

# Games as Civilizations

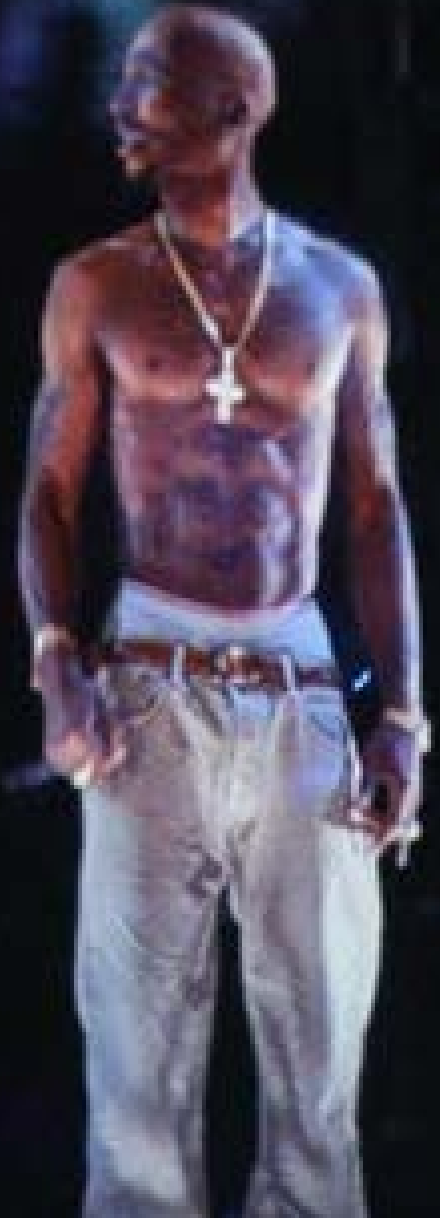


The Opportunities for New Lands  
Benjamin Joffe, +8\*

# What up, Bitspiration?



@benjaminjoffe



# 12 Years in Asia



# +8\* | Plus Eight Star



Digital Best Practices from Asia  
Market Entry Strategy  
China, Japan & South Korea

# Startup Accelerators

**500 startups**

yetiZen

**JFDI  
ASIA**

  
中国加速  
CHINAACCELERATOR

**TR GAMMA  
REBELS**

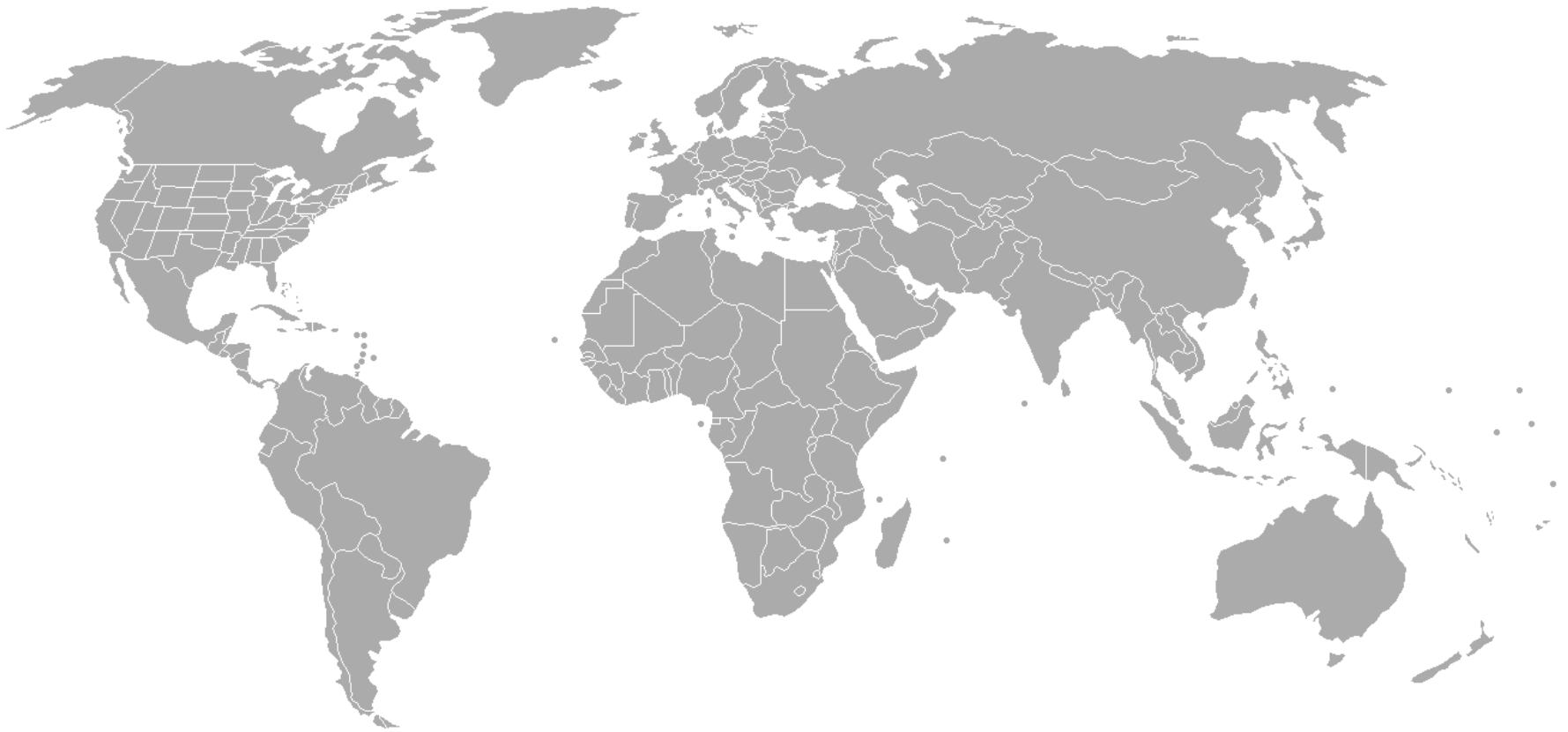
# Agenda

1. The World as Civilizations
2. Seven (7) Cases for Market Entry
3. Ecosystems 101
  1. China
  2. Japan
  3. Korea
4. Case Study: Uberstrike

# The World as Civilizations



# The World as Countries



# Defining “Asia”





T SAVAGES

WESTAN  
INDIA 2.0  
CURRY  
SUPERMARKET

TOYOTA

HAWAIIAN  
GREAT OCEAN

CURRY

RASCALS

CEMETERY

RICE BOLS

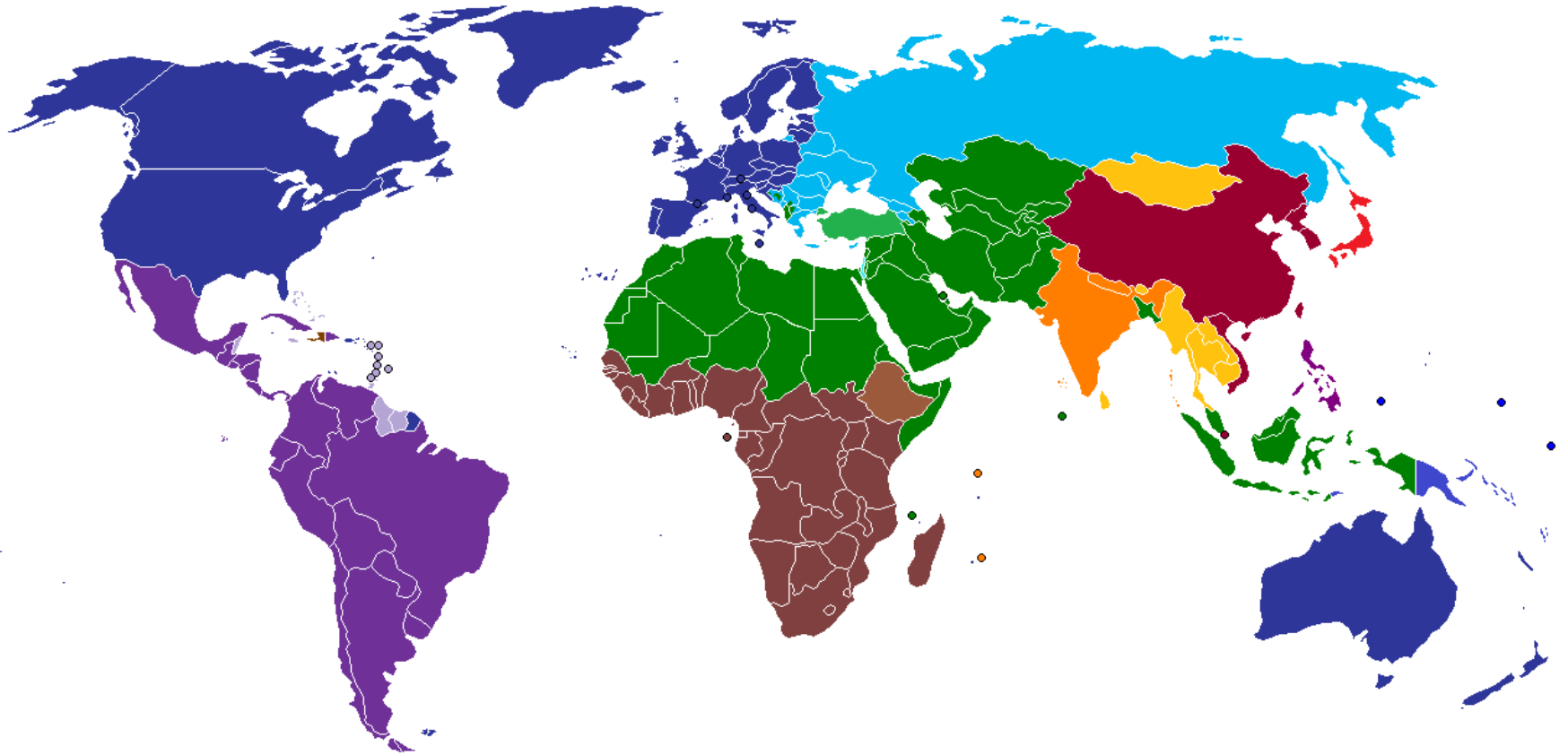
MESOINDIA

PRO GEOGRAPHERS & STUDY

GUINEA PIGS

E OCEAN

# The World as Civilizations



**Western**

**Slavic**

**Chinese**

**Japanese**

**Arabic**

**African**

**Indian**

**Latin American**

# Aggressive Alien Races?



# 7 Cases for Market Entry

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Opportunity



Survival

# 7 Cases for market entry

## 1. Surprise success

Opportunity



Survival



# 7 Cases for market entry

1. Surprise success

**2. Copycat**

**1. Opportunistic**

**2. Hopeful**

**3. Inventor**

Opportunity



Survival

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**3. Business contact**

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  3. Inventor
3. Business contact
4. **Clear opportunity**

Opportunity



Survival

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3. Business contact
4. Clear opportunity
5. **Unclear opportunity**

Opportunity



Survival

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- 6. Hope**

Opportunity



Survival

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  3. Inventor
3. Business contact
4. Clear opportunity
5. Unclear opportunity
6. Hope
7. **Necessity**

Opportunity



Survival

# Are you the one?



*Top 15 Most Influential Games of the Decade*  
WIRED

# Are you the one?

- **Concept Suitability**
  - Product / Market Fit
  - Cultural Match

**DAVID<sup>8</sup>**  
NEXT GENERATION WEYLAND ROBOT





# Are you the one?

- **Concept Suitability**
  - Product / Market Fit
  - Cultural Match
- **Localization Ability**
  - Copy
  - Graphics
  - Layout / white space
  - Payment
  - Support

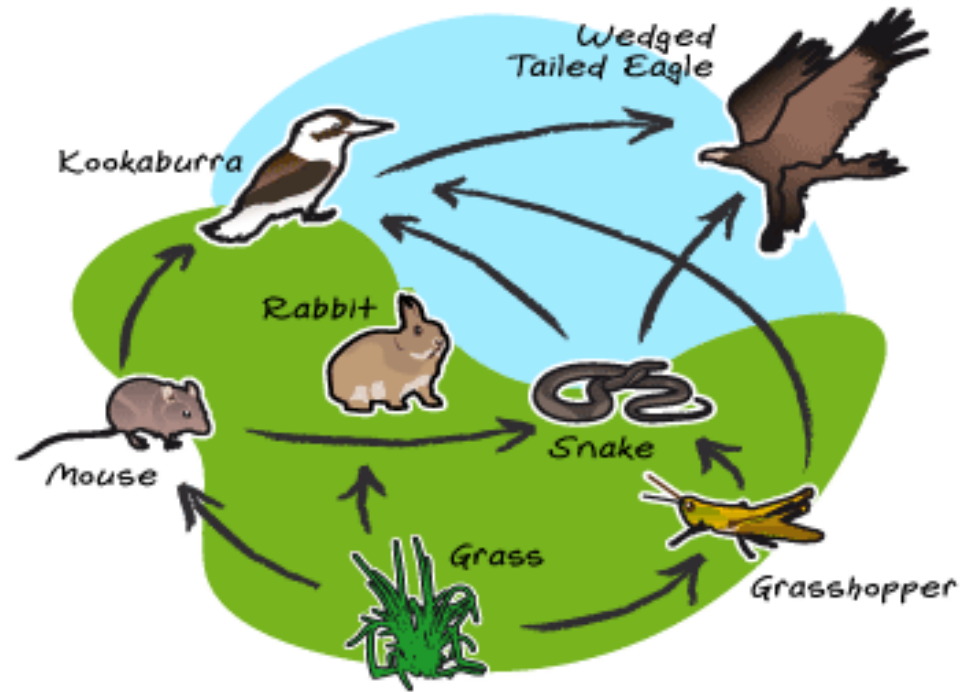
**DAVID<sup>8</sup>**  
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# Ecosystems 101

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- **Macro**
  - GDP
  - GDP/capita
  - Demographics



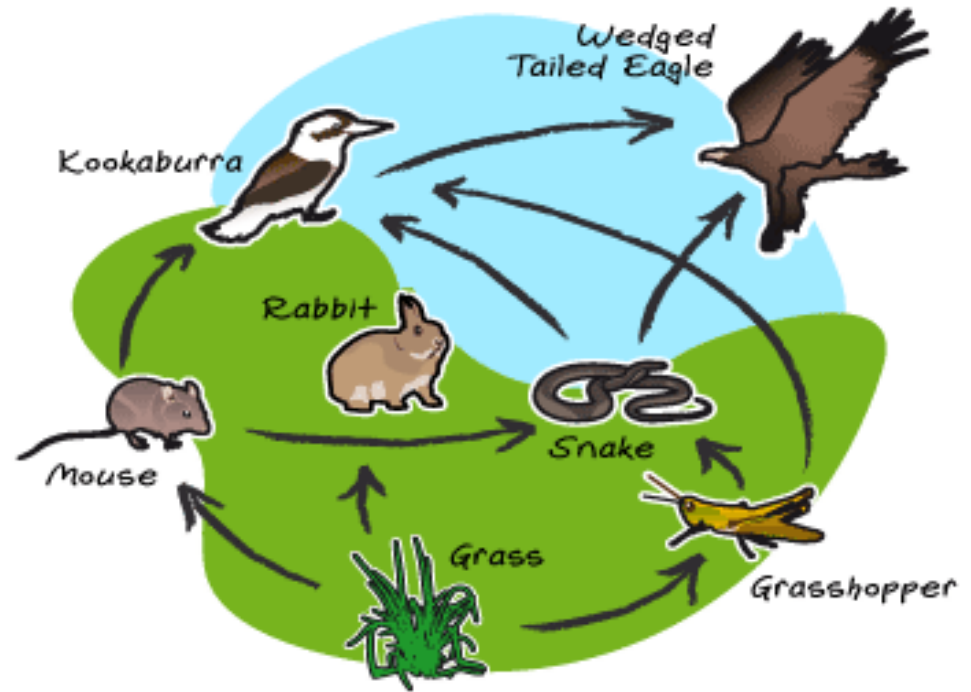
# Ecosystems 101

- **Macro**

- GDP
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- Demographics

- **Culture**

- Language(s)
- Religion(s)



# Ecosystems 101

- **Macro**

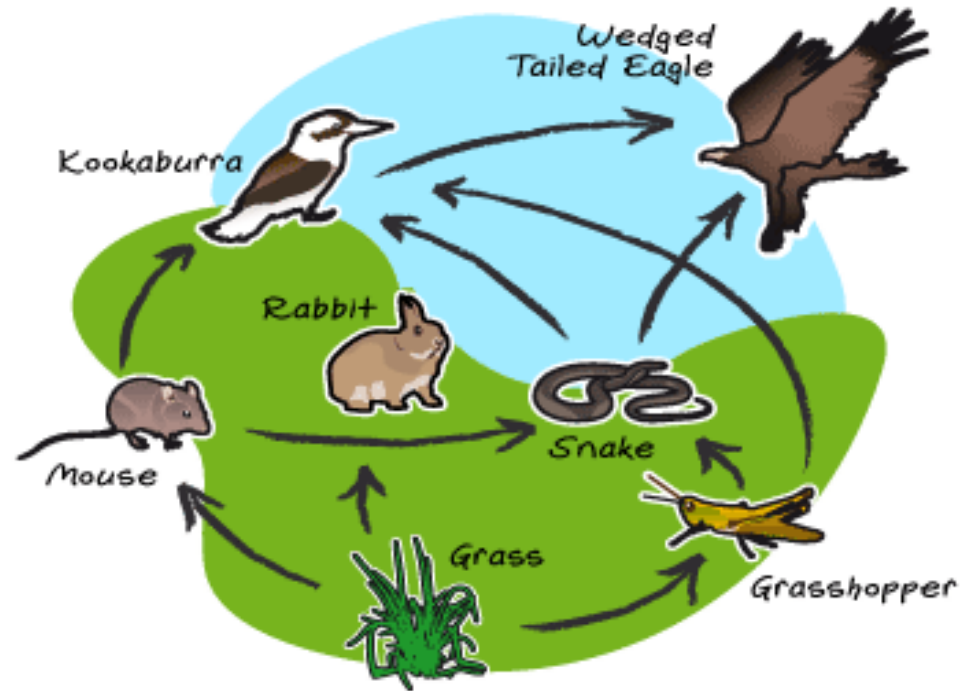
- GDP
- GDP/capita
- Demographics

- **Culture**

- Language(s)
- Religion(s)

- **Infrastructures**

- Web & Mobile Infrastructures
- Dominant Players
- Payment systems



# “Global” Distribution Channels

- Facebook
- iOS
- Android

# Gaming Civilizational Channels

- **Chinese** > Tencent, etc.
- **Japanese** > DeNA, GREE
- **Slavic** > Vkontakte, Mail.ru
- **Arabic** > Peak Games
- **Latin American** > Orkut, Vostu

*peak*  
GAMES



# Is The Next Big Game Company In The Middle East? Peak Hits 9.5M DAU, Revenue Up 600% Since Jan. 1



RIP EMPSON ↘

posted 12 hours ago

Comments



“While the bigs all focus on Western markets, **Istanbul-headquartered** social gaming company Peak Games [...] produces titles specifically for emerging markets, like the **Middle East and North Africa.**”

leaderboards.

<http://techcrunch.com/2012/06/12/peak-games-does-its-thang/>

# Alternative Channels

- **Web**
  - Game portals
  - Internet cafes

# Alternative Channels

- **Web**

- Game portals
- Internet cafes

- **Mobile**

- Feature phones
- Pre-installs
- In-store installs
- Ads (e.g. top-up confirmations)

# x2 Users = x2 Revenue?

“Zynga Aims for 400 Million Tencent Users in China. Starts with CityVille.”

BizTechDay

2011.08

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“Just by going to China, we could double the audience.”

Peter Relan, CEO of Crowdstar

2012.05

# Top 10 Most App-crazed Countries

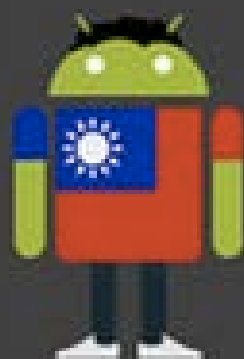
( Downloads Per Capita )



1. South Korea



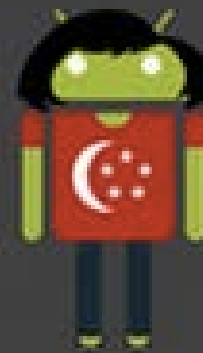
2. Hong Kong



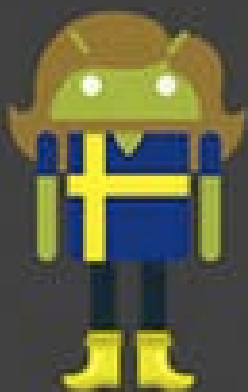
3. Taiwan



4. United States



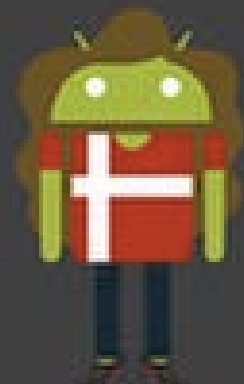
5. Singapore



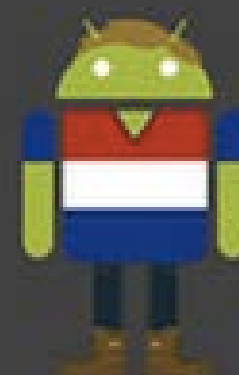
6. Sweden



7. Israel



8. Denmark



9. Netherlands



10. Norway

# Smartphones



Country	Population	GDP/Capita (USD)
China	1.3 billion	4,500
Japan	128 million	42,000
South Korea	49 million	20,000
Taiwan	23 million	20,000
Hong Kong	7 million	32,000
Singapore	5 million	57,000
Malaysia	28 million	9,500
Indonesia	240 million	3,900
Vietnam	90 million	1,500
Philippines	94 million	2,500
Thailand	65 million	5,800
North Korea	24 million	1,000

Not all markets are created equal



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Singapore	5 million	57,000
Malaysia	28 million	9,500

- Revenue: 1 JP user = 10 CN users

- Medium-sized: Hong Kong, Taiwan, Singapore, Malaysia

Country

Population

GDP/Capita (USD)

Large user bases but:

- few smartphones
- even fewer PCs
- hard to monetize

Indonesia

240 million

3,900

Vietnam

90 million

1,500

Philippines

94 million

2,500

Thailand

65 million

5,800

North Korea

24 million

1,000

Pick your markets right!

# Mobile Users

	China	Japan	Korea
Mobile users	1.02 billion	127 million	50 million
Android (estimates)	?	15 million	17 million
iPhone (estimates)	<20 million	<10 million	3 million
3G Users	10%	100%	70%

- China, Japan, Korea embracing Android
- iPhones for the 1% in China
- Few reliable numbers available

# Online Game Companies Market Cap

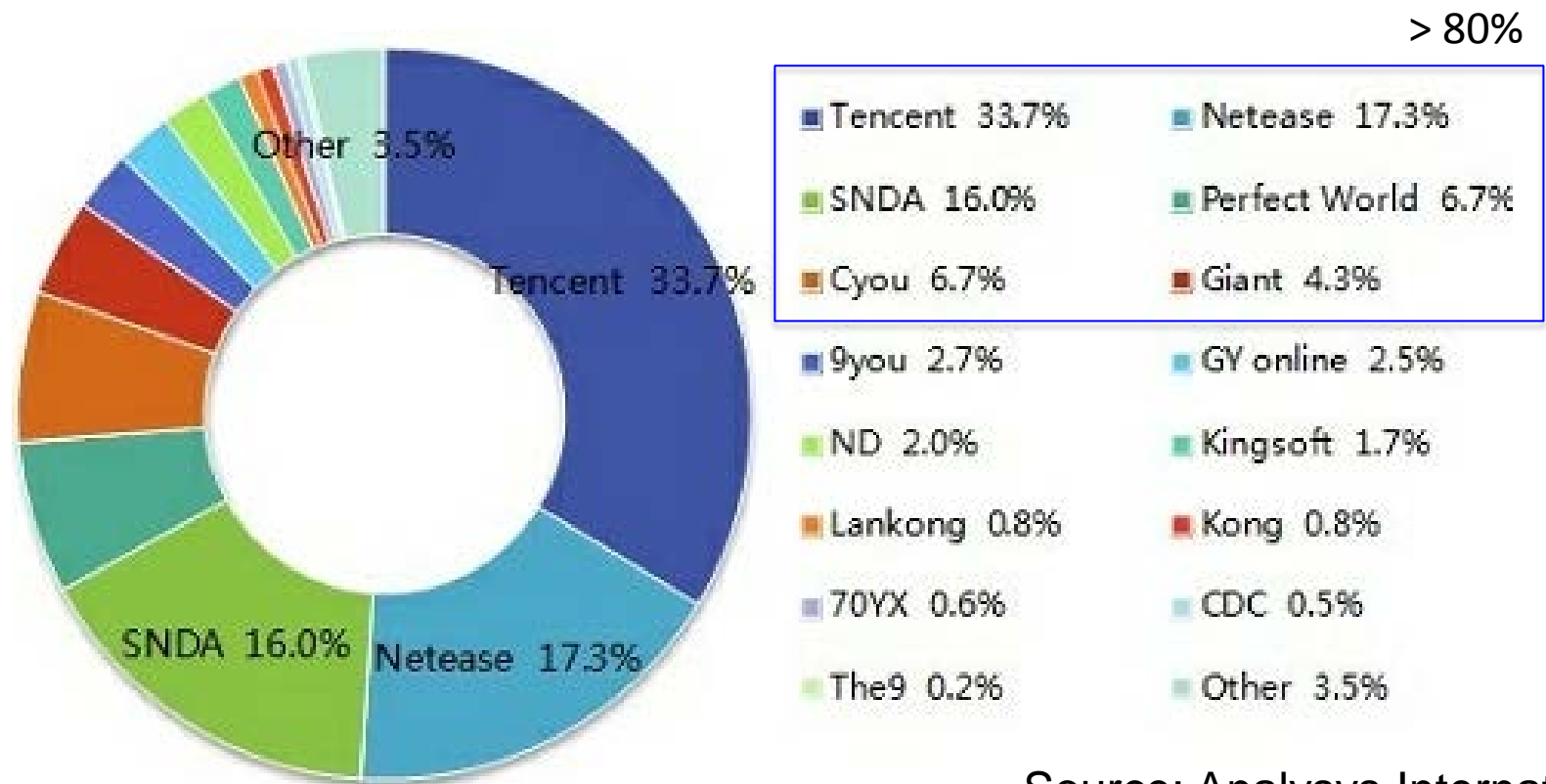
China	\$bln	Japan	\$bln	Korea	\$bln
Tencent	57.5	GREE	6.3	Nexon	8
Netease	7.8	DeNA	4.6	NHN (Hangame)	10.5
Renren	2.6	Mixi	<1	NCsoft	5.3
Shanda	2.2				
Shanda Games	1.4			as of June 2012	
Giant	1.2				
Changyou	1.2			Facebook	(75)
NetDragon (91)	<1			Activision Blizzard	13.8
Perfect World	<1			Zynga	6.1
The9	<1			Electronic Aarts	5.0

Gaming giants dominate in each country.  
Very few foreign players do well.



# China's Gaming Market

- 1Q2012 \$1.78B
- 2012 (E) \$8B+ (= 2 x Facebook 2011)



Source: Analysys International

# Reality of China

- **Local partners** are pretty much **mandatory** for foreigners to get any distribution and operate.

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- **Local partners** are pretty much **mandatory** for foreigners to get any distribution and operate.
- Successes are **rare**, generally **accidental**, and mostly by **dominant** players



# Social Networks in China

- **Social networks are... TENCENT**
  - Little money on RenRen
  - No Facebook



# Online Game Giants

- **Licensing** from Korea
- **Rarely** others (WoW, LoL)
- Developing their **own games**

# Tencent

- Revenue **US\$4.5 billion**
- Net Profit **US\$1.6 billion (35%)**
  
- Sources
  - Mostly MMOs
  - Mobile 10%
  - Advertising 7%

# Tencent

- Qzone 552 million MAU
- Pengyou 202 million MAU
  
- Open platform 40,000 apps
  - Rev. share up from 10% to 30% (variable)
  - A dozen games have 10m+ MAU
    - BUT ARPPU = 1/10<sup>th</sup> USA (var.)
  - QQ Farm = \$10m / month? (2011 rumor)

# Renren

- Revenue           US\$118.0 million
- Net Loss        US\$5 million
  - Not counting sale of eLong for US\$50 million
- Platform
  - Average 50/50 revenue share
- Curb your enthusiasm!

# Mobile in China

- **iPhone is for the 1%**
- **Android stores are fragmented**
  - Over a dozen app stores
  - Lots of copies
  - Payment systems not sorted out
  - Advertising revenue low

# Android Flurry in China

- **New smartphones by the day!**
  - Xiaomi
  - Alibaba
  - Baidu



Alibaba's Aliyun Android Mobile  
**Yours for < \$250!**

# iOS in China

	Paid		Free		Grossing	
1	Mobilocation	=	Panorama™	=	🇺🇸 口袋战争：魔界勇士 中文版	=
2	Fruit Ninja	=	🇺🇸 Fish Off - Multiplayer Battle	=	🇺🇸 三国来了	=
3	🇺🇸 Where's My Water?	=	内涵段子	▲3	🇺🇸 神仙道HD	=
4	🇺🇸 Infinity Blade	=	煲汤大全	▼1	凯立德移动导航系统 V8.1 声控版	▲1
5	🇺🇸 植物大战僵尸	=	Tips & Tricks - Secrets and Features for iPhone	▼1	🇺🇸 植物大战僵尸	▼1
6	🇺🇸 Asphalt 6: Adrenaline	=	USB Flash Drive	▲21	🇺🇸 Lil' Kingdom	▲8
7	Quick Call Divert	=	🇺🇸 Heart Breaker : Sniper	▲4	🇺🇸 胡菜三国	=
8	Mapbar Navi	=	PowerSketch	=	🇺🇸 宠物猎人	=
9	T9 Dialer	=	Spoken Magic	▲92	🇺🇸 江湖行2	▲4
10	🇺🇸 Angry Birds Space	=	🇺🇸 Lil' Kingdom	▼5	🇺🇸 高德导航HD Autonavi Navigation	▼4

Source: AppAnnie.com



# Android in China

Free	
1	Maps
2	Adobe Flash Player 11
3	Google Search
4	手机QQ2012 (支持视频通话, 语音对讲,
5	Weixin
6	360手机卫士
7	UC浏览器
8	Facebook for Android
9	YouTube
10	GO Locker
11	微博
12	搜狗手机输入法安卓2.1版
13	Kies air
14	Adobe Reader
15	Angry Birds Space
16	酷狗音乐播放器
17	SimSimi
18	Fruit Ninja Free
19	Instagram
20	GO Launcher EX



# Reality of Japan

- **GREE**

- Revenue 1Q2012 **\$575 million**
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- **(Konami)**

- \$360 million from social games in 2011

# Foreign Successes in Japan

- Koreans, Chinese, Western

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  - Rakoo, Reko (China)



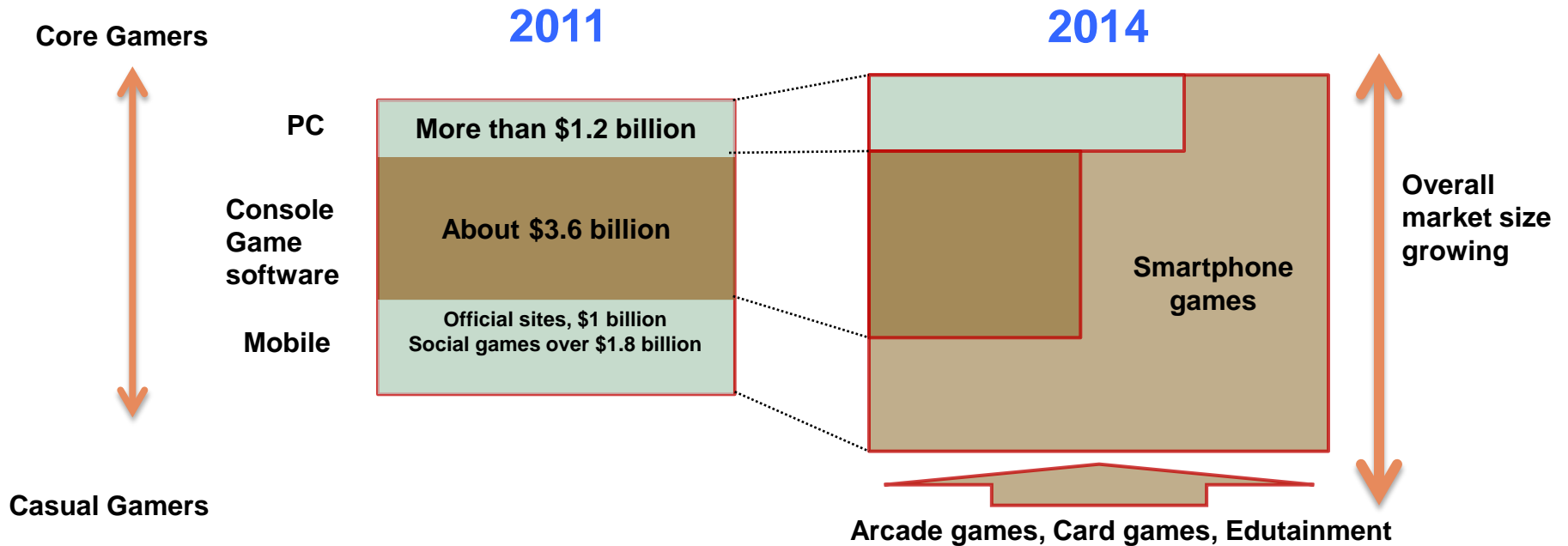
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  - LINE (mobile IM by NHN)

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  - LINE (mobile IM by NHN)
- Web: Twitter, Facebook, **Evernote**, Tumblr

# Smartphones Gaming Opportunity



# “Quality”

- **What is quality?**

- USA “It works”
- Japan “It’s perfect”
- Korea “It’s new”
- China “It gives me status”



# What is “Quality”?

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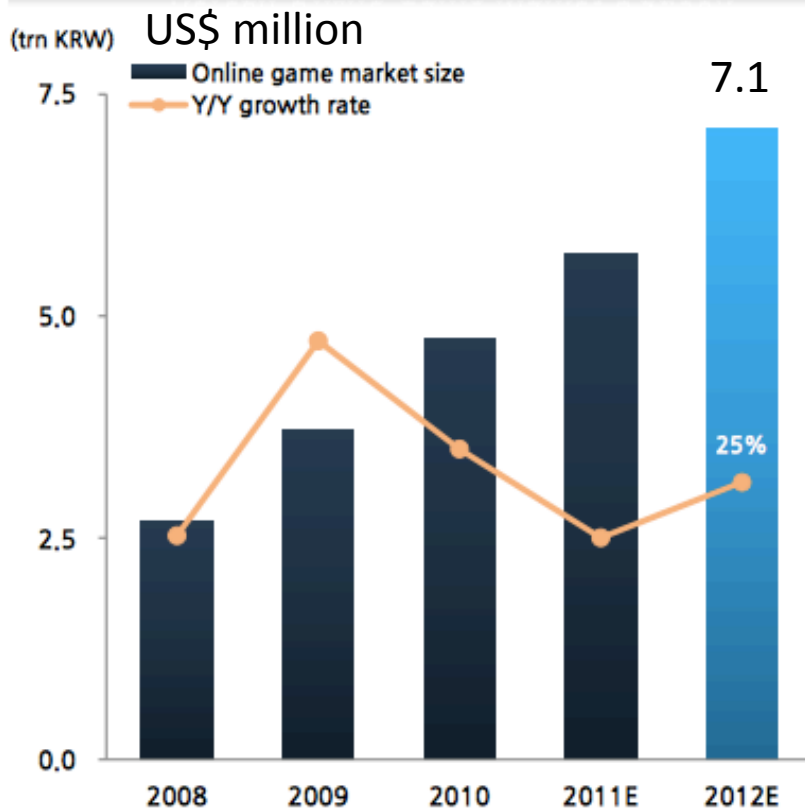
- **Consequently**

- Requirements in Japan exceed your imagination
- **Copy** = strong indicator
- On the upside: People pay for quality



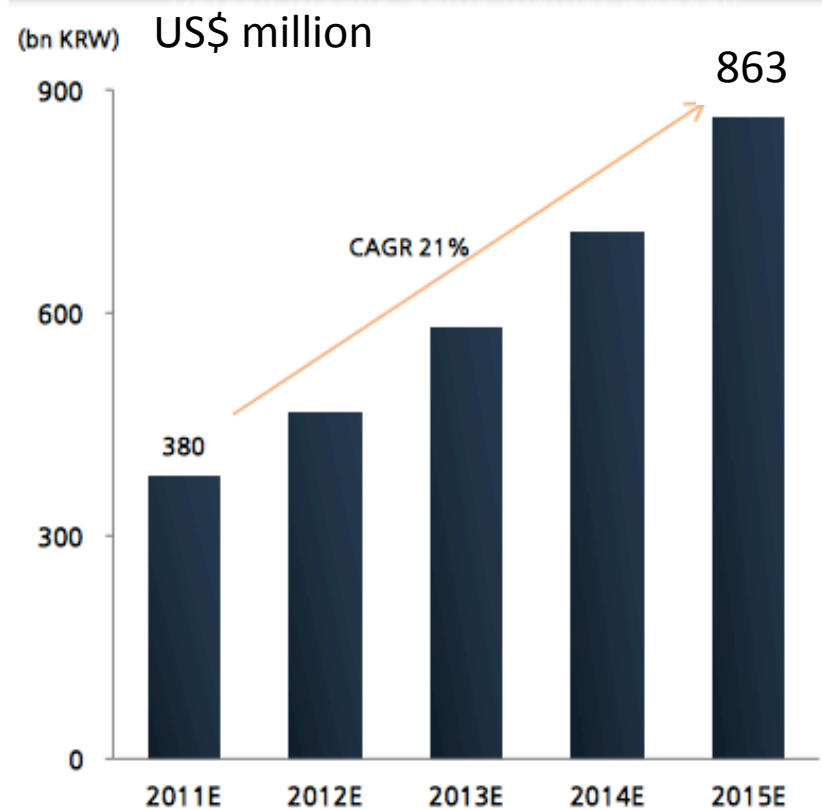
# Korean gaming Market

## Korean Online Game Market Outlook



Source: Game White Paper

## Korean Mobile Game Market Outlook



Source : Game White Paper, Market Estimates

# Korea

- Outliers
  - **Blizzard** (local operation)
  - **EA/FIFA** (partnership)
  - **League of Legends** (hired Blizzard staff)



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- Mobile
  - iOS
  - Android app stores (Play, SKT, KTF, LGT, Samsung)
- Regulations
  - Game Rating Board (GBR)
  - Local partner necessary for smaller companies

“Rest of Asia”

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- **Rich & English-friendly**
  - Singapore (English)
  - Hong Kong (Cantonese, Mandarin, English)

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- **Rich & English-friendly**
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- **Somewhat wealthy & English-friendly**
  - Malaysia (some – most revenue from Chinese population)
  - Taiwan (Taiwanese)

# “Rest of Asia”

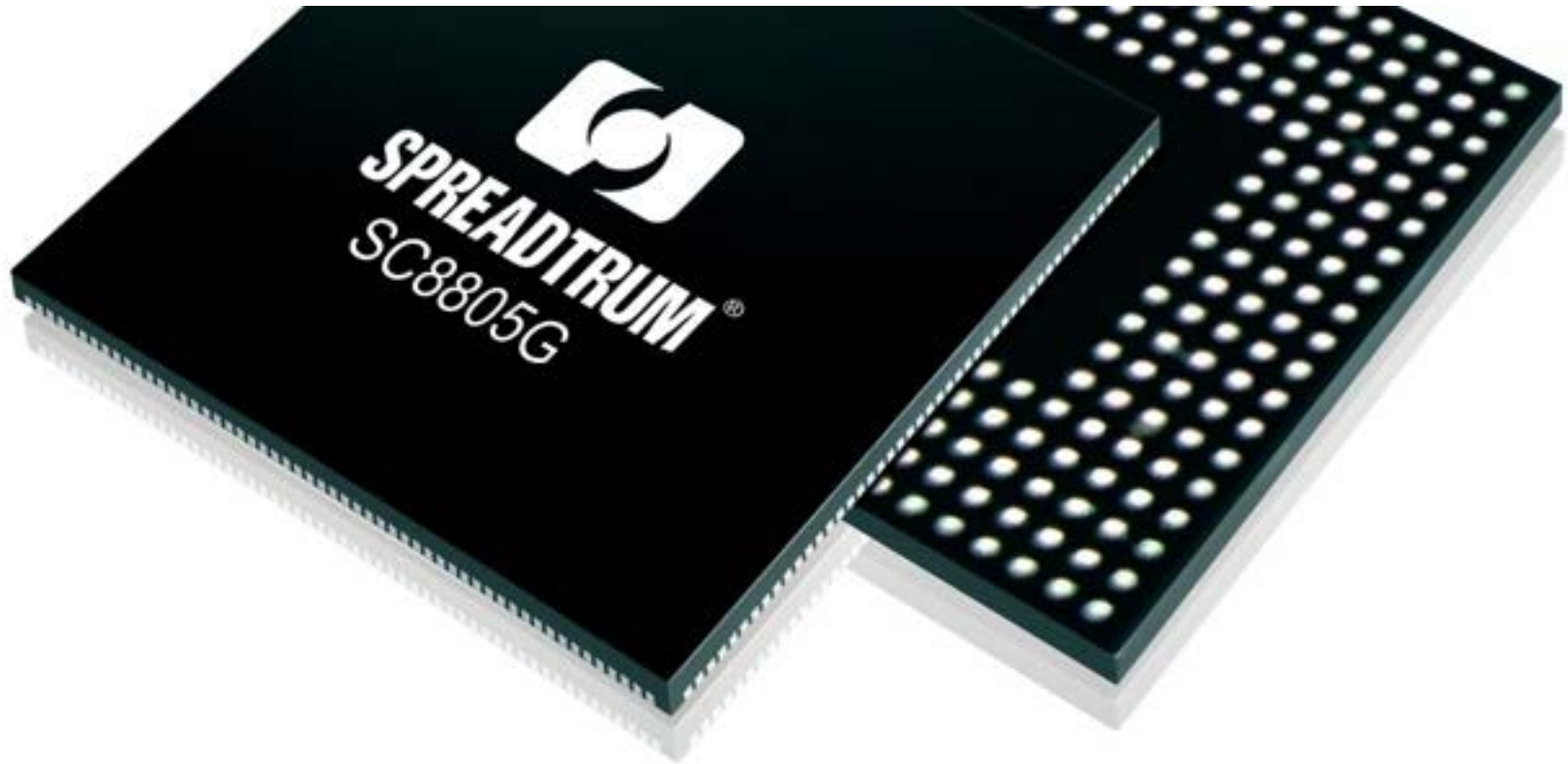
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  - Taiwan (Taiwanese)
- **Up and coming**
  - Vietnam
  - Indonesia
  - Philippines
  - Thailand...

# (Unnamed Company)

- Brings Chinese MMOs to Indonesia
  - Bootstrapped
  - Profitable



# Coming Soon: \$50 Android Phones





# UberStrike



# Online Shooter



# Advantages

- Casual to hardcore players
- Free-to-Play
- Browser-based
- Adrenaline!

# UberStrike Channels

1. **Facebook** (social game)
2. **Mac App Store** (app)
3. **Uberstrike.com** (web game)
4. **Kongregate.com** (3<sup>rd</sup> party portal)
5. **Windows Client** (client)



# Facebook

- **Users**
  - Any PC
  - Many from emerging markets

# Facebook

- **Users**

- Any PC
- Many from emerging markets

- **Revenue**

- Users in Internet cafés not big spenders
- Top revenue from large first world countries
  - USA
  - Germany, France, UK, Australia, Canada, etc.
  - Singapore, Malaysia
  - Others

# Mac App Store

- **Users**

- Hardware cost \$500 to \$2,000
- Only “rich” people can really afford!

# Mac App Store

- **Users**

- Hardware cost \$500 to \$2,000
- Only “rich” people can really afford!

- **Revenue**

- Anyone with such device has money
- USA, **China, Russia**
- Germany, France, UK
- Etc.



# Android

- **Users**
  - Hardware cost: from \$100

# Android

- **Users**
  - Hardware cost: from \$100
- **Revenue**
  - Lots of free apps
  - Fragmented app stores
  - Marketing is hard
  - Like the old days of Java!

# Conclusions: Toward Digital Civilizations

# Two Opportunities

## **1. Arbitrage** Polish bloc

1. Find or build suitable content
2. Hyper-localize

# Two Opportunities

**1. Arbitrage** Polish bloc

**2. Leverage** regional advantages

1. Have Silicon Valley in you
2. Target large markets

# Good luck!



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