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# Computer games: some battles on screen, more in the market

Like a computer game itself, the games market in China can be larger than life, and full of surprises

Hoping to catch terrorist communications in the virtual worlds of computer games, the US National Security Agency has put its surveillance apparatus on to the millions of online contests played around Microsoft Xbox, World of Warcraft and Second Life. <http://www.propublica.org/article/world-of-spycraft-intelligence-agencies-spied-in-online-games> Meanwhile, America’s Defense Advanced Research Projects Agency has established a gaming website of its own: playing normally there, games enthusiasts at the same time help DARPA perfect America’s separate, military software – cheaply, too. <http://www.wired.com/dangerroom/2013/12/gaming-national-security?cid=co15641884> Yet though the use of games has long been prevalent in the corporate world, and has come to online education too, the popularity and rate of growth purely of consumer games in China puts these kinds of initiatives in the shade.

In the programming, distribution and playing of computer games, competition, always intense in the West, is simply overwhelming in China. In mobile games alone there are 300 apps development houses; in general distribution, more than 100 rivals; altogether, more than 100 new games are launched each day. On the consumer side, China now boasts nearly as many gamers as there are inhabitants of the US. From San Jose, Asian games researchers Niko Partners report that, in 2001, the Chinese games market was worth just $10m – but that in 2013, it’s likely to reach nearly $12bn, with $2bn-a-year uplifts in revenue still probable for each of the next five years. The main enthusiasts? While shoppers, moviegoers and those partial to KTV (karaoke) tend to eschew games, those keen on sport and fitness are also keen on games. <http://nikopartners.com/wp-content/uploads/2013/05/Niko-PC-Online-Games-Report-Press-Release-5-2-13-1.pdf>

The most prodigious expansion is in mobile. In a speech to the Asia-Pacific Technology Network (APTN) <http://www.aptn.org.uk> in London, an eloquent Ting Zhang, founder and CEO of China Business Solutions, Cambridge, <http://www.chinabusinesssolutions.com/main.php?pag=pages&id=2&el=rt>

gave the figures: while mobile game suppliers take 15 per cent of overall games enterprise revenues, that share could reach 20 per cent by 2016, given the growing sophistication and take-up of smartphones – most recently, in lower-tier cities. Already mobile games revenues grow at 40-50 per cent a year, and unit sales, at perhaps 100 per cent. Indeed, China’s mobile game suppliers have proved more profitable than their Western counterparts: top mobile titles can each bring in monthly revenues upwards of $2m. <http://www.researchandmarkets.com/research/28wpgb/mobile_web_and>

Today mobile gamers have begun to move from pastimes such as car-racing to role play and even strategy games, with Chinese-designed entertainments being the most popular. Tencent, China’s biggest listed internet concern and, in Q3 2013, the firm that owned half China’s online game market, will likely make much of the running in mobile. It has launched commercially five of its own games on its Mobile QQ and WeChat social networking platforms. [www.scmp.com/business/china-business/article/1372690/tencent-poised-become-chinas-mobile-gaming-juggernaut](http://www.scmp.com/business/china-business/article/1372690/tencent-poised-become-chinas-mobile-gaming-juggernaut)

As a result of the growth in mobile games, the PC-based sort, which in origin divide up about 50:50 between Western and indigenous software, are in some decline, especially in Internet cafes, where only 17 per cent of play is now conducted. <http://nikopartners.com/wp-content/uploads/2013/10/Press-Release_Chinese-Gamers-Report-10-23-13.pdf> Home dominates as the place where stationary games are played (64 per cent share of locations) – although as in the West, quite a lot of playing goes on in workplaces (19 per cent).

At 15 per cent of games enterprise revenues, PC browser games are also on the march, at the expense of ‘client’ PC-based games, which connect to dedicated game servers. Because the Chinese so widely avoid paying for software, many PC games are free-to-begin-with, or ‘freemium’; and at the APTN seminar, Adam Philbin, lead designer at augmented reality specialists Zappar and previously a long-time resident of Hong Kong, said that this model is taking over mobile gaming. By controlling the sale of game add-ons and currencies on game servers, freemium avoids problems of software piracy, while recruiting new gamers and showing them ads, too. Indeed, freemium is becoming a model for games specialists outside China. <http://www.bbc.co.uk/news/technology-20899165>

With free games multiplying at the bottom end of the market, both hardware and software are set for more shakeups. Demographics are changing, with players both younger and older than the 18-24 year old males who earlier dominated ludic China. And earlier this year, the Chinese government for the first time opened the market up to console-based games. It’s far from certain, however, that the staple games for Xbox and PlayStation, ‘first person shooter’ plays such as *Call of Duty* and *Battlefield*, will gain public approval, still less that of the Ministry of Culture. Family games, developed in China, may be the means by which Microsoft and Sony may now move beyond the many ‘grey market’ fans of their products. <http://wire.kapitall.com/investment-idea/console-translation-which-stocks-are-cracking-the-chinese-gaming-market/>

That brings us to the content of computer games in China – and its regulation by the state. As we have seen, strategy games, which often involve building virtual empires, are on the rise, as are social networking games. Broadly, visuals are strong, but narrative development still needs to mature. Dragons are good, never evil; ‘cute’ characters do well; among what are known as ‘casual’ games, killing pigs and cows on farms has adherents, as does protecting carrots from aliens on a desert island, and hunting for fish; oh, and Mao is still quite a popular as a game personality. Quoting [www.Baidu.com](http://www.Baidu.com), Ting Zhang gave the following figures for Q2 2013: ‘casual’ games, 61 per cent; Western fantasy or role-playing games, like Chinese mythology RPGs, 14 per cent; martial arts, eight per cent.

For the Western games company wanting to enter China, it’s vital to identify the right partners and games publishers. Special licenses and, in most cases, a wholly Chinese-owned partner are needed to publish and operate games. To appeal to Chinese audiences, it makes sense to customize Western games. It’s also essential to begin with a base in China, and to continue by showing patience in the face of cut-throat commercial conditions – even if informed opinion has it that there may only now be left a three-year window of opportunity for overseas interests to get established. Last, Hong Kong is the easiest way to get deals reasonably protected in the courts.

However, on top of traversing China’s somewhat capricious legal system, foreign games makers have to respect regulatory norms around content. Games must not challenge China’s national sovereignty in any way, must limit the amount of time children can play them, and must be free of any trace of gambling. Also forbidden: religion, and religious names; violent messages and acts; mortal screams; the spraying or spattering of large amounts of blood, and the appearance of exposed or dismembered skeletons and skulls.

Vulgarity is out. But then the Chinese gamer is more sophisticated than ever. As Niko notes, two years ago the typical criterion for selecting a game was what friends were playing. Now, what people look for is ‘best in genre’.