China
Top Sector Games
Opportunities for Dutch companies
2.0

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Foreword

This opportunity report is the result of increasing inquiries from Dutch as well as Chinese gaming companies. Most, but not all, requests come from Dutch developers looking to publish their games in China, or from Chinese publishers looking at Europe for content. The Chinese market is moreover especially, but not exclusively, hungry for mobile games. These are the areas on which this report is focused.

There are obvious opportunities in China for the well-regarded Dutch games industry. However, the rapidly developing Chinese market continues to operate significantly different from Europe. Finding your bearings in China’s digital jungle might be a long way full of surprises. A basic understanding of the market and its publishing mechanisms is therefore a must-have for future success.

This report takes a distinct approach. It attempts to target Dutch entrepreneurs in the games industry as directly as possible. Providing information on China’s games market and market access, this report complements the previous more policy-oriented opportunity report from 2012. We explicitly hope to use past experiences from companies, and to optimize our role in the sharing of best practices. Our conclusions are derived from open source information analysis, matchmaking experience, game fair visits, company visits and personal interviews with senior executives. We extend our heartfelt thanks to all the open-minded entrepreneurs who made this possible.

“If you are looking for a publisher in China, be sure to find one who has experience with marketing foreign games. Then, there is a likely chance it will go right.”

Marc van der Chijs, former CEO of Spil Games Asia
1. Introduction

Much has happened since 2012, when the previous opportunity report on gaming in China came out. The games industry moves – and grows – faster than any other sector. What was hot two years ago is old now. Not only the tastes of players change quickly, also technology and even publishing infrastructure for games are still developing at a rapid pace all across the globe.

1.1 The move to mobile

In two years, mobile games have taken off as never before with the global rise of the smartphone. One in three app downloads is for a game, and two-thirds of all mobile app spending goes into gaming. Nowhere is the mobile development more salient than in China. The revenue of China’s mobile game market is expected to grow 93% to USD 2.9 billion in 2014, up almost 300% from 2012. The currently more than 300 million Chinese mobile gamers are amassing numbers with equal speed. As a result, mobile games already take up 13.5% of the digital games market in China.

1.2 China’s games in global perspective

As China’s market is expected to keep growing (Image 2), China has earned its position as an important constituent of the global games industry. According to market researcher NewZoo, China will overtake the U.S. as the world’s biggest games market by 2016 with USD 25 billion.

In China, online payments are becoming easier, while the spread of (social) media marketing is reaching new heights. Many Chinese publishers have become international players, with strong presence in Southeast Asian and East Asian markets. Even the landscape of publishing platforms in China has become more manageable, now that there are less major game portals and app stores than before. China’s games market has in many ways become more accessible and international.
However, this does not mean that China’s games environment is getting any more Western. Hardly any games are played in English, and Chinese versions of most popular international games are freely available. MMO RPGs (Massive Online Multiplayer Role Playing Games) stay as popular as always, with smaller margins for other game types. The Chinese market maintains specific demands towards gameplay and design, which favor locally produced games. Publishing in China still requires established contact with platforms, government and often additional programming. The good news is, there are many local parties who are willing to help bring innovative, high-quality foreign games on the market.

Image 2. Dr. Panda, a Dutch game produced in China

1.3 Opportunities for Dutch games in China

The Dutch games industry is itself a player of global significance. Dutch games are famous for their independent character, innovative design and high-quality artwork. With a yearly turnover of almost 300 million Euros, the games industry in the Netherlands is similar in size to France. While other sectors in the Netherlands were stricken by economic crisis, the games industry has over the past few years reported double digit yearly growth. Besides famous studios such as Guerilla and Vanguard, Dutch serious games are most well-known. Over the past few years, the Netherlands has also started counting more and more smaller casual game developers.

What China has to offer for the Dutch games industry, most importantly is an eager mobile market, as this report illustrates. But there is much more than that. Firstly, a number of Chinese companies are strong international publishers of online and mobile games. These might provide interesting channels for Dutch content providers to other emerging markets, such as Southeast Asia. Secondly, with a booming industry, but generally lower quality of games in China, there is room for cooperation on game design education. At the same time, there are many schooled programmers and digital artists working for competitive – albeit rising – salaries in China. Therefore, China also offers sourcing opportunities for specific parts of game production. Finally, looking at recent developments, console games and serious games might hold future potential, even though these are new market segments at the moment.
Games in China

Five years ago, you could find crazed gamer communities in internet cafes on the corner of every Chinese street. Anno 2014, games have already largely moved to players’ personal devices, especially in the more developed parts of the country. Hardcore gaming is as present as ever, but the games market has also become more diversified. One characteristic that hasn’t changed: Chinese gamers categorically demand free-to-play, and only make limited in-app purchases. In that respect, they are overall even “worse” than Dutch gamers, of which 55% does not spend money on games at all – which is the highest percentage of free riders of any country in the world.

2.1 Recent trends

The gaming market in China is growing fast, even relative to the growing global market, and it grows in practically every submarket. In 2013, the number of gamers in China reached 490 million, a 20.7% increase year on year, according to GPC (China Game Publishers Association Publications Committee). This represents one third of the total population and three quarters of the online population.

2.2 Revenue

As you can see from the graph in Image 4, revenue of the Chinese games market has grown substantially since 2008, while the growth rate has stabilized over the years. From 18 billion RMB in 2008, the market grew to 83 billion RMB in 2013. Growth dropped from 72% in 2008 to 26% in 2010, and then climbed slowly to 38% in 2013.

Image 3. Revenue (RMB bn) and Growth (%) of Chinese Games Market
Source: GPC

The fourfold rise of annual revenue in China’s gaming market was realized in 5 years. The reasons for this include government support in macro policy to further develop sectors like interactive new media and the development of internet technology. For instance, internet access has been improved significantly. As can be
gathered from Image 5, the Chinese population has over the past few years rapidly connected to the world wide web. As of yet, over half of the population uses internet, compared to 8% in 2005. Starting from developed urban areas, bandwidth in China is improving, though it stays quite unstable and slower than in many other countries.

![Image 4. Internet users (millions) and penetration (%)](source: NewZoo 2014)

### 2.3 Policy

The content and design of games is supervised and inspected by the State Administration of Press, Publication, Radio, Film and Television. With regard to PC client games, oversight has always been very strict, and this has been one of the main difficulties for foreign publishers in gaining a foothold. For webgames and mobile games supervision is much more lenient. When working together with a Chinese publisher, there are few hurdles for foreign content providers in the form of government approvals.

The current policy environment for the games industry is good. Unlike in Korea, video games have not been categorically branded as an addiction in China. IT and online business are seen as ‘emerging industries’ with economic significance. The games industry is able to profit from this. There have been incentives from the government to simplify the procedures for publishing games, and gaming consoles have been allowed back into the country. Moreover, software parks are being developed with local government support all around the country, with game companies as welcome tenants. However, government relations still require attention. Games tending towards gambling or politically sensitive issues likely face a rough time in Mainland China.

### 2.4 Market by media

If we roughly divide the market into online client games, web games, mobile games, social games and single-player client games, a few things stand out. Obviously, mobile games are expanding at mind-boggling rates and have become the driving force behind the online games market. In the first half of 2014, China’s mobile games revenue grew 89% year on year. Online client games still dominate the market in terms of revenue, accounting for 65% of all revenue, and keep
reporting steady growth. Single-player client games have never been able to monetize well in China, with hacked versions of PC games available freely all over the Chinese web. However, console games might be making a comeback in the near future now that they have been allowed back into the country, after a twelve-year ban.

![Image 5. China’s games market divided by medium](source: GPC)

### Online client games

Online client games – games which require installation on a PC, but are played in an online environment – generated 64.5% revenue in the whole gaming market in 2013. Online client games can be categorized into massive multiplayer online role-playing games (MMO RPG) and MMO non-RPG, which includes shooter games, racing games, sports and battle arena games. MMORPGs still make more money than non-RPGs, but online game operators recognize that PC online game growth is with MMO non-RPGs as these are increasing in popularity.

![Image 6. World of Warcraft](source: GPC)  
**An MMO RPV, still popular in China**

![Image 7. League of Legends](source: GPC)  
**A popular MMO non-RPG**

### Webgames

Web games, also called browser games, made USD 2.1 billion in 2013, slowly increasing its market share from 2012. Plagiarism and homogeneity have always
been the biggest problems that held back the development of the web games market in China. With over 1000 browser game platforms in China, some run by gaming giants such as Youzu, Kingnet, 37.com and Kalends, competition is increasingly fierce. High investments in product development have improved the quality, both in terms of graphics and game design. However, successful webgames are still quite easily copied.

Mobile games

Mobile games are the future. The revenue of China’s mobile game market is expected to grow 93% to USD 2.9 billion in 2014, up almost 300% from 2012. In Q1 2014, there are approximately 302.5 million mobile gamers in China, growing by 15.3% quarter-on-quarter. Practically all big gaming companies have taken part in mobile gaming, including Tencent, Netdragon, Kongzhong, Giant, and Perfect World. Even a publisher like Netease, who has traditionally been strong in MMORPGs, is now quickly developing and licensing mobile content in medium to hardcore segments.

Mobile phone use in China

By end of 2013, the number of subscribers to mobile communication services in China increased to 1.2 billion, equal to 90.9 phones for 100 people. In the first quarter of 2014, 100 million smartphones were sold in China, accounting for 35% of global total sales.
In China, there are around 80,000 app developers releasing over 100 new games every day in hundreds of app stores. Some well-developed mobile games companies include China Mobile Games and Entertainment Group Limited (CMGE), Ourpalm Co., Ltd., Chukong Technologies, Guangzhou Yinhan Technology and Wistone. There is currently a high demand for innovative mobile content among Chinese companies to beat the competition.

Partly as a result of rising smartphone popularity, the mobile gaming population has been increasing rapidly over the past year. From 148 million mobile gamers in the beginning of 2013, the audience for mobile games grew to 303 million in the first quarter of 2014. Courting the mobile networked masses is the most rewarding challenge for gaming companies in China at the moment.
Consoles

After being banned for more than a decade, consoles are now allowed back into the country. Xbox One is making its official introduction into China in the second half of 2014. Chinese developer Perfect World has already announced it is bringing out three games for Xbox One this year. However, many in the industry fear that Xbox and Playstation are too expensive for Chinese gamers.

Other manufacturers also cautiously try to tap into the market potential for consoles. TV boxes currently count around 30 million users in China. Most popular is Xiaomi’s MiBox, which runs Android apps as well as online video streaming. Its retail price is around USD 75. Another example is Steam, Steam Store being already available in Chinese, but the Steam Box has not yet been officially introduced into China.

2.5 Market by genre

It is difficult to divide the market by game contents, but a few characteristics of the most popular genres can be derived from market data. For instance, NewZoo has found that MMO games are more popular in China than in any other country, with 60% of the online population playing them. An even higher 76% of the Chinese online population plays casual or social media games.

Looking at Enfodesk’s research on the Top 100 games in iOS store in the first half of 2014, the most popular type of mobile game in China are card games, with 34% of the sales revenue. Popular card games are Million Arthur and Dota. Dota was the best selling game on iOS in the first quarter of 2014.

![Image 11. Market by genre on iOS](image)

*Source: Enfodesk*

2.6 Foreign games in China

Games in the Chinese market today are mostly from local Chinese developers. In total, only around 20% of games were introduced from overseas markets. The share of revenue for foreign games is undoubtedly higher. Chinese publishers
welcome games from foreign developers, for the innovative concept, content and set-up of games.

Although the market share of foreign games is still relatively small, quite a lot of foreign developers have found their way to the Chinese market, by cooperation with experienced Chinese game publishers, such as iDreamSky, Chukong, Kongzhong, Netease and Tencent. As the mobile game market is huge in terms of users and revenue, Tencent has started looking overseas instead of simply relying on its in-house games studio. A recent example of Tencent’s search for popular Western gaming titles is bringing a localized version of Candy Crush Saga to China.

“For sales of free-to-play mobile games, game content and quality make a strikingly big difference in China. We believe that creativity, the unique strength of Western studios, will turn out crucial in the supply of fun-to-play games that address market needs.

Bo Wang, Vice President of Business Development at Tencent

Image 12. Fruit Ninja
Source: iDreamsky
3 Market Access

There is a pie. You want to have a piece of it. Where to start digging?

3.1 China: go or no go?

Before setting out a China strategy, many Dutch game companies might ask themselves if it is actually feasible to enter this “remote” market. Especially small developers tend to be less eager to spend their precious time on expanding outside the West. Why not first consolidate your game in Europe before looking further afield?

If you work with a traditional model of global business expansion, your game might be either outdated or copied by the time you get to China. There are a few examples of games which were able to generate profit in China, after conquering western markets. There are many more examples of internationally successful games which were cloned in China. Free localized knock-offs can be a serious threat to developers. However, with some basic steps it is possible to beat the competition.

- Culturalization. Make your game fit in with Chinese habits for playing and paying.
- Local marketing. Identify the channels to spread your game to as many users in as little time.
- Partnering. Find the right local partner to distribute and promote your game.
- Timing. Publish your Chinese game around the same time as your international version.
- IP protection. Registering IP in China can prevent platforms from offering infringing games.

If you have an innovative product that is appealing to the market, publishers will be interested. An experienced and renowned publisher might be able to do practically all the work for you, from integrating SDKs (software development kits) to social media marketing. But of course, generally speaking, the more work others do for you, and the higher the advance payment you demand, the smaller your share in the profits. In China, publishing and payment collection can cost you up to 75% of the game’s revenue.

You need to be:
1. Ready to make basic security investments;
2. Prepared to actively search for a decent publishing partner
3. Willing to share a part of your revenue, depending on the amount of work contracted;

If you have this, then you are ready for China.
3.2 Culturalization

Making a Chinese version can significantly boost your game. There are examples of original Western mobile games with less than 50 thousand downloads in China, while their culturalized versions have attracted more than 25 million Chinese players. Successful culturalization requires developers to adjust their game to the habits of Chinese consumers. This means that if you want to bring out your game in China, it should not only fit gamers’ taste in playing. Also make them comfortable when it comes to paying.

Translation is the most crucial step for bringing out your game in China, but localization is much more than that. For instance:

- For most games you need to re-work story and design. Especially in-depth games often need substantial changes.
- Themes to which the user can relate to are more likely to succeed. King Arthur is not any more appealing to Chinese players than the Three Kingdoms is for the average Dutchman.
- If you drop a Chinese user in a level and just expect them to figure it out, they will simply leave the game.

Publishing in China may require more adjustments to your game than language, graphics and gameplay.
Payment is the most obvious example. China is the home of free-to-play, but that does not mean in-app sales are easy. Reluctance to make in-app purchases is a bigger problem with casual games than with MMORPGs. It can be a real art to find the right sales tool and pricing.

Players in China are generally not willing to pay for new levels, but rather for gaining prestige within the game, for example by gaining an advantage over other players. Pay-to-win is an accepted phenomenon in China, while Europeans tend to find it “unfair”.

As a final example, there are relatively constrained bandwidth limits for individual users, especially for users outside the major cities. Therefore, an oft-heard demand toward games from publishers in China is small package size.

![Image 15. China’s three mobile carriers](image)

No cash for Clash of Clans

Even though 200 000 people downloaded Clash of Clans in China, none were able to purchase gems, the in-game currency. Clash of Clans asked users to install the Google Play store but then denied the validity of their account because Google’s app store does not support paid apps in China.

3.3 Monetization

In order to cash in on your games, and avoid mistakes such as Clash of Clans made (see above text box), you need to be aware of the most common payment channels. For any kind of online B2C transaction, AliPay has become the main payment method. Payment for games on PCs and tablets can be made through AliPay, online banking, or credit card. For mobile games, carrier billing is still the most used channel of payment, but gamers can often also choose for online payment.

All mobile app stores have different SDKs, as do the telecom carriers. Carrier billing goes through China's three mobile providers: China Telecom, China Unicom and China Mobile. They charge via SMS communication. The user will be prompted in the game based on which carrier their SIM card is tied to. Publishers can thus adjust monetization strategy depending on the customer base of a certain carrier. Publishers even more commonly adjust payment strategy according to app store or marketing channel. The most obvious example is the globally generally higher pricing for the same game in iOS markets than in Android stores. A version of a game that is optimized for social media in China might charge you at a different moment, with a different amount, than a version that is distributed through a platform that is used by a more hardcore audience.
Such payment features have to be integrated into the game through the respective SDKs used by different channels. Moreover, most SDKs are in Chinese. In short, integrating payment into your Chinese game is a lot of work, especially for those not familiar with the software. This is something publishers can help you with, and for which they could need access to your source code.

**Online sales in China**

Online banking and shopping are quickly overtaking physical sales in China. In 2013, Alipay’s 100 million users completed almost 3 billion mobile transactions with a total value of around USD 150 billion. China’s e-commerce market is predicted to occupy 18.6% of global online B2C sales by the end of 2014. The games industry is profiting from easier and more widespread online payment systems.

*Image 16. China’s most popular online payment system*

### 3.4 Distribution and marketing

Depending on the type of game, there are multiple channels publishers use to get it on the market, but these are all online. As mentioned, the market for single-player client games and console games is very small in China, while the mobile and web games account for a large market share. However, marketing is also done offline, with advertisements on the subway, in shopping malls, elevators and other public spaces, as well as on online platforms.

*Image 17. World of Warcraft advertising at a MacDonalds in Guangzhou.*
Online media platforms play a pivotal role in publishing games in China. They are a major source of users by displaying advertisements and hyperlinks. Tencent, Baidu, Renren and Netease have become such big game publishers, in part because they control media services that attract substantial amounts of users. E-commerce giant Alibaba has also announced it will launch a platform to promote and distribute third-party mobile games.

Unlike in western markets, the Android market in China is very fragmented. Instead of using just one platform, such as Google Play, end users of mobile games are offered products via stores from carriers, hardware providers, and other services. In total there are around 200 stores, with the top 20 stores covering approximately 80% of the market. Major app stores run by channels include 360 Mobile Assistant, Wandoujia, AnZhi Market, Tencent MyApp and Baidu App Store. However, mobile devices also often come with pre-installed app stores run by the mobile carrier and manufacturer. This gives hardware brands such as Lenovo, Huawei and Xiaomi access to the mobile software market. It is important to work with the top channels, but it is also advisable to diversify to spread risks and combat piracy.

“Even though we get most of our traffic from the top 20 stores, we always make sure to work with all the little guys, so our goals are aligned. If they’re distributing our official version, they get their cut in the process. This makes for an efficient way to combat piracy.”

Jeff Lyndon, Co-founder of iDreamsky

What makes the app market landscape interesting for publishers, is that each app store serves a different audience. For instance, the Tencent app store is highly social, because it is hooked up with WeChat and Mobile QQ. Games that have more social features work better in the Tencent ecosystem. Another example is Baidu, which runs one of the biggest hardcore gaming communities in China. On the other hand, 360 Mobile Assistant has a lot of users who are first-time gamers. This makes 360 suited for more casual games, but also requires adapted versions with a reduced learning curve.

Finally, even though each publisher’s requirements differ, there are a few general rules that are good to keep in mind. First, relatively small package size is important for distribution. Second, if a game has been previously launched in China, platforms are generally unwilling to do a re-launch. A re-launch also brings about higher piracy risks. Third, keep your Chinese launch close to your international launch. If your game has proven to be unsuccessful internationally, publishers in China will be
hesitant. By contrast, if your game is an international success, it will be more difficult to beat cloned versions in China.

3.5 Partnering

It is not hard to find a partner in China for publishing your games, producing them, or to license games from. But it can be difficult to find the right partner. And if you are looking to publish your games in China, you will need one.

First of all, foreign companies cannot even sign contracts with payment system providers. Much of the other basic jobs, such as government approval procedures, are a lot easier for practised Chinese companies than foreign newbies. For example, each store requires its own package name and different customizations such as splash screens, custom user interfaces, exit screens, promotions, and so on. Each store also has different requirements for application submission, including different screen shot sizes and content, as well as their own testing process prior to app release. Finally, integrating SDKs for payment through different channels also costs a lot of work, which is difficult if you are not familiar with them.

Finding a good publishing partner is crucial to your success in the China market. A good publisher can make sure that your games come out on the right channels, with optimized versions for different audiences, and the most suitable types of marketing. With a great number of app stores and media marketing channels, managing these relations is a fulltime job. This does come with a price tag, which will leave you with not more than 25% to 50% percent of the game’s revenue. This is also because a large share of revenue already goes to the monetizing platform.

![Image 20. Some Chinese publishers who have experience with foreign games](Also see Shortlist)

3.6 IPR

The spread of translated copies makes it advisable to independently register copyright on artwork, such as characters, scenes and any additional tools. Also register trademark on all genuinely distinctive verbal elements (both English and Chinese) and logos. Websites and app stores carry unlimited liability for any infringing products they offer. Therefore, they are likely to respond to takedown notices, but only if you have a registered Chinese copyright and trademark.

For mobile games there is generally good enforcement if you register Chinese copyright and trademark before selling licenses. The most important protection of your business interest, however, does not go through registering IP. Market tactics such as high-quality culturalization and quick occupation of main distribution channels are most effective.

For browser games and PC client games, protecting your product is a lot more difficult as games are quickly copied by the many smaller platforms. There are even
larger websites, such as Gamersky, which offer free Chinese versions of most western titles and have not yet gotten into trouble.

### 3.7 Sourcing

Although the costs of labor are rising in China, sourcing can still provide a feasible alternative for hiring staff to produce a game in the Netherlands. China has a very large talent pool of artists and programmers, and thousands of fresh graduates apply for jobs with developers. The experience of some Chinese companies in this field gives them an advantage over competition in Bangladesh, Vietnam and the Philippines.

**Guerilla Games sources in China**

Guerilla Games develops what is arguably the Netherlands’ most famous game: Killzone. This subsidiary of Sony operates from its headquarters in Amsterdam, but sources a large part of its production in China. Guerrilla uses a small number of Chinese companies to complete their detailed digital artwork, such as weaponry and background furniture.

### 3.8 Case study: Spil Games Asia

Hilversum-based Spil Games has for years been a world leader in web games, commanding an extensive network of online gaming platforms. In 2006, five years after its foundation, Spil decided to open a branch in Shanghai to conquer the Asian market. In cooperation with Marc van der Chijs, co-founder of Tudou.com (the "Chinese Youtube"), it thus gave birth to Spil Games Asia.

**Image 21 Spil Games**

With Spil’s international market power and CEO Van der Chijs’ entrepreneurial experience, the company quickly became one of China’s biggest game portals. Despite its success, this venture went over some bumpy roads. In the end, Spil decided to refocus their attention and Spil Games Asia was closed down. The Dutch economic network in China spoke with Marc van der Chijs about his experiences with Spil.
How did Spil Games Asia become so successful in China?

At first, Spil tried to provide the same content to Chinese players as in the rest of the world. But just translating the website didn't work, we had practically no users. Firstly, we needed a totally different look to drag Chinese players into our games. At the time, it was not difficult to find experienced Chinese programmers for low salaries, who could localize the website's layout. Secondly, we also needed to change the types of games on our platform, to respond to trends in China. These were some of the most important steps we took, and we got immediate results.

Which kind of games did well for Spil in China?

Spil used to develop many of its games itself, besides licensing them from external developers. A number of the games produced by Spil in the Netherlands did well in China, but games with Chinese cultural themes turned out to be most popular. The Bubbleshooter games, of which we developed a number in Shanghai, were a big success. In fact, Spil published many of the games produced by our Chinese studio internationally on its platforms.

How was your experience working with Chinese developers?

Our studio consisted of around 100 people, among which some talented developers. Our Chinese developers were able to work more and more independently, and came up with some successful games. However, diverging views led to increasing communication problems with Spil's Dutch game designers in the end.

What was the most difficult problem you encountered?

Illegal copying was a major issue at the time, and I doubt if that has changed much. The games we developed ourselves were of high quality, but it turned out that other browser platforms just copied our games without even changing the code. For multiple reasons we had no luck suing them. However, we may have had more success cooperating with other major Chinese platforms to protect our IP.

Would you advise Dutch gaming companies to move into the Chinese market?

I am sure China has a lot of market potential for the Dutch games industry, but I would also advise companies to be careful, and to keep their expectations at bay. The profit margins for advertisements and in-app purchases are lower than they seem. Further, if you want to bring your game on the Chinese market, be ready to at least make basic security investments. I'd suggest you work with influential platforms as stakeholders to protect yourself and to gain market access. If you are
looking for a publisher in China, be sure to find one who has experience with foreign games. Then, there is a likely chance it will go right.
Regional Developments

Beijing is China’s largest hub for the games industry and supporting venture capital. Most large publishers are based in Beijing, largely in Haidian district. However, a number of other regions are increasingly important for the Chinese games industry.

4.1 Shanghai

In general, Shanghai’s importance in the game industry decreased in the past few years. In 2004, Shanghai had a 70% market share of China's whole game industry, this share declined in 2010 to less than 50% market share. Reasons for this decline include that Beijing and Guangzhou caught up and therefore obtained more market share.

Two big events concerning the game industry annually occur in Shanghai, namely The Annual Game Developers Conference (will take place 19-21 October 2014) and The China Digital Entertainment Expo & Conference, also known as “Chinajoy” (took place 30 July to 3 August 2014).

As is known, many leading gaming companies are located in Shanghai. International giants include Ubisoft, EA and Blizzard. Most notably, Shanghai hosts some interesting companies in the field of mobile games. Shanda, The 9 and Soco are some of Shanghai’s industry leaders, who have been expanding rapidly. Most gaming companies choose to locate in Zhangjiang High Tech Park in Pudong District due to advantage of human resource and policy support.

4.2 Guangzhou

Guangzhou and Shenzhen are cities in Guangdong Province where the games industry is quite developed, and still developing. Tencent, Netease and Kingsoft are taking the lead in R&D of online games in Guangdong province. With RMB 32 billion in revenue on its games in 2013 Tencent accounts for one third of the national games market. Apart from industry giants, there are many small and medium sized enterprises in Guangzhou and Shenzhen with specific focus. For example, Shenzhen 7th Road Technology is a leading web game developer, whose products have been used in 140 countries.

The gaming industry in Xiamen is growing fast with revenue of RMB 5 billion in animation and gaming industry. There are over 200 animation and gaming
companies in Xiamen. The leading companies include Xiamen Youjia, who set up the largest web games platform 4399.com, G-bits, Gamewave and Guanghuan etc. Most of the gaming companies in Xiamen focus on web game developing and publishing.

Industry clusters:

- **Shenzhen Kexing Science Park**
  Kexing Science Park is located in the center of Shenzhen High-tech Park. Over 100 gaming companies have set up their offices there, including the whole gaming division of Tencent and GMGC (Global Mobile Game Confederation).

- **Guangzhou Tianhe Software Park**
  Close to Guangzhou University Town, Guangzhou Tianhe Software Park is one of the strategic platforms for developing Guangzhou as a Smart City in the master plan of Guangzhou government. There are around 1550 ICT companies located in Tianhe Software Park, including around 70 gaming companies according to report in 2008, such as gaming division of Netease and Foregame are on the list.

- **Xiamen Software Park**
  Xiamen Software Park is located in the center of Xiamen Torch Hi-tech Industrial Development Zone, which is the incubator for hi-tech enterprises. The second phase of Xiamen Software Park has been finished, counting 60% of companies in gaming or related industries.

4.3 **Chengdu**

Chengdu has a relatively long history in the gaming industry. At the end of the year 2013, there were more than 8.5 million internet users in Chengdu and during that year the output volume of the gaming industry amounted to 10 million RMB (an increase of 25% when compared to 2012). The market of internet gaming, mobile gaming and animation is very big in this region, comparable to the markets in Beijing, Shanghai and Shenzhen.

According to official statistics, at the end of 2013 more than 30,000 people were engaged in Chengdu’s gaming and animation industry working in approximately 1400 gaming companies. Almost half of these companies were active in mobile gaming development, located in Tianfu Software Park.

Tianfu Software Park is Asia's largest specialized business IT park and one of China's national software industry bases. The Park currently hosts more than 400 well-known domestic and international enterprises like IBM, SAP, Dell and Philips. The business incubator is playing an important role within the Park: a business incubation platform focusing on mobile Internet which now accommodates around 140 startup enterprises. All of these companies are local, although some of them are exclusively producing for markets outside of China.

Most opportunities for Dutch gaming companies can be found in the fields of outsourcing and localization because of Chengdu’s strengths in creativity and development, combined with its relatively low cost level. At the moment, Tribeplay is the only Dutch gaming company active in Chengdu.
4.4 Hong Kong

The entertainment software segment - online games and mobile games - contributes about 40% of the total revenue of the digital entertainment industry. The threshold of game businesses is relatively low and the products are frequently upgraded and renewed. As small and medium game developers in Hong Kong are very adaptable, there is still large room for this segment to grow.

In 2012, the software, computer games and interactive media domain contributed HKD37.8 bln, (38.6%) of the total value added of the sector 'Culture & Creative Industries'; a significant rise in the last five years (18.2 bln in 2008). The employment of this domain accounted for 24.8% of the total employment of this sector.

Gaming start-ups could benefit from the incubation programs run by the Hong Kong Cyberport and Hong Kong Science & Technology Park. In addition, the Cyberport also provides seed funding (Cyberport Creative Micro Fund) to creative and innovative concepts and projects and takes the lead to organize game development competitions.
5 Network

The Dutch economic network in China can link you up with the right people in the games business.

5.1 What can we do for you?

The Netherlands’ Embassy, Consulates and Business Support Offices in China are there to serve and protect the business interests of Dutch entrepreneurs. Firstly, we provide information on industry developments in different sectors. Secondly, we can answer general questions on producing in China or targeting the Chinese market. Finally, we can link you up to our business network, depending on your needs. If this requires a China-broad, in-depth search for partners with high potential, you can consider doing a Business Partner Scan.

You can contact Dutch missions directly, or request their services through RVO (Rijksdienst voor Ondernemers). For practical information on doing business in China you can also use the abundant resources of the EU SME Centre.

5.2 Industry fairs

Some of the most important gaming fairs in China are:

- The China Digital Entertainment Expo & Conference, also known as “Chinajoy”. Chinajoy is China’s largest gaming fair. It is held in Shanghai, last time from 30 July to 4 August 2014. The B2B area has been growing substantially in recent years, as has the number of visitors to the fair. Total number of visitors in 2014 was 250 000.

- The Annual Game Developers Conference, known as GDC China. This fair is also held in Shanghai and will see its 7th edition in October 2014.

- Global Mobile Game Congress is held yearly in Beijing. The GMG Congress had 10 000 visitors in 2014. It is organized by the fast-developing GMGC, which also organizes a mobile developers conference (GMGDC) in Chengdu, with 5000 professional attendees in 2014.

5.3 Industry associations

Besides a multitude of local associations, there are some industry associations with a national scope. For instance:

- China e-Game Industry Association (CGIA) was established in 1993. CGIA is a major national-level gaming association based in Beijing. It is part of China Software Association and now has around 3000 members from various sub-sectors of the games industry, such as PC games, web games, mobile games, animation and convention services.

- Global Mobile Gaming Confederation (GMGC) was established in Beijing in 2012. It has developed rapidly since and currently claims to have roughly 80% of the Chinese game industry among its membership. GMGC also has an explicitly international focus.
5.4 Industry leader shortlist
Most of the larger gaming companies in China house development as well as publishing departments, with various offices over China. Some prominent gaming enterprises with international experience, which might serve as valuable partners, include (with thanks to NewZoo for company descriptions):

**Chukong Technologies**, established in 2010, was built on CocoaChina.com, the largest iOS developer community in China with 260,000 registered members. The company focuses on developing, publishing and operating mobile games. Its game "Fishing Joy" has 200 million active users. It is the sole agent of Disney, Nexon, Gameloft, Konami and Gamevil in China.

**Forgame** is a leading developer and publisher of web games in China with a fast-growing mobile games business. Established in 2009, Forgame has developed over 30 games and its publishing platform, 91wan.com, published 79 web games and had over 179 million registered players as of June 30, 2013. The games are also available through an extensive network of more than 350 publishing partners, including Tencent and Qihoo360. Forgame listed on HK Stock Exchange in 2013.

**Giant Interactive Group** is one of China's leading online game developers. The MMORPGs that Giant Interactive publishes are all F2P and focused on casual and hardcore gamers between 18 and 40. Giant Interactive is headquartered in Shanghai, China and has 1,700 FTEs. Its games include “ZT Online”, “Elsword” and “AllodsOnline”.

**iDreamSky** is a mobile game distributor and operator. iDreamsky has so far distributed almost 100 games. As of April 2013, game products distributed by iDreamsky have been installed on more than 160 million mobile Android phones. Its games include "Fruit Ninja", "Temple Run" and "Brizzle". iDreamsky recently IPO’d on the New York Stock Exchange, raising over 100 million USD.

**Kongzhong** is a provider of digital entertainment services for consumers in China. The company has around 1,100 FTEs. The company operates three business units: mobile games, internet games and wireless value added services. KongZhong has exclusive rights to publish "World of Tanks", "World of Warplanes", "World of Warships" and "Guild Wars 2" in China. It listed on NASDAQ in 2004.

**Linekong**, founded in 2007, is an online game developer and publisher of client, web and mobile games. It employs about 400 people. Between 2007 and 2012, Linekong developed and published 13 client games and web games. Its games include "Journey to the West", "Warrior King", "Daybreak", "Three Kingdoms" and "Excalibur".
NetEase, established in 1997, is a developer and operator of online games, e-mail services, advertising services and web portals. The company is focused on the Chinese market and has several offices across China. Its games include “Westward Journey”, “Ghost”, “Kung Fu Master”, “Dragon Sword” and it has the license to operate World of Warcraft in China. The company has around 7,000 FTEs and listed on NASDAQ in 2000.

Perfect World, established in 2004, is a developer and publisher of online and mobile games. Perfect World operates in North America, Europe, Japan, Korea and Southeast Asia. Its games include “Perfect World”, “Champions Online”, “RaiderZ”, “Neverwinter” and it has the license for DOTA2 in China. The company has around 4500 FTEs and listed on Nasdaq in 2007.

Qihoo 360 is a provider of internet security products and services, which also publishes games. It made 360 Search the default search engine on the 360 Browser, which has a very strong user penetration rate in China. Wan.360.cn is the company’s game website, which had over 60 million registered users by the end of 2013.

Shanda, established in 1999, is a leading developer, operator and publisher of online games. ShandaGames has a diversified game portfolio, which includes MMO games and mobile games in China and in overseas markets. ShandaGames manages and operates online games that are developed in-house, co-developed with external game developers, acquired through investments or licensed from third parties. Its games include “Mir”, “Age of Wushu”, “Dragon Nest” and “Legend of Immortals”. The company has over 2000 FTEs and listed on NASDAQ in 2009.

SoCo Game is a Shanghai-based developer and publisher of mobile games with international activities. SoCo manages a portfolio of 70 games in various genres, which it distributes through over 200 partners in 40 countries.

Tencent established in 1998 and headquartered in Shenzhen, is one of China’s leading internet companies, providing value-added internet, mobile and telecom services with the goal of providing consumers with “one-stop online lifestyle services” covering communication, information, entertainment and e-commerce. In 2011 Tencent acquired a major stake in Riot Games (League of Legends) and in 2012 in Epic Games (Gears of War). Its games include “Dragon Power”, “World of West”, “World of Fantasy”, “Legend of Yulong” and “Call of Duty Online”. Tencent has over 20,000 employees and listed on the HK Stock Exchange in 2004.
The9 is an online game developer and operator. The9 develops and operates, directly or through its affiliates, its proprietary MMO games including “Firefall” and “QiJi2”. The9 also develops and operates web games and social games. The9 has also obtained exclusive licenses to operate other games in mainland China such as Planetside2.

Yodo 1 specializes in culturalizing and publishing foreign games in the Chinese market. The management has a Silicon Valley background. It has published over 40 games, including “Ski Safari” and “Alpha Zero”.

ZQ Game, founded in 2003 and headquartered in Shenzhen, makes free-to-play MMO, social and web games, downloadable games and iOS and Android games. It aims to create compelling entertainment experiences across online, mobile and tablet platforms for the hard-core gamer. In 2010, ZQGame listed on the Stock Exchange in Shenzhen. ZQ has acquired over 20 game companies since and has expanded abroad into western markets with the opening of its first overseas office in Silicon Valley. It has over 1600 employees. Its games include “Shadowland Online”, “Final Hour”, “Total Recall”, “Zesus Online” and “Illusion Online”.

37 Games is a web and mobile publisher with well-performing online platforms in Greater China, Southeast Asia, East Asia. It also runs an English platform, iMigame.com. 37 Games has offices in Shanghai and Guangzhou, with over 1500 FTEs.

5.5 Industry intelligence links

NewZoo
http://www.newzoo.com/category/trend-reports/

PwC
www.pwc.nl/nl/publicaties/gaming-in-the-netherlands.jhtml

Avazu

Chinese reports
http://www.cqigc.com.cn/list/79644663134.html
http://www.enfodesk.com/
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