NORDIC GAME INSTITUTE

CHINA MOBILE GAMES MARKET 2016

- OPPORTUNITIES FOR WESTERN DEVELOPERS

Neogames Finland Assn. / Nordic Game Institute

neogames

HUB OF THE FINNISH GAME INDUSTRY

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1. Executive Summary

The Chinese mobile game market has already bypassed the U.S. mobile game market with both the number of downloads and market revenue making it the most important game market on this planet. Considering all the platforms and devices Chinese market is the biggest in the world as well. Due to extreme growth and huge potential of the Chinese market, also Nordic Developers should map the new opportunities in China. However, until now most of the Nordic developers have been mainly focused on the Western markets and the Chinese mobile game market differs substantially from western ones.

The key to enter to and succeed in the Chinese mobile game market is to understand the differences and characteristics of operational environment in China. For that reason, Neogames Finland Assn. has conducted this study on Chinese market with support of the Nordic Game Institute. It describes the current situation (2014-2016) of the Chinese mobile game market, highlights the market's special features and raises some of the most crucial challenges and possibilities.

Neogames Finland Assn. has been investigating Chinese markets from the autumn 2014 and during these two years we have witnessed major changes such as period of extremely rapid growth in mobile games at 2014 -2015[1] followed by the crises of the Chinese financial sector in August 2015.[2] Despite this the growth rate in Chinese mobile games markets reached its peak at the same time[3] and the market will continue to expand compared to previous years.

Based on the findings of this study, the distinct characteristics of the Chinese market are the following:

- **Android dominates the Chinese market as the #1 platform**
  In China, the value chain of the Android platform differs substantially for mobile games from the Western one. The role of the telecommunication operator and distribution channel is far more important and thus a game developer's share of the revenue in the value chain is smaller than in the Western markets.
- **Differences between the payment systems.**
  At the moment, credit cards are the leading payment method in the Western markets. In China payment methods used are more fragmented. There are several options from online-billing, to e-wallets and SMS payments.
- **Android markets in China are fragmented.**
  There are approximately 400 distribution channels/stores in Chinese Android markets, but a substantial part of the transactions happens in the 10 biggest Android stores (cf. 1-2 significant Android stores in the Western markets).
- **A Western actor in the Android market needs a local partner for regulatory reasons.**
  Chinese mobile markets are more protective than the Western markets. As a latest measure

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[1] Niko Partners: Chinese Mobile Games Market Revenue Expected to Reach $2.9 Billion in 2014, Up 93% Over 2013: http://nikopartners.com/chinese-mobile-games-market-revenue-expected-reach-2-9-billion-2014-93-2013/
Xinhuanet: China's game market hits 18.5 bln USD: http://news.xinhuanet.com/english/china/2014-12/17/c_133861961.htm
China's mobile gaming industry will surpass the U.S. as it grows to $5.5B this year: http://venturebeat.com/2015/09/01/chinas-mobile-gaming-industry-will-surpass-the-u-s-as-it-grows-to-5-5b-this-year/
Newzoo Summer Series #2: Chinese Games Market: http://www.newzoo.com/wp-content/uploads/2011/06/Newzoo_Chinese_Games_Market_2015_v3.png

[2] Here's what analysts are saying about China's 'Black Monday' http://uk.businessinsider.com/analysts-reaction-china-black-monday-2015-8

[3] Gameindustry.biz: Niko Partners: Chinese mobile market has hit peak growth http://www.gamesindustry.biz/articles/2016-02-08-niko-partners-chinese-mobile-market-has-hit-peak-growth

in 2016, a Chinese government agency in charge of censorship issued a notice saying that mobile game developers must submit their content for approval to the agency 20 days prior to launch.[4] This might have some affect also to iOS Appstore publishing in the future.

- **iOS is significantly smaller market in China than in Western markets**
  For the Western game developer Apple's iOS (App Store) is a considerably simpler and easier way to enter Chinese markets than the Chinese Android markets. Even if iOS is significantly smaller market it grows faster compared to Android in device penetration as well as in the number of downloads and revenue.[5]
- **A telecommunication infrastructure** in many areas (tiers 3 and 4 / rural areas) **is weaker than in the Western countries.** This makes, for example, the use of credit card billing more difficult.
- **An absence of Western social media platforms**
  A big difference between Chinese and Western markets is also the absence of key Western social media platforms such as Facebook, Youtube and Twitter being used in user acquisition and community management in the Western markets. China has its own social media application such as Weibo, WeChat and Youku.
- **Monetization models**
  Monetization models in the Western market differ substantially from the Chinese ones. In China e.g. pay-to-win games are more accepted than in western markets.

As an outcome of these differences between Chinese and Western markets, **choosing the right partner is one of the most important parts of entering and succeeding in the Chinese markets.** In the Apple iOS market Apple can act as a partner, but in the larger Android markets game developers have an opportunity to partner up with the following actors:

1.) an aggregator or publisher
2.) a distribution channel / store
3.) a telecommunication operator (telco)
4.) a device manufacturer (pre-download)

Disclaimer

Please, notice that the information of this report is intended to provide general information and all reasonable measures have been taken to ensure that the information is as accurate as possible. The contents of this report should not be construed as legal advice. Before relying on any information in this report users should independently verify its relevance for their purposes.

[4] http://venturebeat.com/2016/06/06/chinese-agency-appears-serious-about-approving-every-single-mobile-game/
[5] TechCrunch: China is now #2 in iOS revenue, behind the U.S http://techcrunch.com/2016/04/15/china-is-now-2-in-ios-revenue-behind-the-u-s/

2. Overview of the China Market

From western perspective Asia is sometimes seen as one market. It is not. Chinese, Japanese and Korean, not to mention Thai or Vietnamese markets, have significant differences. For that reason, this report focuses only on Chinese mobile games markets.

According to NewZoo insight in June 2016, the Chinese games market is the largest games market in the world with estimated revenues of over $24 billion in 2016. NewZoo underlines that Chinese markets are still strongly dominated by computer- and online games accounting for almost half of all revenues in 2016. However mobile games are the fastest growing segment in China. About a year ago, in July 2015 computer- and online games had a 68% market share and the mobile as a platform had 29% market share.[6]

Figure 1. NewZoo: The country insight of China games market. [7]

In the mobile market Android devices are dominating in China with 73% market share. iOS devices cover only 27% of the market. (Fig 2.)

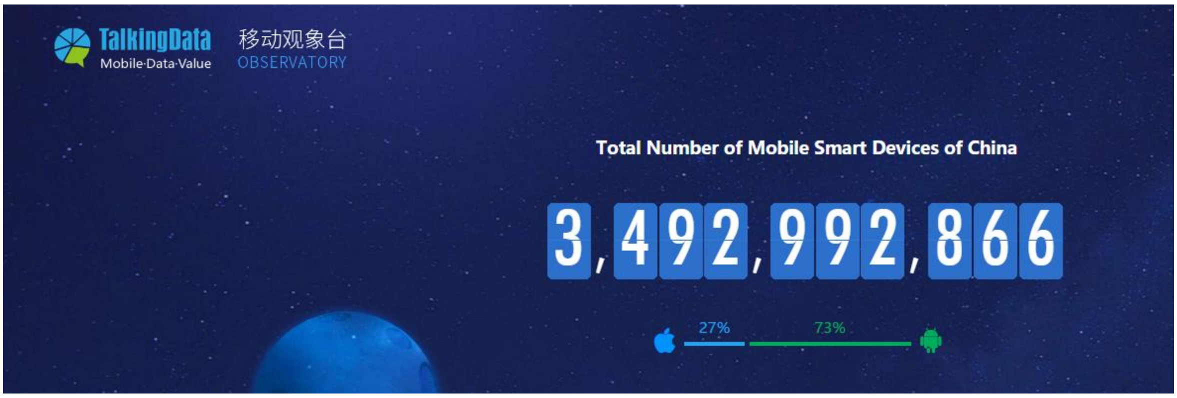

Figure 2. Devices at China mobile market at China June 2016 (Talking Data)[8]

In terms of revenue iOS is doing better than in the number of devices with a 39% revenue share. However, Android is still winning with its 61% share. [9]

[6] Newzoo's Top 100 Countries by Game Revenues 2015: https://newzoo.com/insights/articles/newzoos-top-100-countries-by-2015-game-revenues/
[7] NewZoo insight: https://newzoo.com/insights/countries/china/
[8] Talking Data: https://www.talkingdata.com/index/#/mobileIndex/zh_cn
[9] NewZoo: The Asian Games Market / Sizing up opportunities: https://newzoo.com/insights/countries/china/

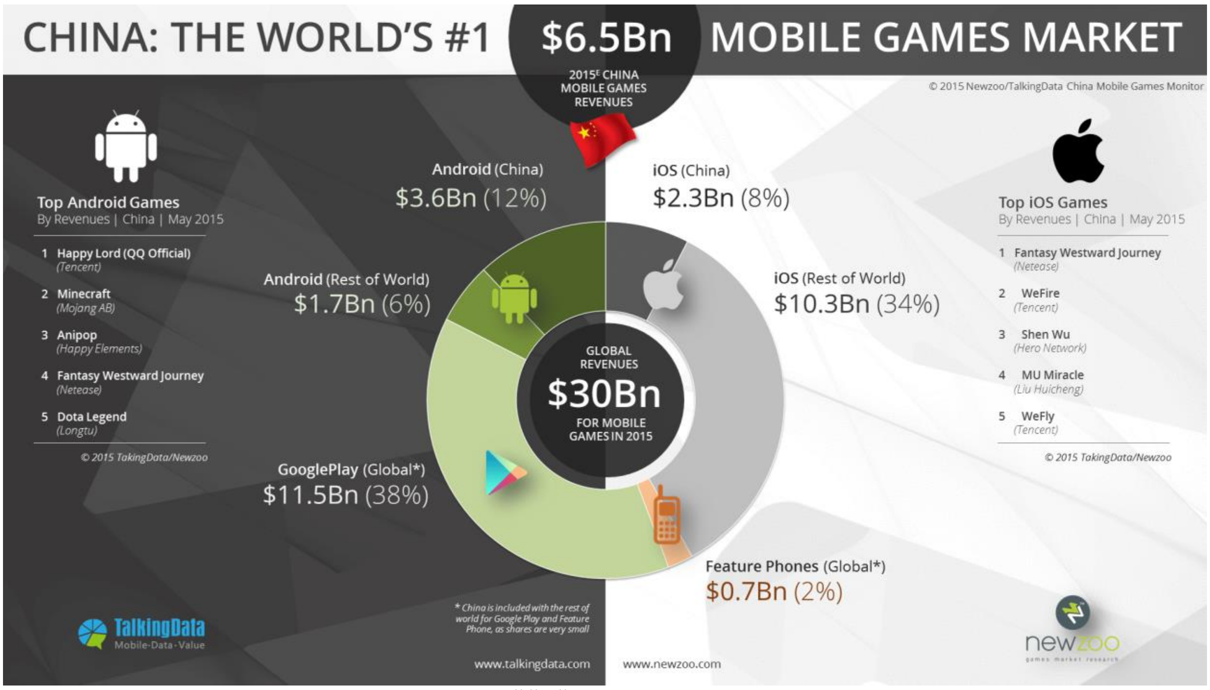

Figure 4. NewZoo: Android vs. iOS revenues. [10]*VÄÄRÄ PAIKKA LAITETAANKO JOHONKIN VAI POIS?*

3. Market is growing rapidly

Until the end of 2015, the growth of Chinese Mobile Games markets was extremely rapid[11]. In the end of 2015, the Chinese financial sector started to fall.[12] It looks like the growth rate in China Mobile games market has peaked although the market will continue to expand. Niko estimates that China market will top $11 billion by 2019. Newzoos estimate is more accurate predicting the value to be $13,9 Billion by 2019. Google Play's (possible) return[13] is expected to rise up Android revenues. [14]

[10] NewZoo: Android vs. iOS battle heats up in China, wold's #1 mobile games market. https://newzoo.com/insights/articles/android-vs-ios-battle-heats-up-in-china-worlds-1-mobile-games-market/

[11] Niko Partners: Chinese Mobile Games Market Revenue Expected to Reach $2.9 Billion in 2014, Up 93% Over 2013: http://nikopartners.com/chinese-mobile-games-market-revenue-expected-reach-2-9-billion-2014-93-2013/
Xinhuanet: China's game market hits 18.5 bln USD: http://news.xinhuanet.com/english/china/2014-12/17/c_133861961.htm
China's mobile gaming industry will surpass the U.S. as it grows to $5.5B this year: http://venturebeat.com/2015/09/01/chinas-mobile-gaming-industry-will-surpass-the-u-s-as-it-grows-to-5-5b-this-year/
Newzoo Summer Series #2: Chinese Games Market: http://www.newzoo.com/wp-content/uploads/2011/06/Newzoo_Chinese_Games_Market_2015_v3.png
DataEye: Annual Data Report on China's Mobile Gaming Industry 2015/ January 2016. http://nikopartners.com/2146-2/

[12] Here's what analysts are saying about China's 'Black Monday' http://uk.businessinsider.com/analysts-reaction-china-black-monday-2015-8

[13] 9to5google: Lenovo chief: Google Play Services will be in China this year http://9to5google.com/2016/01/11/google-play-services-in-china-2016/

[14] Gameindustry.biz: Niko Partners: Chinese mobile market has hit peak growth http://www.gamesindustry.biz/articles/2016-02-08-niko-partners-chinese-mobile-market-has-hit-peak-growth

Figure 5. NewZoo: The growth of Chinese games market. [15]

Figure 6. July 2015 (Newzoo) [16]

[15] NewZoo: The Global Games Market Reaches $99.6 Billion In 2016, Mobile Generating 37%. https://newzoo.com/insights/articles/global-games-market-reaches-99-6-billion-2016-mobile-generating-37/

[16] NewZoo Summer Series #2: Chinese Games Market: http://www.newzoo.com/wp-content/uploads/2011/06/Newzoo_Chinese_Games_Market_2015_v3.png

4. The Value Chain

The value chain of the Chinese mobile game market differs significantly from the Western markets (fig. 7) especially in Android. In the Western markets, a developer can publish directly to the distribution channel without any third party as a middleman. In China this is possible only in iOs for non-Chinese developers.

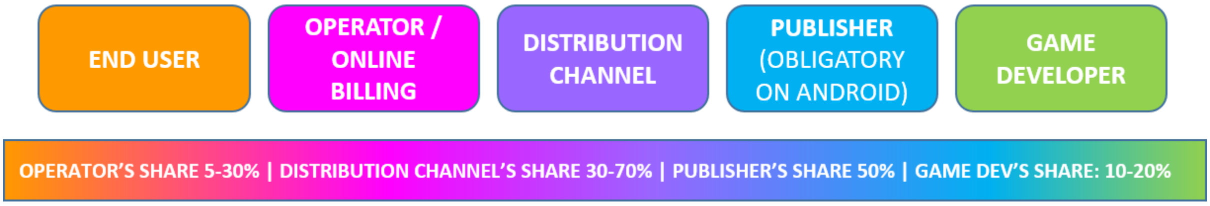

Figure 7. Value chain in western mobile games market.

There is also a big difference in the amount of distribution channels. In Western markets there are only two major application stores and a minimal number of small application stores:

1) Apple App Store (iOS)
2) Google Play (Android)
3) Windows Phone Store (Windows Phone)
4) Amazon App Store
5) Black Berry App Store

In Western markets billing is usually operated via an application store as credit card payments. Business models are often based in:

- licensing,
- paid downloads,
- free to play (with adds or in-app purchases)

Value chain in Chinese mobile games markets:

In China, mobile game markets have four key actors in the value chain (fig. 8):

1) **Teleoperators / Carriers** that usually take care of billing as well in China, especially in rural areas (often **based on SMS payments**).
2) **Distribution Channels / Application stores** representing the business ecosystem in its widest meaning. Compared with West, ***distribution channels at China are extremely fragmented***. Distribution channels are discussed in detail in the chapter five.
3) **Publishers** are publishing third party games, often in several distribution channels. Sometimes they even can finance game productions.
4) **Aggregators** are intermediaries like publisher, but they can cooperate with several publishers and distribution channels at the same time.

Figure 8. Value chain in China mobile games market.

It is not uncommon that especially the main industry players operate in number of these roles at the same time. A good example of this is Tencent, the biggest actor in Chinese mobile game market. Tencent has it´s own marketplace MyApp, their own social media channel Wechat and their own payment apps. In addition to that, they also act as a publisher. ***Non-Chinese companies cannot publish games Android market in China without local partner.*** In Apple app-store local partner is not mandatory.

Compared with Western markets, also revenue shares differ in Chinese markets. A distribution channel can take a share from 30% (in open channels like Baidu) up to 50% (closed channels like Tencent), and that does not include costs of billing and the share of a carrier among others.[17] The biggest difference between the West and China is that in China the share of a developer can be in open app-stores below 20% and closed app-stores around 30% when in the West a typical developer share is 70%. However, the huge volume of the Chinese mobile game market is making it attractive.

In addition to SMES payments also third party payment systems are existing in China, e.g. ***Alipay*** or ***UniPay,*** and publishers have their own payment solutions (Top-Up) and wallets. The payment methods will be discussed in detail in the chapter eight.
Entering Chinese markets requires a clear strategic decision in the business plan of the Western developer. The market entry takes a lot of amount of time and resources and usually negotiations with potential Chinese partners are burdensome. Consequently, for a small Western company, using an aggregator as a middleman can reduce the burden significantly, as the aggregator takes care most of the operations and negotiations with the other Chinese actors. Aggregators can also offer an opportunity to get maximum coverage in all major distribution channels, which can be challenging otherwise. As there is a lot of competition between Chinese application stores, application stores usually prefer exclusivity. The share of the aggregator varies from 30 to 40% of the revenue. A co-operation with an aggregator is liable to diminish a developer share of the revenue and efforts invested in the market entry. For bigger companies, there are more options for a market entry. Although it is necessary even for bigger Western developers to have a local presence of some kind in China.

It is worth noticing also that the financial importance of bad debt is radically bigger in China. It can cost for the developer from 3% to 15% of the revenue, when it is usually at Western markets only 2%. Furthermore, the bad debt is included in the share of the distribution channel in Western market.

Pre-downloaded games in mobile devices, by manufacturer of operator is also one option for developer.

17 Interviews / Miikka Lindgren, Rovio

Open marketplaces (75%)	
Gross Revenue	100
Bad debt (an average 10%)	10%
Revenue after bad debt	90
Billing cost (5-30%)	30%
Revenue after billing costs	63
Market place (e.g. Baidu/91.com	30%
Revenue after distribution costs	44
Aggregator	50%
Net revenue	22
Effective tax rate (incl, VAT & Withholding)	16.7%
Developer net revenue	19.6

Closed marketplace (ie. Tencent 25%)	
Gross Revenue	100
Billing cost (incl of bad debt)	25%
Revenue after billing costs	75
Market place Tencent*	50%
Net revenue	37.5
Effective tax rate (incl, VAT & Withholding)	16.7%
Developer net revenue	31.2

**Tencent revenue share with developer is subject to business negotiation, 50% is assumption for established IP*

Global standard	
Gross Revenue	100
Bad debt (on average 3%)	3%
Revenue after billing costs	97
Market place (e.g. iOS/Google Play)	30%
Developer net revenue	67.9

[18]

[18] Interviews / Miikka Lindgren, Rovio

5. Distribution channels

In Western markets it is relatively easy to estimate the success of the publisher based on top-grossing lists in two major app-stores (App Store/iOS, GooglePlay/Android). In China there are over 400 app-stores for Android although only ten of those are responsible for the majority of the turnover. Unfortunately, getting reliable data even from these ten leading Android stores is challenging.
Apple's iOS app-store is the same as in the West. However, iOS devices are representing only 27% of the platforms while Android is dominating the market.

It is worth to remindin again in Chinese Android markets, a developer is obligated to have a local partner, but in Chinese iOS Appstore a Western developer can publish without a need for Chinese third parties. Usually games that are published only in the Chinese iOS Appstore are quickly pirated to local Android stores.

Apple App Store

Although Android is dominating the Chinese markets, iOS is taking a big share of revenues. According to Tech Crunch ***China was number 2 in iOS application revenues right next to US at Q1 2016.***

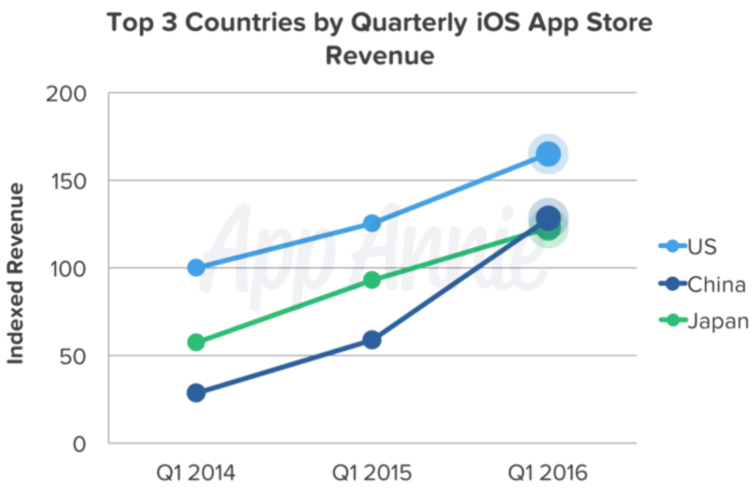

Figure 9.. TECH Crunch: China is now #2 in iOS revenue [19]

When estimating only game revenues, Chinese iOS App Store is even more close to US one.

[19] TechCrunch: China is now #2 in iOS revenue, behind the U.S http://techcrunch.com/2016/04/15/china-is-now-2-in-ios-revenue-behind-the-u-s/

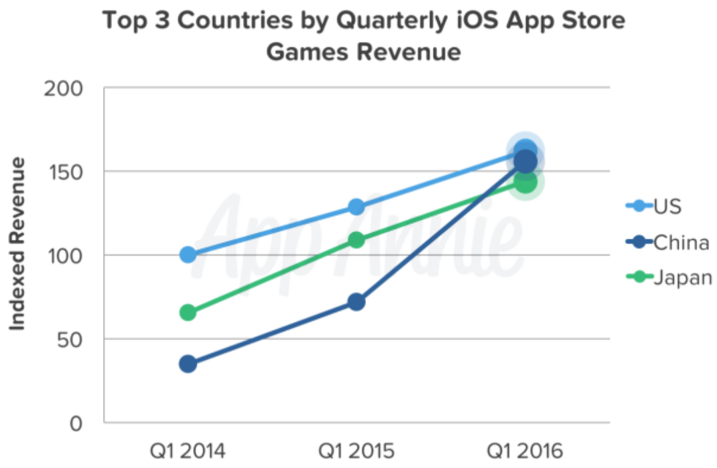

Figure 10.. TECH Crunch: China is close to US in iOS Games revenue [20]

Clear and simple credit card based payment methods make iOS a naturally attractive marketplace for game developers. Although it is tempting for Western developers to self-publish their games in a Chinese iOS store, they should still carefully consider cooperation with a publisher for the following reasons:

- Launching a game simultaneously in iOS and several Android marketplaces enhance chances for success radically. In addition, it makes marketing efforts more efficient.
- Self-publishing a game in iOS might make it more challenging to cooperate with publishers in Android later, as investment in Android marketing would be boosting the profits in iOS as well. However, there never is one single truth; an independent launch at iOS can give very valuable information regarding the potential sales of a particular game in China, which can potentially help negotiations with partners for an Android launch.

Android marketplaces

There are over 400 app-stores for Android apps. However, approximately the 10 most popular marketplaces are covering from 80 to 90% of revenues. [21] Google Play is not currently operating in China, even though it is constantly rumoured that it will be launched in China soon.

According to NewZoo and Talking Data, the five biggest Android market places in China are:

1. Myapp/Tencent (with 24% coverage)
2. MIUI app store / Xiaomi (with 18% coverage)
3. 360 Mobile Assistant (with 18% coverage)
4. Baidu Mobile Assistant (with 17% coverage)
5. Huawei App Store (with 9% coverage)

[20] TechCrunch: China is now #2 in iOS revenue, behind the U.S http://techcrunch.com/2016/04/15/china-is-now-2-in-ios-revenue-behind-the-u-s/

[21] New Zoo: Introduction to the Chinese Games Market 2014: http://insight.venturebeat.com/myreports?data=%257B%2522filename%2522%253A%2522Newzoo_Free_China_Games_Market_Trend_Report_2014_v5.pdf%2522%257D&dl=1

APRIL 2016

IMAGE	RANK	APPSTORE	APPSTORE IN CHINESE	COVERAGE	CHANGE
	1	Myapp (Tencent)	腾讯应用宝	24%	-
	2	MIUI app store (Xiaomi)	小米应用商店	18%	1 ▲
	3	360 Mobile Assistant	360手机助手	18%	1 ▼
	4	Baidu Mobile Assistant	百度手机助手	17%	-
	5	Huawei App Store	华为应用市场	9%	-
	6	Oppo Store	可可软件商店	7%	-
	7	Vivo	步步高应用商店	6%	-
	8	Google Play	谷歌	5%	-
	9	HiMarket	安卓市场	4%	-
	10	Wandoujia	豌豆荚	4%	-

Figure 11. NewZoo: Top 10 Android Market Places at China April 2016[22]

That ranking is based on the install base, or coverage, of each app store.

6. Publishers

As aforementioned, it is obligated by law to use a local partner for publishing a game in an Android marketplace in China. When exploring to **top-grossing games at China Android market**, it can be seen that Tencent holds a strong position with 9 titles in the top 20 list in April 2016.

[22] NewZoo: Top 10 Android Market Places at China April 2016. https://newzoo.com/insights/rankings/top-10-android-app-stores-china/

GROSSING ▼ APRIL 2016 ▼

IMAGE	RANK	NAME	CHINESE NAME	PUBLISHER	CHANGE
	1	King of Glory	王者荣耀	Tencent	-
	2	Zhan Jian Di Gu	战舰帝国	Sincetimes	NEW!
	3	Minecraft	我的世界	Mojang AB	-
	4	Anipop	开心消消乐	Happy Elements	2 ▼
	5	Happy Lord(QQ Official Version)	欢乐斗地主(QQ游戏官方版)	Tencent	1 ▼
	6	Pop Star	PopStar!消灭星星	Zplay	1 ▼
	7	Crossfire	穿越火线	Tencent	1 ▼
	8	Guo Bao San Guo	聚宝三国	IDreamSky	5 ▲
	9	Zhen Ren Tian Tian Dou Di Zhu	真人天天斗地主	Unknown	2 ▲
	10	Boom Beach	海岛奇兵	Kunlun	3 ▼
	11	JJ Dou Di Zhu	JJ斗地主(支持单机)	JJ	3 ▼
	12	Space Hunter	时空猎人	Yinhan	3 ▼
	13	Tian Tian Xuan Dou	天天炫斗	Tencent	3 ▲
	14	Naruto Mobile	火影忍者	Tencent	4 ▼
	15	We MOBA	全民超神	Tencent	3 ▼
	16	Legend of Mir 2	热血传奇	Tencent	8 ▲
	17	Fantasy Westward Journey	梦幻西游	Netease	3 ▼
	18	Jiang Shi Jian Jiao	僵尸尖叫	502万人下载	2 ▲
	19	GunZ Dash	天天酷跑	Tencent	-
	20	Miracle Nikki	奇迹暖暖	Tencent	3 ▼

Figure 12. NewZoo: Top 20 Android Games at China April 2016[23]

According to the top-grossing list the biggest publisher partners in Android for a Western developer could be:

- Tencent
- iDreamSky
- Kunlun
- NetEase

Happy Elements[24] enjoys a strong position in top-grossing charts, but according to the information available at the time of writing this report, they don't publish games of other developers. In addition, Minecraft with **Mojang AB** is rumored to be an illegal pirate. The rumor makes sense, as the Chinese regulation requires foreign developers to

[23] NewZoo: Top 20 Android Games at China April 2016: https://newzoo.com/insights/rankings/top-20-android-games-china/

[24] TechCrunch: Chinese social gaming giant Happy Elements raises 30 million. http://techcrunch.com/2011/10/16/chinese-social-gaming-giant-happy-elements-raises-30-million/

have a local partner. Mojang AB used to be a Swedish company, which was later sold to Microsoft. However, NetEase recently announced that they are publishing Minecraft on mobile and PC -platform at China.[25]

In April 2016 NetEase ws holding two top positions in iOS and Tencent is holding 5 of the top 10 positions in top-grossing lists. If Tencents Supercell acquisition 21.6 is taken into account, Tencent with its partners and subsidiaries is likely to be even more dominant in top-grossing lists in the near future.

TOP iOS GAMES | APRIL 2016 | CN

By Revenues — Powered by newzoo MOBILE

RANK	GAME TITLE	PUBLISHER	CHANGE
1	梦幻西游-2015国民手游 人人都玩 不玩才怪 (Fantasy Westward Journey)	NetEase	-
2	大话西游-十三年经典来袭 一款游戏 一生朋友 (Fantasy Westward Journey 2)	NetEase	-
3	王者荣耀-全球首款5V5英雄公平对战手游 (King of Glory)	Tencent	▲ 1
4	Clash Royale	Supercell	▼ 1
5	热血传奇 (Legend of Mir 2)	Tencent	▲ 2
6	龙珠激斗(七龙珠正版手游) (Dragonball Z Dokkan Battle)	Tencent	new
7	火影忍者-官方正版 (Naruto Mobile)	Tencent	▼ 2
8	穿越火线:枪战王者 (Cross Fire)	Tencent	▼ 2
9	剑与魔法-3DMMO浪漫冒险手游	chong li	new
10	全民飞机大战 (WeFly)	Tencent	▲ 2

By Downloads — Powered by PRIORI DATA Quantify the app economy.

RANK	GAME TITLE	PUBLISHER	CHANGE
1	龙珠激斗(七龙珠正版手游) (Dragonball Z Dokkan Battle)	Tencent	new
2	王者荣耀-全球首款5V5英雄公平对战手游 (King of Glory)	Tencent	▼ 1
3	球球大作战（BOB）-全球玩家,实时对战	Giant Network Technology	-
4	武神赵子龙（林允儿代言 -同名电视剧官方手游	Renjie Ding	new
5	欢乐玩斗地主-经典斗地主游戏,抢红包比赛,含单机	Dichen Liu	new
6	剑侠奇缘-古剑，2016竖版3D仙侠巨制	Qin Ye	new
7	美美小店 - 女生都想要的梦幻衣帽间！美图秀秀出品,超好玩的时尚换装游戏！	Xiamen Meitu Technology	new
8	开心消消乐 (Anipop)	Happy Elements	▼ 4
9	Clash Royale	Supercell	▼ 7
10	作妖计-美人鱼林允代言-掀起无厘头革命，消灭节操！	初见	new

Find the Top 20 iOS Games every month at:
newzoo.com/iosrankings/

Figure 13. NewZoo: Top 10 iOS Games at China April 2016[26]

[25] PocketGAmerBiz. NetEase bringing Minecraft to China on mobile and PC http://www.pocketgamer.biz/asia/news/63210/netease-bringing-minecraft-to-china/

[26] NewZoo: Top 10 iOS Games at China April 2016: https://newzoo.com/insights/articles/social-casino-nets-one-fifth-top-20-us-revenues/

App Annie 2015 Retrospective

China by Revenue

Top Apps of 2015: China iOS Revenue

Rank	App	Company
1	IQIYI	Baidu
2	Momo	Momo Technology
3	Tencent Video	Tencent
4	Youku	Youku Tudou
5	QQ	Tencent
6	YY	YY Inc
7	PPS	Baidu
8	QQ Reader	Tencent
9	Changba	Zuitao
10	iReader	Zhangyue

Top Games of 2015: China Revenue

Rank	Game	Company
1	Fantasy Westward Journey	NetEase, Garena Online
2	We Fire	Tencent, Garena Online, Netmarble
3	The Legend of Mir 2	Tencent
4	Westward Journey Online	NetEase
5	We Fly	Tencent
6	Shenwu 2	Duoyi
7	MU: Origin	KingNet, Kunlun Games, Webzen
8	The King of Fighters' 98 Ultimate Match	Tencent, Smart Alec, OurPalm
9	Top of Tanker	Tencent, FunPlus, NEXON, Firefly Games
10	Anipop	Happy Elements

Top Companies of 2015: China iOS Revenue Outside of Games

Rank	Company	Headquarters
1	Baidu	China
2	Tencent	China
3	Momo Technology	China
4	Youku Tudou	China
5	YY Inc	China
6	Zuitao	China
7	ZHANGYUE	China
8	LeTV	China
9	Jiayuan	China
10	Shanda	China

Top Companies of 2015: China iOS Games Revenue

Rank	Company	Headquarters
1	Tencent	China
2	NetEase	China
3	Supercell	Finland
4	Duoyi	China
5	KingNet	China
6	Perfect World	China
7	Happy Elements	China
8	Snail Games	China
9	Longtu Game	China
10	Youzu	China

47 © App Annie 2016

Figure 14. App Annie 2015 Retrospective [27]

According to the top-grossing list the biggest publisher partners in iOS for a Western developer could be:

- Tencent
- Netease
- Duoyl
- KingNet
- Perfect World
- Snail Games
- Longtu Game
- Youzu

DataEye mention in their recent study also **Shanda Games**[28] among top seven companies that released over 150 mobile games in 2015. However, **Tencent and NetEase** has such a strong position in top grossing charts that the situation is almost duopoly, especially after Suprecell acquisition.

[27] App Annie: 2015 Retrospective http://blog.appannie.com/app-annie-2015-retrospective/

[28] DataEye: Annual Data Report on China's Mobile Gaming Industry 2015/ January 2016. http://nikopartners.com/2146-2/

7. Carriers in China

The role of carriers in the Chinese mobile games market differs radically from the West. In China, a huge number of the payments are operated via SMS payments by carriers.

The three biggest carriers are:
1. China Mobile
2. China Unicom and
3. China Telecom.

Figure 15. Top carriers in iOS[29]

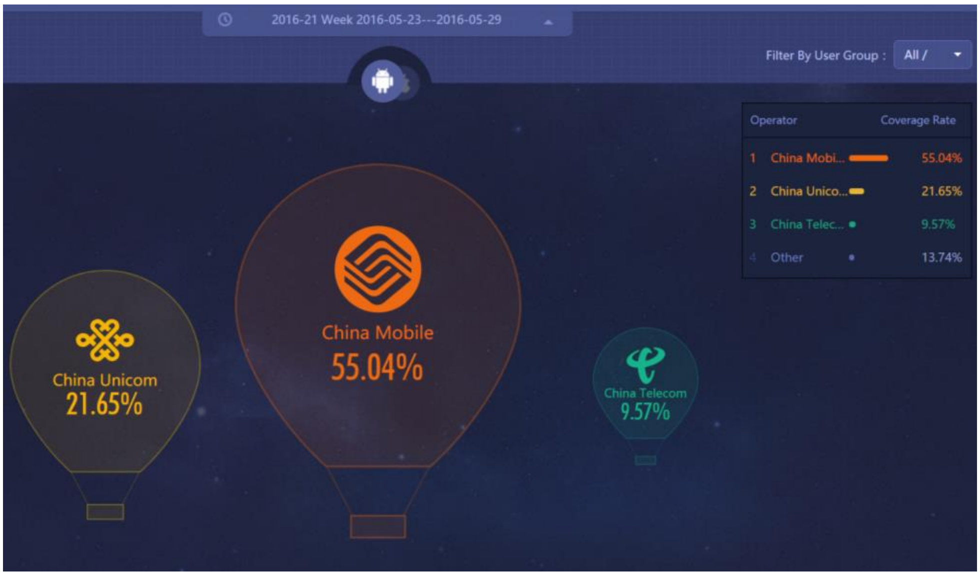

Figure 16.. Top carriers in Android[30]

The role of SMS payments in China has been much stronger than in the West mainly due to the fact that mobile data infrastructure has been weak, thus it has not been able to support smooth online billing systems.

[29] Talking data Mobile Insight: Carriers: https://www.talkingdata.com/index/#/device/car/en_US
[30] Talking data Mobile Insight: Carriers: https://www.talkingdata.com/index/#/device/car/en_US

However also in China amount of free Wi-Fi's is growing as well, as good mobile data connections especially at more established areas like Beijing and Chengdu (Tiers 1 and 2[31]). As free WiFi at internet cafes, trains etc. are getting more popular, more and more users (54.45% at the moment) are downloading their mobile games via WiFi.[32] Carriers' role is likely to stay relevant in other (tier 3 and 4 / rural) regions within the country.

In addition, the mobile data infrastructure is slowly improving with more and more 4G connections enabling e.g. credit card billing. Depending on the sources it is estimated that at the moment there are 380-500 million 4G subscribers in the country.[33]

Due to already high popularity of WiFis and rapidly growing number of proper mobile data subscriptions, the role of carriers as a payment service provider for games is likely to decrease. The same happened also in the Western markets; before Apple came with its own iOS marketplace, a billing system provided by carriers had a crucial role in the value chain. The role of carriers as billing service providers practically vanished away, when the ecosystems like Apple Appstore, Google Play, Amazon Appstore established with their own in-store billing systems.

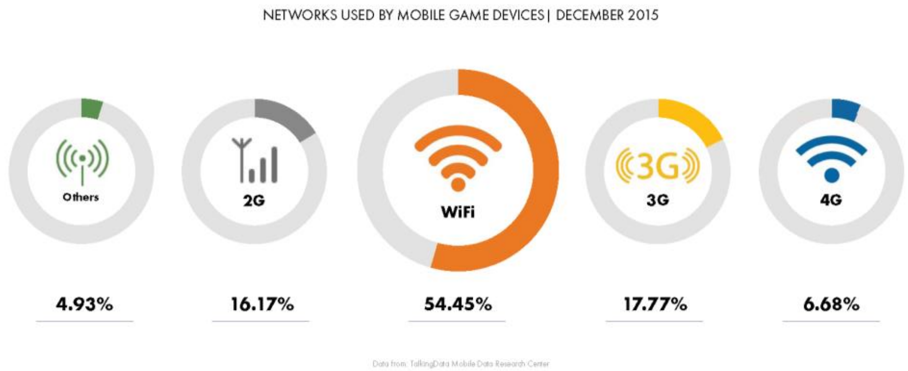

Figure 17.. NewZoo & TalkingData: 2015 Chinese Mobile Games Industry: Networks used by mobile gamers [34]

[31] App Annie Mobile App Forecast: China to Surpass the US in 2016. http://blog.appannie.com/mobile-app-forecast-china-to-surpass-us-in-2016/

[32] NewZoo & TalkingData: 2015 Chinese Mobile Games Industry http://resources.newzoo.com/hubfs/TalkingData_2015_Chinese_Mobile_Games_Industry.pdf?submissionGuid=0fb81144-adf4-4d46-b333-6ea4bc1d880f

[33] Mobile World Live: China operators add 60M 4G users in Jan-Feb http://www.mobileworldlive.com/asia/asia-news/china-operators-add-60m-4g-users-in-jan-feb/
China.org.cn: China's 4G users exceeds 500 mln http://www.china.org.cn/business/2016-05/31/content_38574199.htm
China's 4G base stations exceed 2 million, 4G subscribers reach 500 million http://www.cn-c114.net/583/a957156.html

[34] NewZoo & TalkingData: 2015 Chinese Mobile Games Industry http://resources.newzoo.com/hubfs/TalkingData_2015_Chinese_Mobile_Games_Industry.pdf?submissionGuid=0fb81144-adf4-4d46-b333-6ea4bc1d880f

8. Payment systems and business models

Payment systems in China differ radically from the West. As aforementioned, in China there is a number of systems existing whereas in the West mainly credit cards are used:

- Payment solutions[35]:
    - WeChatPay
    - QQ Wallet
    - Weixin Pay
    - Alipay
    - Unionpay
- SMS by operator (especially in emerging areas "Tiers 3 and 4"[36])
- Credit Card (iOS)

The Western mobile game markets are based on credit card payments and advertisement. As aforementioned Chinese markets have previously relied on SMS payments, but due to improvement of Internet connections, the role of carrier as a (SMS) billing partner might change.

That said, Tencent has 200 million users on its own payment service[37] and Alipay, has 500 million users and 200 million credit cards.[38]Different payment models might require implementation of payment service providers SDK and this is good to take into account.

Business models

Free-to-play (F2P) model is absolutely dominant in China (also in PC-games). If few exceptions are excluded, business models based on paid downloads (premium) won't work for Chinese users at all. In addition when comparing Chinese users with the Western, the Chinese users prefer much more aggressive monetization in F2P model (pay-to-win).
Also ad-based business models are slowly getting more popular, but distribution channels are still hesitating cross-promotion between marketplaces while cross-promotion inside the marketplace is becoming acceptable.

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[35] Tech Crunch: Messaging app WeChat is becoming a mobile payment giant in China: http://techcrunch.com/2016/03/17/messaging-app-wechat-is-becoming-a-mobile-payment-giant-in-china/

[36] According to App Annies' Mobile App Forecast: China to Surpass the US in 2016; Beijing and Chengdu, are roughly as saturated as mature Markets and described as first- and second-tier cities, and other regions within the country have significant growth potential as tiers three and four http://blog.appannie.com/mobile-app-forecast-china-to-surpass-us-in-2016/

[37] Tech Crunch: Tencent's WeChat Messaging App Reaches 200M Users On Its Payments Service: http://techcrunch.com/2015/11/10/tencents-wechat-messaging-app-reaches-200m-users-on-its-payments-service/

[38] Tech Crunch: Alibaba's Ant Financial raising new funding at $60B valuation ahead of IPO http://techcrunch.com/2016/03/08/alibabas-ant-financial-raising-new-funding-at-60b-valuation-ahead-of-ipo/

9. Marketing and User Acquisition

Chinese users differ from Western users. Chinese love events and are willing to join VIP systems to acquire more benefits and boost their social status. Also celebrity driven campaigns are more popular in games industry than in the West.

User acquisition is generally more expensive on the iOS platform than on Android. [39] The racing competition between the big Chinese companies is increasing the cost of user acquisition in all platforms in China, which is making it difficult for SMEs to survive. [40] Furthermore, there are differences between users in different areas in the country. For example, users from Beijing, Shanghai, Guangzhou and other coastal provinces tend to click more mobile ads, than users in other areas. [41]

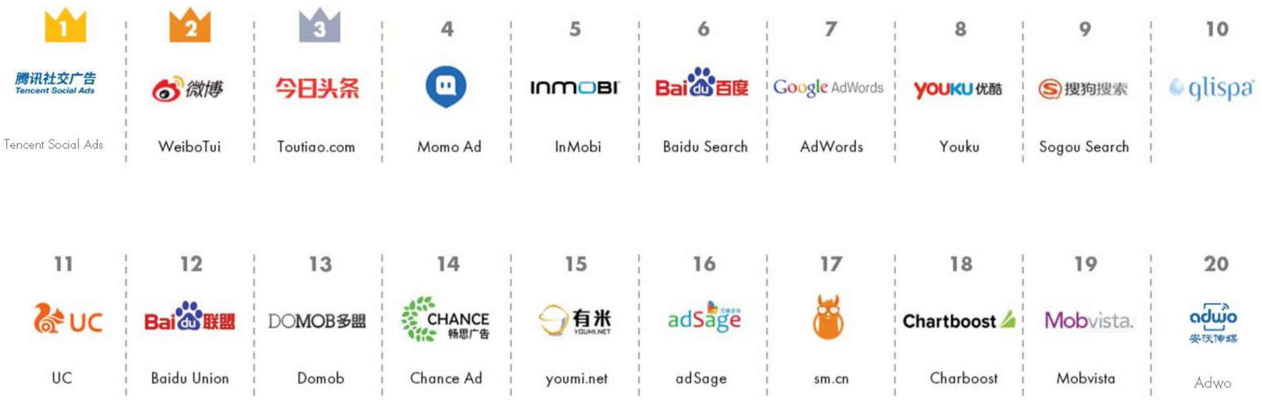

Figure 18. TalkingData & New Zoo; Top 20 Mobile Advertising Networks by overall strength[42]

Social media in China

When compared with the US, UK, France and Brazil, China ranks as a third active country in social media.[43] However, the most of the popular social media platforms (Twitter, Facebook, Youtube, Twitch) in the West are all forbidden in China. China has its own social media platforms like ***WeChat***[44] and ***Weibo***[45].

[39] TalkingData & NewZoo: Mobile Advertising Industry China. http://resources.newzoo.com/hubfs/TalkingData_Mobile_Advertising_Industry_China.pdf?submissionGuid=2dd3f8a8-bd62-44c7-ba0b-06c3f00bbfd5

[40] Niko Partners: Chinese Mobile Games Market Revenue Expected to Reach $2.9 Billion in 2014, Up 93% Over 2013: http://nikopartners.com/chinese-mobile-games-market-revenue-expected-reach-2-9-billion-2014-93-2013/
Xinhuanet: China's game market hits 18.5 bln USD: http://news.xinhuanet.com/english/china/2014-12/17/c_133861961.htm
China's mobile gaming industry will surpass the U.S. as it grows to $5.5B this year: http://venturebeat.com/2015/09/01/chinas-mobile-gaming-industry-will-surpass-the-u-s-as-it-grows-to-5-5b-this-year/
Newzoo Summer Series #2: Chinese Games Market: http://www.newzoo.com/wp-content/uploads/2011/06/Newzoo_Chinese_Games_Market_2015_v3.png
DataEye: Annual Data Report on China's Mobile Gaming Industry 2015/ January 2016. http://nikopartners.com/2146-2/

[41] TalkingData & NewZoo: Mobile Advertising Industry China. http://resources.newzoo.com/hubfs/TalkingData_Mobile_Advertising_Industry_China.pdf?submissionGuid=2dd3f8a8-bd62-44c7-ba0b-06c3f00bbfd5

[42] TalkingData & NewZoo: Mobile Advertising Industry China. http://resources.newzoo.com/hubfs/TalkingData_Mobile_Advertising_Industry_China.pdf?submissionGuid=2dd3f8a8-bd62-44c7-ba0b-06c3f00bbfd5

[43] Kantar: Chinese concerns about impact of social media continue to grow http://cn-en.kantar.com/media/social/2016/kantar-china-social-media-impact-report-2016/

WeChat is a Chinese counterpart to Western WhatsApp, Snapchatt and Youtube. ***QZone, Renren, Kaixin*** are the Chinese equivalents of Facebook and LinkedIn. ***Weibo*** is a popular (Twitter-like) platform to talk about celebrities and a source of the latest news. [46]

On average, a top-50 celebrity in China has 23.58 million followers on Weibo.[47] Consequently celebrity driven marketing campaigns are very common in China game industry. The big challenge for those campaigns is that the followers of a certain celebrity might not be the right target group to the product/game. In F2P games nothing is more important than the quality of the users. The right users generate more money and new fans for a game and wrong users are just an unprofitable cost of user acquisition. This has slowly decreased the popularity of the celebrity driven campaigns.

As said earlier, China is not a homogenous market. In tier-1 cities people are so called urbanites and they are the heavy users of social media. Users from Tier-2 city tend to use social media more for online shopping compared with less developed areas. In tiers -3 and -4 the economic, political, social impact of social media is smaller because people mainly use social media for keeping contacts and chatting with friends and watching videos[48]

Figure 19.. Social media apps in China corresponded to Western social media apps[49]

Kantar: China Social Media Impact Report 2015 http://us.kantar.com/media/908826/0202-en-infographic-1950.pdf
[44] http://www.wechat.com/en/
[45] http://en.wikipedia.org/wiki/Sina_Weibo
[46] Tech in Asia: 4 things you need to know about Chinese social media and censorship. https://www.techinasia.com/talk/4-chinese-social-media-censorship
[47] Kantar: Chinese concerns about impact of social media continue to grow http://cn-en.kantar.com/media/social/2016/kantar-china-social-media-impact-report-2016/
Kantar: China Social Media Impact Report 2015 http://us.kantar.com/media/908826/0202-en-infographic-1950.pdf
[48] **Tech in Asia: 4 things you need to know about Chinese social media and censorship**. https://www.techinasia.com/talk/4-chinese-social-media-censorship
[49] Tech in Asia: 4 things you need to know about Chinese social media and censorship. https://www.techinasia.com/talk/4-chinese-social-media-censorship

10. Localization

Opinions on how much localization is needed in Chinese markets varies significantly depending on a source. In general, it is fair to say that Chinese language localization is crucial. Furthermore, the taste of Chinese players differs from the Western ones. Chinese prefer much more aggressive monetization in games, even pay-to-win is acceptable. Chinese players also play more than Western ones so there in need for more content in games.

The Great Firewall in China blocks most of Western analytic and metrics tools. For that reason, it is recommended to use Chinese analytic and metric tools. Unfortunately, the firewall also causes some latency issues in online games.

Nevertheless, Chinese gamers are very active and they also stimulate gamers in Western market, which helps to create and maintain good buzz around online-games globally.

11. Genres

According to several sources Role-Play and Strategy Games are dominating Chinese markets. In Android these two genres make up to 49% (depending on sources) of total revenues each month. [50] Also Ksyun latest report[51] supports this observation: RPG-, Card-, Action- and Strategy games cover the big majority of the mobile games markets.

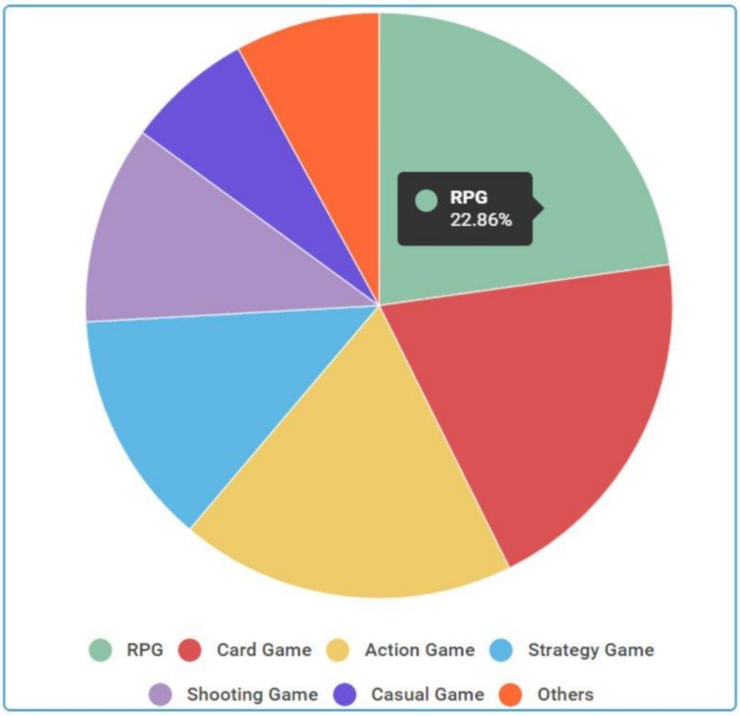

Figure 20. Gamasutra: Mobile Game Genres Analyzed on Ksyun in 2015 (Source: Ksyun, 2015)[52]

[50] NewZoo insight: https://newzoo.com/insights/countries/china/
[51] Gamasutra: RPG and Action Games Will Dominate the Mobile Gaming Market in 2016 [Report] http://www.gamasutra.com/blogs/MantinLu/20160226/266701/RPG_and_Action_Games_Will_Dominate_the_Mobile_Gaming_Market_in_2016_Report.php
[52] Gamasutra: RPG and Action Games Will Dominate the Mobile Gaming Market in 2016 [Report] http://www.gamasutra.com/blogs/MantinLu/20160226/266701/RPG_and_Action_Games_Will_Dominate_the_Mobile_Gaming_Market_in_2016_Report.php

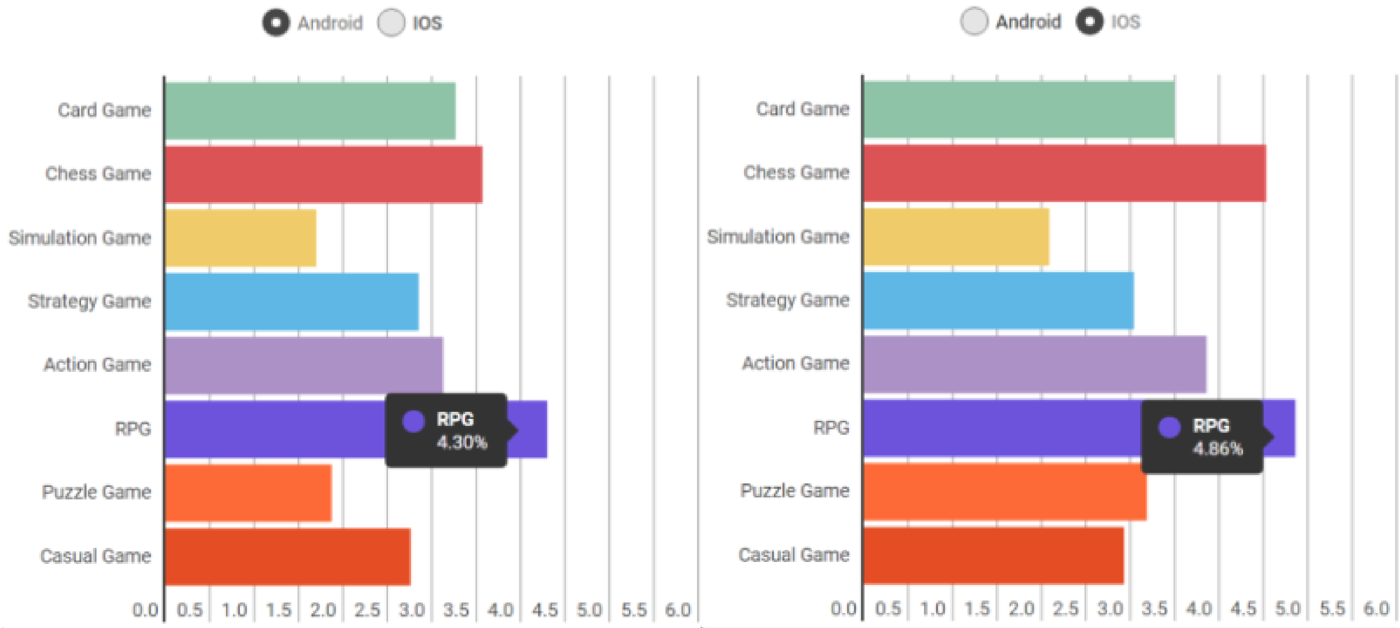

Figure 21. Pay rate of China mobile game genres, January 2016 (Source: TalkingData, 2016)[53]

According to TalkingData report[54] Card Games are growing rapidly in terms of DAU/MAU in iOS. In Android, the popularity of Puzzle-, Strategy- and Casual Games is growing.

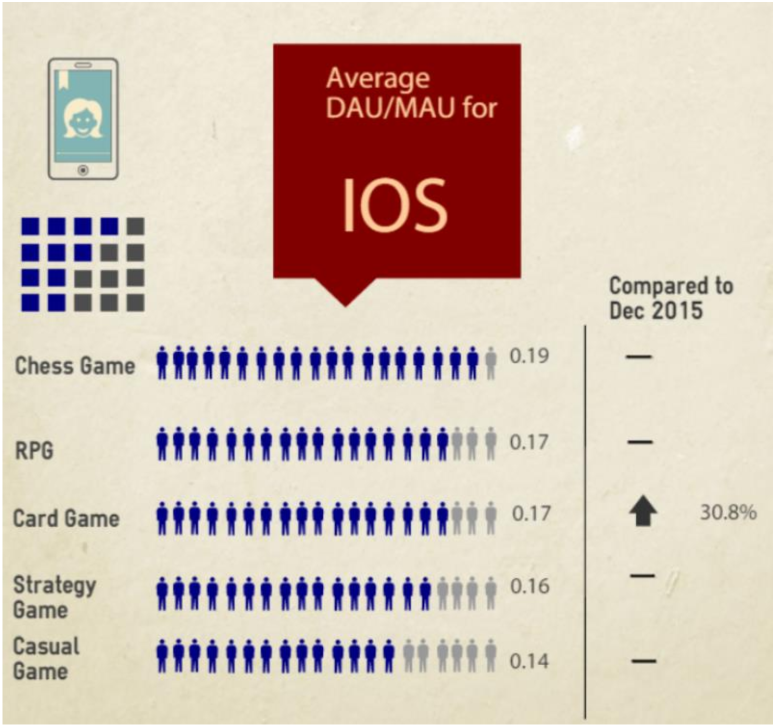

Figure 22. Average DAU/MAU of China mobile game genres on iOS, January 2016 (Source: TalkingData, 2016) [55]

[53] Gamasutra: An Update about the China Mobile Game Market (Reports) http://www.gamasutra.com/blogs/MantinLu/20160315/268141/An_Update_about_the_China_Mobile_Game_Market_Reports.php
[54] Gamasutra: An Update about the China Mobile Game Market (Reports) http://www.gamasutra.com/blogs/MantinLu/20160315/268141/An_Update_about_the_China_Mobile_Game_Market_Reports.php
[55] Gamasutra: An Update about the China Mobile Game Market (Reports) http://www.gamasutra.com/blogs/MantinLu/20160315/268141/An_Update_about_the_China_Mobile_Game_Market_Reports.php

12. Current trends in China

According to Technode, Forbes and Gamesindustry.biz,[56] the main trends shaping the Chinese mobile games markets don't differ much from the Western trends:

1. Virtual Reality
2. E-sports
3. Pan-Entertainment (formally known also as cross-media)
    - Opportunities for IP monetization

In addition, there are different estimates whether there is going to be ***consolidation*** between small and mid-sized companies. During recent years, top PC-online gaming companies in China have entered also into the mobile scene. At the same time the costs of development and user acquisition are rising very rapidly and that offers a great advantage for the giants. However, in most of the cases small developers have clear opportunities in agility and innovation and in the ability to react fast to the big changes which China Mobile games market is facing constantly. There will be an escalating competition between the huge budgets and big brands of big companies and agile small- to medium sized companies. Furthermore, niche genres and emerging markets are offering opportunities especially for small- to medium sized companies.[57]

Virtual Reality

During past few years, a virtual reality has been the key buzz word globally. China is not an exception to that. One of the biggest trade shows in China, China Joy, will even have a dedicated VR area.[58] According to Niko Partners, mobile virtual reality devices are very popular among Chinese consumers.

However, price-conscience Chinese consumers are more attracted by affordable devices such as Baofeng (Magic Glass), Google (Cardboard) and Samsung (Gear) rather than high-end virtual reality devices provided by Facebook (Oculus Rift), Sony and HTC (Vive). That said, even the high-end technology is likely to most find their demand from certain smaller user group.[59] As a proof of strong trust on the potential of VR, NetEase, one of the biggest players in Chinese game industry, announced that it is developing Twilight Pioneers to Google's Daydream (new mobile VR platform[60]) and it was demoed as part of the Google I/O presentation.[61]

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[56] Technode: 2016 Predictions For China's Digital Gaming Industry. http://technode.com/2016/02/17/2016-predictions-for-chinas-digital-gaming-industry/
Forbes: China's Mobile Games Market Is Growing Up: http://www.forbes.com/sites/lisachanson/2016/04/14/chinas-mobile-games-market-is-growing-up/#7804d8e93605
Gameindustry.biz: Niko Partners: Chinese mobile market has hit peak growth http://www.gamesindustry.biz/articles/2016-02-08-niko-partners-chinese-mobile-market-has-hit-peak-growth
[57] Forbes: China's Mobile Games Market Is Growing Up: http://www.forbes.com/sites/lisachanson/2016/04/14/chinas-mobile-games-market-is-growing-up/#7804d8e93605
[58] Gameindustry.biz: Niko Partners: Chinese mobile market has hit peak growth: http://www.gamesindustry.biz/articles/2016-02-08-niko-partners-chinese-mobile-market-has-hit-peak-growth
PocketGamerBiz: How can western developers break into the fast-growing Chinese VR market? http://www.pocketgamer.biz/asia/interview/63364/how-can-developers-break-into-the-chinese-vr-market/
[59] Fortune: How China Will Boost ESports and Virtual Reality Revenues. http://fortune.com/2016/02/08/china-esports-vr-revenues/
[60] VentureBeat: Google teases Daydream, a platform for 'high-quality' mobile virtual reality, launching this fall http://venturebeat.com/2016/05/18/google-teases-daydream-a-platform-for-high-quality-mobile-virtual-reality-launching-this-fall/
[61] VentureBeat: China's NetEase is making a game for Google's new Daydream mobile VR platform (update). http://venturebeat.com/2016/05/18/chinas-netease-is-making-a-game-for-googles-new-daydream-mobile-vr-platform/

e-Sports

As Chinese players are highly competitive, it is natural that e-Sports has a strong role in Chinese Game markets. In addition, internet cafes and better mobile internet connections along with increased investments and over 100 million fans are enabling the further growth of e-Sports.[62] According to Niko Partners, hundreds of millions Chinese gamers are playing and watching popular e-Sports games such as Counter-Strike Global Offensive, StarCraftII, League of Legends, FIFA Online 3, CrossFire,and Dota 2 on digital channels such as Youku, YY, and Panda.tv. Along to Niko Partners, the top three e-Sports companies in China (Tencent, Perfect World, and Gamesky) are investing heavily in e-Sports. [63] Active Chinese players also bring energetic boost to e-Sport gaming communities globally. A focus on e-Sports can also give support for brand awareness and IP recognition for game developers.

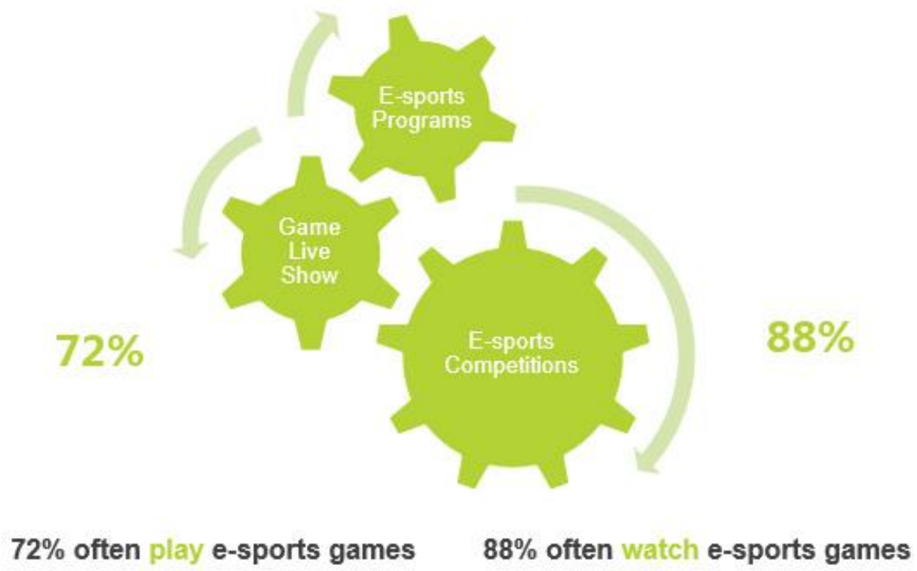

Figure 23. Huge amount of e-Sports users are also enjoying to watch e-Sports. [64]

Althoug it is not a surprise that e-Sports is a major trend in China, it is worth noticing that the trend has emerged surprisingly quickly in mobile e-Sports. Forbes is describing the current situation in mobile e-Sports, as the hyper-drive of ecosystem, where the developers and publishers are working hand in hand in e-Sports events.[65]

Pan-Entertainment & IP

The cost of user acquisition is rising to almost unbearable highs globally. It is easy to conclude that game studios are not just competing against other games, rather they are competing against all entertainment in general. The amount of entertainment and content users have an access is enormous. This has lead a situation, where games, as all other products, need to somehow make themselves visible and distinctive. Strong IPs are a logical solution for this challenge. They can be used to emphasize the brand and increase the

[62] Gameindustry.biz: Niko Partners: Chinese mobile market has hit peak growth http://www.gamesindustry.biz/articles/2016-02-08-niko-partners-chinese-mobile-market-has-hit-peak-growth
[63] Fortune: How China Will Boost ESports and Virtual Reality Revenues. http://fortune.com/2016/02/08/china-esports-vr-revenues/
[64] iResearch: China's E-Sports Sector Enters the Booming Period: http://www.iresearchchina.com/content/details7_21485.html
[65] Forbes: China's Mobile Games Market Is Growing Up: http://www.forbes.com/sites/lisachanson/2016/04/14/chinas-mobile-games-market-is-growing-up/#7804d8e93605

visibility of games. One reasonable solution is to do this cross all entertainment and media. However, Chinese IP –protection practices and legislation are never simple, especially for a foreign actor.

A trend of ***market consolidation*** can be seen from a more holistic point of view as ***pan-entertainment*** (collaboration between mobile gaming and other media, including books, films, animation and comics). [66] In 2015, Internet Giants Baidu, Alibaba and Tencent were attempting to consolidate majority of their portfolio into pan-entertainment and were expecting to monetize that IP based content in 2016.

According to Talking Data report, the pan-entertainment is consisting from three key elements;
1) Mobile e-Sports
2) Movie-Game crossover
3) Manga & Animation

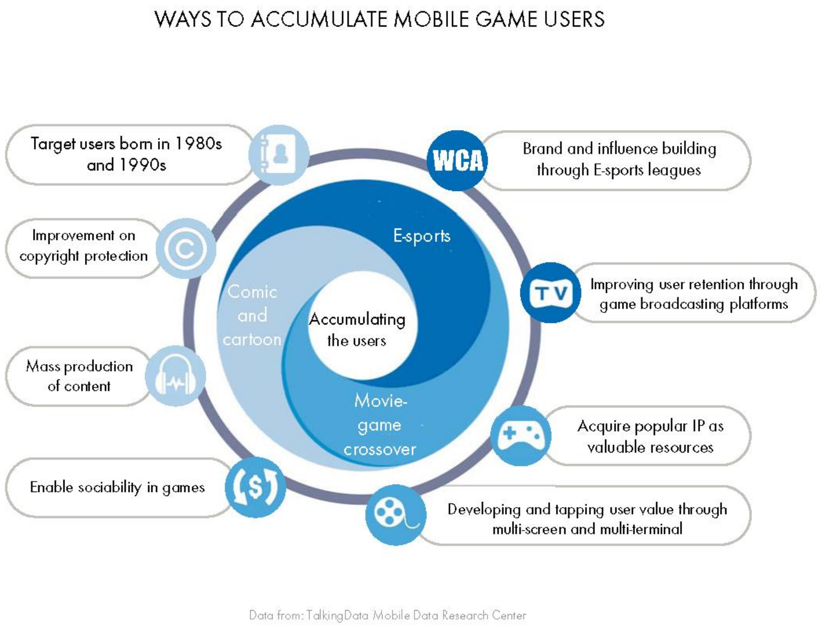

Figure 24. Talking Data: Accumulating Mobile Game Users [67]

In this system, big companies like Tencent, NetEase, Perfect World, Shanda Games are aiming to build all covering approach to reach and acquire maximum amount of users by consolidating their resources.[68]

In terms of revenue size, mobile game markets are bigger than movie markets in China. That makes mobile games a major tool for IP monetization for the movie content as well. [69]

[66] iResearch: 2015 China's Pan-entertainment Summary Report: http://www.iresearchchina.com/Upload/201602/20160226124308_6515.pdf
Forbes: China's Mobile Games Market Is Growing Up: http://www.forbes.com/sites/lisachanson/2016/04/14/chinas-mobile-games-market-is-growing-up/#7804d8e93605
[67] NewZoo&TalkingData; 2015 Chinese Mobile Games Industry http://resources.newzoo.com/hubfs/TalkingData_2015_Chinese_Mobile_Games_Industry.pdf?submissionGuid=0fb81144-adf4-4d46-b333-6ea4bc1d880f
[68] NewZoo&TalkingData; 2015 Chinese Mobile Games Industry: http://resources.newzoo.com/hubfs/TalkingData_2015_Chinese_Mobile_Games_Industry.pdf?submissionGuid=0fb81144-adf4-4d46-b333-6ea4bc1d880f
[69] DataEye: Annual Data Report on China's Mobile Gaming Industry 2015/ January 2016. http://nikopartners.com/2146-2/

13. Conclusion

As a conclusion, the message of latest industry reports[70] and interviewed experts can be summarised by saying that developers should pay attention to the following issues:

- **Unmet needs behind the crowded games market** and understanding local economies to grow your business as well as opportunities in different segments and niche genres.
- **Role of IP.**
- **Android cannot be ignored** even though it is fragmented. Focus on major stores and stores that align you with targeted consumer demographics.
- Learn to **understand Chinese consumers and business models**.

The rest of the "Best Practices" are summarised below.

[70] Technode: 2016 Predictions For China's Digital Gaming Industry. http://technode.com/2016/02/17/2016-predictions-for-chinas-digital-gaming-industry/
Forbes: China's Mobile Games Market Is Growing Up: http://www.forbes.com/sites/lisachanson/2016/04/14/chinas-mobile-games-market-is-growing-up/#7804d8e93605
Gameindustry.biz: Niko Partners: Chinese mobile market has hit peak growth http://www.gamesindustry.biz/articles/2016-02-08-niko-partners-chinese-mobile-market-has-hit-peak-growth
App Annie Mobile App Forecast: China to Surpass the US in 2016. http://blog.appannie.com/mobile-app-forecast-china-to-surpass-us-in-2016/

14. Best practices: Entering to China

Following recommendations are based on background material of this report, one-to one interviews conducted and presentations from following events:

- Heading to China -event (May 2015) at Helsinki organized by Neogames Finland,
- China Track / Business Breakfast (March 2016) at San Francisco organized by Nordic Game Institute
- China Business Breakfast (May 2016) at Malmö organized by Nordic Game Institute
- Nordic / Estonia - China event in Tallinn (May 2016) organized by Game Founders and supported by Nordic Game Institute

Best practices were published in Neogames Finland previous report "Heading to China" and updated for this study.

14.1 Minimum requirements for market entry

Make a good game

- If your metrics are bad, there is a little your local partners can do to help you
- Your ARPU has to be good, otherwise publishers will not be interested in you
- More broader global audience your game is targeted to, less it is likely to need localising (except language)

Make a game with enough content

- Chinese gamers tend to be passionate about playing a game. You need have enough content available for them in your game, especially for a casual game.

Make an Android version of your game

- Android is the leading platform in China and for this reason you are strongly advised to do the Chinese launch with and Android version of the game. It will boost the sales of your iOS version as well.

Tailoring the social media networks, analytics and ad networks

- Most of the Western social media networks are blocked in China, so you need to improve them from the game and possibly replace them with local social network.
- Furthermore, the Great Firewall of China usually blocks the Western analytics and ad networks as well, so you might want to consider removing them from your Chinese build.

Be patient and realistic (not too optimistic)

- Making contracts and closing deals takes a LONG time.
- Western people may think that they already have a deal almost closed while Chinese are actually just still considering several options.

Ask the experiences of other developers:

- It is extremely hard to get reliable information in English regarding to China market, so ask from other developers

Localise the game

- Translate your game in Chinese:
    - A western version of the game should not be launched in China. At least the texts should always be properly translated to simple and traditional Chinese. The quality of the translation has to be far beyond simple machine translation. It is not even enough to use standard Chinese. You have to be able to use slang words in your game.
- Re-skin your game for Chinese
    - Chinese have their own specific esthetical norms. You should re-skin the graphics of your game for Chinese taste.

- Remove politically sensitive content
  - The flags of Taiwan or Hong Kong, for example, are not allowed in Chinese games.
- Balancing a multiplayer game
  - If your game is going popular in China and you have global matchmaking system in a game, you might quickly end up to a situation where most of the other players a Western gamer is meeting in a game are Chinese. You might want to tailor your matchmaking algorithms also regionally.
- Build a local client for the game
  - Most probably your publishing partner has their own SDK you have to use
- Optimise the data use and stability
  - You have to optimise the data traffic caused by your game as the network connections usually are poor in China. Furthermore, you should test your game on the main local mobile phones and tablets.
- Update your security and anti-cheating systems
  - The most talented hackers come from China and if your game is popular, they are going to attack you.

14.2 Extra requirements

- Make your game more tailored to Chinese gaming culture
  - Chinese players want to celebrate their in-game spending in their social networks and this should be enabled by the game.
- Tailor your monetisation
  - Purely ad-based (the payments per ad are extremely small and it is a lottery if you will ever get any money to your bank account) or pay-per-download based business models do not work well in China yet. Consequently, you should strongly consider going to free-to-play model.
  - Unlike in the Western world, Chinese consumers are happy to go for pay-to-win model and therefore you should enable it.
  - As Chinese consumers are happy with much harder monetisation, you might want to remove the levels that give out resources in free-to-play games too easily (in order to lure Western gamers to pay in the game). The first purchase point in the game should arrive within the first week.
  - Carrier billing is the most used payment method in China and it should be enabled in your game.
- Do your homework
  - A successful entry to Chinese markets requires that you have done your homework well beforehand. Furthermore, due to quickly changing market situation, you should be ready to learn new things and update your strategies all the time.
- Be ready to invest time, effort and money and to be patient
  - Finding the right partners takes time and effort, but it is worth it
  - Marketing and running a game in China takes money
  - Things might go onward slowly, so be patient
- Prepare for regulatory challenges and delays
  - The first thing you should is to register your copyrights in China, otherwise someone will steal them from you. Registration gives you a possibility to enforce your copyrights.
  - Secure that your publishing partner has taken care of your licenses to operate in China. Chinese government strictly controls all content published in the Chinese markets. The content review is not limited just in new games, but on updates as well. And what is accepted and what is not changes over the time. If you are successful, you are going to be an easy target, if you have not done everything by book.
- Be careful with contracts
  - Chinese actors usually prefer an exclusivity for your game in China. If you do that, you cannot co-operate with anyone else.
  - Always do your contracts on a neutral territory, as you really do not want to go to a Chinese court to fight against a Chinese company.
  - You have to know your value. Chinese negotiation culture is harsh, so don’t make bad deals. Don’t feel sorry to ask for a minimum guarantee that makes them to work for your game.
- Find a right channels

- Do not try to target all Android platforms, target the ones which reach the majority of the markets. Targeting 10 biggest players is more than enough.
- Take care of the relationships with channel partners.

- **Do not sign an exclusive deal, if you don't have to**
  - Many channels claim that exclusivity is something you have to provide in order to operate in China. It is not true. However, it might be something that is worth considering under right circumstances (e.g. a channel is otherwise absolutely perfect for your game)
- **Do not trust too much on the market data**
  - In general, all rankings and market data is manipulated somehow in China. Apple, for example, is punishing Chinese developers manipulating the top charts in the Chinese App Store.
    - The biggest question is, whether or not one should stay as a neutral player or form a strategic partnership with a single distribution channel. In the end, this is an optimisation problem: do you want to have big part from a small cake or small part from a big cake.
  - **Open platforms**
    - On open platforms the revenue share of a game developer is around 19,6 %; a publisher takes about 10% for bad debts, a payment service operator takes 5-30%, a market place takes 30%, an aggregator takes 50% and effective tax rate is about 16,7%. Out of the taxes the withholding tax can be reduced in the Finnish taxation, but other taxes you are forced to pay.
    - If you want to increase your share in the value chain, you can refuse to accept payments through carrier billing. However, this seriously limits your audience, as especially the people in the rural areas rarely have an access to any other payment method than carrier billing. Furthermore, doing an exclusive deal with one carrier might block your access to other carriers.
  - **Closed platforms**
    - On closed platforms, the revenue share of a developer is around 31,2%; the payment service and bad debt costs are around 25% combined, the market place takes about 50% and the effective tax rate is the same 16,7%
    - The problem with closed platforms like Tencent is the fact that although they do not guarantee the visibility in their game center, for example Tencent's WeChat, they demand an exclusive rights for the game. In practice this blocks your access to all other digital distribution channels. This is a major challenge as at the moment a single distribution has about 30% maximum market share.
  - **Global standards**
    - One hast to keep in mind that global standards are much more favourable for a game developer with typical 70/30 revenue share.

14.3 Find the right partners

- **Find the right publishing partner for you**
  - Almost every publisher introduces themselves as a leading publisher (can be even true with all the 400 Android marketplaces, but should consider if its relevant in your case)
  - If you want to publish your game in China, you need a local partner. Not just for regulatory reasons, but also for taking care of fan forums, legal paper work (e.g. operating licences, government censorship)
  - You need to choose a right publishing partner for your game. Choosing a right publisher is about building an overall package that depends on the resources you already have.
    - What is the market segment they are focusing in? Some publishers are focusing on RPG's others on Casual games.
    - What is their business model? How do they make money out of your game?
    - What is their track record? How experienced they are? It is important secure that they have some experience on working with Western game developers and they actually have some market evidence of their skills.

        - What kind of services (localisation, marketing etc.) do you need for your game? Some are offering only a minimum services others a lot more. For example:
            - The partner should have good technological expertise in helping developers to integrate their SDK in their games.
            - The partner might be the one taking care of your Chinese fan community.
        - Can you trust your publisher? It helps if your partner speaks English, is good at communicating with you and shares similar working culture with you. It is a good idea to get references from your networks about your partners. Furthermore, you might want to check if search engines find something in Chinese about your potential partner (Potential scandals)
        - How committed they are to you? Your partner should be committed to work with you and not just focusing on their bigger clients. In China finding the right match is crucial.
        - How connected they are in China? Your partner should have good connections to main market players in China.
    - Be prepared to the fact that discussing with Chinese partners is difficult. Partly because they often do not speak good English, but also because the want you to sign massive NDAs and discussions tend to go forward slowly.
    - In an ideal case you should be able to negotiate all business terms including exclusivity and revenue share
    - It is possible to succeed even in China with a small publisher, if you have a good game, however getting attention is difficult, but not impossible.
- Sharing your source code or IP with a local partner
    - You should be extremely careful with sharing your source code or IP with a local partner. You should only do it, if you trust them 100% and you have excellent contracts with your local partner. Otherwise they might exploit your game or your IP too much.
- Joint ventures with Chinese actors
    - Building a joint companies, where Chinese own 51% of the company as required by the Chinese law, is risky
- IP-licensing
    - For this, you need to be extremely popular in China
- Taking care of the distribution channels relationships
    - As crucial as in West. Featuring from distribution channel can increase the success of the game significantly.

14.4 Solve the technological / market challenges

- If your servers are not located in China, the great firewall of China slows the connection down significantly and makes rooting difficult. Sometimes the Chinese government closes the connection completely down. Furthermore, the internet connections in some areas of China are poor, so you are going to have latency issues anyway.
    - It is a good idea to have a local CDN or a proxy.
- Many publishers claim that thanks to their SDK you only need it to publish your game in all Chinese distribution channels. In practice, these SDK's do not (always) work. For this reason, you need to develop a well-functioning process for installing different SDKs in your game. It helps, if your publisher can provide technical assistance with this.
- Integrating a SDK takes time. You should schedule your launch so that you have enough time for SDK integration.

- Update your game constantly
    - Every update is good for retention and featuring. You should update your game at least monthly, if not weekly.
- Prepare for payment delays
    - It usually takes from three to four months for the money to arrive from China to your bank account.
- Fight the pirated versions of your game in market places

    - Only if you have the copyrights for your game in China, you can fight the pirated version of your game in China. And Chinese will pirate your game for sure. They even scan the Western app-stores to find games in soft-launch to steal. A good way to minimise piracy is to launch Android and iOS version simultaneously.
- Open a local office
    - Hire local people to take care of your local actions
        - Hire local people with good communication and relationship management skills. You have to be present in China and have face to face meetings in order to make your business run.
    - Local Community management
        - If you want to keep your fan community in your own hands, you need to hire a local Chinese speaking community manager.
    - Moderators for in-game communication
        - If you want to enable in-game communication between users, you need local moderators who secure that discussions do not go to the topics banned by the government. In the worst case, the government might ban the whole game because of the in-game chat function.

14.5 User acquisition

- User acquisition is still a wild west in China.
- Events
    - You need a big promotional events, conquering the whole city
- VIP system
    - Chinese are willing to pay more to get exclusivity and benefits also in game communities
    - Users can get free hotels, travels, exclusive events. Etc. via VIP system.
    - VIP systems are often organize by Chinese partners

- Celebrity endorsement
    - Having a celebrity partner promoting your game is one of the most effective ways to do user acquisition in China.
- Local media partners
    - You need a local partner to run media campaigns for you in TV, trains, social media etc.
- Social media
    - You need a local partner for using local social media networks, as western social networks do not work in China
- Traditional paid user acquisition (e.g. banners) does not work
    - The main problem is the fact that as you are operating in an environment controlled by multiple Android stores, you cannot know where you should redirect the consumers clicking the banner.
    - It is really hard to find high quality users through traditional western user acquisition techniques.
- Cross promotion
    - Especially inside the same distribution channel.
- Guild Management.
    - Take care of the guilds in your game

14.6 Having a Chinese investor

- Companies providing investment opportunities are usually not the best publisher partners, as investing and publishing are usually two different businesses.
- A risk associated with a publishing license is much smaller than an investment risk. So you should be careful with those who provide investment money first. It usually takes time to earn the trust.

14.7 How to prepare yourself for Business trip to China

- Do your homework
- Make a plan, it is easy to get overwhelmed.

- Set up meetings with the most interesting potential partners beforehand
- Check the consumer exhibitions
- Have a proper sales pitch. Chinese want to know how you make money.
- Do not be afraid of asking more information and make a solid offers. In order to be able to compare the offers you will get, you have to make the same offer for each of your potential partners.
- It would help a lot, if you have a native speaker with you. However, you can always hire a translator.

14.8 What next

- It is rumoured that Google Play would become available in China.
- Competition is getting more difficult on ads. Companies started with banners, now they have advertisement videos in their apps. However, it looks like the ad market is overheating at the moment and therefor the developer revenue is currently rising on that side.