
CHALLENGES IN MANAGING IT INNOVATION AND DEVELOPING CONSUMER AND BUSINESS VALUE ON NEW MARKETS: CASE STUDY – SOCIAL GAMING ON THE CHINESE MARKET

Andra Vasilcovschi¹ and Smaranda Giușcă²

¹⁾²⁾ *The Bucharest University of Economic Studies, Romania*

E-mail: andra.vasilcovschi@gmail.com; E-mail: smarandagiușcă@gmail.com

Abstract

The social gaming industry is an innovative domain in the IT field that has gathered millions of users worldwide in recent years. In a short period of time, competition has increased in the social gaming field and thousands of applications are now available to the consumer, thus expanding on new markets has become a necessity for a growing business. Bringing value to these specific consumers and, in turn, to the business can be tricky, however. This paper is based on a qualitative research - an exploratory case study following a single case design, that aims to identify the diverse challenges a western IT company encounters when adapting to a new market, very different culturally and socially, namely the Chinese market. It intends to proceed a future survey that could validate the hypothesis highlighted at the end of this research.

Keywords: IT, managing innovation, consumer, business value, Chinese market

JEL Classification: O30, M10

Introduction

Society nowadays is increasingly used to innovative technology, particularly in the communication field. People have been accustomed to having a personal computer for a while now and, currently, prefer switching to mobile devices like laptops, tablets or smart phones. Most, especially representatives of the Y Generation, opt for building relationships through online environments like social networks, email, internet based chat platforms, etc. (Onete, Teodorescu, Vasile, 2016). Innovative applications have been developed for these platforms, some gathering millions of users worldwide. In the entertainment field one particular area is social online gaming.

It refers to online games, generally played on social platforms, such as Facebook or available in online application stores, like Android, Amazon, iOS. The complexity of the internet global market can make it difficult for a company in this area to adapt its products and make them attractive to consumers from the other side of the world. Challenges of different type can appear when adapting to new markets, thus affecting business value.

This research analyzes the case of a western social gaming company that decides to enter the Chinese market, and highlights the variables that can influence consumer and business value.

1. Insight into Generation Y's view towards IT res - the increased popularity of social gaming

Communication technology is increasingly present in people's lives nowadays. Being constantly in touch with one's social network and, implicitly, owning a smartphone has become almost a basic need. Studies (Ozkan and Solmaz, 2015; Can and Kaya, 2016; Muller, et.al 2016) go as far as towards raising awareness of the possible addictive role these devices have.

According to researchers in the field of sociology (Howe and Strauss, 1991 cited in Dhanapala, Vashub, and Subramaniam, 2015, p. 110), a way to categorize people is according to the era they were born in and the similarities they manifest as a result of common life experiences generated by historical events.

Thus, current society is formed of 4 generations: the Silent Generation (born 1933 -1945), Baby Boomers (born 1946 to 1964); Generation X (born 1965 to1980); and Generation Y/Millennials (born 1981 to 2000) (Cekada, 2012). These are followed by Generation Z - those born after 2000.

Generations Y and Z in particular, and, as a consequence of society's evolution, also older generations, use the internet frequently, however they're online activities and views towards technology are different. While Generations Y and Z have been accustomed to communication technology since they were born and see it as an essential part of daily life, older generations go online with a specific purpose, to accomplish a task and then log out (Cekada, 2012).

Contemporary trends, such as and enhanced internet connectivity worldwide, increased access to technology and globalisation, make generations Y and Z less affected by geographical variables; they are generally the generations with the highest degree of formal education, fervent users of social media and IT technology and more financially endowed (Dhanapal, Vashu and Subramaniam, 2015).

Initially, the internet was seen as way to share information from a small number of 'owners' to a group of select 'receivers', through sites. They would use this data mostly in specialized areas of knowledge, thus generating mostly a one - direction flow. After the 2000's, with the development of the World Wide Web, there has been an increase in number of users and a diversification of types of online interactions; more individuals could participate in creating and sharing content, through, blogs, social platforms, etc. (Brengearth and Mujkic, 2016).

With the development and rise in popularity of Facebook, different types of applications have also been designed. Games like, Candy Crush, Clash of Clans, Farm Heroes, have gathered millions of users worldwide. Candy Crush Saga alone, as the most popular Facebook gaming application, according to online statistics site statista.com, has had over 10 million daily active users in October 2016.

These type of games are generally characterized through easy-game play, a system of challenges, hierarchy through levels and rewards for achievements (Harvest Strategy Pty Ltd, 2014). They also have a social component, allowing the user to identify himself through an avatar and share his achievements with his friends, exchange in-app benefits and communicate and develop a social network.

Given the characteristics of the current generations and the progressive increase in popularity of social networks (Facebook alone has reached 1.8 billion monthly active users in the 4th quarter of 2016, according to statista.com), one can expect a future rise in demand also for social gaming applications.

2. Consumer satisfaction in social gaming - a capital requirement in achieving business value

In any online business, there are risks that consumers submit themselves to. One of the most important is data breaching. From accessing financial information to personal information, from malware, to spamming, the security of the online user can be a delicate matter and a few bad experiences made public can have a significant impact on the non-users' willingness to go online. Even for those already online, security risks can impact their willingness to give personal information, in case of social media for example, or use certain services, such as online payments, both being paramount for any social gaming company that aims to attract new users. An anonymous saying related to the topic states that 'there are 2 types of online companies: those that have been hacked and those that don't know they have been hacked' (Can and Kaya, 2016). According to internetsociety.org's report, there has been an increase in Google searches for the term 'data breach', internet users being more and more concerned about their cyber safety.

Thus, one of the basic requirements in ensuring consumer value, for a social online gaming business is to invest in data security and offer its clients a safe online environment.

Although most social gaming applications are advertised as being free to play, a lot of them offer the possibility to buy in-app benefits or tokens that can help players advance through levels faster. Some might be misled into believing the tokens can be turned back into real money, which is not the case for social gaming applications. The balance one has can only be played in the game. Ensuring clear information that can't be misinterpreted by users is another crucial aspect in ensuring quality services for gamers.

Furthermore, the social character of the games, means that most games have networks of players that form game-related online groups, where they share their experiences, likes and dislikes about the game. Social games that are downloaded through app stores are also rated and feedback sections on the app store are available for users that have downloaded the game. Hence, consumer satisfaction is highly important for a business in this field, where a bad experience can be easily shared with others and generate negative outcomes for the company.

Besides security and clarity in information, the game itself should attract and motivate the player to come back. One study in this field (Merikivi, Tuunainen and Nguyen, 2017) points out that ease of use, novelty, design aesthetic, and challenge are factors that make a player be loyal to a certain game. In current society, time has become an increasingly precious resource, an easy to use interface that doesn't take a long time to load can be crucial for choosing a certain social gaming application. Furthermore, there are thousands of applications on Facebook and in the mobile app stores, and uninstalling one only takes a few seconds, so a game in this domain should constantly bring new content and strive to maintain a high quality in design. Some applications go as far as offering personalized games for a certain user: one can upload his own pictures in the game designs, for slots for example. In the current case, when deciding to move to the Asian market, culturally specific themes or designs could help promote a certain game.

3. Case study - social gaming on the Chinese market

Internet access worldwide has improved in recent years, internetlivestats.com site showing that 3.4 billion people were connected in July 2016 and the trend is expected to be ascending for the years to come.

China has seen an increase in internet access in the past 10 years and the same site shows over 721 million Chinese people being online in July 2016, representing 21% of the global internet users.

Although the Chinese government strictly controls internet access, on the base of moral goodness, personal security, and social stability (Cui and Wu, 2016), more Chinese have access to social networks and social gaming applications and the size of the potential market makes it attractive to companies in the field. Taken these into consideration, the following research question emerged: what variables can influence the performance of a US social gaming business when accessing the Chinese market?

The case study method has been used to attempt an answer for this question, because the aim is to research contextual conditions that can affect the studied phenomenon, namely the decision to enter the Chinese market.

The case study propositions that will be tested through the study are:

- Boundaries in internet availability and social platform access can influence the access of a social gaming company on the Chinese market
- Language barriers can influence communication
- The real size of the market can be incorrectly estimated

The analyzed company has been operating on the social gaming market since 2010, launching the first social gaming slots application at that time: Slotomania, on Facebook, and currently owning 7 different casino themed social gaming applications, according to the company's official site. Together, all these 7 applications have over 30 million daily active users and one of the applications, Vegas Downtown slots, has been awarded by Facebook among 2015's best web games.

One of the main focuses of the business is bringing new content constantly to players and ensuring a high level of customer support, through a specialized support department handling all tickets from all paying customers and an exclusive VIP department for high paying customers.

The main players of the application are from US, followed by Australia and, in smaller proportions, other regions of the world, as seen in figure no. 1, and most of them are female, 55 or older, as seen in figure no. 2.

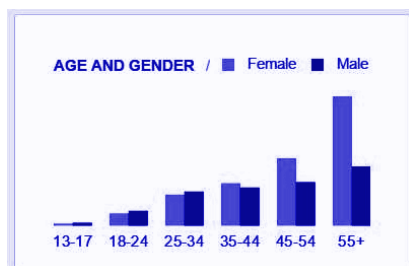


Figure no.1: Age and sex characteristics of users of a social gaming application

Source: HoF Facebook statistics, 12 March 2017

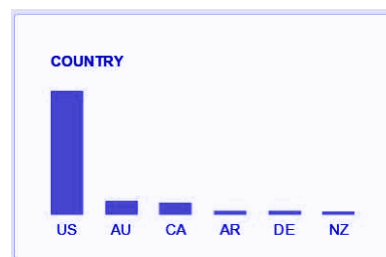


Figure no.2: Distribution of users according to country

Source: HoF Facebook statistics, 12 March 2017

Furthermore, most players come from countries with a ‘western’ culture, such as US, Australia, Canada. Given the size of the potential Chinese market and also, as a result of noticing a recent increase in the number of new Chinese players that purchase high amounts of tokens in the application, the management decided to take a few marketing decision to make the game more appealing to this market as well. One of the decision, was to create Chinese themed games. In the past year 8 Chinese themed games have been developed by, meaning 7% of the total 116 games the application offers its players and 3 of these are among the top 10 most liked and most profitable games of the application, showing that they can be appealing to the western players as well.

Along with the themes of the games, management also choose to post on the applications Facebook wall, Chinese holidays, such as the Chinese Rooster new year or the Lantern festival and create special promotions related to this. These have generated higher income than in regular days, proving the success of the measures taken. All these have supported the management of the company into considering that boundaries in internet access or social network availability have little influence on reaching the Chinese market. Furthermore, the viral character of the games, especially on Facebook, can aid in bringing more users, in time.

One particular issue, that management has encountered was related to its customer support department. Along with an increase in the number of Chinese users, a rise in the number of tickets written in Chinese has been noticed and two major issues also developed: on the support softwares used for replying to payers, the Chinese characters have been translated into unintelligible characters, which required research and tests from the technical team in order to develop the software and avoid this in the future (Olaru et al, 2015). Once the characters have been correctly shown by the system, another situation arose: difficulties in translating correctly players’ messages, with the online softwares available. This meant more time spent by support agents with interpreting the ticket, an increase in email exchange with the player for clarifying the situation and a decrease in customer support satisfaction indicators, such as: time of reply or first reply resolution.

Thus, language barriers have proven to be a challenge in ensuring quality customer support for Chinese players.

When considering a 721 million market, according to internetlivestats.com, in a country with a growing economy, one can lean towards being too optimistic about the product’s success here. Some of the aspects that should be taken into consideration are also the unequal distribution of income in China’s population, their cultural traits, such as inclination towards saving rather than spending money, the fact that casinos and casino games are banned by Chinese law and so on. Whereas western consumers, have been more exposed to the availability of land based as well as online casinos and to these types of games as whole, most Chinese gamers have had little or no contact to these type of games, and their reaction to them can be unpredictable. Thus, taking decisions regarding how much a gaming business should focus its resources towards attracting specifically players from China, through specialized content, or aiming for a general development strategy, can prove challenging.

Conclusions

Increase in internet availability as well as access to technology has lead to current generations’ positive approach towards IT innovations, which they see as a normal part of their lives.

An important online activity is communicating through social platforms and, based on these, a new IT domain has developed: social online gaming. Such applications have gathered millions of users worldwide in a relatively short time span.

For companies in the field, an important aspect is to minimize the risks a consumer subjects himself to, when deciding to go online. Security risks, clear information, attractive content and specialized support are all aspects that need to be taken into consideration when striving to ensure consumer and business value.

The case study aimed to research what variables could influence a US social gaming company's decision to enter the Chinese market.

Hence, boundaries in internet access or social network availability have had little influence on the success of the application analyzed, boundaries in communication have proven however to rise challenges and the real size of the market as well as the resources allocated into attracting Chinese players should be submitted to a more thorough research before taking management decisions.

Given the increasing number of online consumers and the ascendant trend of both social platform and social gaming applications' popularity, future studies in the field should be conducted.

References

- AppStats and Metricsmonk, 2016. *Most popular Facebook games as of October 2016, based on number of daily active users (in millions)*. Available at: <<https://www.statista.com/statistics/267003/most-popular-social-games-on-facebook-based-on-daily-active-users/>>, [Accessed 09 March 2017].
- Brengarth, L.B. and Mujkic, E., 2016. Web 2.0: How social media applications leverage nonprofit responses during a wildfire crisis. *Computers in Human Behavior*, 54, pp. 589-596.
- Can, L. and Kaya, N., 2016. Social networking sites addiction and the effect of attitude towards social network advertising. In: Özşahin, M., *12th International Strategic Management Conference ISMC 2016*. Antalya, Turkey, 28-30 October 2016. [online]. Available at <<http://www.sciencedirect.com/science/article/pii/S1877042816315932>> [Accessed 09 March 2017].
- Cekada, T.L., 2012. Training a multigenerational workforce - Understanding key needs & learning styles. [pdf] Available at: <http://www.hhs.iup.edu/cekadat/safe644tlc/Links/Mod5_Week9_Cekada_multigen.pdf>, [Accessed 09 March 2017].
- Cui, D. and Wu, F., 2016. Moral goodness and social orderliness: An analysis of the official media discourse about Internet governance in China. *Telecommunications Policy*, 40(2-3), pp. 265-276.
- Dhanapala, S., Vashub, D. and Subramaniam, T., 2015. Perceptions on the challenges of online purchasing: a study from “baby boomers”, generation “X” and generation “Y” point of views. *Contaduría y Administración*, 60(1), pp. 107-132.
- Facebook, 2017. *Number of monthly active Facebook users worldwide as of 4th quarter 2016 (in millions)*. Available at: <<https://www.statista.com/statistics/264810/number-of-monthly-active-facebook-users-worldwide/>>, [Accessed 09 March 2017].

- Harvest Strategy Pty Ltd, 2014. *A new Industry's profile: Digital + social + game = Digsogame*. [pdf] Retrieved from International Social Gaming Association site, through Dropbox:
<<https://www.dropbox.com/s/9mlzxcxxke2gjqd/ISGA%20Research%20A%20New%20Industry%E2%80%99s%20Profile%20Digital%20%2B%20Social%20%2B%20Game%20%3D%20Di%C4%A3sogame.pdf>>, [Accessed 09 March 2017].
- Internet Live Stats, 2016. *Internet Users in China*. Available at:
<<http://www.internetlivestats.com/internet-users/china/>>, [Accessed 09 March 2017].
- Internet Society, 2016. *Global Internet Report 2016*. [pdf] Available at:
<https://www.internetsociety.org/globalinternetreport/2016/wp-content/uploads/2016/11/ISOC_GIR_2016-v1.pdf>, [Accessed 09 March 2017].
- Merikivi, J, Tuunainen, V. and Nguyen, D., 2017. What makes continued mobile gaming enjoyable? *Computers in Human Behavior*, 68, pp. 411–421.
- Muller, K., Dreier, M., Beutel, M., Deuven, E., Giralt, S. and Wolfling, K., 2016. A hidden type of internet addiction? Intense and addictive use of social networking sites in adolescents. *Computers in Human Behavior*, 55, pp. 172-177.
- Olaru, M., Dinu, V., Keppler, T., Mocan B. and Mateiu, A., 2015. Study on the Open Innovation Practices in Romanian SMEs. *Amfiteatru Economic*, 17 (Special No. 9), pp. 1129-1141.
- Onete, C. B., Teodorescu, I. and Vasile, V., 2016. Considerations Regarding the Analysis of the Digital Consumer in Romania. *Amfiteatru Economic*, 18(43), pp. 654-662
- Ozkan, M. and Solmaz, B., 2015. Mobile addiction of Generation Z and its effects on their social lifes (an application among university students in the 18-23 age group). *Procedia - Social and Behavioral Sciences*, 205, pp. 92-98.
- Playtika, 2017. *Playtika main page*. [online] Available at: <<https://www.playtika.com/#>>, [Accessed 09 March 2017].
- Thinkgaming.com, 2017. *Playtika Ltd games*. [online] Available at: <<https://thinkgaming.com/app-sales-data/publisher/14/playtika-ltd/>>, [Accessed 09 March 2017].
- Yin, R., 2009. *Case study research - Design and methods*. 4th Edition. London: Sage.