INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Factors influencing the game players to choose Chinese online games

Author:	**Han Fei**
Student No:	**I05002394**
Supervisor:	**Mr. Owen**
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Faculty of Business and Accountancy

Abstract

This study is carried out with the aim to propose recommendations to Chinese online game developers to maintain and improve its important features that intrigue the game players. By identifying factors influencing the game players to choose Chinese online games, findings of this research offer information to both academicians and practitioners to develop the product adaptation or customization when Chinese online games are going to global. The identification of factors such as "personal killing", "combat system", NPCs, crafting system, security system, dynamic contents and environment, social interaction, graphics and effects that game players provided in this study will assist the Chinese online developers to alter their products so that it can meet the customers' demand in new market. The most important contribution of this study is the data collections from secondary and primary sources such as journal, articles, and academic books about Chinese online games in global market which were limited from the prior studies in this area.

Acknowledgement

INTI International University provides me a great opportunity to conduct a comprehensive research on factors influencing game players to choose Chinese online games among many kinds of games. It found difficult in doing this project throughout my whole Master program, but it encouraged me to carry out an in-depth study on the current situation of Chinese online games in global market because I am very interested on the huge development from Chinese online games in Malaysian market. As my experience over the few years in Malaysia, it is a big opportunity for Chinese online games to be distributed in Malaysia as fast as in China. Hence, I want to express my appreciation to several people due to their contribution in this project.

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Han Fei

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Abbreviation

AI	Artificial Intelligence
D&D	Dungeons and Dragons
FPS	First personal shooting games
IPTV	Internet protocol television
MMORPG	Massively Multiple Online Role Playing Game
MUD	Multiuser Dungeons
NPC	Non-player character
PK	Personal Killing
RPGs	Role-playing Games
SPSS	Statistical Package for the Social Sciences
TSR	Tactical Studies Rules

Chapter I

Introduction

1.0 Brief introduction

Chinese online game has recently grown the most dramatically in the world entertainment industry. There are approximately 200 titles issued to the market every year. The dominative factor of Chinese online game derived from long-standing historical culture of the country such as *Tian Long Ba Bu, Fantasy Westward Journey, Zhuxian, Zhibi,* and so on. In 2006, home-made games have overtaken the first place from Korean and the US games in domestic market. The growth of Chinese online game led to new technologies upgrading and increasing broadband networks. With the successful development and growth in China, online gaming enterprises have tapped into foreign markets which create a potential sustainable development such as Vietnam, Malaysia, Korea, Japan and Singapore. In the scope of this research paper, Malaysian market will be a pilot study with title "Factors influencing the game players to choose Chinese online games in global market".

This chapter will concentrate on painting a background of Chinese online game, stating problem statement, setting research objectives and significance of study, and pointing out limitation of study.

1.1 Background

Chinese market is an emerging market which a lot of businessman thought that if you do business in China, you will survive. Recorded by BBC (2008), Chinese market lured the flow of foreign direct investment, attaining revenue of US$22 billion in 2008. GDP of China has been increasing over years. Even when the world is difficult to overcome 2008 economic crisis, China GDP still can get an

impressive figure of 8.7 percent for real GDP growth (China Ability, 2009). Needless to mention, Chinese online game industry was reported as the biggest online gaming market in Asia, overtaking Korean's position in 2006 (Journal of Technology Management, 2009). The growth of online gaming industry has derived from broadband development for years. It has been reported that "10 millions of new members" are entering the internet world annually (NUS Internet Report, 2007). In 2006, the number of internet consumers was about more than 120 million, accounting for a rise of 23 percent comparing with an increase of 18 percent in the same period of year 2004 (Shanghai Daily, 2008). This figure would be changed in 2007, amounting to more than 137 million of internet consumers in China, with more than 70 percent of them under age 30 (NUS report, 2008).

Chinese online game has been developed since 2000 when Chen Tianqiao, the founder of Shanda company, got licensed to popularize "Legend", a Korean-made game (Cao and Downing, 2008). The game "Legend" made a widespread phenomenon in Chinese market and the company Shanda did earn a lot of revenue over all. Since then, a lot of new competitors entered the market and created a new industry. Chinese online game market contributed 65% of local software producers in 2007 (Chung & Yuan, 2009).

According to Seeking Alpha (2009), three tiers of local game organizations currently exist in the market. Shanda and NetEase are in the first tier with quarterly revenue more than US$100 million. In the meantime, Perfect World, Changyou and Giant interactive stand in the second tier with quarterly revenues between US$ 50 million and US$100 million. Third tier is occupied by GigaMedia, CDC Corp. and The9 which achieved quarterly revenue less than US$50 million (refer to table 1). These companies may play a role of distributors, while several distributors launch overseas games; otherwise, they generate

their own MMORPG and casual game. For example, Perfect World Technology started to develop the popular game "*Perfect World*" in 2006 and "Wulin-2" is also produced by this company and becomes pioneering comedy games for Chinese market (Chung and Yuan, 2009).

Table 1.1: Rank of Local game companies (sources: Seeking Alpha)

Company	Ticker	YTD Performance	Current Stock Price as % of 52-Week High	P/E (Last 12 Months)	Online Game Revenue in 1Q09	Key Games	PCU During June 21-27, 2009
Shanda	SNDA	87%	93%	22.7	$155.4 million	Aion	350K
						Woool	290K
						Mir2	220K
NetEase	NTES	70%	97%	19.1	$105.7 million	FWWJ	1,800K
						WWJ2	700K
Perfect World	PWRD	89%	96%	18.3	$62.2 million	Zhu Xian	410K
						BOI	370K
						PW II	250K
Changyou.com	CYOU	185%	99%	17.1	$61.6 million	TLBB	900K
Giant Interactive	GA	36%	70%	14.5	$54.7 million	Zhengtu	400K
GigaMedia	GIGM	3%	43%	12.6	$12.7 million	FreeStyle	140K
CDC Corp.	CHINA	31%	47%	N/A	$6.3 million	Yulgang	300K
The9	NCTY	-20%	37%	5.8	N/A	FIFA OL 2	30K

Note: "PCU" stands for "Peak Concurrent Users"; CYOU's YTD performance is based on its IPO offer price of $16 on April 1

The Chinese government has a great impact on Chinese online gaming industry's development path. According to News Guangdong (2005), online game has taken an advantage as a platform to educate "national spirit" among young generations and achieve various political goals. Simultaneously, "a genuine rise in nationalism" among Chinese youths was recorded. Nationalistic and patriotic desires by Chinese youths have been spread through online game. Chinese online game has also been brought into new Chinese business culture. Advertising via Chinese online game has become an effective communication tool which both local Chinese (Nanfu Batery, MasterKong) and foreign multinational companies (Pepsi, Coke, Volkswagen) utilized. Virtual environment in Chinese online game shaped a "mini-economy" with a unique and interesting culture (Journal of Technology Management, 2009). Chinese

home-made online games are also entering into overseas markets, especially in Asian countries such as Vietnam, Singapore, Korea, Japan and Malaysia.

1.2 Problem statement

Video game development centers have had more than 100 since 2007. This figure has increased to more than 200 video game development centers in 2009 with many competitors. The speed of growth is due to inexpensive talent to design game. Besides, comparing with most developed countries, the cost of developing 1 online game in China is less than one tenth (China Daily, 2008). Moreover, millions of Chinese players are playing games daily right now. The domestic market almost achieves the saturation point for recent existing homemade games. Thus, Chinese online gaming enterprises exported its existing homemade games to overseas markets. In recent, the foreign market such as Malaysia did show the increasing profit on Chinese online games. According to Niko Partner cited in Game News (2010), Malaysia is one of the seven significant markets which are also experiencing market growth, especially in revenue and usage of online games. Due to potential overseas market, it is necessary for the marketers or beginners of online game business to make a clear understanding on the market. Attracting new customers and keeping them intrigue with games is not an easy mission in this highly competitive market. Thus, the factors that are luring more customers should be studied thoroughly so that online game enterprises could provide a unique development strategy in order to take over its competitors.

Thus, the three (3) following research questions will be investigated to identify the factors influencing the game players to choose Chinese online games in Malaysia market:

Q1. What game base of Chinese online games attracts the game players the most between the males and females?

Q2. What are the factors influencing the game players to choose Chinese online games in Malaysia?

Q3. What attributes and features do game players envision to be improved in the new version?

1.3 Research objectives

After thorough research from background of Chinese online game, it is known that Chinese online game has stepped first foot into overseas market. Some surveys indicated that some key games from the great Chinese online game enterprises have gained big market share such as "Perfect World" in Vietnam, "Tian Long Ba Bu" in Malaysia, "Fantasy Westwards Journey" in Korea and so on. Thus, the objectives of this research I am going to explore include the following:

➢ To identify game base influencing the game players to play Chinese online game in Malaysia

➢ To identify factors influencing the game players to choose Chinese online game in Malaysia

➢ To examine the important factors that game players want to improve in the coming upgraded version

1.4 Significance of Research

There is no significant research done on factors influencing the game players to choose Chinese online games in global, particularly in Malaysia. Almost previous existing researches focused on studying Chinese online game industry in the domestic market which did not provide any factors affecting the foreign game players in selecting Chinese online games. Due to the saturated market of Chinese online games in domestic market, Chinese online game developers are penetrating the new market including Malaysia, Thailand, Singapore, Indonesia, Vietnam, and the Philippines. Thus, an effecting international marketing planning is necessary to enable the Chinese online game developers to identify the competitive advantage of Chinese online games over the other games in global to sustain in the market. As a result, identifying factors influencing the game players to choose Chinese online game in Malaysia and examining the most important factors that game players to look for the most in the upcoming version are crucial to be done.

1.5 Research Assumptions

Since sources of literature review of this topic is limited, this research supposes that the measurement of each factor in literature review is the standard items so that the researcher can do research based on that. This assumption provides the foundation hypothesis that are necessary to be done research. As well, the research assumption allows the research objective "factors influencing the game players to choose Chinese online games in Malaysia as their preference" to be conducted carefully and properly.

This research also considers that the answers responded from respondent are impartial while they are answering the questions. The data collection from respondents truly corresponds to how the factors of Chinese online games have an impact on their preference.

1.6 Limitations of study

The findings of this research may not reflect an accurate result due to some limitations. First, although the research paper is taking place in Malaysia, the small scale nature of the research does not cover all over the country. It is conducted in several cities where population is at the highest level, such as Kuala Lumpur, Petaling Jaya, Cyber Jaya, Subang Jaya, Seremban, Melaka, and Johor Baru and so forth. According to Chin et al. (2003), cited by Lu and Wang (2008), result from a small sample size shows that the existing moderating effect could probably be underestimated due to an imperfect completed number of indicators.

Second, many values are missing from the study, especially the point of view from the respondents about online games. With a restricted number of respondents, viewpoints provided by the respondents are very diversified. In this report, there were some major viewpoints presented. Thus, the research will not provide completely virtual facts.

Third, this research might be the first to examine the factors affecting to Chinese online game in foreign market. This research thesis covers enormous areas such as international marketing, customer behaviors, strategic management and cross-culture management and so on. To analyze more details in these broad areas, this research paper does not support a lot of evidences and facts that persuade the readers to put it into practices.

Forth, the sources of literature review are limited in quantity and quality. Thus, no proper features which were raised in literature review chapter could be considered as a standard.