GAMES
MARKET STUDY
CHINA
JAPAN
SOUTH KOREA

OPPORTUNITIES FOR FINNISH GAME DEVELOPERS

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HUB OF THE FINNISH GAME INDUSTRY

Updated version. June 2021

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1. INTRODUCTION

This study is an updated version of the report[1] released in February 2020. The study gives a brief overview of the games markets in China, Japan and South Korea (Republic of Korea). The main focus of this study is on the South Korean and Japanese games markets. Neogames investigated the Chinese games market in detail in an earlier study published on the Neogames Finland website[2] in 2016.

Asia-Pacific (APAC) is the biggest games market area in the world in 2020, with a 49 % share of the global game revenues. The market represents more than half of all players worldwide. More than half, 1.6 billion, 3 billion smartphone users live in the APAC area and its three biggest national markets are China, Japan and South Korea. [3] Due to their large market size, these markets are also appealing to Finnish game developers.

In 2019, Neogames Finland Assn. received funding from the Finnish Ministry of Culture and Education to investigate the Japanese and South Korean games markets. This study gives a brief overview of these markets for Finnish game developers, mapping out new business opportunities in these areas. Due to the significant role of the Chinese games market, Neogames has also updated its information regarding it and included those updates in this report.

This report is mainly based on freely available market data (sources mentioned in the footnotes) and interviews with Japanese, South Korean, Nordic game developers, and industry experts.

APAC MARKET OVERVIEW
According to Newzoo´s Global Games Market report 2020[4], China is the biggest games market in the APAC region with $ 44,3Bn game market revenues, Japan second with $ 20,6Bn and South Korea third with $ 7,3Bn. (Chart 1.)
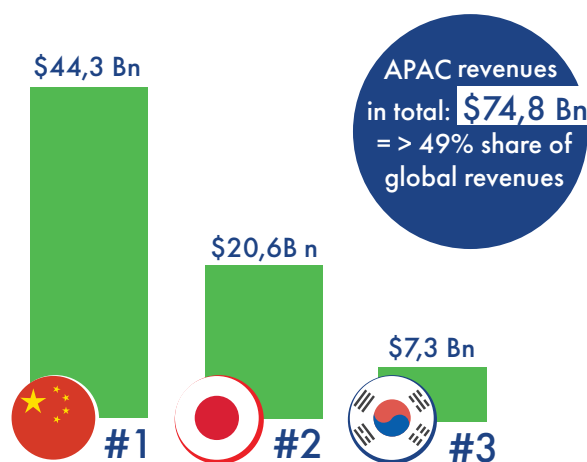

Chart 1. Top Countries by Game Revenue (estimates) in the APAC Area 2020

1 Neogames Finland: Games Market Study: China, Japan and South Korea. Available in: https://neogames.fi/gamesmarketstudy_chi_jpn_kr/

2 Neogames Finland: China mobile games market 2016. Available in: https://www.neogames.fi/china-mobile-games-market-2016-report/

3 Newzoo: Global Games Market Report 2020. Available in: https://newzoo.com/insights/articles/games-market-engagement-revenues-trends-2020-2023-gaming-report/
Newzoo: Global Games Market Report 2019. Available in: https://newzoo.com/insights/trend-reports/newzoo-global-games-market-report-2019-light-version/
Mintegral & Newzoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

4 Newzoo: Top 10 Countries/Markets by Game Revenues. Available in: https://newzoo.com/insights/rankings/top-10-countries-by-game-revenues/
NewZoo: Global Games Market Report 2019. Available in: https://newzoo.com/insights/trend-reports/newzoo-global-games-market-report-2019-light-version/
Mintegral & Newzoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

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INTRODUCTION

1. Tencent / China
2. NetEase / China
3. *Playrix / Ireland*
4. *Activision Blizzard / United States*
5. *Zynga / United States*
6. Bandai Namco / Japan
7. *Supercell / Finland*
8. Netmarble / South Korea
9. *Playtika / Israel*
10. Sony / Japan
11. *Google / United States*
12. Lilith / China
13. SQUARE ENIX/ Japan
14. *Aristocraft / Australia*
15. FunPlus / China
16. Line / Japan
17. *Niantic / United States*
18. NCSOFT / South Korea
18. *Roblox / United States*
19. mixi / Japan
20. Konami / Japan

Chart 2. Top 20 publishers of 2020, based on worldwide annual revenue in iOS and Google Play stores (source: AppAnnie)

As all Asian markets, also the Chinese, Japanese and South Korean markets differ quite a lot from Western markets and are not always open for foreign game developers and publishers. Thus, Finnish game developers should consider collaboration with local companies when aiming to enter these market areas. **When publishing paid games (or free with IAP) in China, it is mandatory by law to have a local, licensed partner**. However, some Finnish developers have successfully self-published their games in Japan and South Korea, which also reflected in this study.

The US and China have the biggest mobile game markets in the world. However, it is difficult to access accurate information on the actual size of different Chinese Android stores. Although Android is the primary platform in China, Google Play is not available in Chinese markets.

According to App Annie, in 2020, twelve out of the twenty top mobile publishers globally were from China, Japan or South Korea. The list is based on the worldwide annual revenue in iOS and Google Play stores combined *(see the disclaimer)* [5]. (Chart 2.)

Newzoo Global Games Market report 2020 [6] estimates that 5/10 of the top game companies on all platforms (including consoles and PC) were Chinese, Japanese or South Korean. (Chart 3.)

1. Tencent / China
2. Sony / Japan
3. *Apple / United States*
4. *Microsoft / United States*
5. *Google / United States*
6. NetEase / China
7. *Activision Blizzard / United States*
8. *EA / United States*
9. Nintendo /Japan
10. Bandai Namco / Japan

Chart 3. Top 10 public game companies, (source: Newzoo Global Games Market report 2020)

5 App Annie: Top 52 Over All Publishers of 2020. Available in: https://www.appannie.com/en/insights/app-annie-news/level-up-top-publisher-awards-2021/. **DISCLAMER**: *"Revenue rankings are based on revenue earned from paid downloads and in-app purchases on the iOS App Store and Google Play Store. They do not include revenue earned from in-app advertising or subscriptions outside app store channels, or other Android marketplaces, that are very common in China, where Google Play is not allowed."*

6 Newzoo: Global Games Market Report 2020. Available in: https://newzoo.com/insights/articles/games-market-engagement-revenues-trends-2020-2023-gaming-report/

DISCLAIMER

These days game developers use statistics and metrics to support their decision-making processes. It is important to keep in mind that data from market statistics and reports based on estimates of the whole market area is not as accurate as the data on individual games based on consumer interviews or in-game data analytics. Naturally, this does not make high-level market data totally unreliable, but it is less accurate than the data collected from games directly. Therefore, we are not relying on high-level market data in this study.

It is important to realize that local Chinese Android versions dominate both mobile devices and marketplaces in the Chinese markets. Unfortunately, in practice, this means that there is no reliable information on the size of the Chinese Android marketplaces (especially not in English). A detail that most studies and reports on the Chinese mobile games markets neglect to mention.

Lastly, bear in mind that the information in this report is intended to provide only a general overview of the markets mentioned above. Although all reasonable measures have been taken to ensure that the information is as accurate as possible, the content of this report should not be construed as legal advice. Before relying on any information in this report, readers should independently verify its relevance for their purposes.

FEEDBACK & COMMENTS?

Please do not hesitate to contact us if you have further questions or any comments.
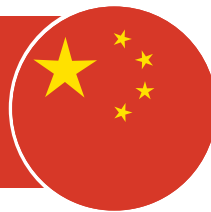
Sincerely,

Suvi Latva

Chief Business Advisor

Neogames Finland

2.CHINA

2.1. CHINESE MARKET OVERVIEW

Since 2018 the Chinese government has significantly tightened its regulatory grip on local games markets. According to Newzoo, the Chinese Games market is the largest on this planet by both market revenues and by the number of players. [7]

In April 2018, the Chinese State Administration of Press, Publication, Radio, Film and Television (SAPPRFT) provided new approval rules [8] for games published in China. The new rules caused a *nine-month complete licensing freeze for new games released in China,* during which SAPPRFT did not approve any new games for sale. As a result, in 2018, the US briefly surpassed China for the first time since 2015 as the biggest games market globally when it comes to revenue. In 2020, the situation changed again, and according to Newzoo estimates, the size of the US games market was $ 42,1 billion, while the size of the Chinese market was $ 44,3 billion. [9]

2.2. MAIN PLATFORMS FOR GAMES IN THE CHINESE MARKET

FRAGMENTED CHANNELS FOR DISTRIBUTING MOBILE GAMES

Mobile is the number one platform in the Chinese games market. 75% of the revenue of games in China comes from mobile games. [10] Android is the dominating operating system in the Chinese mobile games market. Depending on the source, the share of Apple's iOS operating system is 13-27%. [11] Unlike in the Western markets, the **Google Play store is not available in China.** Instead, there are several different local Android marketplaces, but most of the revenue comes from the top 7 Android stores. These leading marketplaces (according to several sources [12]) are listed in Chart 4. The percentages of the market shares are variating depending on time and sources.

TOP 7 ANDROID STORES IN CHINA

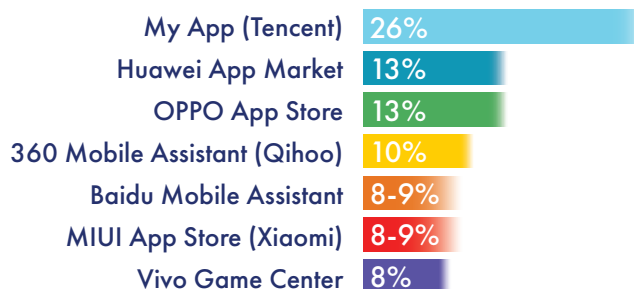| Store	Share
My App (Tencent)	26%
Huawei App Market	13%
OPPO App Store	13%
360 Mobile Assistant (Qihoo)	10%
Baidu Mobile Assistant	8-9%
MIUI App Store (Xiaomi)	8-9%
Vivo Game Center	8%

Chart 4. Top 7 Android Stores in China

7 Newzoo: Global Games Market Report 2020. Available in: https://newzoo.com/insights/articles/games-market-engagement-revenues-trends-2020-2023-gaming-report/

8 Niko Parners: China Gaming regulator to introduce new approval process this month. Available in: https://nikopartners.com/china-gaming-regulator-to-introduce-new-approval-process-this-month/

9 Newzoo: Global Games Market Report 2020. Available in: https://newzoo.com/insights/articles/games-market-engagement-revenues-trends-2020-2023-gaming-report/ Mintegral & NewZoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

10 Statista: Sales revenue share of Chinese gaming industry 2020, by segment. Available on: https://www.statista.com/statistics/1064916/china-online-game-market-sales-revenue-share-by-type/

11 Taking Data. Available on: http://mi.talkingdata.com/
MyGamez Blog. Available on: https://mygamez.com/market/

12 Native:. A Breakdown of The Android Market in China. Available in: https://www.nativex.com/en/blog/a-breakdown-of-the-android-market-in-china/
Pocket Gamer Biz: Android app stores in China: many stores, one solution. Available in: https://www.pocketgamer.biz/asia/feature/75107/android-app-stores-in-china-many-stores-one-solution/
AppInChina: The AppInChina Game Store Index. Available in: https://www.appinchina.co/market/game-stores/

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Based on smartphone shipments, the top mobile device brands were (according to Canalys[13]) Huawei (37%), OPPO (18%), Vivo (18%), Xiaomi (12%), Apple (10%). (Chart 5). However, it is worth mentioning that (according to Counterpoint) Huawei has lost its number one position to OPPO, which has grown its market share to 33% in China on January 2021.[14]

Since July 2020 also games in Apple Appstore are required to have ISBN approval. More about this in the chapter on Chinese regulation.[15]
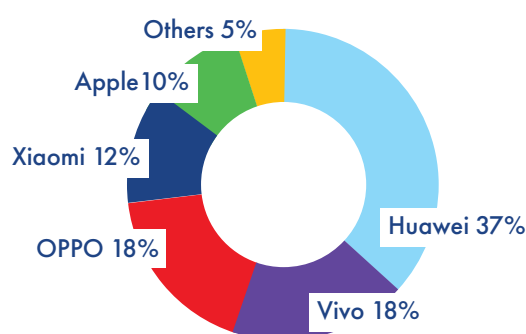
TOP MOBILE BRANDS & MODELS IN CHINA

Chart 5. Top Mobile device brands and devices in China. (Source: Canalys)

PC GAMES MARKET IN CHINA IS HUGE

Chinese PC games market has declined due to internet cafes being closed because of the COVID-19 pandemic. In addition, tight regulation is also hindering the growth of the PC market in China. The decline is expected to continue in 2020 for the same reasons. However, China remains as the world largest PC games market with a total value of **$14,6billion.**[16]

The main distribution channels for PC games in China are[17]:

- Steam Global and Steam China
- Epic Games Store
- WeGame

13 Canalys: China smartphone market Q4 and full year 2020. Available in: https://www.canalys.com/newsroom/china-smartphone-market-declines-11-in-2020

14 Counterpoint Research: OPPO Becomes Number 1 Smartphone Brand in China for First Time Ever. Available on: https://www.counterpointresearch.com/oppo-becomes-number-1-smartphone-brand-china-first-time-ever/

15 Niko Partners: New report from Niko: Regulations and Business. Available in: https://nikopartners.com/a-new-report-from-niko-china-regulations-and-business/

16 Niko Partners: Video Gaming in China projected to pass $46 billion in 2024. Available on: https://nikopartners.com/news/video-gaming-in-china-projected-to-pass-46-billion-in-2024/

17 Localize Direct: How To Publish Your Game To China - An Essential Guide For Mobile, Console And PC (2021). Available in: https://www.localizedirect.com/posts/how-to-publish-games-in-china

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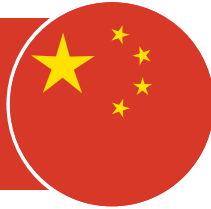
CHINA

The significant presence of foreign companies in Chinese PC markets is partly because PC games are distributed mainly via Steam in China. However, global version of Steam (inside of Chine firewall) is operating in a very grey area, and most of the games there do not have government approval. In February 2021, Valve and Perfect World finally launched a long-expected version of official Steam China. However, the official Chinese version of Steam requires games to have ISBN approval. In addition, amount of games is drastically smaller in China Steam (in February 2021, there were only 53 titles) than in the Global version. Either of those has any community features. It is unclear if the global version of Steam will be blocked in China in the near future. [18]

In May 2019, Epic launched its Epic store for Chinese users. [19] (Tencent bought 40% of Epic in 2013.) [20] Another official, 100% Chinese, PC game distribution channel in China is Tencent's WeGame.

Internet cafes are still an essential part of Chinese online PC gaming, but they suffer COVID-19 restrictions. This also has an impact on eSports that is boosting the growth of the online PC games market. When talking about online games, it is good to remember that the great firewall of China blocks any content (even in the global version of Steam) that is deemed unsuitable by the Chinese government. More information about the regulation in the next chapter.

CONSOLES WERE BANNED FOR YEARS

Console games (PlayStation, X-box and Nintendo) have a minor market share in China. This is because consoles were banned in China between 2000 and 2014. [21] Since the ban was lifted, the console markets are now slowly beginning to grow. Xbox One was launched in 2014 and Sony PlayStation 4 in 2015. [22] In February 2019, Nintendo announced a partnership with Tencent, aiming to launch Switch in China in 2021. [23]

18 Steam: Steam China (蒸汽平台) officially launched. Available in: https://steamdb.info/blog/steam-china-launched/
PC Gamer: Steam's Chinese version is finally here, but it only has 53 games and no community features. Available in: https://www.pcgamer.com/steam-china-launch/

19 PC Gamer: China is the next battleground for Epic and Steam, but why haven't. Available in: https://www.pcgamer.com/china-is-the-next-battleground-for-epic-and-steam-but-why-havent-they-been-banned/
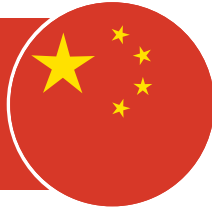
20 Polygon: Tencent's $330M Epic Games investment absorbed 40 percent of developer [Updated]. Avaible in: https://www.polygon.com/2013/3/21/4131702/tencents-epic-games-stock-acquisition

21 Niko Partners: China's Console & TV-based games market. Available in: https://nikopartners.com/chinas-console-tv-based-games-market/

22 Xbox Wire: Xbox One Launches in China. Available in: https://news.xbox.com/en-us/2014/09/29/xbox-one-launches-in-china/
Niko Partners. Sony PlayStation in China – Two years in. Available in: https://nikopartners.com/sony-playstation-china-console-game-market/

23 Niko Partner: China's console & TV -based market. Available in: https://nikopartners.com/chinas-console-tv-based-games-market/
The Verge: Nintendo and Tencent reveal Switch release plans for China. Available in: https://www.theverge.com/2019/8/2/20751368/nintendo-switch-china-tencent-launch-partner

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While consoles are seen as expensive consumer products in China, it is worth mentioning that there is also a large grey market for consoles. In 2019, the number of legal consoles (according to Niko Partners [24]) was estimated to be 460 000 units (Sony PlayStation 4 is dominating, Nintendo Switch second, expected to be surpassed by PlayStation 5 soon, and Microsoft Xbox the third). The number of grey market consoles was larger, 1 140 000 units. Market shares are expected to change with new console releases; *PlayStation 5 release date in China is on May 15th, 2021* [25]*, and Microsoft releases Xbox Series X|S in China on June 10th, 2021.* [26] Nintendo Switch holds the biggest share among the grey market consoles, Sony PlayStation is second, and Microsoft Xbox third.

Therefore, in Chinese console game markets, a cross-platform approach with PC and mobile is recommended.

SERVICES

For non-Chinese game developers, it is important to note that many familiar Western services supporting game development distribution and marketing, like **Facebook, WhatsApp, Instagram, SnapChat, Twitter, Skype, Signal, Telegram, Twitch, Vimeo and all services provided by Google, are banned by the Chinese government**. However, there are several corresponding Chinese services to replace Western services and operating systems.

24 Niko Partners: China's Console & TV-based games market. Available in: https://nikopartners.com/chinas-console-tv-based-games-market/

25 Niko Partners: PS5 launch announcement in China leads to pre-sale oreders selling out in record time. Available in; https://nikopartners.com/ps5-launch-announcement-in-china-leads-to-pre-sale-orders-selling-out-in-record-time/

26 Game Industry Biz: Xbox Series X|S set to launch in China in June. Available in: https://www.gamesindustry.biz/articles/2021-05-14-xbox-series-x-s-set-to-launch-in-china-in-june

CHINA

2.3. CHINESE REGULATION AND CENSORSHIP

PRIVACY AND DATA PROTECTION

China introduced its first voluntary, but de facto mandatory soft-law, privacy rules in May 2018. These rules are called National Standard Personal Information Security Specification, and they are currently being reviewed. Not surprisingly, Chinese and European approaches to privacy have huge differences. [27]

ISBN APPROVALS

Any paid or free game, including Apple Appstore games, published in China, has to be approved by the Chinese government, and it is required to have an official license number (ISBN) before being distributed to local markets. [28]

Apple added the ISBN requirement for all games in its Appstore in China in July 2020. Due to that, Apple has removed over 100,000 unlicensed games from their Chinese store during 2020. [29] Furthermore, **all games, foreign and domestic, should be published via a licensed Chinese publisher.** [30]

ISBN requirement also applies to the Chinese version of Steam. [31] However, the international Steam store in the China PC markets is operating in a grey area. All games in its store do not have ISBN approval, as it is not officially available in China. ***Nevertheless, it is important (as required by the Chinese law) to apply ISBN when publishing any game in any store in Chinese markets.***

From March 2018, SAPPRFT (State Administration of Radio, Film, and Television), nowadays known as National Press and Publication Administration (NPPA), took responsibility for the approval process. The key new requirements introduced in 2018 for ISBN license are listed below:

- The regulation established (under the guidance of the Publicity Department of the Central Committee of the Communist Party of China (CCPD)) an online game ethics committee to review content and follow **"core social values"**, including games that promote traditional culture.

- **Certain types of games,** like low-quality copycat games as well as poker and mah-jong games, **will no longer get approval from the regulator**. According to Niko's tracking, 37% of the games approved in 2017 were Poker and Mahjong games.

27 iapp Privacy Tracker: More updates on the Chinese data protection regime in 2019. Available in: https://iapp.org/news/a/more-positive-progress-on-chinese-data-protection-regime-in-2019/

28 Niko Partners: What's behind the lack of new game approvals in China? Available in: http://nikopartners.com/whats-behind-the-lack-of-game-approvals-in-china/

29 Niko Partners: Apple will recquire ISBN by July. Available in: https://nikopartners.com/apple-will-require-isbns-by-july/
Niko Partners: A new report from Niko: China regulations and business. Available in: https://nikopartners.com/a-new-report-from-niko-china-regulations-and-business/

30 Niko Partners: Nearly 1000 games have received a licence since the start of game approvals in China. Available in: http://nikopartners.com/nearly-1000-games-have-received-a-license-since-the-restart-of-game-approvals-in-china/

31 Niko Partners: Apple will recquire ISBN by July. Available in: https://nikopartners.com/apple-will-require-isbns-by-july/
Niko Partners: A new report from Niko: China regulations and business. Available in: https://nikopartners.com/a-new-report-from-niko-china-regulations-and-business/

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- **The protection of minors** policies are expanded to cover all mobile publishers, and they have to introduce **anti-addiction systems** across all their titles.

- **Mini-games and HTML5 games must follow the same approval process as all other digital games**. Previously, these games did not require approval for release.

- To speed up the approval process, SAPPRFT aims to make its **content regulation more transparent** so that **Chinese game publisher can self-regulate their own games**.

- SAPPRFT also encourages Chinese game publishers to self-develop **titles with China's core social values in mind, including developing games promoting traditional culture**. In addition to this, game publishers are encouraged to ensure **that games contain correct information about Chinese history, politics and law**. Honor of Kings, for example, has been criticized for misrepresenting the lives of historical figures.

In addition to the requirements mentioned above, according to Niko Partners[32], the SAPPRTF provided additional guidance to game publishers on how to approach the new submission and content review process:

- *If a game is part of a series, this must be noted in the application. If not noted, the game will be assumed to have the same title as an existing game and is unlikely to get a license.*

- *If an online game has offline content, the application must indicate that and explain the offline content.*

- *When submitting a game for approval, do not include the version number in the title.*

- *There shall be no images of dead bodies or pools of blood in any games.*

- *Developers may not change the colour of pools of blood to accommodate.*

- *Mobile game applications do not require publishers to send a smartphone with the game pre-installed for approval.*

- *Publishers no longer need to submit a paper copy of the "banned words list" for each game; a digital version of the list is sufficient.*

In addition, in November 2019, online games are required to restrict access to games during weekday evenings and apply spending limits for children under 19.

32 Niko Partners: China Gaming Regulator to introduce new approval process this month. Available in: https://nikopartners.com/china-gaming-regulator-to-introduce-new-approval-process-this-month/

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According to the latest information available, 1411 games got ISBN approval in 2020. 97 of those were foreign and 1314 domestic titles. One notable thing is that for the first time since 2017, South Korean games (4 in total) were approved. The majority (38%) of foreign games were from Japanese developers. [33]

The new regulatory approach has significantly decreased the number of new games launched in China compared with other game markets. The approval processes continue to be slow, unpredictable and require various game elements to be edited and made to comply with Chinese content policies.

GAME EVALUATION AND RATING GUIDELINES SYSTEM

According to Niko Partners [34], in April 2021, the Publicity Department of the CPC Central Committee launched a new Game Evaluation and Rating Guidelines system that is an addition to the existing ISBN process. In that system, the game is evaluated regarding current submission standards, and if those are met, the game is passed to the review board, which evaluates game content by paying attention to the following aspects:

- Value orientation

- Original design

- Production quality

- Cultural content

- Development stage

For each of these board gives scores between 0 and 5. If the game gets 0 scores in any of those categories, it will be sent back to rectification. This is expected to cause even more delays in the whole approval process.

IDFA & CAID

In April 2021, Apple started to enforce its new privacy rules [35] and, in particular, the new limitations on the use of advertisement identifiers (IDFA). [36] Apple warned Chinese developers not to dodge the new privacy rules. However, Chinese developers are getting support from China Advertising Association, which has created its own advertisement identifier called CAID to bypass Apple's new privacy requirements. As a response, Apple gave 14 days to remove CAIDs. After that, noncomplying games were threatened to be taken out from App Store. Apple is aiming to close any other potential loopholes in the near future. [37] It is possible (not recommended) that international companies operating in China take advantage of CAID in their games. Apple's new privacy rules are touching a sensitive area for the Chinese government, and the Chinese government may step in at some point.

33 Daniel Ahmad, Senior Analyst at Niko Partners on LinkedIn. Available in: https://www.linkedin.com/posts/activity-6755630458995838976-onQo/

34 Niko Partners: China's new Game Evaluation and Rating Guidelines system. Available in: https://nikopartners.com/chinas-new-game-evaluation-and-rating-guidelines-system/

35 VentureBeat: Apple launches the post-IDFA world to the dismay of advertisers. Available in: https://venturebeat.com/2021/04/21/apple-launches-the-post-idfa-world-to-the-dismay-of-advertisers/

36 IDFA= allow users to opt out of any type of tracking by app developers, giving users the choice to block the IDFA identifier at the app level

37 Financial Times: Apple warns Chinese apps not to dodge its new privacy rules. Available in: https://www.ft.com/content/99a3f7c1-54d9-47fe-9bcb-fd72fcd94076
Techradar: Some of China's biggest technology companies are trying to bypass Apple's new privacy rules. Available in : https://www.techradar.com/news/some-of-chinas-biggest-technology-companies-are-trying-to-bypass-apples-new-privacy-rules

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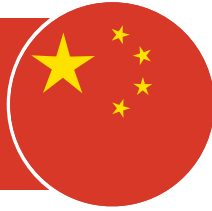
ONLINE GAME ANTI-ADDICTION REAL-NAME AUTHENTICATION SYSTEM

In February 2021, NPPA announced the new Online Game Anti-Addition Real-name Authentication System that will be enforced starting on June 1st 2021. In practice system has two functions 1) Chinese ID Check and 2)Playtime reporting. This is part of the government program to reduce kids excessive gaming that started already in January 2020. System effects in both publishers and distribution channels. [38

As the biggest games market in the world, China cannot be ignored. **But it is crucial to understand that the Chinese game market is not easy or quick to access because of regulatory market access barriers, especially for a foreign developer.** By studying the market features and regulation carefully and building a trusted partnership with Chinese publishers, there is a possibility to succeed also in China. One good way to find Chinese partners is to look for references from previously published Western titles.

38 Mygamez: China's new 'Online Game Anti-Addiction Real-Name Authentication System'. Available in: https://mygamez.com/resources/blog/china-s-new-online-game-anti-addiction-real-name-authentication-system/

3. JAPAN

3.1. JAPANESE MARKET OVERVIEW

The Japanese games industry dominated the world in the '80s and '90s[39]. As the home of Tetris, SEGA, Super Mario, Nintendo, Pac-Man, Sonic the Hedgehog, Pokemon, Legend of Zelda and many other well-known games and game brands, Japan still has a strong games culture.

Japan is the third-largest games market in the world by mobile game revenues and second-largest by console game revenues.[40] The Japanese games market is also considered to be the **most saturated of these three market areas.**[41] According to Newzoo, 86% of all Japanese players play mobile games and 69% console games. Obviously, many players play both mobile and console games, but only 36% of the revenue of the game in Japan come from console platforms in 2020.[42]

3.2. MAIN PLATFORMS FOR GAMES IN THE JAPANESE MARKET

Japan is the home market of PlayStation and Nintendo, and consoles still have a strong position there. When it comes to revenues, according to Newzoo, console games have a 36% market share. However, l like in many other market areas, mobile games dominate the markets with a 59% share. PC games have a minor role with a 6% share.[43] (Chart 6)

JAPAN TOP PLATFORMS

PC 6%
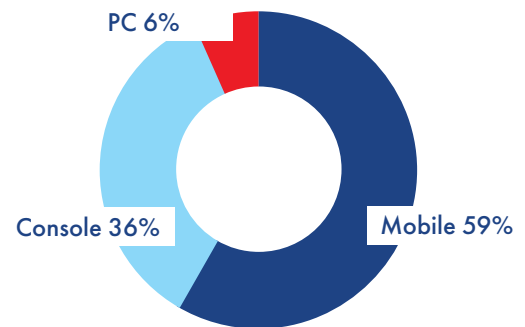
Console 36%

Mobile 59%

Chart 6. Platform revenue shares in 2020 at the Japanese market (Source: Newzoo)

39 History of the Japanese Video Game Industry. Available in: https://www.soas.ac.uk/jrc/events/seminar-and-events/14nov2018-history-of-the-japanese-video-game-industry.html

40 Newzoo: Japan Games Market in numbers & Trends (Ukie Virtual Trade Mission UK:Japan)

41 Mintegral & NewZoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

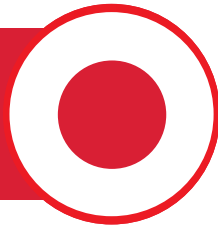42 Newzoo: Japan Games Market in numbers & Trends (Ukie Virtual Trade Mission UK:Japan)

43 Newzoo: Japan Games Market in numbers & Trends (Ukie Virtual Trade Mission UK:Japan)

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APPLE APPSTORE MAKES UP TWO-THIRDS OF THE TOTAL CONSUMER SPENDING AND DEVICE MARKET

Mobile is a major platform in Japan games market. Regarding the turnover, it has a 59% market share. [44] According to AppAnnie [45], iOS makes up over two-thirds of the total consumer spending and device markets. Globally Japan stands in billing; it is the most advanced market in direct carrier billing, enabling customers to make purchases instantly and without giving their credit card details.

Asian developers dominate the Top 10 grossing games list on the Japanese mobile games marketplaces. [46] (Chart 7)

#	GAME	COUNTRY	PUBLISHER
1	Monster Strike	JAPAN	MIXI
2	Fate/Grand Order	JAPAN	Sony
3	Knives Out	CHINA	NetEase
4	Puzzle & Dragons	JAPAN	GungHo Online Entertainment
5	Dragon Quest Walk	JAPAN	Square Enix
6	Professional Baseball Spirits A	JAPAN	KONAMI
7	Pokémon GO	U.S.	Niantic
8	Dragon Ball Z Dokkan Battle	JAPAN	BANDAI NAMCO
9	Disney: Twisted-Wonderland	JAPAN	Sony
10	Girls Chronicle	CHINA	C4GAMES

Chart 7. Top Grossing Mobile Games in Japan 2020
(Source: AppAnnie)

44 Newzoo: Japan Games Market in numbers & Trends (Ukie Virtual Trade Mission UK:Japan)

45 AppAnnie: Guide - How to Succeed on Mobile in Japan. Available in: https://www.appannie.com/en/go/how-to-succeed-on-mobile-in-japan

46 AppAnnie: Guide - How to Succeed on Mobile in Japan. Available in: https://www.appannie.com/en/go/how-to-succeed-on-mobile-in-japan

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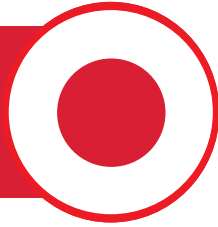
JAPAN ●

CONSOLE GAMES IS THE SECOND BIGGEST GAME MARKET IN JAPAN

Console games are the second biggest game market in Japan. Nintendo has a major (87%) share of the Japanese console hardware market share. [47] Nintendo has a 65% share, Sony 34% and Xbox 1% when it comes to install base. [48] Sony has been accused of neglecting especially Japanese market with poor PS5 availability. However, the availability of PS5 consoles seems to be a global problem. [49] The situation may have positive consequences on Xbox sales, and Japan is currently the fastest-growing market for Xbox. [50] But it is good to remember that Xbox has still only few per cent market share on Japanese console markets.

Developers can access the local console markets via already existing global partnerships with console platforms or use publisher cooperation to reach local contacts.

3.3. JAPANESE CONSUMERS

Japanese mobile gamers are the biggest spenders in the world. Generation Z (born in 1997-2012) represents the biggest audience of game apps in Japan. Japanese players represent 22 per cent of all global mobile gamer spending from Appstore and Goole Play. (Notice that Chinese Android stores are not included in this) In the Japanese market, it is good to notice that demographic varies more than in other markets, i.e. in the US, South Korea, France and Germany. [51]

Japanese gamers are less competitive players than Chinese and South Koreans. [52] They play games while commuting and like games that do not cause too much stress. Japanese consumers seem to be loyal players and generate good lifetime value. But as the other Asian consumers, Japanese players require enough in-depth content and in-game events to keep them satisfied. Punctuality, convenience and high expectations regarding quality are good points to keep in mind when making games for Japanese players.

Like in nearly all other countries, social networks have an important role in how the games are discovered in Japan. Line messenger is the largest social network platform in Japan. YouTube and Twitter are also very popular, while Facebook does not have so many Japanese users. Furthermore, it is common to promote games through celebrities. [53]

47 Games Industry Biz: Nintendo Switch accounted for 87% of consoles sold in Japan last year | Japan Annual Report Famitsu/KADOKAWA data shows that Nintendo held almost 50% of boxed game sales in 2020 Available in: https://www.gamesindustry.biz/articles/2021-01-15-87-percent-of-all-consoles-sold-in-japan-last-year-were-nintendo-switch-japan-annual-report

48 Newzoo: Japan Games Market in numbers & Trends (Ukie Virtual Trade Mission UK:Japan)

49 Games Industry Biz Japan Edition: [Monthly Summary] Verify Sony's "Take care of the Japanese market" (auto translated) Available in: https://jp.gamesindustry.biz/article/2012/20122502/

50 Games Industry Biz: Japan is Xbox's fastest growing market. Available in: https://www.gamesindustry.biz/articles/2020-09-24-japan-is-xboxs-fastest-growing-market 2/4

51 AppAnnie: Guide - How to Succeed on Mobile in Japan. Available in: https://www.appannie.com/en/go/how-to-succeed-on-mobile-in-japan
Sensor Tower: Mobile Games Market Spotlight: Japan Accounted for Nearly a Quarter of Global Revenue in First Nine Months of 2020 Available in: https://sensortower.com/blog/japan-mobile-games-market-spotlight

52 Mintegral & NewZoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

53 Mintegral & NewZoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

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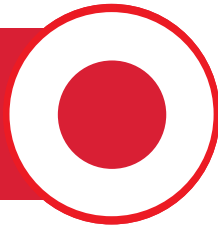
JAPAN

A foreign developer should put a lot of attention on proper Japanese language localization. Japanese females, for example, use different words and expressions than males. In addition, age and position in the hierarchy of society affect the expressions used. It is also good to note that often system fonts from Android do not work properly. Local terms can have a dramatic impact on search volume. Knives Out, from Chinese NetEase, is an excellent example of a successful localization. (54

3.4. GENRES IN JAPAN

Japan has a strong cultural history with comics, Anime, Manga and Kawaii (55 that is also reflected in games. Maybe because of that, characters are an essential element in Japanese games.

According to App Annie (56, almost 90% of all consumer spending in Japan came from **core games** (while the global share of core games is 66%), where the biggest subgenre was RPG, with 55% market share. Casual Games is having the biggest share (70%) of downloads. See the five most popular genres in Chart 8.

#	REVENUES	DOWNLOADS
1	RPG 55.6%	Puzzle 25.9%
2	Strategy 9.9%	Hyper Casual 21.6%
3	Action 7.6%	RPG 14.6%
4	Simulation 7.6%	Arcade 6.8%
5	Puzzle 7.4%	Simulation 6.5%

Chart 8. Top mobile genres in the Japanese market (Source: the App Annie)

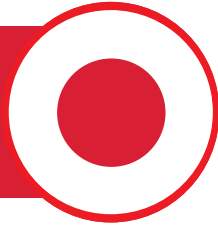54 Mintegral & NewZoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

55 Wikipedia: Kawaii. Available in: https://en.wikipedia.org/wiki/Kawaii

56 AppAnnie: Guide - How to Succeed on Mobile in Japan. Available in: https://www.appannie.com/en/go/how-to-succeed-on-mobile-in-japan

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JAPAN

Gacha mechanisms (mystery prizes that cost real-world money) are crucial for the most financially successful games in the Japanese mobile games market. Many of the Japanese top-grossing 200 games contain them.[57]

3.5. PARTNERING WITH JAPANESE COMPANIES

During the 2010s, the cooperation between Finnish game developer studios and Japanese game industry giants has increased significantly. In 2013, Japanese tech and telecoms group ***SoftBank acquired 51% of the Finnish mobile game studio Supercell*** for € 1,1 billion[58] after Supercell's mobile game Clash of Clans became super successful globally. In 2017, ***Japanese game publisher Gumi Inc.*** (in cooperation with Nordisk Film) announced[59] that they are establishing an incubator program targeting Nordic VR/AR startups in Helsinki.

For developers, it is not always easy to reach out to local Japanese partners. A proven track record and success in business in other markets is often required to even open discussions. ***Punctuality is a necessity***; you can lose all your opportunities for cooperation just by being late for a meeting or missing a deadline. It takes time to build a trusted partnership with Japanese partners (and win their trust). There is a Japanese saying "ningen kusai" that can be translated in English as "full of human traits", which means sincerity and trust between business partners in business but also on an emotional level. Therefore, personal and face to face relationships are very important in Japanese business culture.

3.6. TOP JAPANESE GAME INDUSTRY PLAYERS

According to Newzoo biggest Japanese game companies based on revenue 2020 are:

1. Sony
2. Nintendo
3. Bandai Namco Entertainment
4. Square Enix
5. Konami
6. CyberAgent
7. Sega
8. Mixi
9. DeNA
10. Capcom
11. GungHo Online Entertainment
12. Koei Tecmo

57 Game Refinery: Cultures Combined - Japanese Gachas Are Sweeping F2P Mobile Games In The West. Available in: https://www.gamerefinery.com/japanese-gachas-sweeping-f2p-games-west/

58 Reuters: SoftBank buys $1.5 billion stake in Finnish mobile games maker Supercell. Available in: https://www.reuters.com/article/net-us-softbank-acquisition/softbank-buys-1-5-billion-stake-in-finnish-mobile-games-maker-supercell-idUSBRE99E0ID20131021

59 Nordisk Film: New VR/AR Incubator by Nordisk Film and Japanese game company Gumi Inc. is coming along fast – Nordic VR developers are called upon to apply. Available in: https://www.nordiskfilm.com/new-vrar-incubator-nordisk-film-and-japanese-game-company-gumi-inc-coming-along-fast-nordic-vr

JAPAN ◉

3.7. JAPANESE REGULATION AND APPROVALS

Like in China, regulation has a significant impact on the Japanese game market. Many successful Japanese game developers utilize the so-called *gacha mechanism* (mystery prizes that cost real-world money) in their games. The mechanism is practically very close to the Western loot box mechanism that has been the subject of a broad public debate recently in both the US and EU. Japanese regulators tackled the gacha mechanism for the first time in 2012 when Japan's National Consumer Affair Agency declared the "kombu gacha" (complete gacha) mechanism found in several social games on Gree and DeNA's Mobage platforms illegal [60]. In March 2012, six companies behind leading Japanese game platforms established a liaison council to promote the safety of and protect young players. In July 2012, the council announced voluntary "gacha guidelines" to prevent users from being misled by the mechanism. [61]

Due to a global debate on **WHO's Gaming Disorder classification,** the gacha mechanism is again under serious public scrutiny and attention by the Japanese government. Consequently, many Japanese mobile game industry studios are now looking for new opportunities outside the games industry. [62]

Japan has two age rating systems, **CERO** [63] and an older system called EOCS. Both give visible indicators of to whom a game is suitable. [64] CERO ratings are required for any release on Switch, PS4 or Vita, and a separate rating is needed for each game published on each platform. All bureaucracy related to the rating process has to be done in Japanese, and applications must be physically mailed to Tokyo. It is advised to consult legal authorities on how to proceed with the application process regarding a CERO rating.

PRIVACY AND DATA PROTECTION

Japan is one of the few countries that has already received a GDPR adequacy decision from the EU that permits a cross-border data transfer between the EU and Japan without further authorization from a national supervisory authority in Europe. [65] However, it is important to remember that an adequacy decision does not mean that there would not be minor differences between GDPR and the Japanese privacy regulation called APPI. [66]

60 Kantan Games: It's Official: Government regulates Japan's social gaming industry over kompu gacha. Available in: https://www.serkantoto.com/2012/05/18/gacha-regulation-official/
World_Online_Gambling_Law_Report_Journal_October2012.pdf. Available in: https://www.aplaw.jp/file/World_Online_Gambling_Law_Report_Journal_October2012.pdf

61 World_Online_Gambling_Law_Report_Journal_October2012.pdf. Available in: https://www.aplaw.jp/file/World_Online_Gambling_Law_Report_Journal_October2012.pdf

62 Bloomberg: The Good Times Are Over for Japan's Loot-Box-Style Gaming Bonanza. Available in: https://www.bloomberg.com/news/articles/2018-11-05/the-good-times-are-over-for-japan-s-loot-box-style-gaming-bonanza

63 https://www.cero.gr.jp/en/publics/index/

64 IGN: Ratings Wiki Guide. Available in: https://www.ign.com/wikis/content-ratings/CERO

65 EUR-Lex: Document 32019D0419. Available in: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2019.076.01.0001.01.ENG&toc=OJ:L:2019:076:TOC
iapp, The Privacy Advisor: The European Union and Japan adopt adequacy decisions. Available in: https://iapp.org/news/a/the-european-union-and-japan-adopt-adequacy-decisions/

66 iapp Privacy Tracker: GDPR matchup: Japan's Act on the Protection of Personal Information. Available in: https://iapp.org/news/a/gdpr-matchup-japans-act-on-the-protection-of-personal-information/

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4. SOUTH KOREA

4.1. SOUTH KOREAN MARKET OVERVIEW

South Korea is **one of the fastest-growing game markets in the world**[67] The South Korean game market consists of four different parts:[68]

1) Over 50% of South Koreans play **mobile games**[69]
2) **Computer games are played in PC Bangs**[70], designated rooms for several PC players
3) **eSports** is on TV every day. eSports was born in South Korea.
4) **Console platforms** are a minor but still significant market.

Already for two decades South Korean government has supported the game industry. Recently (May 2020), the Ministry of Culture, Sports and Tourism announced the latest five-year plan to support the industry.[71] From a foreign game developer's point of view, the most relevant part of this plan is the fact that government supports cooperation with foreign and local game companies (a.k.a. domestic agent designation system. Read more in chapter 4.7).

67 Mintegral & NewZoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

68 KOCCA: 2020 White Paper On Korean Games. Available in: https://welcon.kocca.kr/en/support/content-news/421

69 SEOULZ: Top 10 Korean Gaming Companies of 2019 to Watch For. Available in: https://seoulz.com/top-10-korean-gaming-companies-of-2019-to-watch-for/

70 Rooms, where gamers of all ages are sitting next to computers in rows

71 Niko Partners: Korea's new regulations on games and esports. Available in. https://nikopartners.com/koreas-new-regulations-on-games-and-esports/

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SOUTH KOREA

4.2. MAIN PLATFORMS FOR GAMES IN SOUTH KOREA

The 2020 White Paper on Korean Games [72] states that in 2019 mobile games is the primary platform (50%) in Korean game sales. PC games have a significant role with a 31 percent market share. PC Bangs has a third place with a share of 13%. Consoles' share of games consumed has increased to 4,4 %. Even though consoles are a minor platform in the South Korean games market, new console releases from PlayStation and Xbox (both were released in South Korea in November 2020) are expected to increase the share of console platforms in the future. [73] It seems that the market shares of Mobile and Console games' keeps growing, while PC games are decreasing. The COVID-19 outbreak is possibly accelerating this development.
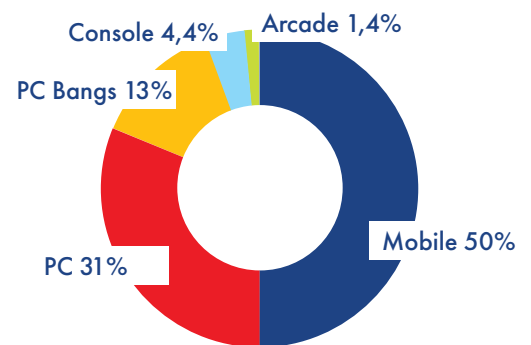
SOUTH KOREAN TOP PLATFORMS

Chart 9. Platform sales share in South Korea (source The 2020 White Paper on Korean Games)

It is self-evident that the COVID-19 pandemic has had a negative impact on PC bangs and Arcades, which has led to higher consumption of mobile and console games. However, there are not yet many statistics available to prove that. [74] It remains to be seen how popular PC Bangs are going to be in future after the pandemic.

72 KOCCA: 2020 White Paper On Korean Games. Available in: https://welcon.kocca.kr/en/support/content-news/421

73 KOCCA: 2020 White Paper On Korean Games. Available in: https://welcon.kocca.kr/en/support/content-news/421

74 Statista: Gamers in South Korea - statistics & facts. Available in: https://www.statista.com/topics/5683/gamers-in-south-korea/#dossierSummary
Niko Partners: South Korea's New Regulations on the Games and Esports Industry June 2020. Available in: https://nikopartners.com/wp-content/uploads/2020/06/Asia-Spotlight-Report-Korea-New-Regulations-on-Games-and-Esports.pdf

SOUTH KOREA

A VERY HIGH SMARTPHONE PENETRATION

South Korea has one of the highest smartphone penetrations in the world. Estimated percentages vary depending on the source. According to Statista, it was 95% in 2020.[75] During the past years, mobile has become the leading games platform in the South Korean Games market.

Android phones are dominating South Korean markets. According to Counterpoint Research[76], Samsung is still dominating in 2020 Q2 with a 67 per cent market share. While Apple has a 19 per cent share and LG 13 per cent share. (Chart 10.)
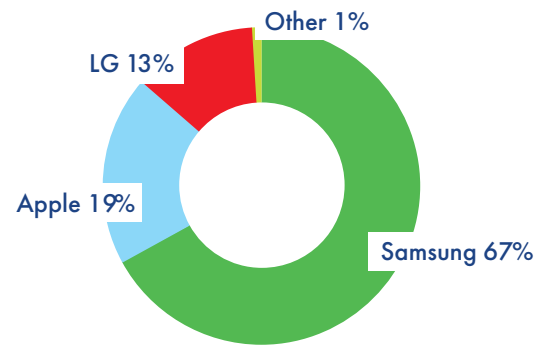
Chart 10. Top Mobile Brands and Models in South Korea

75 Statista: Smartphone penetration rate as share of the population in South Korea from 2015 to 2025. Available in: https://www.statista.com/statistics/321408/smartphone-user-penetration-in-south-korea/ Mintegral & NewZoo: Insights into Asia's Top Mobile Markets: China, Korea, Japan. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

76 Yonhapnews Agency: Samsung expands dominance in domestic smartphone market in Q2: report. Available in: https://en.yna.co.kr/view/AEN20200911004300320

SOUTH KOREA

PC GAMES HAVE LONG HISTORY IN SOUTH KOREA

According to the 2020 White Paper On Korean Games[77], South Korea is ranked third among the world's top 10 PC online game markets in 2021. South Korean games (*Sudden Attack, PUBG, Dungeon Fighter, Maple Story and Lost Ark*) represent a thin majority on top 10 PC Games at local markets. However, there is room also for Western titles like League of Legends, Overwatch, FIFA, World of Warcraft, and StarCraft.[78]

INTERNET CAFES; PC BANGS

Internet cafes, called PC Bangs, are convenient from the perspective of South Korean players, as the games are always already installed and updated, and you pay based on how long you have played. Games are downloaded through specific platforms, out of which the three biggest are Netmarble, Nexon and NCSoft. These platforms share royalties to game developer studios based on playtime and based on the needs and choices of the players. However, COVID-19 has caused a significant decrease in PC bangs markets.

4.3. SOUTH KOREAN CONSUMERS

The South Korean games market is described as very dynamic and fast. Local players use game content many times faster compared to other markets. Therefore, developers entering South Korean markets should be prepared to produce deep enough gameplay and a vast amount of playable content. South Korean consumers are well educated and informed and like to follow trends and purchase items that are "must-have" -products. Luxury and global brands are well appreciated. They fear becoming old-fashioned if they don't have specific products.

77 KOCCA: 2020 White Paper On Korean Games. Available in: https://welcon.kocca.kr/en/support/content-news/421

78 KMK: Top 10 Popular PC Games in Korea 2020. Available in: http://kissmykimchi.com/2020/06/kmk-top-10-popular-pc-games-in-korea-2020.html/

SOUTH KOREA

Following tips are partly based on Korean newspaper SEOULZ[79] regarding marketing to South Korean consumers:

1. **Language:**
   - ⮑ Most South Korean people do not speak English

2. **Visibility and Discoverability:**
   - ⮑ Naver is the primary search tool on the internet, not Google. Although YouTube is very popular.
   - ⮑ Visibility on e-commerce platforms like G-market and Coupang
   - ⮑ Social Media:
     - ♥ Instagram and Facebook are popular, as well as Twitter and Telegram
     - ♥ Local channels: Kakao, Naver Café and Daum Café

3. **South Korean consumers use social media platforms mainly after work**

4. **Offering *a hyped feeling* that the game x is following or leading the recent general mainstream when marketing games for South Korean games is essential.**

5. **Remember the impact of local social media influencers**

6. **South Korea has the fastest internet connections in the World +5G**

7. **South Koreans are early adopters of tech**

8. **Consumers appreciate special promotions and discounts**

9. **Customers are ALWAYS right.**
   - ⮑ Focus on customer service (it is obligated to have in Korean)

79 SEOULZ: Everything You Need to Know About South Korean Consumers: https://seoulz.com/everything-you-need-to-know-about-south-korean-consumers/

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Despite all the hun for new trends, there is a new phenomenon called "newtro", which means the combination of new and retro, in other words, novelty and familiarity. That trend is penetrating also to games. 2020 White Paper On Korean Games (KOCCA) [80] announced that 2020 started the golden age of intellectual property rights for classic games. Games from the early 1990 have been re-released lately as popular mobile games. Classic games and old IPs have shown success in sales. The downside of that is that old hit games might have tons of replicants already at the markets.

4.4. GENRES IN SOUTH KOREA

According to Statista [81], like in many other Asian markets, **Role Playing Games** are the most popular genre in PC markets and mobile markets [82] in South Korea. Strategy games are the second most popular genre in South Korean mobile games. South Korean players also respect classic IPs such as Lineage and Three Kingdoms. [83]

4.5. ESPORTS

South Korea is said to be the birthplace of eSports. The South Korean government has shown strong support for eSports for a long time. At the end of the 1990s, the South Korean government decided to build a national broadband network. Widespread internet access enabled the rise of online and video games in South Korea. In addition to that, internet cafes became very popular and allowed gaming to be part of the mainstream culture. [84] The first Korean eSports Association (KeSPA) was founded nearly 20 years ago in 2000. In August 2018, The Ministry of Culture, Sports and Tourism announced a project to build three new eSport stadiums in South Korea. [85]

There has been a lot of hype about eSports all around the game industry. However, building an eSport game is not just a decision or a chosen strategy. Naturally, a developer should add eSports features like competitive gameplay into a game already at the beginning of production. However, until the game can truly be called an eSport game, it has to have a big and enthusiastic fan and user base. Achieving that is the goal for most games. When enough excited users are eager to play and other people to watch them playing, the game can be transferred to eSports. This can be included in the strategy already in the beginning, but it's very challenging to execute before a certain amount of success. Although, when a developer has already reached the eSports requirements with their game, South Korea is a market to consider.

80 KOCCA: 2020 White Paper On Korean Games. Available in: https://welcon.kocca.kr/en/support/content-news/421

81 Statista: Most preferred genre of computer games in South Korea in 2020. Available in: https://newzoo.com/insights/articles/insights-into-asias-top-mobile-markets-china-korea-japan/

82 GameRefinery: RPGs are more popular in the East but still make a significant chunk of revenue in the west Available in: https://www.gamerefinery.com/rpg-genre-highlights-genre-and-great-games-report/

83 Sensor Tower: South Korean Mobile Game Spending Grew Nearly 15% in Q1 2020 to $1.1 Billion. Available in: https://sensortower.com/blog/south-korea-mobile-game-trends-q1-2020

84 NOVAsia: Esports and Gaming Culture in South Korea: A "National Pastime" or Addictive Disease? http://novasiagsis.com/esports-gaming-culture-south-korea-national-pastime-addictive-disease/

85 VIE: Korean government will build three new esports stadiums. Available in: http://vieesports.com/korean-government-will-build-three-new-esports-stadiums/

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SOUTH KOREA

4.6. PARTNERING WITH SOUTH KOREAN COMPANIES

Some Finnish game companies are already cooperating with South Korean companies. **Remedy Entertainment is collaborating with Smilegate on developing CrossFire.** [86] In 2016, Finnish game studio **Critical Force raised € million investment from NHN**. [87] **Korean Investment Partner has invested in several Finnish game studios like Seriously,** [88] **Matchmade** [89] **and Traplight Games** [90] .

According to interviews conducted for this study and several other sources, South Korean game developers and publishers are very interested in enhancing their opportunities to publish games on Western markets. This could offer a good opportunity for cooperation between Finnish and South Korean companies. However, the leading Finnish companies like Supercell have been able to succeed in the South Korean market by themselves through self-publishing in Apple Appstore and Google Play.

86 Remedy Entertainment Press release: Remedy signs a new game project with Smilegate. Available in: https://www.remedygames.com/remedy-signs-a-new-game-project-with-smilegate/

87 Good News Form Finland: Critical Force hooks EUR 4 million in seed funding. Available in: http://www.goodnewsfinland.com/critical-force-hooks-eur-4-million-seed-funding/
Pocket Gamer Biz: Critical Force raises $4.5 million to push FPS eSports title Critical Ops out to Asia market. Available in: https://www.pocketgamer.biz/news/63892/critical-force-nhn-entertainment-partnership/

88 Seriously Entertainment: Press Release: Series A Led by Northzone Along With Korea Investment Partners, Upfront Ventures, Sunstone Capital and Daher Capital. Available in: https://www.seriously.com/seriously-raises-18-million-to-build-out-its-mobile-first-entertainment-strategy/

89 EU-Startups: Finnish startup Matchmade, an influencer marketing platform for games, raises €4 million. Available in: https://www.eu-startups.com/2018/11/finnish-influencer-marketing-platform-for-games-matchmade-raises-e4-million/

90 GamesIndustryBiz: Traplight secures $2.7m funding round. Available in: https://www.gamesindustry.biz/articles/2017-03-23-traplight-secures-USD2-7m-funding-round

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4.7. BIGGEST SOUTH KOREAN GAME COMPANIES

According to Seoulz [91] and Newzoo, some of the biggest (in alphabetical order) South Korean game companies are:

- 4399 Korea
- DoubleU Games
- Gamevil Com2uS
- Gravity
- Kakao Games
- Krafton
- NCSoft
- Neowiz
- Netmarble
- Nexon
- NHN Entertainment Corporation
- Pearl Abyss
- PUBG Corporation
- Smilegate
- Webzen
- WeMade Entertainment

4.8. REGULATION IN SOUTH KOREA

Like in China and Japan, regulation has a significant impact on South Korean game markets.

In 2011, the South Korean government introduced the so-called **shutdown law (Cinderella Law)** [92] that prevents children under 16 from playing online games after midnight. To boost the game industry, the Ministry of Culture, Sports and Tourism decided to ease the law in 2016 to be based on the parents' choice. [93]

In May 2019, the World Health Organization **(WHO) defined Gaming disorder** in the International Classification of Diseases (ICD-11) "*as a pattern of gaming behaviour ("digital-gaming" or "video-gaming") characterized by impaired control over gaming, increasing priority given to gaming over other activities to the extent that gaming takes precedence over other interests and daily activities, and continuation*

91 Seoulz;: Top 10 Korean Gaming Companies to Watch For - Best of 2021. Available in: https://seoulz.com/top-10-korean-gaming-companies-to-watch-for-best-of-2021/

92 CNN: South Korea pulls plug on late-night adolescent online gamers. Available in: https://edition.cnn.com/2011/11/22/world/asia/south-korea-gaming/index.html

93 The Korea Herald: S. Korea to ease online game 'shutdown law': http://www.koreaherald.com/view.php?ud=20160718000987

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or escalation of gaming despite the occurrence of negative consequences." [94] Furthermore, there is currently discussion about new regulations targeting loot boxes in South Korea, and according to some sources, WHO's global classification for game addiction has alarmed some of the South Korean game studios. Therefore, the South Korean Ministry of Culture, Sports and Tourism has shown strong support for the growth of their local games industry. In the end, the South Korean Minister of Culture, Sports and Tourism has removed monthly restrictions for adults on how much they can spend on online PC games and **objected to the WHO decision**. [95] A South Korean tech companies association, including 194 companies (among them Naver and Kakao, for example), has expressed their opposition to WHO's classification. [96]

On the other hand, most **local medical and welfare associations have stepped up to support** the designation of a disease code for gaming disorder. [97]

PRIVACY AND DATA PROTECTION

The European (GDPR) and Korean (PIPA) share many similarities, although there are some differences. [98] The South Korean government is currently introducing some changes in its privacy rules to overcome the biggest differences between GDPR and PIPA. [99] After the changes are implemented, it is likely that South Korea, like Japan, will get a GDPR adequacy decision from the EU that permits cross-border data transfer between the EU and South Korea without further authorization from a national supervisory authority in Europe.

94 WHO: Gaming Disorder. Available in: https://www.who.int/features/qa/gaming-disorder/en/
Games Industry Biz: World Health Organization makes 'gaming disorder' a recognised illness. Available in: https://www.gamesindustry.biz/articles/2019-05-25-world-health-organisation-makes-gaming-disorder-a-recognised-illness

95 The Korea Herald: Culture minister vows support for gaming market. Available in: http://khnews.kheraldm.com/view.php?ud=20190708000641&md=20190710003120_BL
The Korea Times: Korea at odds with WHO's adoption of gaming disorder. Available in: http://www.koreatimes.co.kr/www/tech/2019/07/134_270558.html

96 BusinessKorea: Korean Internet Companies Join Resistance to Classification of Game Addiction as Disease. Available in: http://www.businesskorea.co.kr/news/articleView.html?idxno=32408

97 KOCCA: 2020 White Paper On Korean Games. Available in: https://welcon.kocca.kr/en/support/content-news/421

98 EUR-Lex: Document 32019D0419. Available in; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2019.076.01.0001.01.ENG&toc=OJ:L:2019:076:TOC

99 iapp The Privacy Advisor: South Korea's EU adequacy decision rests on new legislative proposals. Available in: https://iapp.org/news/a/south-koreas-eu-adequacy-decision-rests-on-new-legislative-proposals/

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APPROVALS REQUIRED FROM GCRB AND GRAC

Before any game can be released in South Korea, it needs to have approval from official rating boards GCRB (Game Content Rating Board) and GRAC (Game Rating and Administration Committee), according to user age and platform targeted. Every platform requires separate approval, even if the game would have precisely the same content. It is important to note that according to the law, a foreign company is not allowed to apply for the rating. **To get the rating for a game distributed in South Korea, non-locals must have a contract with a local publisher or a proxy before applying. Setting up a branch in South Korea can also be a solution.** (100

The application process is well described on the Game Rating and Administration Committee website https:// www.grac.or.kr/english/ and in CRAC Yearbook 2018 under Rating Classification & Post Management of Game (Summary / October, 2018). (101

In June 2020, GRAC strongly recommended **Steam to receive ratings on unrated games released on the Korean market**, especially for popular games. Later Game Management committee has informed that companies that have been advised to apply rating but are continuing to distribute games without a rating can be labelled as illegal game products according to Article 32, and therefore they can be sanctioned.

Google's GooglePlay and Apple's App Store currently rate and retail games by themselves after getting approval from the Culture Ministry. CARG is also preparing a procedure for foreign game companies to apply classification from the committee directly. (102 However South Korea is also part of International Age Rating Coalition (IARC (103)) system. Although it is advised to consult legal advisors on how to proceed with the application process regarding GCRB and CRAC.

100 South Korean Game Rating and Administration Committee: Enforcement. Available in: https://www.grac.or.kr/english/enforcement/Enforcement.aspx
GCRB – Game Content Rating Board: Enforcement. Available in: https://www.gcrb.or.kr/English/enforcement/Enforcement.aspx

101 CRAC Yearbook 2018 on Rating Classification & Post Management of Game (Summary / October, 2018) available for download in: https://www.grac.or.kr/english/statistics/2017.aspx

102 The Investor: Korea cracks down on foreign games that don't play by the rules. Available in: http://www.theinvestor.co.kr/view.php?ud=20200604000762
Inven Global: The Game Committee is cracking down on unclassified 'steam' games (auto translated) Available in: https://m.inven.co.kr/webzine/wznews.php?idx=239227
PCGamesn: Korea is tightening up regulations on unrated foreign games on Steam. Available in: https://www.pcgamesn.com/korean-game-regulations

103 International Age Rating Coalition: https://www.globalratings.com/about.aspx

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DOMESTIC AGENT DESIGNATION SYSTEM

According to Niko Partners [104], the Korean Ministry of Culture, Sports and Tourism is ensuring that foreign companies cooperate with local companies by introducing a *'domestic agent designation system.'* The system has already been applied to foreign telecommunication companies since March 2019. The system will also cover foreign game companies in accordance with amendments to the Information and Communication Technology Act (ICT Act).

According to the ICT Act, *foreign game companies without domestic subsidiaries must appoint a Korean agent to act as a domestic customer service point when it comes to receiving and processing the player's personal data-related grievances and complaints.* To protect local customers, the assigned Korean agent company will also perform notification and reporting services if players personal information is lost, stolen or leaked. In addition, it is obligated to submit personal information data in the case of administrative investigations by Korean regulators.

However, *if the domestic agent's performance is insufficient, foreign companies can be directly punished by the Korea Communications Commission by enforcing sanctions such as fines under the ICT Act.* [105] **Those who fail to comply can be fined less than 20 million KRW (around €15 000).**

The requirement of domestic agent for foreign game companies can be seen as a response to Chinese measures to limit market access for foreign companies. Korean games have got only few (four) ISBN licenses in Chinese markets, while Chinese games are conquering the Korean games market without any limits or local partners.

PROBABILISTIC ITEMS

According to the Business Finland Korean office, the Korean regulation on probabilistic items states that probability rates of loot boxes should be clearly and visibly indicated to players. This is implemented through voluntary publishing requirements by the GSOK and the local game association. Those who fail to indicate the probability rate will be named in a public list of non-compliant companies.

104 Niko Partners: South Korea's New Regulations on the Games and Esports Industry June 2020. Available in: https://nikopartners.com/wp-content/uploads/2020/06/Asia-Spotlight-Report-Korea-New-Regulations-on-Games-and-Esports.pdf
Naver: 해외 게임들의 무책임한 운영 OUT, 국내 대리인 지정 제도 도입 예정/ Irresponsible operation OUT of overseas games, plans to introduce domestic agent designation system (Headline Google translated). Available in: https://sports.news.naver.com/news.nhn?oid=442&aid=0000116983

105 Niko Partners: South Korea's New Regulations on the Games and Esports Industry June 2020. Available in: https://nikopartners.com/wp-content/uploads/2020/06/Asia-Spotlight-Report-Korea-New-Regulations-on-Games-and-Esports.pdf

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5.TRENDS

This chapter highlights some of the biggest trends based on their impact on Chinese, Japanese and South Korean games markets. The drivers behind these trends are sometimes political and sometimes related to the development of technological infrastructure, for example, the coverage of 5G networks.

Political tensions can have significant consequences for the game industry. They can escalate even into market disruptions. For example, in the long run, as an outcome of the Android OS ban on Huawei phones, Google's Android OS can get serious competitors from Chinese mobile manufacturers. Furthermore, potential trade wars can cause hurdles for Apple sales in China. Political tensions can affect the global development of 5G networks since the development of 5G technology relies partly on patents owned by Chinese mobile manufacturers.

5.1. TRADE WARS

CHINA AND THE US

The trade issues between China and the US[106] were a big topic during 2019. As a US sanction, Google Android OS was blocked from Huawei devices[107] leading to a rather significant drop in Huawei device sales in China.[108] Huawei has announced that the company will release its own operating system, Harmony 2, on June 2nd, 2021.[109] It remains to be seen how the situation changes with the new operating system. However, tensions between the US and China seem to continue on many levels, even with the recently elected new US president.

106 BBC News: A quick guide to the US-China trade war. Available in: https://www.bbc.com/news/business-45899310
The New York Times: As Huawei Loses Google, the U.S.-China Tech Cold War Gets Its Iron Curtain. Available in: https://www.nytimes.com/2019/05/20/business/huawei-trump-china-trade.html

107 Reuters: Exclusive: Google suspends some business with Huawei after Trump blacklist - source Available in https://www.reuters.com/article/us-huawei-tech-alphabet-exclusive-idUSKCN1SP0NB
Forbes: Goodbye Google—Huawei Now Urgently Turns To Apple Instead. Available in: https://www.forbes.com/sites/zakdoffman/2020/08/15/huawei-apple-iphone-google-android-update-release-beat-china-ban/?sh=175c5ee67cc0

108 Canalys: China smartphone market Q4 and full year 2020. Available in: https://www.canalys.com/newsroom/china-smartphone-market-declines-11-in-2020

109 South China Morning Post: Huawei to roll out self-developed Harmony OS for smartphones next month, ending its reliance on Google's Android. Available in https://www.scmp.com/tech/big-tech/article/3134783/huawei-roll-out-self-developed-harmony-os-smartphones-next-month

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SOUTH KOREA AND CHINA

Unlike in Western countries, in Asia, games have been part of trade wars for years. In 2016, ***China blocked South Korean games' approvals for Chinese markets***[110] due to escalating political tensions between the two countries. A conflict that started from South Korea deploying the US anti-ballistic missile system THAAD in the Korea Peninsula[111]does not concern only the games industry but also other business and entertainment sectors.[112]

China used to be the largest export market for South Korean games. In 2019 a still significant (although decreasing) amount of South Korean games were exported to China (40,6 % of the game exports)[113]. Between 2017 and 2020, only two partially South Korean titles, developed in cooperation with foreign partners, were approved in China.

On the other hand, The Chinese ban on South Korean games also hurt Chinese companies distributing South Korean games into Chinese markets. On the other hand, highly challenging Chinese game markets also entice Chinese developers to find new market opportunities outside China. The Chinese government is even supporting Chinese game developers in their export activities. While South Korea still does not have full access to the Chinese games market, Chinese games are celebrating in South Korean games markets, especially in mobile markets. Some Chinese sources claim that as many as one-third of the hundred most popular mobile games in South Korea are made by Chinese developers.[114]

110 Niko Partners: What's behind the lack of new game approvals in China? Available in: http://nikopartners.com/whats-behind-the-lack-of-game-approvals-in-china/
Pulse by Maeil Business News Korea: China keeps doors closed to new Korean game entries. Available: https://pulsenews.co.kr/view.php?year=2019&no=205834
The Korean Times: Game firms struggle to find breakthrough. Available in: http://www.koreatimes.co.kr/www/tech/2019/07/134_268897.html

111 Abacus News: South Korea asks China to stop banning its games. Available in: https://www.abacusnews.com/digital-life/south-korea-asks-china-stop-banning-its-games/article/3014558

112 Quartz: Online video games are the latest casualty of China's war against Korean businesses. Available in: https://qz.com/928459/online-video-games-are-the-latest-casualty-of-chinas-retaliation-against-korean-businesses-for-the-thaad-antimissile-defense-system/
The Korea Herald: Culture minister vows support for gaming market. Available in: http://khnews.kheraldm.com/view.php?ud=20190708000641&md=20190710003120_BL

113 KOCCA: 2020 White Paper On Korean Games. Available in: https://welcon.kocca.kr/en/support/content-news/421

114 Abacus News: South Korea asks China to stop banning its games. Available in: https://www.abacusnews.com/digital-life/south-korea-asks-china-stop-banning-its-games/article/3014558
BusinessKorea: China Permitted No Korean Games for over a Year. Available in: http://www.businesskorea.co.kr/news/articleView.html?idxno=24240

TRENDS

As an outcome, South Korean companies like Nexon and Smilegate face significant challenges when one of the biggest game markets in the world (and for many years their major source of income) is not open anymore for their hit games like Dungeon and Fighter and Crossfire. [115] Partly as a response to the current situation, the South Korean Ministry of Culture, Sports and Tourism introduced a *'domestic agent designation system', which obligates* **foreign game companies without domestic subsidiaries to appoint a Korean agent to act as domestic customer service contact point for receiving and processing players' grievances and complaints related to their personal data.** [116]

In December 2020, things started to improve for the South Korean game developers. The first Chinese market licence for the South Korean Game after the ban was *"Summoners War" by* Com2us. [117] Since then, China has approved the other four South Korean games titles.

JAPAN AND SOUTH KOREA

In July 2019, political tensions emerged between Japan and South Korea due to a skirmish concerning compensations for South Korean forced labour during World War II. [118] As a result, Japan has started to hinder exports of raw materials crucial for the South Korean tech industry. Lately, tensions have diminished, and both Japan and South Korea have promised to build a "future-oriented relationship" based on cooperation and historical reconciliation. [119]

115 Abacus News: South Korea asks China to stop banning its games. Available in: https://www.abacusnews.com/digital-life/south-korea-asks-china-stop-banning-its-games/article/3014558
BusinessKorea: China Permitted No Korean Games for over a Year. Available in: http://www.businesskorea.co.kr/news/articleView.html?idxno=24240

116 Niko Partners: South Korea's New Regulations on the Games and Esports Industry June 2020. Available in: https://nikopartners.com/wp-content/uploads/2020/06/Asia-Spotlight-Report-Korea-New-Regulations-on-Games-and-Esports.pdf
Naver: 해외 게임들의 무책임한 운영 OUT, 국내 대리인 지정 제도 도입 예정/ Irresponsible operation OUT of overseas games, plans to introduce domestic agent designation system (Headline Google translated). Available in: https://sports.news.naver.com/news.nhn?oid=442&aid=0000116983

117 The Korean Times: China approves Korean game for 1st time in nearly 4 years. Available in: https://www.koreatimes.co.kr/www/tech/2020/12/134_300312.html

118 Straits Times: Stock woes deepen in South Korea as a new trade war roils market. Available in: https://www.straitstimes.com/business/companies-markets/stock-woes-deepen-in-south-korea-as-a-new-trade-war-roils-market
JAPAN Times: South Korea's botched handling of wartime labor issue. Available in: https://www.japantimes.co.jp/opinion/2019/07/09/commentary/japan-commentary/south-koreas-botched-handling-wartime-labor-issue/

119 The Diplomat: Japan Has a Chance to Break the Ice With South Korea. Available in: https://thediplomat.com/2021/04/japan-has-a-chance-to-break-the-ice-with-south-korea/

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TRENDS

5.2. 5G NETWORKS BOOSTING NEW OPPORTUNITIES IN GAMES

Faster networks, especially wireless 5G, are potentially going to impact mobile and cloud gaming significantly. The increased bandwidth of 5G enables better cloud-based services, i.e. subscription services, such as Apple Arcade that was launched in September 2019, and Google Stadia, which will be launched in several countries in November 2019. Faster networks naturally also enhance multiplayer games and boost especially eSports.

Asian mobile operators are globally early adaptors of 5G networks. According to GSMA's Mobile Economy series [120], local mobile operators are investing $370 Billion in building new 5G networks during 2018-2025. The world's first nationwide 5G network was launched in South Korea in April 2019. [121] Japanese Softbank announced that they are targeting 60% population 5G coverage in Japan by 2023. Japanese NTT Docomo is also investing heavily in 5G. [122]

Political tensions between the US government and Huawei and other Chinese technology manufacturers (ZTE, Oppo and China Academy of Telecommunications Technology) might hinder the development of 5G networks in the US. Those major Chinese companies do not only dominate 5G technology but also own many patents on 5G technologies. The combined patent portfolio of US companies is even smaller than that of the portfolio of the Finnish mobile network manufacturer Nokia, which has 1397 patents. 29 more than US companies in total.

South Korean companies hold 2051 patents. Neither South Korean Telecom nor Korea Telecom uses Huawei Technology in its 5G networks. [123] It is also worth noting that it is quite a different market base to have millions of people in a small area like in South Korea and Japan than in other less densely populated geographical areas. In addition to the US, also several European countries have put restrictions against Huawei technology. [124]

120 GSM:; 5G Arrives in Asia as Operators Invest Billions Rolling Out Next Generation Networks, Finds New GSMA Study. Available in: https://www.gsma.com/newsroom/press-release/5g-arrives-in-asia-as-operators-invest-billions-rolling-out-next-generation-networks-finds-new-gsma-study/

121 VOA: South Korea to Launch World's First National 5G Networks. Available in: https://www.voanews.com/silicon-valley-technology/south-korea-launch-worlds-first-national-5g-networks

122 VentureBeat: NTT Docomo moves up Japan-wide 5G to June 2020, offers early access. Available in: https://venturebeat.com/2019/09/19/ntt-docomo-moves-up-japan-wide-5g-to-june-2020-offers-early-access/

123 VOA: South Korea to Launch World's First National 5G Networks. Available in: https://www.voanews.com/silicon-valley-technology/south-korea-launch-worlds-first-national-5g-networks

124 Politico: Germany falls in line with EU on Huawei. Available in:https://www.politico.eu/article/germany-europe-huawei-5g-data-privacy-cybersecurity/

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6. BEST PRACTICES

Based on the review of the current market situation, you might want to consider the following options (not in any specific order) while planning your market entry to these markets:

- **Self-publishing in Japan and South Korea through digital distribution channels, i.e., Apple Appstore, Google Play, Steam and Epic store or console platforms (note that local regulation requirements need to be filled).**
- **Strategic investment from local investors in China, Japan or South Korea**
- **Offering outsourcing services for Chinese, Japanese, or South Korean companies**
- **Buying outsourcing services from Chinese, Japanese, or South Korean companies**
- **Cooperation (for example, in publishing) projects with Chinese, Japanese, or South Korean companies**

Even though these are good advice and even industry best practices on how to enter these markets, Finnish game developers have a good track record in doing things differently. Supercell, for example, did not partner with Kakao when they entered the South Korean market in 2014 when cooperation with the most prominent local social media company was seen to be the only way to access the market and reach the local players. The Supercell example of successfully self-publishing several games in South Korea has proved that there are more options for market access. However, Supercell did open a local office in both Japan and South Korea already in 2014[125] to increase their presence in and understanding of local markets.

In summer 2019, Finnish Small Giant Games, which Zynga acquired in December 2018, decided to self-publish in both South Korea and Japan. In 2019, it was common knowledge that visibility with celebrities and big billboards on the streets was essential for user acquisition in these markets. However, the strategy of Small Giant Games was different. They focused their attention on laser-sharp performance marketing to reach the (right) local players, and their game Empires & Puzzles has been a great success in the South Korean markets.

Small Giant Games has also proved that local social media channels are not the only to reach players. Western services (like Twitter, Facebook, YouTube, Google, Vungle, Unity) are also starting to have a significant presence in Japan and South Korea (but not in China). Naturally, it is good to cooperate with local social media channels at some point, but it can also be done step by step. However, it is precious to have good connections with local platform holders and distribution channels (like Google Play, Apple Appstore etc., please, bear in mind that there are several different Android application stores in China). They can help and guide you with local regulations or with visibility, for example.

125 Tech in Asia: Clash of Clans maker Supercell opens office in Seoul. Available in: https://www.techinasia.com/clash-of-clans-maker-supercell-reportedly-opens-office-in-seoul

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& RECOMMENDATIONS

However, there are a few things which still seem essential for a foreign game developer to keep in mind, when aiming at these market areas;

1) FOCUS!
- Include market entry as a firm part of your company's long term strategy.
- Investigate the market you are entering
- Asia is big. Enter these markets one by one
- Have enough time and resources to focus on each market when launching your game

2) Having enough content to PLAY is fundamental
- Chinese, Japanese and South Korean players play a lot and they consume content faster than customers in Western markets
- You also need to have lot of events for local players

3) You need to have enough content to PAY for
- Have solid KPI testing
- Especially Finnish developers are often modest, when it comes to in-game spending
  - ✓ There is nothing wrong in offering added value for money for a player who enjoys playing the game.
  - ✓ The opportunities for in-game spending and the value for the money invested needs to build in the game already from the beginning

4) Language:
- Many of the local partners in China, Japan and South Korea do not speak English
  - ✓ Having a person speaking the local language helps to approach platform holders, PR partners, social media etc.
- Language localisation is still valid in all these three countries.
  - ✓ It is important to pay attention to the quality of translation and understand cultural differences between these countries

5) TEST and Softlaunch your game before entering to Asian target market
- Malaysia is a good place to test for Chinese Players
- You can test your game as a separate app in case you want to maintain the integrity of the game itself
- Build you strategy based on these test results

6) Follow the local rules
- Regulation is becoming a bigger and bigger market access barrier. In order to overcome It, you need to familiarise yourself with the key local rules and regulations for games.

7) Be polite
- Always communicate respectfully
- Be punctual in everything you do

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BEST PRACTICES

Furthermore, there has been a lot of discussion on how important it is to modify the content of Western games to fit the local taste in certain Asian markets. Based on interviews conducted for this study, on some level, the creative styles and preferences are merging globally between countries and cultures. Therefore, content localization does not seem to be an absolute necessity either.

Cooperating with a local partner can give you a lot of support and help, especially if you do not have enough time or resources to gain deep market knowledge. Still, successful cooperation requires a basic understanding of the local culture. Choosing a partner who already has some previous experience of cooperating with Western developers can be a good choice. Especially in PC and Console games, a local partner can offer a lot of support regarding retail distribution and the presence at trade events, including organizing meetings with partners and press and gaining visibility in general.

Even though creativity is one of the strongest assets of Finnish game developers, when approaching Chinese, Japanese and South Korean partners, be ready to justify your decisions by profits they are going to generate. Sometimes visuals and playable demos are an excellent way to reach a common understanding, but in the end, money is the international language.

Keep in mind that there are significant differences between the Finnish working culture and working hours compared with Asian countries, where there is a lot more hierarchy in decision making and working hours are much longer. When meeting different partners from all these three countries, it is not polite to mention that you are meeting several other local partners, even if they would be aware of it.

CHINA

China is the largest games market in the world. However, for several reasons, it is one of the ***most challenging markets to enter. You must consider carefully if your game has a long enough lifespan and already proven track record in other markets.*** There is no quick money to be made in Chinese markets. Pay attention to the fact that launching games in China requires a lot of time, attention, focus and resources.

Publishing a game in China always requires a local partner. Find a trusted Chinese partner, preferably with a good track record from publishing Western games. Obey legal processes and apply for ISBN approval before publishing games in the country.

The Chinese mobile market is very fragmented, and the business environment itself very different from the West. For PC games, the market is huge, even though the market is complicated as well.

It is important to understand the differences between Chinese and Finnish business cultures. Bear in mind that all the Chinese business partners are not English speaking or fluent in English. Having a Chinese-speaking person on the Finnish developer side is an advantage.

JAPAN

Japan is the second-largest games market by revenues in the APAC area and the fourth-largest globally. Japanese players are the biggest spenders in the world. In Japan, mobile games are the most profitable ones by revenue, followed by console games.

From a cultural point of view, there seem to be many similarities between Finnish and Japanese business culture. However, it is essential to remember that, like in many other Asian countries, failing is an issue in Japanese culture. The Japanese avoid losing face until the end. Thus, it is crucial to evade embarrassment in your relationship with Japanese partners. Fear of failure also presents itself as a lack of willingness to take risks and hesitation in new ventures. Fear of losing face also applies to products and IPs that are highly valuated and well treated in Japan. In practice, this means that it is vital that the launch will be successful. Otherwise, there is a threat that you cannot reaccess the market with the "embarrassed" IP.

Language can be a barrier in business operations in Japan as well. Japanese partners prefer to communicate in Japanese, so interpreters or another Japanese-speaking person from the Finnish developer side makes the cooperation smoother. Note that patience is important when operating with Japanese companies. It takes time to build a trusted partnership with them. Of these three countries, Finnish game developers found Japan the most attractive target for trade missions.

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& RECOMMENDATIONS

SOUTH KOREA

South Korea is said to be one of the fastest-growing game markets in the world. South Korea has a very high smartphone penetration, and it is leading the global competition of building national 5G networks. Mobile and PC are the biggest platforms for games by revenue.

The South Korean market is very dynamic; the trends change quickly. It can be a challenge to provide enough content to high consuming and demanding players. Therefore, be well prepared for launching a game in South Korea and do not leave players too hungry for new content and thus disappointed already in the beginning.

It is good to remember that there are significant cultural differences between South Korea and Finland, even though they are not always that obvious. This applies especially to business relationships and working culture. For example, in Finland, the organization and hierarchy of companies are usually very flat. In South Korea, there is much more hierarchy that you must respect.

When considering cooperation with South Korean companies, it is good to ask for advice from the Western and Nordic companies who already have experience in such collaboration. Several prominent, globally successful South Korean partners and investors are open to cooperation with Finnish game developers. Finnish games and game developers have a good reputation and are highly appreciated in South Korea. However, it is also proven that self-publishing, at least in mobile games, is a viable method for Finnish developers to enter the South Korean market.
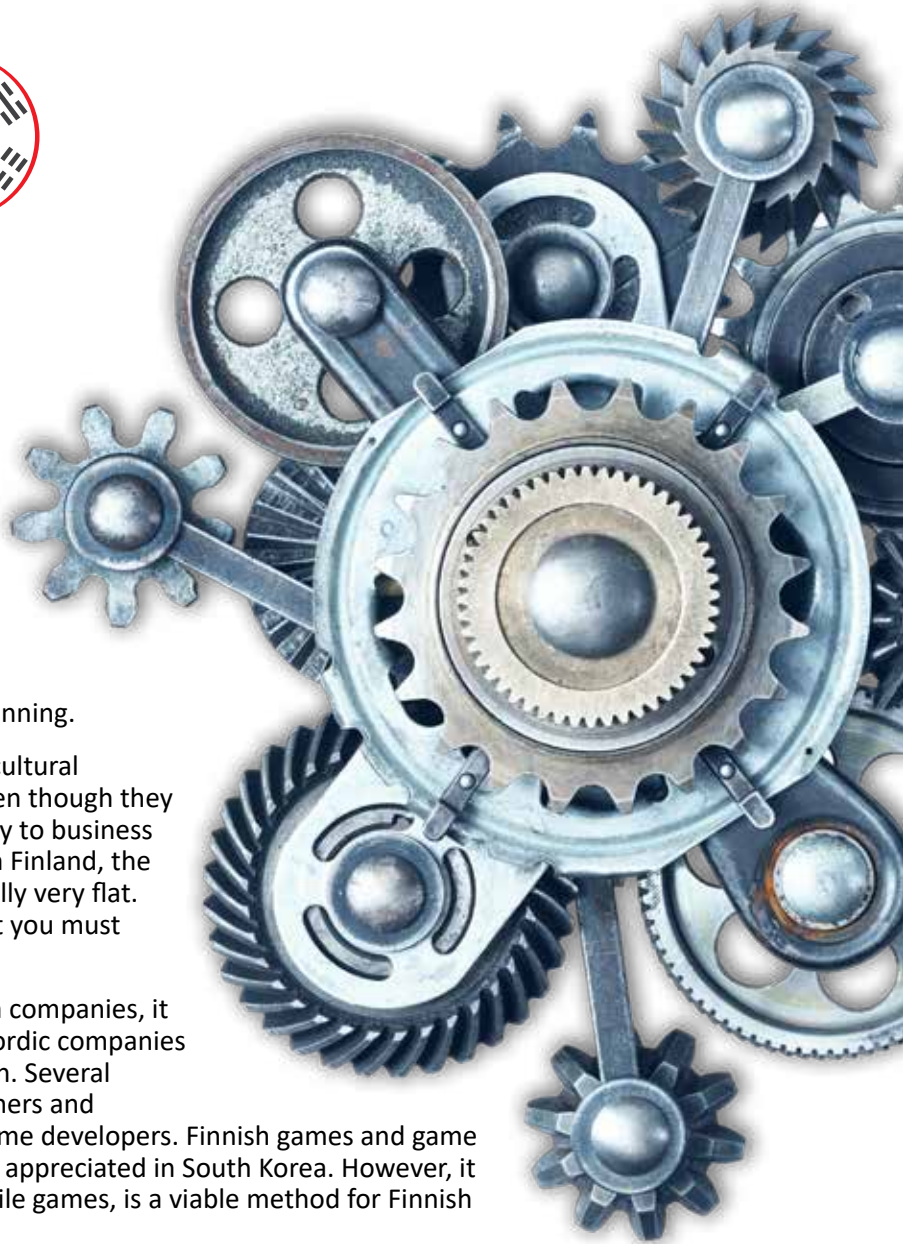
IN GENERAL

Regarding all these three markets, as appealing as they are, you should not trust the idea of the games market being global with no need for specific market entry strategies. Each of these markets is unique and differs tremendously from the Western markets that Finnish developers are familiar with. There are significant differences in games distribution, but even more in culture. When you are considering entering these markets, it is necessary to do your homework well to understand local players and business culture. This does not mean that, by default, the game content would need to be fully localized, but better understanding enhances the developer's opportunity to serve local players better and to do better business with local partners. There are several service providers, for example, in localization, market analysis, add networks etc., helping you enter these markets. Sometimes you might want to consider finding an agency to assist you in finding good local partners or investors.

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