dedicated handheld devices that each offered a specific game, such as backgammon, checkers, or chess. As the power of microprocessors for handheld devices grew, and the size and cost of those microprocessors shrank, PFI was able to build better and more complex games into its devices.

Today, PFI offers a wide variety of dedicated handheld devices on which users can play card games, adventure games, and sports simulations, and solve various kinds of puzzles. Most of the elements in the game displays are graphics, not words. This helps PFI sell the devices in many different markets around the world without having to build separate interfaces for each language. PFI's game devices have retail prices that range between \$ 20 and \$ 40, but the retailers and distributors buy them from PFI for prices that range between \$ 4 and \$ 18.

PFI is profitable because Yash has worked hard to keep development and production costs low. Most of the programming is done in Bangalore, India, and the devices are built in production facilities located in Xixiang, China, and Penang, Malaysia. Although Yash has been successful in controlling production costs, he worries about continuing to operate the company with a long-term strategy that requires PFI to build a new physical device for each sale. The large retail chains that have become PFI's main customers are always asking for discounts and reduced prices on new orders, and production costs are creeping upward even though the facilities are located in some of the lowest- cost areas in the world.

Yash wants to explore the potential PFI has for moving its games to other platforms. PFI has translated some of its games to run on smart phones, but the results have been disappointing. Until recently, most smart phone users have been businesspeople who use their smart phones for e- mail, appointments, address books, travel expenses, and other data- management functions. These users are not avid game players, and sales of PFI's games for these platforms have not been strong.

Some of PFI's marketing team members have been telling Yash about the success of Apple's iPhone and the online store for software that runs on that phone ( called Applications for iPhone). Apple shares the revenue earned from software sales on its site with the developers of that software. Other team members have mentioned Japan's DoCoMo, which has offered a variety of entertainment products that users download from the Internet to use on their mobile phones. DoCoMo also shares revenue with software providers.

Yash has hired you as a consultant to investigate the Apple iPhone, DoCoMo, and any other delivery systems ( such as Google's Android or the Palm Pre) for selling online access to PFI's games to smart phone users.