Jussi Laaksonen

Global Gaming: Comparative Analysis of Western and Eastern Market Preferences in Gaming Industry

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Author: Jussi Laaksonen
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Supervisor: Aušrinė Šilenskytė
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ABSTRACT:

The global gaming industry has seen unprecedented growth in the recent years, with many Western gaming companies increasingly looking for ways to expand their reach into Eastern markets, particularly to regions like China, Japan, and South Korea, where the demand for gaming is constantly increasing. This thesis explores the strategies used by Western gaming companies in their efforts to enter and adapt to these new markets. Given the cultural, economic and technological differences between the West and the East, this thesis aims to identify the key challenges and opportunities these companies face when expanding to new markets. Focusing on market entry strategies, consumer behavior, and possible regulatory and legal challenges.

This thesis is developed through the examination of literature from the gaming industry. The study combines key insights from academic research and industry reports to build a comprehensive understanding of how the gaming industry has evolved and how its structure has been shaped over time. The findings suggest that differences between eastern gaming markets compared to the west are more nuanced depending on the country in Asian markets, while markets in the west are more similar with each other. Challenges that western companies are facing when expanding to eastern markets are often caused by differences in consumer preferences for monetization models used in games, government's role in the industry with regulations and legal guidelines that gaming companies must navigate, and insufficient understanding about the target country.

To successfully enter eastern markets, western gaming companies must conduct thorough research on each specific country they wish to expand to. Compared to expansion between western countries, which are in relation much more connected and similar culturally, Asian countries should be treated and researched more individually regarding the gaming industry, as the findings suggest that even within the region markets between countries can have significant differences.

KEYWORDS: gaming industry, game monetization, cross-cultural adaptation, player engagement, influencer marketing, microtransactions, entry mode strategies.

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TIIVISTELMÄ:

Globaali peliteollisuus on kasvanut viime vuosina ennennäkemättömällä tavalla, monet länsimaalaiset peliyhtiöt pyrkivät yhä enemmän löytämään keinoja laajentaa toimintaansa itäisille markkinoille, erityisesti Kiinaan, Japaniin ja Etelä-Koreaan, jossa kysyntä peleille kasvaa jatkuvasti. Tässä tutkielmassa tarkastellaan länsimaisille peliyhtiöille tyypillisiä strategioita, joita ne käyttävät pyrkiessään laajentua näille markkinoille ja sopeutua niihin. Lännen ja Idän kulttuurillisten, taloudellisten ja teknologisten erojen vuoksi tämän kandidaatintutkielman tavoitteena on tunnistaa keskeiset haasteet ja mahdollisuudet, joita kyseessä olevat yritykset kohtaavat laajentuessaan uusille markkinoille. Tutkielmassa keskitytään markkinoille tulostrategioihin, kuluttajakäyttäytymiseen sekä mahdollisiin oikeudellisiin ja lainsäädäntöön liittyviin haasteisiin.

Tämä kandidaatintutkielma on laadittu pelialan kirjallisuutta tarkastelemalla. Tutkimuksessa yhdistetään akateemisten tutkimuksien ja pelialan raporttien keskeisiä havaintoja, jotta saadaan kattava käsitys pelialan kehityksestä ja sen rakenteen muotoutumisesta ajan myötä. Tutkielman löydökset viittaavat siihen, että itäisten pelimarkkinoiden erot lännen markkinoihin verrattuna ovat hienovaraisempia maakohtaisesti, kun taas länsimarkkinat ovat keskenään samankaltaisempia. Länsimaalaiset yhtiöt kohtaavat itäisille markkinoille laajentuessaan usein haasteita, jotka usein johtuvat eroista kuluttajien mieltymyksissä, maiden hallinnon roolista alalla, kuten paikallisen lainsäädännön navigoimisesta, sekä kohdemaan riittämättömästä ymmärtämisestä.

Jotta länsimaiset peliyhtiöt voivat menestyä idän markkinoilla, niiden on tehtävä perusteellista tutkimusta jokaisesta maasta, johon ne haluavat laajentua. Verrattuna laajentumiseen muiden länsimaiden välillä, jotka ovat usein kulttuurillisesti melko samankaltaisia, Aasian maita tulee kohdella ja tutkia pelialan kannalta yksilö kohtaisemmin, sillä tutkielman löydökset viittaavat siihen, että Aasiassa eri maiden väleillä markkinoilla voi olla merkittäviä eroja.

AVAINSANAT: peliteollisuus, pelien monetisaatio, kulttuurienvälinen mukauttaminen, pelaajien sitouttaminen, vaikuttajamarkkinointi, mikrotransaktiot, markkinoille siirtymisen strategiat.

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1. Introduction

This chapter aims to introduce the reader to the thesis by explaining the background of the study, going over the main research questions and objectives, explaining the delimitations of the study, and stating the structure of the thesis. In addition, key terms used in the gaming industry has been defined in this chapter to introduce the reader for subjects specific for the industry.

1.1 Background of the study

The video gaming industry has been growing rapidly for the past 20 years. It has grown from a $35 billion industry in 2007, to almost reaching $180 billion in 2020. It is one of the fastest growing segments of the entertainment and media market globally, over taking the music industry (Belyaeva et al., 2022). Understanding how the industries revenue is divided by countries, according to a paper published in 2022. China accounted for 31.69% of the gaming industries revenues, followed by the US with 29.05% and Japan 15.25%. In addition, total player numbers per region in 2019 where, Eastern Asia 64.67% (778 million), Western Europe 18.29% (220 million), and North America at 17.04% (205 million) (Palma-Ruiz et al., 2022).

In table 1 are figures for the top ten games sold on steam ranked by the revenue generated. These figures are estimates gathered by Gamalytic using Steam API and their algorithms (Gamalytic.com, 2025). What is especially interesting for this study when looking into these numbers, is the fact that from the ten most revenue generating games sold, six of these games are free-to-play. Meaning that the game itself costs nothing to play. Despite this they have generated massive amount of revenue. These games use microtransactions as their monetization model. There are different ways microtransactions can be implemented but essentially, they are anything that a player can purchase in-game, that requires transaction of (real) currency. In later chapters different microtransactions are further explained.

Although figures seen in table 1 are estimates and are not the be taken as an absolute. They give valuable information and example how the gaming industry is constructed. We can see that the most successful online multiplayer games do not rely on the game's sales as the source of revenue. Because these types of games have much longer player engagement, they have adopted a different method of monetization. On the other hand, the four games seen on the list that have a price are story driven singleplayer games. These games must have a price and there is a simple reason for this. Story driven singleplayer games can be compared to a book or a movie. Once the consumer has finished the game there is not much value to continue playing. Publishers for these games cannot really make spending money for in-game purchases attractive for players, so the best monetization method is setting a price for the complete product they have made.

Table 1. Information about the ten most revenue-generating games sold on Steam. Data is gathered using Steam API (Gamalytic, 2025).

Game Name	Release Date	Copies Sold (millions)	Price ($)	Revenue (million $)	Publisher Class	Publishers	Developers
Counter-Strike 2	2012-05-01	226,76	0	8195	AAA	Valve	Valve
PUBG: BATTLEGROUNDS	2017-03-01	119,24	0	4493	AAA	KRAFTON, Inc.	PUBG Corporation
Dota 2	2011-08-01	218,47	0	1981	AAA	Valve	Valve
Apex Legends™	2020-11-04	65,71	0	1378	AAA	Electronic Arts	Respawn
Cyberpunk 2077	2020-12-09	21,93	59,99	864	AAA	CD PROJEKT RED	CD PROJEKT RED
Destiny 2	2019-10-01	30,88	0	817	AAA	Bungie	Bungie
ELDEN RING	2022-02-24	18,99	59,99	767	AAA	**FromSoftware, Inc.,Bandai Namco Entertainment**	FromSoftware, Inc.
Warframe	2013-03-25	40,88	0	749	AAA	Digital Extremes	Digital Extremes

Black Myth: Wukong	2024-08-19	16,18	59,99	705	AAA	Game Science	Game Science
Baldur's Gate 3	2020-10-06	14,02	59,99	699	AAA	Larian Studios	Larian Studios

1.2 Research questions and objectives of the study

The main objective of the study is to understand what the main challenges are facing western gaming companies who are looking to expand their operations to international markets, **with focus on regions like East Asia and Southeast Asia, where the demand for gaming is increasing rapidly.** The research question listed below gives initial understanding on what this study seeks to answer.

> **Q. What are the key cultural and market differences that Western gaming companies must consider, in order to make their game an international success?**

Furthermore, this study tries to identify challenges companies may encounter when entering new markets for example, navigating local regulations and legal landscape, recognizing which business models and products are most popular in target countries, and how monetization models may need to be tailored to match local preferences.

1.3 Delimitations of the study

This thesis is focusing on the gaming industry and markets in Asia. Considering the size of the markets, some countries are excluded, and others are discussed more briefly. Due to the relatively low amount of academic research published relating this subject, the thesis has several delimitations.

When referring to the eastern markets, this thesis is mainly interested in the East- and Southeast Asia as a whole. However, cultural and economic differences between

countries in the region dictates which countries this thesis is analyzing, and which are left out.

This study is focused on the gaming industry in Asia and how western companies can enter these markets. Thesis does not consider how other industries are performing in these countries. In addition, while some examples from the industry are examined that are researching gaming globally, in order to understand what makes games interesting for players around the world, this thesis is not focusing on international expansion of companies between western countries.

1.4 Definitions of key terms

Gaming industry

Gaming industry refers to the sector involved in the development, marketing and distribution and monetization of video games and related products. “The participants within the video game industry are mainly considered to be developers, publishers, distributors, retailers, customers, consumers, IP-owners, platform owners and hardware owners.” (Zackariasson & Wilson, 2012, p.3)

Microtransactions

Microtransactions are one of the core monetization strategies used by game companies. For over 10 years now large companies in the industry have offered so called “microtransactions” for players to buy. These (usually) do not give any advantage to the playing experience (except in “pay-to-win” or “pay-to-play” games) rather they are typically cosmetic items, skins, currency, etc. Most commonly microtransactions are found in “free-to-play” games where the actual game itself is free however players are incentivized to make small purchased (King & Delfabbro, 2018).

Player engagement

Player engagement refers to the amount of time individual player is willing to play certain game. High engagement can be achieved by having enjoyable, rewarding, competitive, challenging or social gameplay. Companies want to have as high player engagement as possible because player engagement and higher playing time are strongly correlated with video game's financial success (Huang et al., 2019).

Influencer marketing

Refers to a type of marketing conducted by a company, where they have commercial cooperation, with an online influencer, who usually produces content which is somehow connected to the type of product being advertised (E.g. gaming content creator who is promoting, a game or related products). It is common that the influencer is allowed to promote the brand in a way that suits their personality, which makes the marketing appear more authentic for their audience (Leung et a., 2022).

Entry mode strategies

Company which is planning an expansion into a new foreign market has to consider what is the optimal choice for entry. Barriers for entry, cultural context, cost and legislative factors must be taken into consideration. Two main entry modes most commonly used are wholly owned modes, also known as acquisitions or greenfield start-ups, and joint ventures. The cost of entry typically dictates which of these entry modes is chosen (Brouthers, Keith D, 2002).

1.5 Structure of the thesis

This chapter provides an understanding of the structure of the thesis. Thesis starts with introduction, which introduces the reader to the topic by initially giving background information about the gaming industry. Next the research question and objectives of the study are explained, after which delimitations of the study are stated. Then key terms used in the gaming industry are defined giving further information on subjects seen in the industry. Lastly the chapter ends by explaining the structure of the thesis.

The second chapter focuses on literature review of academic publications, which gives deeper understanding of the gaming industry as a whole. The chapter explains what the current trends are in the industry and what game genres are performing particularly well. In addition, the study looks at examples of different monetization models used by the largest and most popular games currently. After getting a comprehensive understanding about the gaming industry, the study continues to the third chapter, where the focus shifts to the market differences between the East and the West. After researching case studies of large gaming companies which have successfully gained popularity in the Eastern markets, the study will analyze how these companies are operating in the target countries as well as identifying challenges they had to overcome.

The final chapter of the thesis is conclusions. It starts by summarizing the content of the study and discussing the main findings. Secondly, by using these findings, the chapter is trying to identify what kind of implications the findings have had on gaming companies who have entered the target markets, and how it has impacted decisions for the future. Lastly, thoughts of the future of gaming and the whole industry, are explored with the aim of identifying areas requiring further research within the industry.

2. Gaming Industry

This chapter will go over the characteristics of gaming industry, starting with a brief history of gaming and how the industry grew to what it is today. Following by describing commonly used business models and monetization methods in the industry. This chapter is also looking at how video game companies can benefit from having an established professional competitive scene, commonly known as Esports for their games. For example, can we see evidence that games with a popular Esport scene and fan engagement, can boost the popularity of the game and its player numbers, and could it also increase the games lifespan. In addition, this chapter is also looking at possible similar effects Esports can have for games, by having content creators e.g. Youtubers and streamers producing content related to the games.

2.1 Industry Breakdown

Video games is a broad term used to describe all types of games which are played digitally using some kind of computer and a screen. These include games played on classic arcade machines, handheld devices like mobile phones and tablets, game consoles e.g. Xbox, PlayStation, and various Nintendo devices. As well as computer games, mainly PC computers but nowadays also Mac and Linux devises etc. (Palma-Ruiz et al., 2022).

The history of video games dates back decades. In the 1970's the first coin-operated arcade machines were invented, shortly after this in the late 70's and early 80's the introduction of computer chips and circuit boards meant that companies were able to develop gaming consoles that customers could purchase and play at their own homes. The industry continued to grow with new technological advancements and the release of more powerful components and consoles, during the following decades. However, what changed gaming forever, was the Internet, now that gamers could interact with each other and share how they played video games, communities around games started to appear and naturally this meant that gaming turned competitive (Yijie, Liang, 2022).

2.2 Business models and monetization

Looking at classification of video game industry's business models, published by Chin Osathanunkul in their research paper. One of the more traditional business models for video games is so called Pay-to-Play (P2P) model. As the name suggests, this model requires for the customer to purchase the product and receiving fully functional game, without having to pay additional charges later. However, in the video game industry term Pay-to-Play might also refer to a model in which a game is using subscription model to access the game (Osathanunkul, 2015, p. 37-39).

Another popular business model is known as Free-to-Play (F2P). This model allows customer to access either significant portion of the games content or even the full game content without having to pay anything. There are several different monetization methods that F2P models include in their products. Examples of these are shareware (also known as free trial or demos), which offers customer to play a portion of the game for free, trying to convince the player to purchase the full game to continue playing, in which case it goes back to P2P model. Freemium is a slightly different from shareware model because it provides fully functional product free of charge, but rather than trying to convince players to purchase the full game, it tries motivating players to make purchases to access extra features or content, or virtual goods. Generally freemium games rely on microtransactions to monetize their product (Osathanunkul, 2015, p. 39-40).

As previously discussed, Pay-to-Play and Free-to-Play business models use distinct ways to monetize their product, but both models also have several different methods, starting with P2P models. Coin-operated games were used in arcade video game machines at the early age of video game industry. It was a simple way for arcade owners to generate revenue. To play the game coin had to be inserted into a slot which activated the machine. While the golden age of arcades was during the late 1970's and mid 1980's after which their popularity started to decline in the west, but they would remain

popular especially in parts of Asia. Another model which popularity has been declining is traditional retail. This refers to the selling of physical copies of games for example on cartridges, DVD or Blu-ray discs and other compact discs or cassettes. In modern times digital distribution is the most common way games are being sold. Companies sell their games and additional content online as a digital copies, which customers can download on to their devices, requiring the access to the Internet (Osathanunkul, 2015, p. 40-41). Popular platforms where games can be purchased are for example, Valve's platform Steam and Epic Game's store, among several others.

Free-to-Play models typically uses one or combination of both monetization methods, which are advertising and microtransactions. Advertising model in video games also known as In-game advertising, displays sponsored advertisements inside their game. These can be seen as banners, in backgrounds, billboards or in loading screens. This model is extremely common way for F2P mobile games to generate revenue but can be also seen for example in sport and racing games which due to their game design can easily incorporate advertisements in the game's environment. Lastly microtransaction or micropayment model are very popular monetization method often seen in Free-to-Play online games, while sometimes also seen in P2P games. Microtransaction refers to any purchasable virtual good, that is being sold in-game. These include, cosmetic items commonly referred to as "skins", virtual currencies, and addition content to name a few. Simply said, microtransaction are in-game purchase that requires real world currency, that customers cannot return or transfer back into real world currency (Osathanunkul, 2015, p. 41). Microtransactions have been a controversial topic within the gaming industry for a while, even triggering conversations among legislators, in later chapters these topics are further discussed.

2.3 E-sports

E-sports are professional competitive gaming, in essence it is very similar to traditional sports, there are organizations who form a team (or individual) of professional video game players whose job it is to compete against other teams. There are countless games which have their own E-sports scene and the number of professional players has increased a lot during the past decade. Currently there are thousands of players who call playing video games their job and as with traditional sports they have formed communities of fans who are interested in the competition and supporting their favorite players and teams. Originally this type of competitive gaming and the communities around them started out in South Korea but quickly spread globally. Due to the rise in popularity, these communities evolved into what is now known as E-sports. The growth in popularity for game genres such as First-Person Shooter games (FPS), Real Time Strategy (RTS), among others gave rise for competitive video game communities. While FPS and RTS games still are extremely popular, during the last decade a new genre has become the most popular genre in e-sports. This genre is Multiplayer Online Battle Arena, also known as MOBA, (i.e., League of Legends & Dota 2). (Banyai et al., 2018).

Notable difference between traditional sports and e-sports is that, in traditional sports it is far more common that fans are only interested in watching the sport but do not actually play themselves. In esports however, between 74% and 86% of spectators both watch and play the game they are fans of. Esports is one of the most significant factors that leads new players entering the games. This is especially apparent when it comes to Free-to-Play games. According to a study conducted by researcher in the University of Tampere, their findings indicate that there is a notable correlation between the viewership of esports and game consumptions. Meaning that the popularity of esports in a game title has a positive effect on the number of players that the game has. The research investigates possible correlation between esports and in-game purchase intentions. While they did not find strong evidence that esports have a direct effect on customers spending decisions, they found that indirectly through the growth in player

numbers that esports can bring, will lead to the game having more players also willing to make purchases (Marcey et al., 2020).

Esport industry globally has seen incredible economic growth, in 2015 the global esport industry generated more than $325 million in revenue (Pizzo et al., 2018). However, in 2022 the growing industry generated $1.384 billion for game companies, tournament organizers, professional players, and esport teams. In addition, as esports has become a significant part of popular culture, there were over half a billion viewers in total in 2022 (Kordyaka et al., 2023).

Esports are especially impactful area of gaming in terms of the focus of this thesis because it has surprisingly large cultural ties in certain countries such as South Korea. With certain games, the esport communities in South Korea are much more than just liking the game. The most popular esport in South Korea is League of Legends and the players are much more popular than one might think. Although Esports are relatively new form of entertainment, during the last ten years or so it has grown into stable part of gaming related entertainment and even reaching mainstream audiences supporting their local esports teams. While the entertainment value is high for fans, esports are essentially a form of marketing that keeps players engaged and opens possibility to get new players into the game. From a business standpoint it could be argued that although Esports are very expensive for the gaming companies, at the same time it makes players far more invested to the game if they become fans of an esports team in addition to the game (Jin, 2020).

2.4 Video Game Content Creation

As with esports, content creators like streamers and Youtubers who are making content around video games are extremely popular and have a massive impact on the industry. Content creation for video games has been around for a long time, but it grew in popularity in the early days of YouTube around 2006. At this time a new type of content started to rise, called “Let’s play” videos. These refer to video content that is often

compilation of gameplay and commentary, where the broadcaster is recording themselves playing a game while narrating the experience. This type of content can be thought as entertainment, with the exploration of the game and having fun playing games and wanting to share their experience with viewers. In other words, unlike game reviews and educational content about video games which purpose is to be more informative, while “let’s play” content’s goal is being an entertaining viewing experience (Törhönen et al., 2020, p. 2719-2724).

In the study by Törhönen and others, they researched the relationship between the consumption of different types of video game content and game-related purchase decisions. According to their results, they could not find a strong connection between let’s play content and purchases, at least when comparing results to the effect that game review content has. They found that because review videos in nature are made to evaluate games and their content, they are an ideal channel for consumers to gather information about a product they are considering purchasing. As can be seen in many industries, social media content creators can significantly influence how a product is perceived by their audience. Research indicates that these “influencers” opinions can be much more effective than tradition marketing. One reason for this could be that content creators are private individuals and therefor they are seen as reliable and authentic, which makes their opinion or review of a product more trustworthy (Törhönen et al., 2020, p. 2724).

For gaming companies having people produce content about their game can be seen as free marketing. Contrary to organizing Esports which is extreme expensive for the companies, having content made about their games does not costs anything for the company itself. In the current age where social media is increasingly more integrated to people’s lives having content creators for your game can be the difference between success and failure. There are growing number of people whose significant source of entertainment comes from YouTube and live streaming platforms, and for especially for the younger audience gaming content has been among the most popular (Pew Research

Center, 2024). It is almost impossible to name a successful game that does not have content produces about it. However, game industry and what kind of content is popular about games varies across countries and cultures. Next, the thesis discusses what are these differences with the focus on the specificities of the largest gaming markets in Asia's region, that serve as relevant examples to illustrate differences within the international gaming industry.

3. Characteristics of South Korean and Japanese markets

This chapter is focusing on the cultural elements that shape the video game market in different countries. Looking at what kind of differences can be seen in the markets and how cultural differences impact certain areas, such as preferences in game genres, and consumer attitudes for monetization models. In addition, while culture has a large role in the shaping of the markets, there are also many regulatory and legislative factors that significantly impacts how the video game industry can operate in these markets, which are also being discussed. This thesis is mainly focusing on two countries in the East Asian region, these being South Korea and Japan. Reason for choosing these two countries is that they have one of the largest markets in the video game industry in the region, while also being quite different compared to each other when it comes to the way the market is structured and what trends can be seen in both countries.

It is important to note that while China is by far the largest market in the video game industry and it would be interesting and important to research and compare, due to the lack of trustworthy information this thesis cannot conduct as thorough research of the Chinese market as with other countries in the region, and therefor to maintain the quality of this study, analysis of Chinese market is not included in this study.

3.1 Gaming Industry, Its Growth, and Structure in South Korea

South Korea's market share in the video game industry has seen considerable growth since 2010, currently it is the fourth largest country in the gaming industry after the United States, China, and Japan. Interestingly as with many other Asian countries, the South Korean video game market has seen a dramatic shift in its structure from PC gaming centered market to mobile game oriented one. During the early years of the 2010's the Korean domestic gaming industry was heavily centered around PC games, in 2011 for example the market share of PC online games accounted for 89%, while mobile games market share was around 6%. However, by 2017 PC online game sales had decreased consistently year by year and were now only accounting for 40.2% of total

sales in the industry. At the same time the popularity of mobile gaming was exploding, from the 6% market share in 2011 increased to 54.9% in only seven years by the year 2017 (Kim, C., & Lee, S., 2020, p. 357-358).

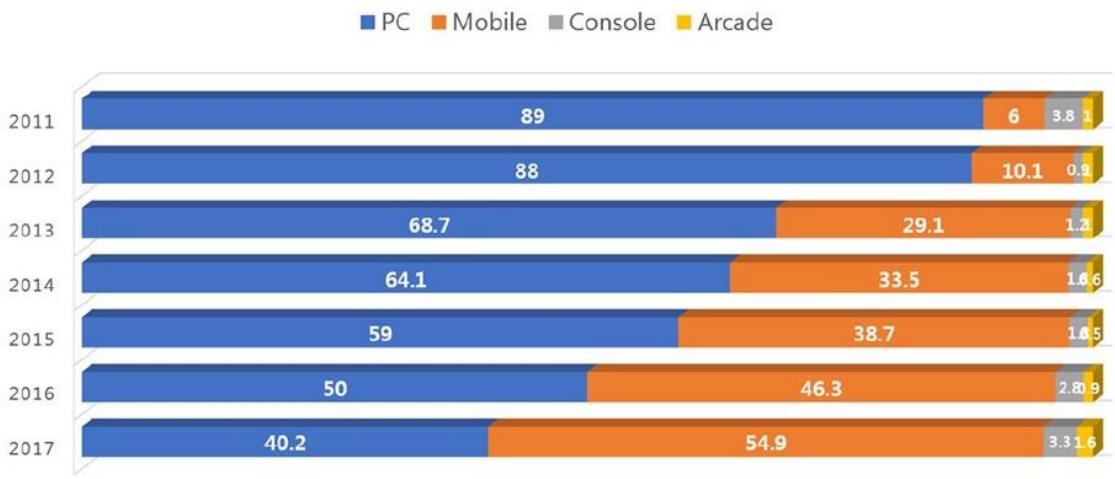

Figure 1. Changes in Market Share of Korean Games by Platform (%) (2011–2017). Source: Korea Creative Content Agency (2019, p. 31).

This type of growth is so unusual that Changwook and others wanted to research what could lead to a transition this rapid. According to their findings there were three main factors that were involved. First factor that impacted this transition was the deregulation policy on the mobile game market by the Korean government. In order to understand how these policy changes impacted this transition it is important to explain how the Korean government regulates video games. Traditionally, all games that are released must be reviewed for the assignment of age and content ratings by the Game Rating and Administration Committee (GRAC), this committee had more strict procedures and standards than in countries like the United States and EU. Since the 2010's, the South Korean government quickly realized that with the wide spread of smartphones and open mobile application stores such as Apple's App Store and Google Play Store there was a flooding of new mobile games into Korea. It was simply impossible for GRAC to screen and rate all these mobile games by themselves and as a result, the government of Korea

decided to allow application store operator companies such as Apple and Google to assign their own ratings on mobile games (Kim, C., & Lee, S., 2020, p. 358-359).

Secondly, while the Korean government implemented deregulation policies in mobile games, they started to regulate PC game market more heavily. In 2012, a new policy known as “game shutdown policy” was set in place, this motion was aimed to prevent side effects from excessive time playing video games by teenagers. The new policy would limit the use of PC online games during late-night hours (from 00:00 to 06:00) for children under the age of 16. In addition, game service providers were required to identify users’ personal ID’s and block access to those under the age requirement. Since to follow these new regulatory demands turnout to be either too difficult or expensive, many small and medium game companies decided to move to mobile game platforms, which did not need to comply with these regulations. Third factor came when in 2009 the governmental game rating review fee, that is mandatory for all PC game developers to pay to GRAC, to complete a games review process, was increased by ten-fold from the previous price. Data shows that games submitted for review nearly halved by the next year after the new fee was implemented. Then again, the year later with the introduction of 2012’s “game shutdown policy” the number of rated PC games halved again. These regulatory changes made the PC game market too costly being viable for companies and are the main reason for the transition to a mobile game dominated market (Kim, C., & Lee, S., 2020, p. 359).

As mentioned in earlier chapters South Korea is considered as the birthplace of esports and even to this day it is referred as the world capital of esports. In 1998 and the early 2000s communities of competitive video game players started to rise in popularity, these communities started to compete in internet cafes in Korea known as PC bangs. During the years, friendly competition in these cafes grew into tournaments and professional leagues, professional esports teams, and superstar players rapidly grew in popularity. In the 21st century esports has become a huge spectator sport, which is even more popular than other sports such as baseball and basketball. Esports have a significant impact on

Korean popular culture and especially with the younger generation to whom esports have become a national pastime (Jin, 2020).

3.2 Modern Video Game Industry in Japan

Japan has a long history within the gaming industry, initially video game companies evolved from the toy industry. Nintendo was founded in 1889, and it started as company producing toys and playing cards, after which they started experimenting with electronics in toys. Later however Nintendo's interest in electronics grew and they were starting to plan how they could produce video games (Rosenfeld, 2025). Japan is historically one of the most impactful countries for video games, and it is not all that surprising that even today Japanese video game market is the third largest in the world (Palma-Ruiz et al., 2022). This naturally makes Japan extremely appealing market for many gaming companies to expand to, but typically the Japanese market is among the hardest ones to enter and being successful. The difficulty to enter the Japanese market is caused by complexity of their legal landscape.

Japan has strict regulation on In-game currencies and other microtransactions, unlike with many other countries, in Japan In-game currencies in video games fall under financial laws. Regulations are especially strict for those games that have paid in-game currency, which requires purchases made with real money. These types of in-game currencies are classified as "virtual currency", and they fall under the Payment Services Act. These regulatory practices are part of Japan's commitment to customer protection and preventing fraudulent or predatory practices in the digital economy (Matsumoto, 2024, p. 1).

As discussed in earlier chapters, microtransactions are vital part of monetization models for free-to-play games. What makes it challenging for foreign game companies to enter into Japanese market is that on top of the strict regulations facing paid in-game currencies, generally foreign companies are prohibited from selling in-game currency to Japanese users unless the companies comply with specific legal requirements. The

problem with this lies with the fact that, typically in order to comply the company needs to either register as a foreign entity or establish a Japanese subsidiary that is responsible for the selling of in-game currency. To understand why this might be more difficult decision than it can seem, it is important to recognize that establishing a legal presence in Japan represents a significant commitment for any company considering doing so. Japan has a complex legal and regulatory system, companies are often required to do intensive documentation about their practices, compliance checks are common as well as ongoing reporting obligations. In addition, communications with regulatory authorities must be conducted in Japanese (Matsumoto, 2024, p. 1).

These examples illustrate that gaming industry in different countries is heavily shaped by regulatory environment and changes in consumer preferences that need to be deeply understood and addressed by companies that are aiming to enter that specific market. In regards to this, the thesis next presents analysis of two most successful Finnish gaming industry cases – Supercell and Rovio Entertainments - and their internationalization story that completes with successful acquisition by foreign industry giants Tencent and Sega respectively.

3.3 Case examples: Case Supercell Oy and Rovio Entertainments capturing international gaming markets

Supercell and Rovio are among the most successful gaming companies from Finland and both companies have found incredible global success with their various games, being considered among the most popular mobile games in the world. While both Supercell and Rovio have gone through foreign acquisition, their internationalization process and global success show that with correct strategy and market knowledge companies in the gaming industry are able becoming a household name globally, no matter if the company is started in a relatively small country like Finland for example.

3.4 Case Supercell

Supercell Oy is a mobile game design company that was founded in 2010 in Helsinki, Finland by Ilkka Paananen and five other founders. Supercell has developed and released five main games, four of which were release before the Chinese company Tencent acquisition in 2016. These being Hay Day (2012), Clash of Clans (2012), Boom Beach (2014), Clash Royale (2016), and Brawl Stars (2017). According to the finding by Kristina Raiko in her 2020 master's thesis, Supercell is one of two Finnish companies that have gained a valuation of over one billion dollars during this millennial, which gives the company so called "unicorn status". This refers to a privately own company that is valued at over one billion dollars and is experiencing explosive growth. Supercell's valuation grew from zero to five billion dollars in only three years, which is outstanding even withing other unicorn companies (Kristina Raiko, 2020. p. 41-42).

Supercell's business strategy was from the beginning based on that they wanted to create games that are suitable for everyone and that they would be played for years. In 2011 they decided that they would only develop games for mobile devices, which was at the time quite risky since it was not yet clear that smart phones would become a cornerstone of everyday life as they are now. However, Supercell was willing to take the risk to ensure that their games would be polished product and not dependent on catering to cross-platform which would be limited by what devices customers were using (Kristina Raiko, 2020. p. 41-42).

In 2016 it was announced that Tencent Holdings would acquire majority stake in Supercell which accounted for around 84.3 percent in total, with the purchase price of estimated total of $8.6 billion, to be paid in cash by Tencent. Tencent mentioned that they were impressed about the worldwide popularity of these games and they recognized Supercell's creativity and expertise in game development. Tencent wanted to provide Supercell with financial and strategic support, including funding and assisting them to release games in China by leveraging Tencent's market position and strengths in China, combined with Supercell's ability to develop innovative games for players

worldwide. In addition, Tencent also confirmed that Supercell's existing management would maintain independent operations and that the company would continue to be headquartered in Finland (Zeyang Li et al., 2022).

3.5 Case Rovio

Rovio is one of the most recognizable Finnish mobile game companies. It was founded in 2003, but their international breakthrough happened couple years later in 2009 with the release of the massively successful mobile game Angry Birds. When analyzing the internationalization process of Rovio Entertainments, we can clearly see how differences between the Western and Eastern markets create challenges for Western gaming companies to enter into these markets. In the case of Rovio this is especially true in Japan. As discussed earlier in this chapter entering the Japanese gaming market or Japan in general is one of the more difficult countries for western companies. Regarding Rovio's market entry the problems mainly rise from that Rovio's game design is more catered to suit western markets and gamers. According to the research and interviews conducted by Kalevi Sylvänne in his master's thesis, Japan has been a challenging market for Rovio as for many Western game companies, because they have had difficulties converting F2P players into paying customers. In his master's thesis Sylvänne interviewed in Rovio's Vice President of Business Development Miikka Lindgren, who stated that, Rovio has always attained very high download numbers in Japan and other Asian markets, but convincing these players to make in-game purchases has been a challenge (Sylvänne, 2016. p. 57-58).

These challenges are characteristic for games that use F2P model, since companies who are using this monetization model are giving their product for free and rely on developing mechanics and offers to incentivize players to make in-game purchases. However, in order for this model to work it is essential that the virtual products that players are able to buy are catered to the specific market. As Rovio's F2P model has been

more catered for western preferences, although Angry Birds had large player base in Japan at the time that Sylvänne's research was made in 2016, they were missing key features such as gacha-mechanics and VIP systems, which according to the Vice President of Business Development of Rovio are considered essential by Japanese players. The VP further explains that, while Rovio was not interested to allocate their own development resources into the Japanese market, they decided to focus on partnering with local studios who already had the knowhow of what makes products successful in Japan. They partnered with a local studio to develop games based on Rovio's IP, but the games would be developed with the sole purpose to be targeted for the local market (Sylvänne, 2016. p. 55-59).

4. Conclusions

This thesis set out to examine differences within the video game industry between countries and cultures. Looking at how these markets are structured and how legal and regulatory demands shape the markets as well as possible cultural preferences which lead the direction that video game companies try to fulfill. The research was motivated by the rapidly growing global dominance of the gaming sector which is also constantly changing. In addition, the complexity of operating across international markets where many of the companies are born global, which need to navigate in unfamiliar markets with strong cultural and regulatory frameworks.

This study relied on extensive literature-based analysis of academic research and publications as well as industry reports. It is important to keep in mind that since this study is researching an industry that is extremely young compared to many more traditional industries, there is a clear lack of research and reputable academic publications especially when it comes to the number of academic papers published. This is the reason why it was essential for the quality of this thesis to narrow down the focus on just two countries with rich gaming history but also contrasting market dynamics. Japan and South Korea are perfect for this because while Japan is arguably the most impactful country historically for the industry since it is one of the birthplaces of video games, South Korea in contrast is one of, if not the most important market of modern gaming and esports.

When analyzing these two countries this study focused on the key elements of both markets, such as how these markets are structured, what kind of role does the governments have with the way they regulate video games and what kind of laws are set to control video game companies business practices, for example consumer protection laws that dictate how games can be monetized. In addition, identifying how cultural preferences impact which games are the most popular and what are the most effective monetization models in different markets. Furthermore, this thesis examines how

communities built around games can benefit their success, for example with content creation and esports.

4.1 Summary of key findings

One of the most important findings concerns the **differences in regulatory environments compared** to western countries. In South Korea, government-imposed regulations strongly restrict PC gaming, regulations such as the shutdown law and the mandatory game rating review for PC games, have led to an unintended shift towards mobile platforms, since many medium and small game companies cannot realistically follow these demands, due to the added operation cost and technological challenges. In contrast, Japan's regulatory environment primarily has effects on the market entry for foreign companies, particularly creating challenges for their monetization and due to the complex legal system and requirements for companies, operation costs are high.

Since we know that many of the most popular games today are free-to-play, the **monetization model** they use goes hand in hand with market entry and finding paying customers in a new market. Game companies must research what kind of monetization models are popular in the market they are trying to expand to and realizing that often they can be completely different to what is popular in local markets. As we could see with Rovio, they had very high number of downloads for Angry Birds in Japan, but they found it difficult to convert players into paying customers. On their own they did not have enough knowledge about the market and decided to partner with local partners to find solutions.

4.2 Theoretical Implications

Compared to many traditional industries, the gaming industry is young and often operates differently to what we are used to see in international business research. One major reason why it is sometimes difficult to apply traditional theories used in international business, is that typically gaming companies do not follow standard

internationalization processes which are stable with other industries. For example, the Uppsala model, one of the most applied theories in international business, developed by Swedish economists Johanson and Vahlne in the 1970s, has limited applicability to the gaming industry. The Uppsala model suggest that companies expand gradually as they gain more knowledge about the markets, typically starting with countries that are similar to the host country. The similarity between countries is also known as the psychic distance, which evaluates the differences between, language, business practices, education, culture, and industrial development among other factors (Johanson & Vahlne, 1977). However, digital companies, especially in gaming usually skip these stages of gradual expansion through online distribution. Gaming companies often internationalize rapidly and hence they are referred as “born globals”. Born global are companies that start international expansion either immediately from its founding or shortly after and typically exhibits strong international performance in much shorten time than is normally expected (Knight & Cavusgil, 2004). This type of rapid internationalization challenges well-established theories based on incremental expansion.

However, traditional frameworks should not be totally dismissed, as they do still hold value for gaming industry, especially concerning entry mode theory, certain elements of PESTEL, network theory, and cultural adaptation, when gaming companies do not only want to enter new markets but to find long-term success. As we learned in the previous chapter, there are many nuances in Asian markets. For understanding institutional, political, and technological conditions in Asian markets, PESTEL analysis is still useful. If we compare findings from Japan and South Korea for example, by conducting PESTEL analysis for these markets, we can identify that especially elements of political and legal frameworks significantly impact the environment of these markets. For example, with South Korea’s game shutdown policy, the market is balanced more favoring mobile games.

Another great resource that benefits companies to increase their performance in new markets they have already found some success in, are network theory and local co-

operation. Networks and partnerships are the key to market success, especially for digital entertainment firms like gaming companies. Research of these theories suggest that especially for smaller firms, their ability to establish new network relationships has strong influence on their competitive capabilities (Coviello & Munro, 1997). Considering that many gaming companies' internationalization happens almost automatically, due to their games being distributer online, these findings of the importance of networking are quite understandable. If we think about a gaming company whose games are being played by gamers globally, because anyone can download the games from online platforms, we could assume that they do not have very deep understanding about all the markets their products are being consumed in. For example, like we saw with Rovio, they had large number of players for Angry Birds in Japan, but they did not know how to convert these players into paying customers. However, by forming partnerships with local companies by licensing Rovio's IP, their partners would tailor already popular products to suit the consumer preferences of the Japanese market (Sylvänne, 2016). When companies create network relationships with partners in different markets, they are able to gain knowledge that helps them adapt into different cultures.

4.3 Practical Implications

Many fast-growing gaming companies are born globals as their games can be downloaded from platforms like App Store and Google Play Store by customers all over the world. Because of this we can see examples like Angry Birds which are extremely popular internationally but may face challenges in some regions because their products are not adapted to specific markets. Often companies need help from local partners to further increase their reach in these markets or if a company feels like they have reached their potential to grow independently they might want to go through acquisition with a large company. However, regarding the interest of this study to build internationally successful gaming company being acquired by a large corporation for billions of dollars, definitely counts as success.

Considering topics of these findings it is not that surprising why companies like Supercell and Rovio Entertainments have been sold almost fully to corporations that are based in these huge Asian markets. Especially when looking at Finnish companies we can see a trend where, when a company grows to a certain size it is often sold outside Finland. This trend is not unique to Finland but perhaps more noticeable due to the small size of the country. Although this might be somewhat of a controversial phenomenon from the point of view of Finland's economy, it is quite understandable from a more individual perspective. Both Supercell and Rovio were at the time of their acquisition already established strong global presence, Supercell with games such as Clash of Clans and Clash Royale and Rovio with Angry Birds brand as a whole. However, even with international success the mobile game market is highly volatile, dependent on constant innovation and marketing campaigns. In the present day the markets are also dominated by industry giants like Tencent, whose reach in the markets is not easy to compete with. The decision founders and early investors are left with is taking a huge risk trying to become giants themselves and staying independent or to sell majority stock abroad and thereby securing financial independence for the founders.

Although Supercell and Rovio do not bring in large amounts of annual revenue to Finland anymore, their acquisitions brought billions in capital which often are reinvested into new Finnish ventures. For example, many former Supercell owners have help to fund or found new studios e.g. Metacore and Small Giant Games. In this way the process can start again from the beginning with a new game full of potential, with the added benefit of experience of creating one of the most successful mobile game companies in the world.

4.4 Future Research

During my research I quickly noticed that there is a significant lack of research on video game industry in China. This to me seems like the most obvious gap in research since China has the largest markets in the industry and huge influence on gaming globally. It is understandable as to why this is the case, but it would be vital information if further

research is published about how gaming companies operate in China and if accurate data about player numbers were available. The lack in availability for accurate data is especially problematic, when trying to evaluate the performance and popularity of games in China compared to other regions where these numbers are publicly available. To give an example of this in practice, the largest platform to purchase and play games on PC is Valve's Steam. Steam is used globally by all PC players, and we can easily get information for how many current, peak and average players each game has (Figure 2). However, since China has more restricted internet regulations, they have their own version of platforms for buying and playing games. These platforms are only available in China, and it is not possible for people outside of China to access any data about games performance.

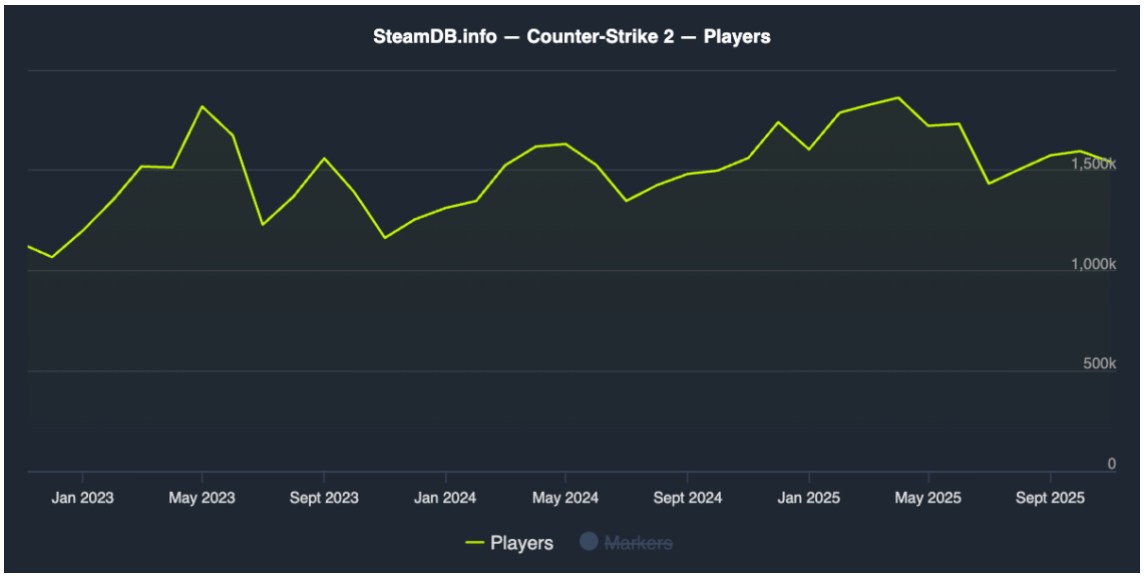

Figure 2. Active Counter-Strike 2 players between 2023 and 2025, in thousands of players. Source: SteamDB.info (2025).

More research is also needed in effects that content creation has for games popularity and longevity. I believe that experts in the industry are very aware of the significance of having popular content creators producing long- and shortform content about games, but actual academic research that would evaluate its true effectiveness is hard to find. As is stated earlier in this thesis, I believe that content creation is the most significant

form of marketing for any gaming company. It is a win-win situation for the creator and the company. Sometimes publisher will do sponsored collaborations with content creators for their new releases, but in most cases just by allowing creators to upload content from playing their game does not cost the company anything, while bringing potentially millions of people watching content about these games and possibly becoming players themselves.

Future research should concentrate on developing new ways theoretical models could be adapted to fit the gaming industry. By building upon existing frameworks that are more focused on rapid internationalization of companies in the digital space. While frameworks like PESTEL, entry mode theory, and network theory continues to offer valuable foundations, their traditional focus often overlook the dynamics of digital distribution, online communities and unconventional business models that characterize global gaming markets. Therefore, future research could aim to examine for example, how online ecosystems, fan-based engagement and effects of content creation and esports influence market entry and long-term success of game companies and the future of the industry.

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