

Institutional Support or Obstacle? The Rapid International Expansion of Chinese Gaming Firms

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Abstract

The rapid development of the creative industry, particularly the mobile gaming industry, has attracted increasing academic attention across different fields as the digitalization era has arrived. Chinese firms, such as Tencent, have become too big to be ignored. Apart from the International Business (IB) studies, the authors of the article "Market Expansion of Domestic Gaming Firms in Shenzhen, China: Dilemma of Globalization and Regionalization" took an institutional approach to look into how multi-scalar institutions in Shenzhen, China have impacted the development path of the industry. By connecting the concept of Global Production Network (GPN) and the ideas of technological and market gaps in the market expansion of the creative industry, the authors argued that while the protective multi-scalar institutional environment helped the emergence and dominance of the Chinese gaming firms in the domestic market, the firms have been still struggled to expand the market globally. Through this commentary, the importance of the multi-scalar institutional settings, the extra-regional assets, and the marketing capability in the development and expansion of an industry, which has been sometimes understudied, will be introduced and discussed.

Keywords: Extension services creative industry • Institutional setting • Market • Consumption

Introduction

The significance of the creative industry has surged since the last decade. The revenue from mobile games alone increased from 12.7 billion USD in 2012 to 70.3 billion USD in 2018 [1,2]. Not only in the developed countries where the majority of the attention has been paid on, but the creative industries have been growing and have become more important for the developing countries' economies [3]. For instance, China accounted for more than a quarter of the total global game market in 2018. And Guangdong, in particular, is the biggest cluster in China which shared 76% of the total national income of the gaming industry in the same year [4]. Although scholars from IB and economic geography have made some initial forays, the authors of the article identified three main conceptual gaps in the literature and suggested that the GPN approach is well attuned to exploring the dynamics behind the creative industries both geographically and functionally. Besides, an analytical framework of the developmental stages of global and local market expansion of the creative industry has been built up in the article.

Literature Review

The authors pointed out that the studies on the creative industries so far have been primarily inward-looking on the localized assets while the impacts from extra-regional ones have been overlooked, as creative industries have been shown to be agglomerated in large metropolitan areas [5]. Apart from the internal networks within a region, with the increasing globalization in the past century, extra-regional connections are important for the cluster to receive more information and technology inflow to be dynamic and to avoid path lock-in [6-8]. Similarly, the authors pointed out that the institutional analysis in the study of industries has been at a rather single-level while missing the multi-scalar institutional setting which was proven to be important especially in the context of China and the development of the creative industry [9]. As such, in the article, the author suggested that the GPN framework could help to cope with these two loopholes.

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Apart from the understudy of the extra-regional connections and the multi-scalar institutional settings, the dynamics and practices in the expansion to global markets have been overlooked neither since the studies of the industries, particularly the ones drawing upon production chains often stop at the production stages [10]. To better understand the development of the creative industry apart from 'production' stages, other production stages, such as distribution and consumption, should be also included in the analysis. The authors pointed out that there are two gaps for the local producers to overcome so as to expand their markets globally, namely the technological gap and the marketing gap. The former, which has received more attention in the literature, refers to the difficulty of accessing proprietary technology; the latter refers to the difficulty a firm will have to understand and respond to rapidly changing consumer demand [11].

By connecting the ideas of technological and marketing gaps with the notion of GPN, an analytical framework of the development stages of the market expansion, especially for the creative industries has been established in the article. In short, the framework elucidates that after the industry was incubated in a region; firms need to increase both their technology and marketing capabilities with different firm strategies so as to expand globally.

Discussion

The development of the mobile gaming industry in Shenzhen, China could be broadly divided into three phases, i.e. incubation, the Original Brand Manufacturer (OBM), and overseas expansion. According to the article, acting as the generic suppliers, Chinese firms have participated in the global games production networks in the early 2010s to provide localization services and sometimes marketing services. A few years later in the mid-2010s, the number of domestic gaming firms surged drastically. Instead of only acting as the generic suppliers, some of the firms/studios have become the OBMs to develop and sell their own mobile games in China. The overseas expansion of the Chinese gaming firms has begun since then and Tencent is a case in point. From 2006 to 2016, Tencent has invested in and acquired a dozen of foreign mobile game firms in the hope to internationalize its Research and Development (R&D) network and market share. Yet, the authors revealed the truth that the market expansion has been indeed confined to solely Southeast Asia.

Through the case study, the influences of the extra-regional assets, the multi-scalar institutional settings, as well as the marketing capabilities have been illustrated by the authors. Clustering, in the Marshallian explanation, not only can bring economic efficiencies, such as economies of scale but also, particularly in the context of creative industries, facilitate the learning process and help to generate innovations and new ideas [6]. The unique characteristics in the production operation and organization of the creative industries in fact make the agglomeration of the industry more crucial [12].

For instance, clustering helps to transfer the tacit knowledge, organize the highly transaction-intensive and project-based production processes, as well as to support the workers to find employment opportunities and develop long-term creative project networks. Although the internal network and the regional assets are crucial and have received major attention, the case study of China's mobile gaming industry illustrates the significance of the extra-regional assets and connections. A new industry does not exist in a vacuum. It is either built on pre-existing assets or imported from elsewhere [13]. The case study in the article shows that the global mobile game production network indeed opened a window for Chinese firms to participate in the industry as well as to learn and upgrade later.

Much research in institutional economies, including the National Innovation System (NIS) and Varieties of Capitalism (VoC), studies the industry from the institutional settings at the national level; while interestingly, on the other hand, a large body of studies in the economic geography, e.g. GPN and Evolutionary Economic Geography (EEG), have focused on the sub-national level, such as Regional Innovation System (RIS). However, the relationships among the institutions at different scales as well as their impacts on the economic and industrial developments have been overlooked. The incubation and the rapid growth of China's mobile gaming industry have been the result of the efforts of both provincial- and national-level institutions to nurture the talents and protect the domestic market and so on.

The 'productionist bias' has been diagnosed to exist in studies on industry development and expansion, including the creative industries as the research locus, has mainly focused on the actual production stages; while other domains in the complete production cycle, such as marketing, distribution, and consumption, that could, in turn, affect the actual production stages have been overlooked [14-16], especially in the digital entertainment space where the consumers could directly participate into designing and developing of the products [17]. One crucial difference regarding mobile game products, as compared to other commodities, is that it is a product of both technology and arts [18]. As such, to expand the market, apart from being technologically competitive, the marketing gaps have to be overcome, i.e. the 'art elements' should be able to be appropriated by consumers across different markets. Therefore, even though Tencent has been actively expanded overseas and developed its R&D networks in recent years so that it has been able to create mobile games with the most advanced technologies, its income has primarily come from China as well as the Southeast Asian countries since it has been still struggling to eliminate the 'marketing gap' [19,20].

Conclusion

We (economic geographers) share a growing interest in the creative industries in recent years not only because these industries have increasing economic impact, but also due to their complex interrelationships with various societal and cultural factors as well as ongoing change make them useful for employing and examining theory on the geographical organization of economic activity. In the article "Market Expansion of Domestic Gaming Firms in Shenzhen, China: Dilemma of Globalisation and Regionalisation", the authors have explored the boom of China's mobile gaming industry at the intersections between local clustering, global connections, multi-scalar institutional settings, and consumption. It is high time for us to look beyond the agglomeration and the production of the creative industries to study from a multi-scalar/spatial level in the current globalized era as well as to include the distribution and consumption as the role and rising power of the creative consumers have been witnessed. Furthermore, the digital transformation of creative industries could be an insightful topic for future research as the spread of COVID-19 in

2020 and 2021 has impacted and changed the ways digital technologies have involved in the spatial and organizational configurations of the industries.

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