Losing Money to Become a Tycoon: Starting with Games

Chapter 493: So Should He Give Guidance or Not?

April 19th, Tuesday.

Outu Technology.

In the conference room, Chang You was enthusiastically briefing Outu Technology's key employees on the impressive results achieved since the launch of the OTTO E1 smartphone.

Pei Qian was also present, though his expression was far from cheerful.

Because he felt as if he were being repeatedly reminded of his own failure...

Ever since the OTTO phone launch event became a huge hit, the brand had turned into something rather unusual.

The word *unusual* here was neutral rather than negative.

The phone's shortcomings were obvious.

It was heavy, and it possessed virtually no proprietary technology. Everything came from suppliers and contract manufacturers. In terms of specifications, it was balanced and well-rounded, but there was no groundbreaking innovation or eye-catching technology to speak of.

Its operating system was also closer to a stock Android experience. For some users, that meant a clean and streamlined interface; for others, it felt overly simplistic and inconvenient.

Yet the phone's strengths were equally prominent—so prominent that anyone who saw it once would remember it.

Its brand identity was extremely distinctive. The stylish logo on the back had appeared in A Better Tomorrow. As soon as someone pulled the phone out, many people immediately recognized it as that eight-thousand-yuan phone.

At the same time, Chang You's performance during the launch event had added considerable appeal to the device. Combined with the various perks and added benefits bundled with it, the phone had become a unique presence in its price segment.

For many wealthy consumers living in Jingzhou, or those who heavily relied on other businesses within Tenda Group, this phone had become something that they might not necessarily be able to afford, but absolutely could not replace with anything else.

Up to this point, OTTO phone sales had reached 160,000 units. The previous shortages had ended, inventory was now readily available, and sales continued to grow slowly, though the explosive surge from earlier was long gone.

By domestic market standards, this result undoubtedly still fell into the "others" category.

The smartphone brand at Hongcheng Technology, Chang You's previous employer, had achieved roughly the same sales figures.

Its domestic market share was less than 0.5%.

But the fascinating part was this:

When Hongcheng Technology sold only this many phones, it quickly went bankrupt.

When Outu Technology sold the same amount, it lived quite comfortably.

The profit margin was similarly low, but the higher the phone's selling price, the more money it generated.

If a budget phone maintained a 5% profit margin, each unit might only earn thirty or forty yuan. Selling a hundred thousand units would generate merely three or four million yuan in profit—barely enough to satisfy the supply chain.

But if an 8,000-yuan phone maintained that same 5% margin, each unit would earn 400 yuan. Sell a hundred thousand units, and that's 40 million yuan in profit.

As a result, even after Outu Technology returned all the discounts and concessions provided by Tenda's other businesses and kept only a 5% profit margin for itself, it was still making a considerable amount of money.

Thus, a positive cycle had formed.

Pei Qian had never imagined that the phone's high price tag would end up backfiring on him like this.

Of course, looking at it objectively, these sales numbers were not completely unacceptable from his perspective.

After all, the smartphone market was already a red ocean. The major brands would only continue increasing their market share. Even manufacturers ranked third or fourth were having a difficult time, let alone a company like Outu Technology, which ranked well outside the top ten.

Selling over a hundred thousand units could already be considered a miracle.

The strangest thing was that despite being an "others" brand, the OTTO E1 had become something of an internet-famous phone.

Its online visibility was remarkably high, even though most people had no intention of actually buying one.

Chang You spoke with obvious pride.

After all, for a brand-new company, Outu Technology had already taken a successful first step. Since demand was relatively limited, supply issues had been resolved. People would continue purchasing the phone in the future, allowing the company to remain profitable over the long term.

Listening to all this left Pei Qian feeling somewhat depressed.

He cleared his throat and asked:

"Isn't there a single problem with the OTTO phone right now?"

Chang You immediately smiled.

"Don't worry, President Pei. That's exactly what I'm about to discuss!"

Chang You had anticipated this.

He knew very well that President Pei was the kind of person who disliked hearing about achievements and only wanted to identify problems.

Therefore, while preparing for this meeting, he had already arranged everything in advance. After reviewing the successes, he would move on to analyzing the shortcomings and determining the company's future direction.

Pei Qian had originally thought that his question would pour a bucket of cold water over Chang You's enthusiasm.

Instead, Chang You had clearly anticipated it.

This left Pei Qian somewhat speechless. He felt that his employees' resistance was growing stronger and stronger—they were becoming increasingly difficult to throw off balance...

After reviewing the company's achievements, Chang You began discussing the phone's shortcomings.

"One major issue we're currently facing is inventory."

"For smaller manufacturers, inventory management is extremely difficult. At the end of the day, it all comes down to money. To maintain large inventories, you need to pay substantial amounts to suppliers and tie up a lot of capital in warehouse stock."

"Holding inventory is very risky. If a phone sells for 2,000 yuan and earns only 100 yuan in profit, then every unit sitting in inventory requires the profit from twenty sold phones just to make up for it. That's a frightening ratio."

"However, not having stock creates another problem: consumers' buying impulses can't be satisfied immediately. Once they cool down because the product is unavailable, they may end up purchasing a phone from another brand instead."

"For a company of our size, this is an extremely troublesome issue."

"In addition, our phone still lacks refinement in many details, and for a premium device, those details are absolutely essential..."

"...In short, our goal for the next phase should be steady and methodical progress. We should make use of the reputation and momentum we've already built, further optimize our supply chain, and strive to launch an upgraded version of the E1 in the second half of this year. At the same time, we should do our best to ensure adequate stock from day one and take the company to the next level."

Pei Qian remained silent.

He seemed to have discovered a paradox.

Many times, whenever he provided guidance, things would somehow take unexpected turns and the project would end up making money.

But if he refrained from giving guidance and simply let things develop on their own, the project would still make money.

Take this situation as an example.

Chang You had already established a cautious and steady development strategy for the OTTO phone.

So should he intervene or not?

After finishing his presentation, Chang You instinctively observed President Pei's reaction.

However, President Pei was frowning slightly, deep in thought.

Chang You immediately became nervous.

What is President Pei thinking?

Does he think my plan has flaws and is considering a better one?

No, that can't be it. President Pei is always planning far ahead. He should have come up with a superior strategy long ago. He wouldn't only be thinking about it now.

Or perhaps President Pei suddenly thought of something new and decided to abandon his original plan in favor of an even better one?

Is he considering issues that are two levels beyond my understanding?

What could they be?

Forget it. I shouldn't even try to guess. That's a level far beyond me. I'd better wait patiently for President Pei to finish thinking.

So Chang You waited patiently.

Everyone else waited patiently as well.

After agonizing over the matter for two minutes, Pei Qian noticed that the room had become completely silent.

He looked around and realized that everyone was staring at him with eyes full of anticipation.

Only then did he understand why the room was so quiet.

Everyone was waiting for him to speak.

Now things were awkward.

Even if he didn't want to say anything, he had no choice.

He couldn't let everyone wait that long only to conclude with:

"I have no objections."

That would probably trigger even more overthinking.

President Pei thought for so long, yet he says he has no objections? Does he actually have a better plan that he isn't revealing? What kind of plan is it? Why isn't he telling us?

The more Pei Qian thought about it, the more terrifying everyone's speculation seemed.

Better to point them toward the wrong path.

Even if the company still ended up making money, at least it might make a little less.

With that thought, Pei Qian finally spoke.

"Don't make any new phones."

"Just sell off the inventory we already have. And stop the marketing efforts as well."

Chang You nodded.

"Mm, understood, President Pei. And then?"

Pei Qian: "..."

What do you mean, "and then"?

You people aren't even surprised anymore?

At least look shocked so I can feel confident that my plan is obviously terrible!

But when he looked around the conference room, everyone else wore the same serious expressions, patiently waiting for him to continue.

Pei Qian silently sighed.

He had no choice but to keep talking.

"Extend the timeline for the next objective."

"Stretch it out to ten months, maybe a full year."

"Set up a software laboratory."

"Develop some genuinely useful apps, improve the phone's operating system, optimize the camera imaging algorithms, and work on things like that."

"We previously promised our customers that we would release two versions of the operating system and support one-click switching between them. Right now, we only have the streamlined version. The feature-rich version still doesn't exist."

"Anything we've promised must be delivered."

Chang You quietly reminded him, "President Pei, the feature-rich version was originally planned to be developed alongside the new phone. We discussed that earlier."

Pei Qian froze.

Did we?

Oh... it seemed they actually had.

But he still maintained a serious expression.

"Development resources are limited. We have to concentrate our efforts on major objectives. Even when two projects are both R&D, different levels of investment naturally produce vastly different results."

"Don't think you can just throw together a feature-rich version of Otto OS and fool consumers. If we're going to do it, it has to be done to perfection. Understood?"

Feeling somewhat ashamed, Chang You immediately nodded.

"Yes, President Pei."

What Pei Qian was actually thinking was that, by entering this development cycle, he could delay another project into the next settlement period.

At the moment, Outu Technology seemed like an excellent candidate.

For Pei Qian, a delayed project needed to satisfy three conditions:

1. It had to pose a significant threat in the current cycle.
2. It had to be capable of absorbing a large amount of investment and serving as a vehicle for rapid spending.
3. It needed to be able to produce results or a finished product quickly enough during the next cycle.

The OTTO phone project met all three requirements.

Notably, Pei Qian specifically emphasized establishing a software laboratory, not a hardware laboratory.

Although a hardware lab appeared to burn through money more quickly, it was also very easy to spend enormous sums and still produce nothing useful.

Hardware wasn't something you could fake.

Either it worked or it didn't.

There was no gray area.

If they failed to produce anything usable before the next settlement date, wouldn't that completely ruin the plan?

A software lab, on the other hand, could consume just as much money while producing visible results far more easily, making it much less likely to interfere with settlement timing.

Even if all they accomplished was optimizing a system version, releasing a decent app, or improving the phone's imaging algorithms, those would still count as achievements.

Then they could simply find some minor way to monetize the results and probably satisfy the system's requirements.

Chang You carefully recorded President Pei's instructions and raised no objections whatsoever.

From the OTTO E1's market positioning to its branding and marketing, everything had been personally orchestrated by President Pei.

Chang You had been completely won over.

His guiding principle now was simple:

When President Pei gave instructions, execute them with full effort.

When President Pei gave no instructions, determine the direction himself.

In truth, Chang You felt that President Pei's target was surprisingly modest.

Ten months to a year...

Just optimize the operating system, develop a few apps, and improve the imaging algorithms?

It felt like using a sledgehammer to crack a nut.

But since President Pei had specifically requested it, Chang You dared not take the task lightly.

After all, President Pei's standard had always been nothing less than perfection.

Watching everyone diligently taking notes, Pei Qian suddenly felt a profound sense of loneliness.

He had no idea how everyone would end up interpreting what he had just said.

Ah, being misunderstood is the fate of anyone who tries to communicate.