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**INTERNATIONALIZATION PROCESS
AND CHALLENGES IN THE GAMING
INDUSTRY WHEN ENTERING THE US
MARKET**

Case Baltic Explorers

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ABSTRACT

This thesis examined the gaming industry, how new indie companies internationalize their business, and the challenges they may face during the process.

The objective was to combine theory and industry insight to describe the challenges and the internationalization process as well as the resources available for the new companies. In addition, the aim was also to find success factors for making it in the competitive environment and describe what kind of knowledge or background new companies might need.

The theory describes the gaming industry and the general game development process with international aspects. The US market was looked into more deeply, adapting the PESTEL model. The born global model of internationalization was also described as the usual way in the gaming industry so that a sufficient number of players can be reached.

The research was conducted with a qualitative method utilizing an online questionnaire form to gain insight from the Baltic Explorers network. The questionnaire consisted of 15 open questions regarding internationalization, target market, industry, and success factors.

Through theory and research, it was found that having an excellent idea for the game is not enough. The usual challenges new companies in the gaming industry face include having enough resources, a good network and knowledge of business operations. These factors are crucial for succeeding in the industry.

Keywords: gaming industry, born global, internationalization, the United States

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1 INTRODUCTION

The Finnish gaming industry has been active for over 25 years and employs approximately 3600 people. In 2020 there were 200 game development companies in Finland that published about 100 new games. So even though the industry may still be small, and Covid-19 took its blow on the gaming companies and their events, the increase in jobs and attractiveness may promise a great future. (Neogames 2021.)

Even though there are few well-known Finnish gaming companies like Supercell and Rovio, the industry consists of many smaller companies not necessarily known by the public. And like many other industries there will be many more in the future. What this thesis will aim to solve is how those small indie companies handle internationalization and its challenges. The thesis will also take on what the usual challenges are when new companies start their journey towards international markets and publishing a game. The gaming industry is also a current and interesting topic, as the Covid-19 pandemic created a boom of new players since people had more time in their hands staying at home.

Baltic Explorers is a project which offers specially designed programs for gaming companies in any level of development to succeed in Asian or the US markets. The project helps gaming industry teams to explore possibilities and directs them towards what-ever help or tools they may need with their journey. In addition, the project's game hub network spreads knowledge and offers mentorship for new gaming companies, which helps them test, launch, and develop their games further. (XAMK n.d.)

Like the Baltics Explorers project, also this thesis aims to gather information to help the new gaming companies on their way to international markets. Especially for new companies, it is important and very necessary to understand what kind of challenges they may face during the process and also what kind of resources and support it is available.

The thesis also aims to describe the general operation of internationalization of the gaming industry and tells about the industry itself as well as general steps of game development. To narrow down the topic, this thesis only focused on the internationalization to the US market which was therefore investigated on a deeper level via PESTEL. Competition is hard in many industries and that is also the case in the gaming industry, this thesis has only few notions regarding the competitors as the purpose was to focus on the process of internationalization and challenges faced during the process.

To support the theory and process, people in the Baltic Explorers network were utilized and they were asked about internationalization, choosing market and success factors in the form of the online questionnaire. Their remarks and tips mostly reflect on the notions found in the theory but answers also gave an insight what aspects of internationalization may be overlooked or not known in the industry newcomers.

Finally, the summary combines the theory and the questionnaire answers into a concise package of information which should help the new companies plan, research and develop their business towards the competitive US market with their game ideas.

2 RESEARCH DESCRIPTION

This chapter introduces the objective and limitations of the thesis and presents the research questions to be answered. Chapter also includes description of research methods and data collection as well as the process of the research. Commissioning project and their needs from this thesis' results are also presented.

2.1 Objective, limitations and research questions

The objective of this thesis was to research what kind of challenges small indie companies in the gaming industry face when they are trying to internationalize to

the US market and how the general process of internationalization in the industry looks like.

This thesis will only look into the internationalization process from the perspective of small indie companies as those are the target of Baltic Explorers -project also. To narrow down the topic, this thesis will only describe on deeper level the US market and its unique features. The US was chosen as the target market because it is one of the largest markets in the globe, has a growing number of players and it is also one of the Baltic Explorers -project's target markets. As many of the companies in the industry tend to be born global, that model is also described shortly so that new companies can take also that model into account when planning their internationalization.

After narrowing down the topic, the following research questions were formed with the help of the Baltic Explorers -project:

- What are the biggest challenges during the internationalization process small/indie game companies face?
- What kind of knowledge and information is needed to make it in the competitive market like the US?
- How does the internationalization process for gaming companies look like in general?
- Does the background and know-how of the gaming company affect the internationalization and making it in the industry?

To be able to answer these research questions the Baltic Explorers -network was utilized so that insight within the industry and new companies could be acquired. To support the research, theory regarding the operations and internationalization in the industry was gathered. Therefore, the theory described in a general level how the process of game development is conducted, what the usual process of internationalization is and what previous research conducted have found out about the challenges in the industry. Even though the born global model of internationalization seems to be the usual way in the industry, the largest target market of the US is described via adapting PESTEL-model and a few notions regarding competitors.

2.2 Commission and background

The commissioning of the thesis is Baltic Explorers –project. Baltic Explorers is a EU funded project which offers specially designed programs and accelerators for gaming companies in Finland, Sweden, Estonia and Latvia. Any level of development is allowed to be able to participate and main target markets are South-East Asia and Northern America. The project helps gaming industry beginners to grow their knowledge and support them on the way to global markets. (XAMK n.d.; Baltic Explorers 2020.)

The project's game hub network spreads knowledge and offers mentorship for new gaming companies, which helps them test, launch, and develop their games further. The network consists of over 40 companies and their knowledge was utilized in this thesis to be able to answer the research questions. (Baltic Explorers 2020.)

When discussing possible thesis topic with the commissioner, it was clear that the need was to find out what are the usual challenges the new gaming companies face and how the project could better support the companies. The general process of internationalization in the gaming industry as well as describing the process of game development in the general level was also seen beneficial for the project.

2.3 Research method and data collection

Research process typically has seven stages which are presented in Figure 1. Process starts with selecting the topic or area to be researched and based on that the aim, the objectives and the research questions are formed to guide the way. Literary review can be described as the longest part of the process and consists of gathering information on the topic as well as reading through other research conducted regarding the problem. (Dudovskiy n.d.)

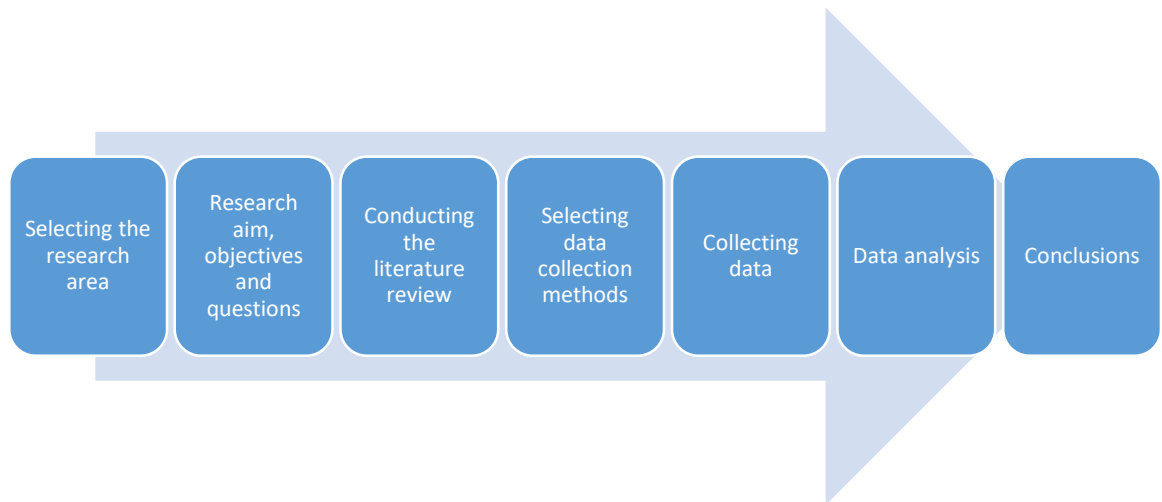


Figure 1. Research process (Dudovskiy n.d.)

Selecting the data collection method or methods are usually guided by the previous steps and learning which method suits best the research problem and finding the answers for it. After selecting the method and finding the best tool to collect the data, collection can be started. The collected data is then analyzed and depending on the research method, the data is grouped and visualized in proper manner. Compiling the conclusions include justifying the actions and analyzing how well the objectives were reached. (Dudovskiy n.d.)

Qualitative data analysis usually consists of five steps: organizing the data, reviewing the data, developing a coding system, coding the answers, and identifying the recurring themes (Bhandari 2022). The process of qualitative research as a whole is presented in Figure 2.

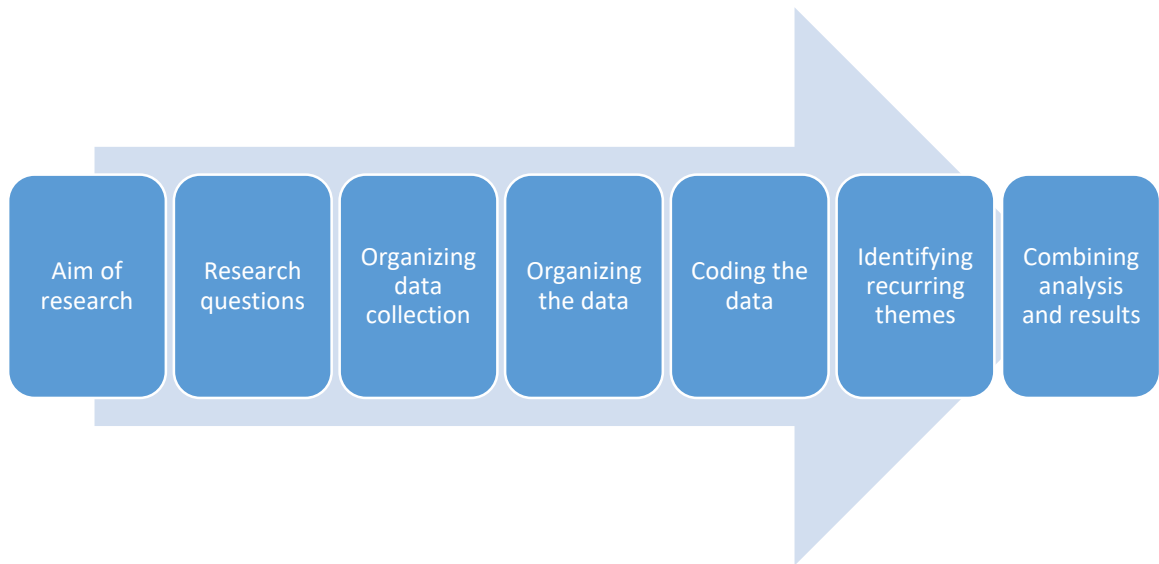


Figure 2. Process of qualitative research approach (Bhandari 2022).

Qualitative research is a process which focuses more on the why something happens and relies on people's experiences. Qualitative research can be conducted for example via observations, interviews, focus groups or surveys. Even though the qualitative research can provide good insight and data collection happens in a real world context, data can also be unreliable, it can be difficult to generalize the conclusions and of course, working with a large amount of data can be time-consuming and requiring much work. (Bhandari 2022.)

The research process started with agreeing the research questions and aim together with the Baltic Explorers -project's manager, creating a tentative structure for the thesis and planning the data collection. For the theory it was clear to include general information regarding the gaming industry and game development as well as internationalization in the industry and how the US is as a market. It was also a wish from the project that the thesis would include a guide where new companies could search for support and resources during their journey. The gaming industry is known for having many born global companies, so also explaining that framework was seen important.

Data collection for the theory was done via online and printed material focusing on especially research regarding the gaming industry and writers who had a connection or interest into the gaming industry, to be able to have a clear picture

of how the professionals see the industry and where it's going. Data analysis in this was done by hand via reading through the answers question by question so that connections between the different answers could be seen but also keeping the theory in mind to note the things that the answers didn't mention. As the answer pool wasn't very large, it was easy to do this by hand and analyze them without coding or using any data processing software, instead content analysis was made. Content analysis focuses in identifying intentions and trends among the answers as well as describing patterns and differences in the content (Columbia University 2019).

Due to the timing of the survey, it was decided that instead of interviews, a survey conducted via online form was the way to go and this would also suit best when thinking about the potential answerer group. Using an online form to conduct the questionnaire enabled to gather the answers from the network even with the distance between answerers and the researcher. Using the online form, it is very easy to create a professional looking questionnaire and the technical side can usually be trusted to work. The only part that was left to worry about was how to write clear enough questions which encourage the network to write as much as possible and that the answers enable also answering the original research problems via analysis. (Heikkilä 2014, 45-46.)

2.4 Research process

I had started my Master's degree studies in January 2021 and my aim was to graduate within 2 years. After completing most of my courses I started to look for thesis topic. I got a hint that XAMK had projects which could offer something suitable for me to research and so I started discussion with Baltic Explorers - project and if their needs and mine matched.

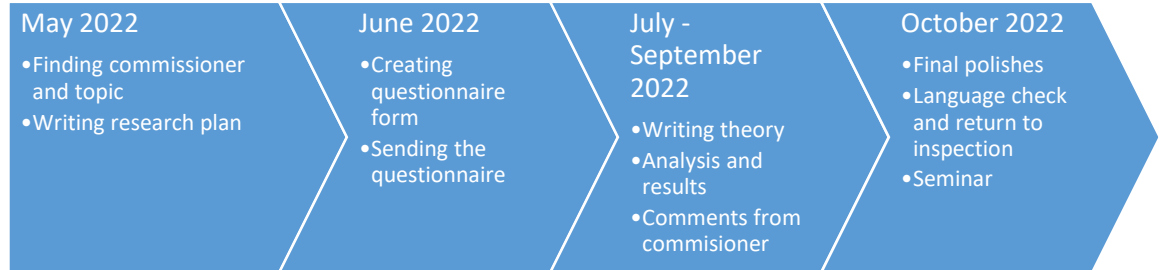


Figure 3. Timetable of this thesis.

In May 2022 the commissioner and topic was clear and it was agreed that questionnaire would be conducted already in June so that the answerers would be reached before summer vacations. During July and September, the focus was solely on gathering the theory and diving into analysis, so that the results could be shown to commissioner in the fall. The project itself will end at the end of 2022, so that is why the thesis was also aimed to be finished before the end of the year. Figure 3 presents the timetable of this thesis.

3 GAMING INDUSTRY

Globally the gaming industry started its journey in the 1970s with Atari, but some development could be seen as early as the 1960s. Arcade machines and games in the 1980s started the technical development and advancement and introduced games to different demographics. In the 2000s the online boom began and the gaming industry grew its revenue to new heights. According to the data and forecast done by PwC (2022) the global gaming industry should exceed a revenue of 300 billion by the year 2026. The growth and forecast of revenue are presented in Figure 4. (Wallach 2020.)

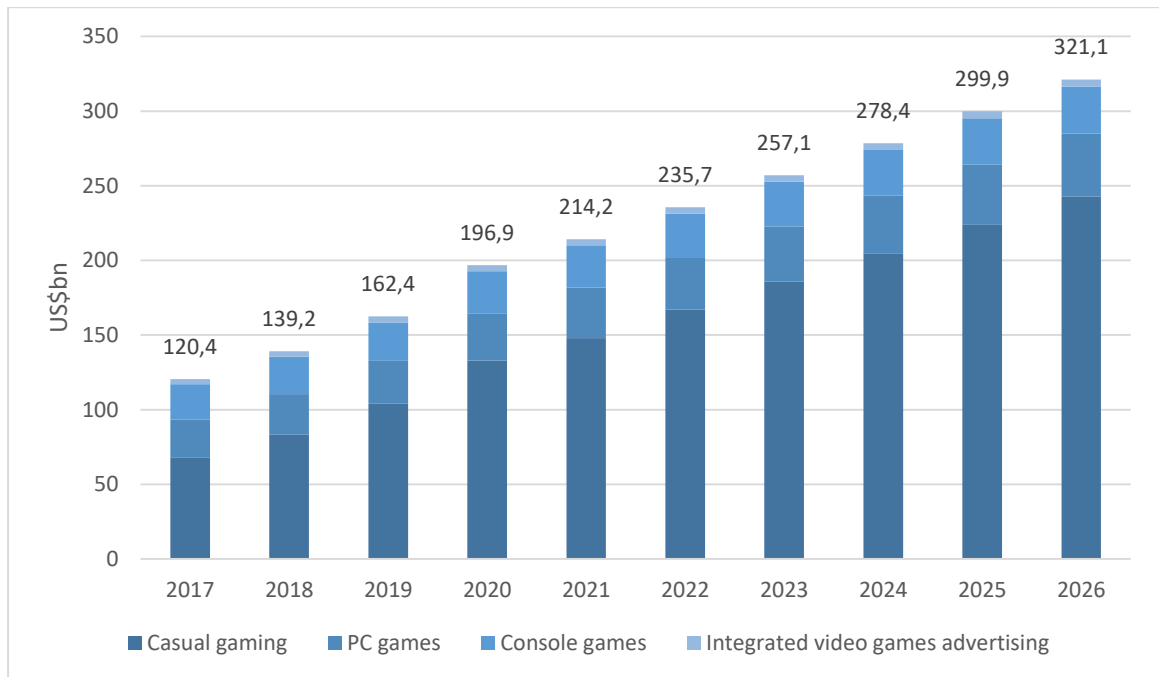


Figure 4. Global video games revenue (PwC 2022).

The gaming industry is nowadays seen as part of the entertainment industry with its many immersive and inspiring forms. The gaming industry as mentioned also has had an impact on the development of technology and devices but also brought e-sports to the limelight. E-sports have currently a viewership of tens of millions and a growing fan base that top even the traditional sports like basketball and ice hockey. (Built In n.d.)

The Finnish gaming industry has already been active over 25 years. During those years, game development has evolved from being a hobby to an industry which is one of the biggest cultural exports from Finland. The history of the gaming industry starts from 1979 when Chesmac, a chess game was released, but it was targeted only for the Finnish market. The first game to be distributed internationally was Sanxion 1986. A boost for the industry came in the form of Assembly event which was first held in 1992 and is still being organized today. (Neogames 2021.)

The start of the 2000s was a tough period for the industry due to difficulties with getting funding as games were seen as risky investments. Despite the difficulties the industry kept growing slowly and the 2010s brought new light in the form of

new distribution platforms and international attention after successions like Rovio's Angry Birds and Supercell's Clash of Clans. Supercell also made Finnish history by rising from a startup into the revenue of billion euros within a couple of years and being the first Finnish gaming company, which had impact on the national economy through the taxes it paid. (Neogames 2021; Lappalainen 2015, 7.)

Finnish gaming companies can be divided into five groups: established ones who have solidified their place in the market, super successes which are global success stories, hot startups which have managed to gather millions of funding to start their journey, small indie studios and companies founded by young first timers. Especially the small indie studios are often forgotten when talking about the gaming industry and its growth. The problem with the small indie studios and companies founded by first-timers usually is that they lack business and marketing knowledge and may not have proper management skills. (Lappalainen 2015, 297-299.)

The Covid-19 pandemic also changed the gaming industry by cancelling or postponing live events, but lockdowns increased game downloads and playing games. At the end of 2020, there were 46 Finnish gaming studios which employ almost 4000 people and is expected to open almost 1000 new positions in the next years. But it is important to note that most of the Finnish gaming companies are small studios consisting of one or two developers. (Neogames 2021; Lappalainen 2015, 8.)

Mobile game development has a strong foothold in Finland but it's domination as a platform has decreased. Many companies choose to develop its games in multiple platforms. The popularity of the platforms in recent years is presented in Figure 5. Mobile platforms are still in the lead and PC comes in strong third while it has lost its percentage a bit. AR or augmented reality games have had the biggest decrease in development. (Neogames 2021.)

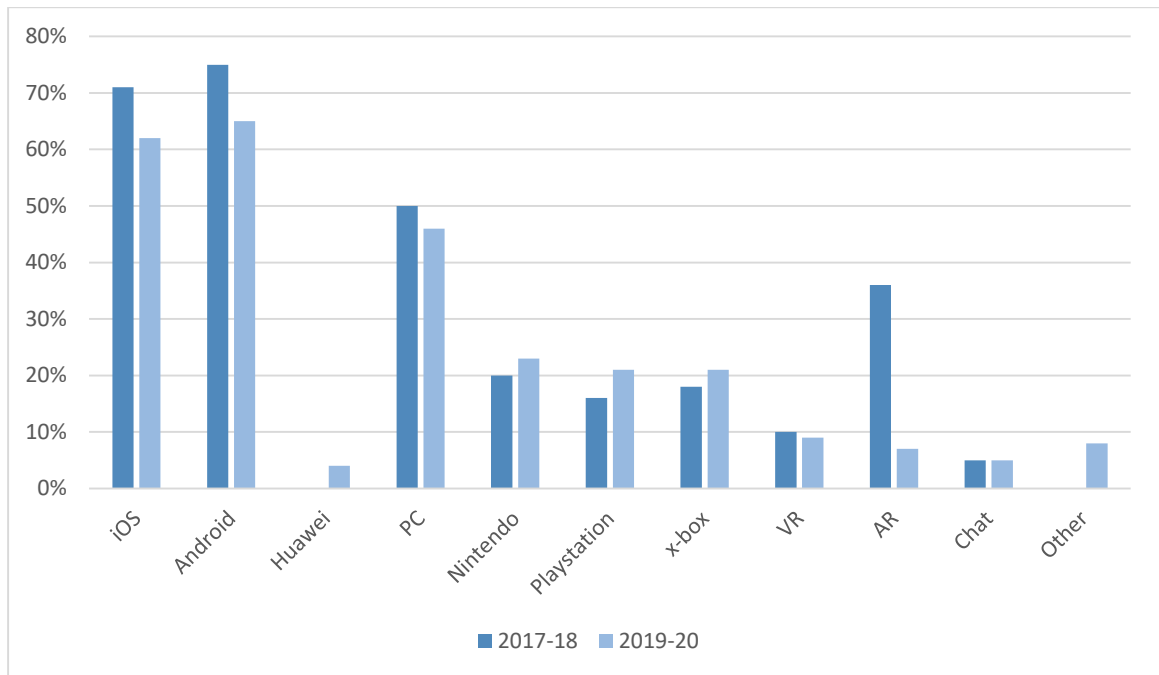


Figure 5. Popular platforms used in Finnish game studios (Neogames 2021).

On the financial side, the Finnish gaming industry had a turnover of 2,4 billion euros in 2020. Even though Covid-19 had its impact on the industry, they still managed to grow their turnover from previous years. Even though there have been big successes like Rovio and Supercell, their weight on the numbers has decreased, meaning that there are also other companies bringing money in. At the end of 2020, there was 46 studios with an annual turnover of more than 1 million euros and a median turnover being 360 000 euros. Net profit in the industry was over 500 million euros and therefore contributed greatly in the Finnish economy. The main public source of funding in the industry was Business Finland, while most funding remains business oriented. (Neogames 2021.)

Research conducted by Stewart Karlsson and Flodman (2014) found that top-earning Nordic game developers had well-implemented business model, targeted the right audience, and delivered fun games which were easy to discover by the players, to be able to succeed. Härmä (2013) deep-dived into the Finnish mobile gaming industry and found in his research that experienced developers, boldness to try and fail, a global mindset, support from the governmental level as grants and local educational systems help companies in the industry to succeed.

In general, the Finnish gaming industry has many strengths like a secure and stable society with decent salaries and many public services. The amount of available resources and funding which also takes account even the early-stage start-ups and there's even access to international risk funding. With already established studios and their success, network and clusters are available. Gaming culture and communities are also strong, providing knowledge and a good ecosystem. But there are also many challenges, like accessing international talents, educating the new generation of developers and many regulatory changes in technology, which may also bring some headache in the gaming industry. (Neogames 2021.)

3.1 Development and publishing

Planning, development and publishing a game is a long journey which may take many rounds of fixing and re-thinking your game idea. The main steps of getting from having an idea or concept to a prototype are presented in Figure 6. Idea or concept can include some sort of general idea how the game would work and what the story is about. Before jumping into development, careful planning should be made. Planning should include a description of the game idea, target audience, budget and platform. Basically, planning is very similar to creating a business plan. (Roll D6 Games n.d.; Maunula 2021.)

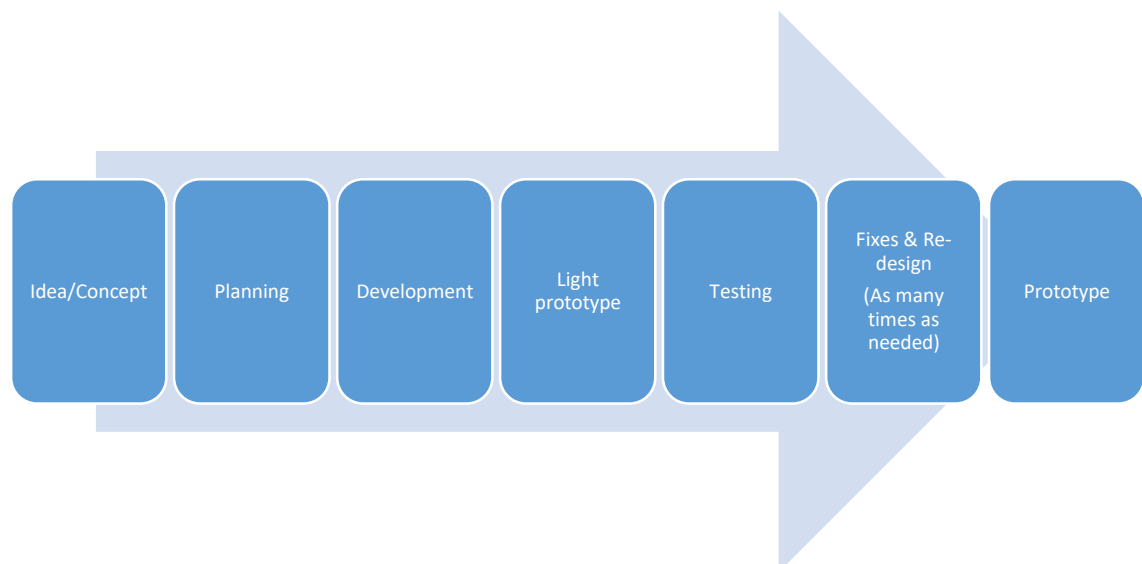


Figure 6. Main steps of game prototype development (Roll D6 Games n.d.; Maunula 2021).

Kemppainen (2022) suggests that since ideas are a core of game development, one should try to come up with new ideas every day and write those ideas down. On weekly basis, one of those ideas should be written into a short concept. Then on monthly basis, one of the short concepts should be broadened into a plan and a few times a year those plans could be developed into prototype or demo. This is an ambitious pace but it is a good example of how many tries and errors creating one good game may require.

Part of the early phase of development and planning is deciding the platform and thinking about what hardware players are using to play the game. According to Greenspan (2013) video games can be divided into three groups: console, personal computer and mobile. Each have their own characteristics which are presented in Figure 7.

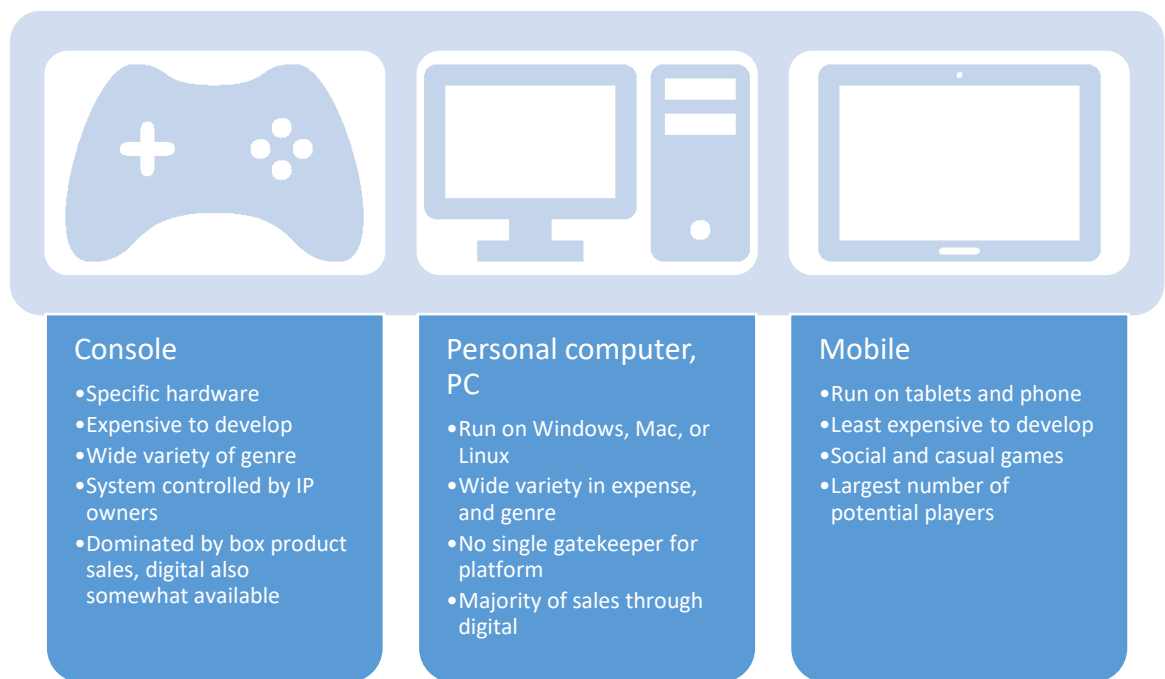


Figure 7. Categories of video games (Greenspan 2013).

Development at this point is basically turning your concept into a playable game with elements and basic mechanics of the game. Light prototype, which can be as simple as drawing on a paper, can help you clarify your idea and bring forward possible changes you must think through. Testing is a key step in the development process and helps you notice any bugs and problems. Testing is

usually done in four phases: prototype testing, fine-tuning, breaking the game and usability testing. Each one brings you different kind of information on your game and what fixes or re-designs it may require. One round of testing is not usually enough, and it should be conducted as many times as necessary. After all the testing and development, you have yourself a prototype. A Prototype usually is a playable game which should also include instructions, specifications and artistic aspects like music, animations, and special effects. (Roll D6 Games n.d.; Maunula 2021.)

Part of the game development is also taking caring of the usability and playability of the game. Playability basically means the playing experience and how the player interacts with the game. It can also include the fun and challenging parts of the game. Usability consists of the interface and how well the platform and the structure of the game works. The SCI-model describes different immersions which lead to losing oneself into a game and therefore means that developers have figured the right game experience. Figure 8 presents how the gaming experience forms in the interaction between the player and the game in the SCI-model. (Serola 2010, 320-321.)

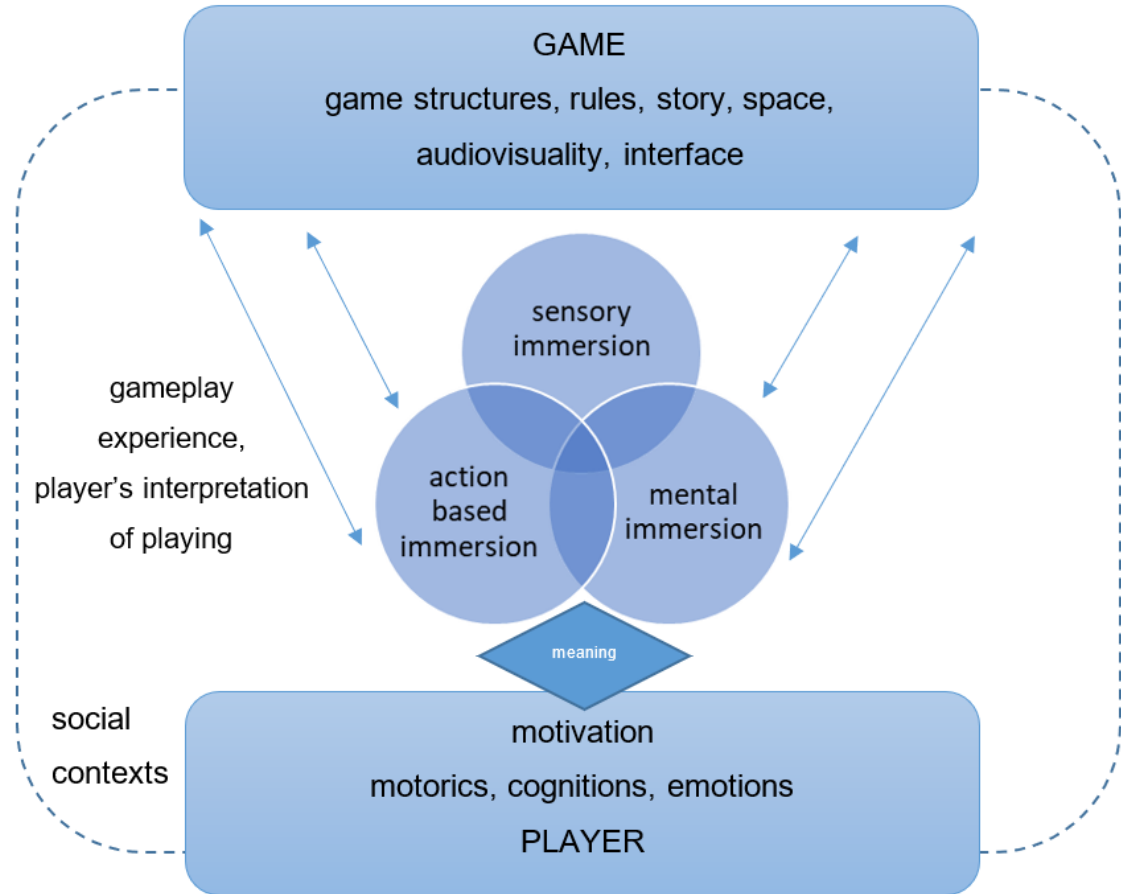


Figure 8. Gaming experience SCI-model (Ermi et al. 2004, 99).

Game development team usually consists of multiple creative people combining their talents together to create a game. Developers are the ones writing the code which everything is built on. Artists handle the visual and sound aspects of the game. Designers are responsible for the idea, how the game is played and what are its rules. Testers can be from the development team, but it is usually beneficial to have outside testers who can you give feedback on the possible flaws and can see the game in a different way. Producer leads and guides the whole development team and makes sure that the project is moving forward within the timetable. Producer also usually acts as representative to publishers, management etc. (Valanne 2021.)

Utilizing players as a source of knowledge can be a great advantage to gaming companies. Players can be considered as specialists, and they can provide good insight whether the game structure or the story works. Trends can also be

detected through conversations with the player community. (Cohendet & Simon 2007.)

The traditional way to publish a game is quite straightforward. After the prototype and demo has been done, they are represented to potential publishers. Production and the IP rights are sold to the publisher and they will publish the game, handle the marketing, and get the game to stores for players to buy. Digital distribution makes the process even easier by eliminating the need for actual suppliers and distributors to stores. Gaming companies may not even need an outside publisher, because they can publish the game themselves on the platform of their choosing and therefore also keep the IP rights for their game. By handling the distribution and publishing online, gaming companies can also make the best of profits. In addition to IP rights, gaming companies can also have the rights to choose the platforms used, whether they want any partners involved and using the monetization models of their choice. (Hiltunen & Latva 2013.)

Choosing and finding a publisher can be hard, especially for a new company that doesn't yet have previous work to speak on their behalf. Greenspan (2013) suggest that there are certain question developers should ask from the potential publisher:

- What games they have published before and how well they did?
- Does the publisher have the resources and expertise to market and distribute the game?
- Do they use sub-distributors? For what?
- Have the previous developers been satisfied with the publisher?
- Does the publisher have relationship with the hardware manufacturers, retailers and platform companies?

If the gaming company chooses to publish the game themselves, the value chain is more straightforward from the company to the customer. But with an easier chain, there's more responsibility on the company to handle sales, marketing, and other functions. (Piesala 2016.)

There are many tools available for game development and publishing. These tools are presented in Table 1.

Table 1. Useful tools for game development and publishing.

Tool name	Used for	Website
Steam	Distribution	www.store.steampowered.com
Unity	Development, Content creation	www.unity.com
Itch	Distribution	www.itch.io
Game Jolt	Distribution	www.gamejolt.com/marketplace
Humble Bundle	Distribution	www.humblebundle.com
Kongregate	Distribution	www.kongregate.com
Google Play	Distribution	www.play.google.com/store/games
Apple Store	Distribution	www.developer.apple.com/app-store
Character Creator Pipeline	3D modelling	www.reallusion.com/character-creator
Mixamo	Animation	www.mixamo.com
CeltX	Scripting	www.celtx.com
GameBench	Testing	www.gamebench.net
Twitch	Live streaming, Content creation	www.twitch.tv
RPG Maker	Development	www.rpgmakerweb.com
Unreal Engine	3D creation	www.unrealengine.com
GameMaker	Development	www.gamemaker.io
GIMP	Graphics	www.gimp.org

Choosing the right platform for development and distribution can help in creation of a great game but saving time with ready-made automated operations. The amount of different activities even one game require is huge and having proper tools to handle all is the key to finally achieving a publishing ready game. (Startup Stash 2022.)

3.2 Funding, monetization and revenue

Money is of course part of the business in the gaming industry. Seeking funding to be able to develop the game and the business, choosing right ways to monetize the game and gathering revenue for future endeavors.

When starting the business and development of the game, funding or some sort of financial support is usually needed. Funds can be of course savings of the founders, but there are also other ways of gathering funding. The benefit of having a publisher solves sometimes the financial problem but there are also other instances which offer financial support, few of those are presented in chapter 4.3. Planning and tracking the use of funds helps applying them and making sure that the company uses the funds efficiently as possible. Ilkka Paananen from Supercell has said about getting funding from investors: "The golden rule is: take as much money as you can and take it when you do not need it, because that is when you get it easiest. If the applicant is in a state of necessity negotiation position is weaker". (Greenspan 2013; Lappalainen 2015, 171.)

After getting enough funding and starting the game development itself, there is a question of how to monetize the game. This is an important question since changing the earning strategy later maybe difficult. When the strategy is at place at the time of the development, it is easier to integrate it smoothly into the game. Utilizing analytics and marketing information will also later on help the company to develop the game further in the direction. (Määttä & Nuottila 2016.)

Premium model is the traditional way of selling and means that the player buys the whole game before accessing it. The game can be a physical copy, a digital one or both as a package. Even though the premium way is a very widely used and relatively easy method, it can prevent some players from trying the game or some investing more money into it. Another approach to premium is offering early access which lets players to purchase the game at a lower price when the game isn't necessarily fully ready yet. (Rocket Brush 2022.)

Free-to-play or also known as freemium games are distributed for free but have extra content which can only be accessed by purchasing them. Extra content could be special items, new levels or even removing in-game ads. Freemium model has been very popular, especially in mobile games and its popularity can

be explained with acquiring a large player base with free content. (Greenspan 2013.)

Advertising which often links to freemium model, can produce some revenue but is usually a small piece of the monetization puzzle. In addition to revenue, advertising can help with analyzing the player and game data for further development. An important notion regarding advertising is of course following privacy laws and other regulations. (Greenspan 2013.)

In-game purchases usually consist of buying extra features or items within the game so via the purchase player gets a digital product which doesn't exist outside the game. These microtransactions require knowledge of taxation and also how to handle data regarding the purchases, of example location of the transaction. Loot boxes with randomized contents can be seen as gambling and therefore require complying with gambling laws but there is also an ethical issue regarding offering gambling in this form to children. Research conducted by Raneri et al. (2022) found that purchasing loot boxes may lead to gambling disorder and suggest that changes in the industry may be necessary to protect those vulnerable. (O'Bannon 2013; Lazarus 2020.)

Other forms of monetization include selling consumable (disappears after use) and non-consumable (permanent access) items, selling add-ons or expansions, including branded content to the game, subscription model, selling merchandise and setting up a paywall after the free trial period. And of course, the most innovative developers come up with new ways to monetize their idea. (Grguric 2022; Spilgames n.d.).

If the gaming company has chosen to use a publisher, there are a few different ways the revenue is distributed. Typically, most will of course go to the publisher who will handle other payments. In this situation, the developer usually gets their share via royalties based on the earnings of the game. Developer and publisher can also agree on the percentage which both parties will have, again based on

the revenue. An example of revenue sharing is presented in Figure 9. (Greenspan 2013.)

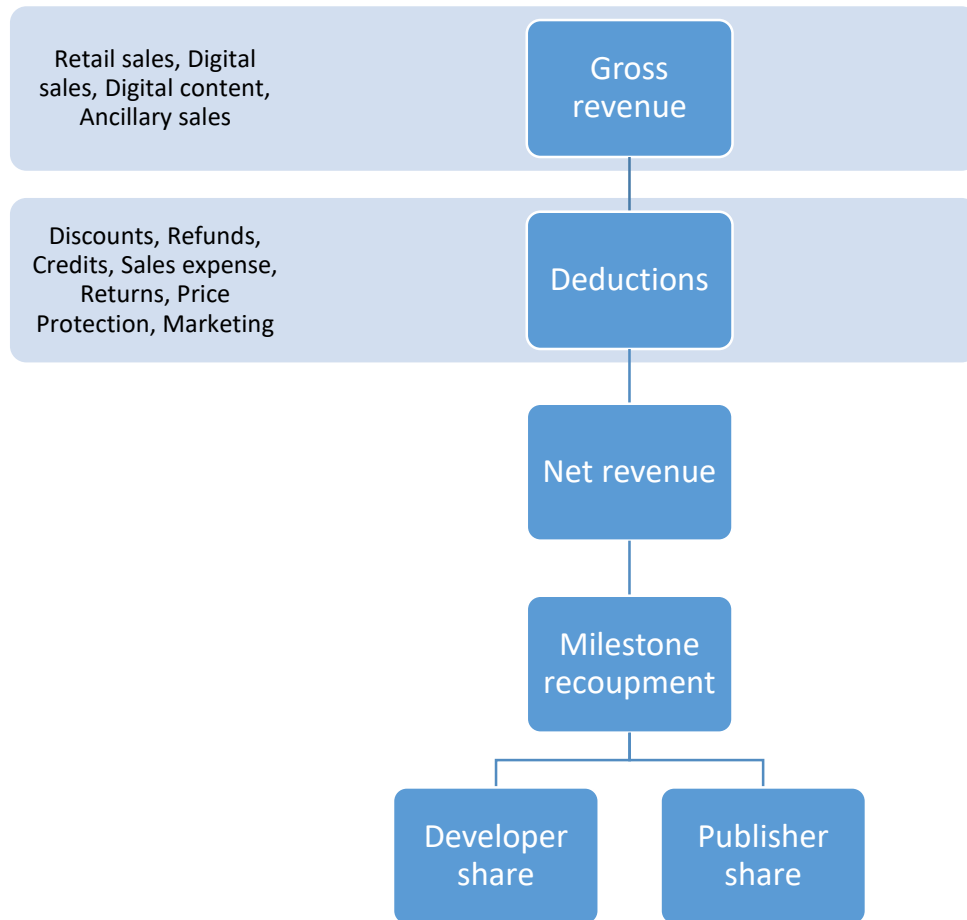


Figure 9. Example of revenue share between developer and publisher (Greenspan 2013).

For the gaming company, it is important to go through the terms of the agreement carefully regarding the revenue sharing but also rights, costs and other business issues. Legal aid should be utilized if company doesn't have a specialist or a professional who can go through the terms. (Greenspan 2013.)

4 INTERNATIONALIZATION

Internationalization in the gaming industry can be described in two ways. Companies can choose to distribute their games outside their home market right from the start or they can modify their already published games to fit the target market by localization. Both ways require analyzing their idea and business plan and communicating about their game to different cultures. Utilizing the best

practices already known in the industry will help the new companies on their way to success. (Bussey 2020.)

A study conducted by Piesala (2016) found that internationalization is essential for digital gaming companies, especially coming from small economies like Finland, because the local population won't bring enough customers and therefore enough revenue. A study conducted by Roma and Ragaglia (2016), also supports that it is vital for mobile gaming companies to acquire a substantial user-base to ensure at least adequate revenue stream. Because of this, internationalization is often part of companies' strategy right from the beginning. Piesala's study also showed that there are two paths of internationalization for gaming companies. The first being through publisher and their sales channels or doing the international leap independently handling sales and marketing by themselves.

The gaming industry, especially video games, have that advantage that they can be developed anywhere in the world and distributed basically anywhere using global platforms. One can say that they are naturally international, even though some consideration on their content is a must so that a game can become an actual success. Internationalization can also bring some negative sides to the industry because the competition is harsh. Games nowadays often lack cultural references to a certain place, and they are many times developed to be easy to adopt anywhere in the world without understanding certain cultural references. Games distribution has also been done by a few bigger players in the industry which also means that the Finnish economy may not see many wins from game successes sold to international giants. (Koivuniemi 2015.)

Internationalization can also be many acts beyond the game. Companies and their employees can attend fairs and meetings, so that they can network, gain knowledge, and find talents. By networking it is also possible to find partners who can provide support, funding, and general guidance on the target market. Having some sort of local representative or guide can help to navigate possible local meetings and corporate happenings. Even though the gaming industry differs a

bit from traditional business actions, all these still apply to making it outside Finland. (Ängeslevä 2013.)

4.1 Born globals

Cavusgil and Knight (2004, 124) define born global as "business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries" and also mention that born global company has core interest towards worldwide focus instead of more traditional way of the initial focus on the domestic market and spreading their wings gradually towards international markets.

Born global is a term used to describe companies which aim to compete in international markets right from the start or quite soon after founding the company. Born global companies can also be called early adopters of international presence and their management focuses on performing globally. Many times, these born global companies are in the technology sector, are relatively small and have only few resources. The market in the home country is not big enough for them and most potential customers are foreign. Research conducted by Lauri (2009) also found that most companies in the game industry which are based outside the US tend to become international right from the beginning because of the small markets in the area they are based in. The success for the born global company requires creating an ecosystem which comprises its clients, other companies in the industry and also companies from other industries, so that they can secure their foot place. (Tanev 2012; Cavusgil & Knight 2004; Cavusgil & Knight 2009.)

The framework by Madsen and Serveis (1997) clearly explains the factors behind the born global approach to internationalization (Figure 10). Factors that they proposed to consist of basically what the company has before starting the company, what is found within the company when starting and operating and what moulds the market and the business from the outside. Research conducted by Amaral and Walther (2017) found that the past international experience of the

founders may not have a straight impact on success in international markets, but instead the industry knowledge and network are far more important and therefore confirm the organizational factors. Interesting notion from said research is that even though the market research is a part of the business process, case companies had a hard time predicting the future performance and potential of a certain area.

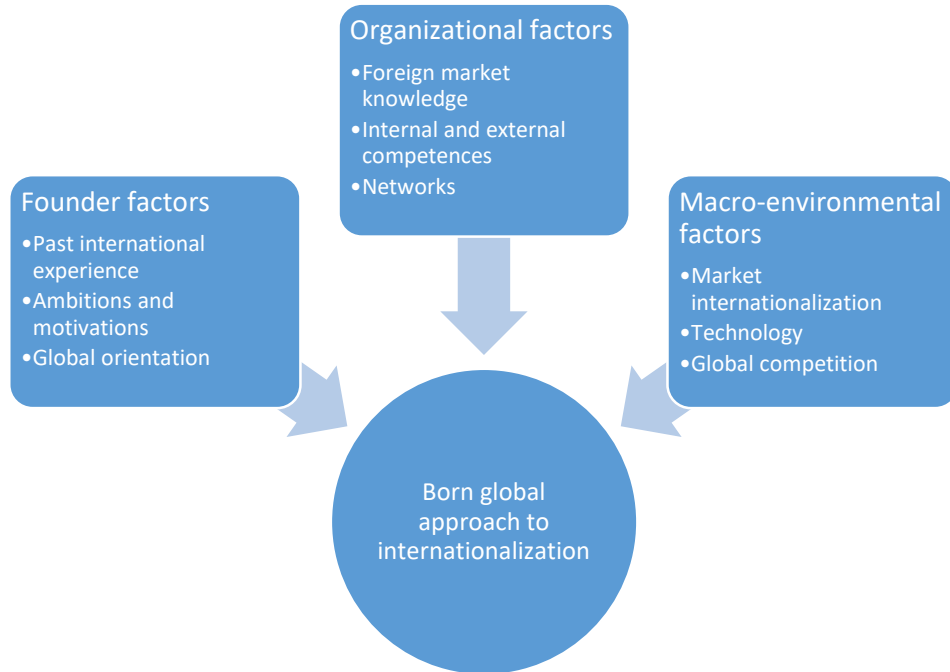


Figure 10. Born global factors on internationalization (Madsen & Servais 1997).

The distinctive characteristics which describe well both gaming companies and born globals, and therefore link them heavily together, include: international vision, entrepreneurial mind-set, emphasis on quality and differentiation regarding products and a broad spectrum of innovating. Product-wise born globals almost always have something new to offer to the market: method, technique or design. The uniqueness of their offering with the international vision accelerates the succeed globally. (Cavusgil & Knight 2009; Gabrielsson et al. 2008.)

When looking at especially gaming industry and companies which choose to handle publishing their games themselves, there is actually a requirement for rapid internationalization in order to be able to succeed (Cunningham et al. 2012). With the current technological advancements, especially the internet is a

driving tool for born global companies towards global success (Sinkovics et al. 2013).

4.2 Internationalization process

The traditional gradual internationalization process is described by Johanson and Vahlne (1977) as the Uppsala model is presented in Figure 11. The Uppsala model's approach to internationalization is a bit more cautious and slower than that of born globals. Due to the gaming industry's unique characteristics, the Uppsala model doesn't apply very well into their internationalization, but the born global model fits the industry better.



Figure 11. The Uppsala model process (Johanson & Vahlne 1977).

Englis and Wakkee (2015) have researched the born global creation process and found that it integrates highly on the globalization process. The creation process according to the research consists of three phases which are presented in Figure 12. Opportunity recognition includes discovering the original idea and developing it into a business opportunity. The next step is transforming the business idea into a concept but also creating knowledge and resource base related to it.

Opportunity exploitation as the third step includes delivering the product or service to customers, engaging with the global customers and getting feedback.

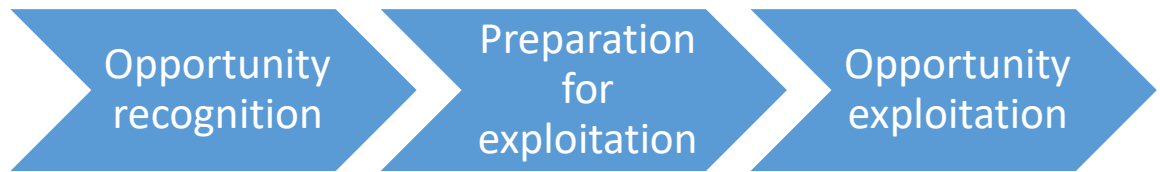


Figure 12. Born global creation process (Englis & Wakkee 2015).

As the start-up and internationalization processes for born globals go hand in hand, research shows that those companies also rely on their personal resources and skills rather than building them over time. Born global companies rapidly activate and establish networks which complement and fill the possible lacks or gaps of resources or knowledge. (Englis & Wakkee 2015.)

Gabrielsson et al. (2008) argue that the core difference between the Uppsala model and the born global process is learning about the international market. The born global companies have a more direct way of learning instead of the traditional way of learning prior to entering the market. Commitment seems to be achieved faster also in the born global companies than those of the Uppsala model.

4.3 Resources for new business

Even though the idea for the game may come from one individual or small group, making the actual game happen usually takes multiple persons' participation. In addition, there are also many organizations and companies who provide funding, expertise, and mentorship for gaming companies. In my opinion, it is crucial that especially new companies seek help, and it definitely doesn't hurt for older companies to also change ideas so that the industry develops further. Table 2 presents the most common resources for finding funding, guidance, or industry networking.

Table 2. Organizations providing helpful resources for the gaming industry.

Organization	Resource	Website
Business Finland	Funding, Expert network	www.businessfinland.fi
Finnvera	Funding	www.finnvera.fi
Suomen kulttuurirahasto	Funding	www.skr.fi
Nordic Game Ventures	Funding, Guidance	www.nordicgameventures.com
IGDA Finland	Promotion, Networking	www.igda.fi
FiBAN	Funding	www.fiban.org
Neogames	Networking, Business support	www.neogames.fi
Play Ventures	Funding, Guidance	www.playventures.vc
Sisu Game Ventures	Funding, Guidance	www.sisu.vc
Suomen Pelinkehittäjät ry	Promotion of interests in industry	www.pelinkehittajat.fi
Finnish Game Jam	Development support	www.finnishgamejam.com
Game Makers of Finland	Labour union for workers in the game industry	www.peliala.fi

Research conducted by Piesala (2016) found via interviews that networking helped the firms to get them up and running, but also later on seek resources like funding and mentorship. According to the results start-up companies which already had founders or management with established network both locally and globally could speed up their internationalization process and gain funding easier. Local networks were found to help building the business and gaining practical support. The global network was of course harder to establish but having them is crucial for sales operations and getting published. (Piesala 2016.)

5 MARKET ANALYSIS: THE UNITED STATES

The United States of America (also shortened as the United States) consists of 50 states and 1 district and has been independent since 1776. With over 9,8 million square kilometers in area, the United States is the fourth largest country in the world by size and the third largest by the population of over 337 million. The United States also has overseas territories which also add up to its area and size. The United States doesn't have an official national language, but English is the majority and has official status in most states. (CIA 2022.)

The United States as a country and as a market is very wide and complex, so it is very important especially for new and smaller companies to do their groundwork well and know what they are up against. Good tools for familiarizing with their target market but also to create the strategy for their operations are for example PESTEL, Porter's 5 forces and SWOT. This thesis focused mainly on PESTEL with a brief notion regarding competition in the industry, but other tools can also be considered in real situations.

PESTEL is a tool created for analyzing the business environment on different aspects: political, economic, social, technological, environmental, and legal. The dimensions of the analysis with a few examples are presented in Figure 13. By utilizing the PESTEL analysis, companies can identify key drivers for change and also it can help to create a clear strategy and goals for the business. (Johnson et al. 2008, 55-56.)

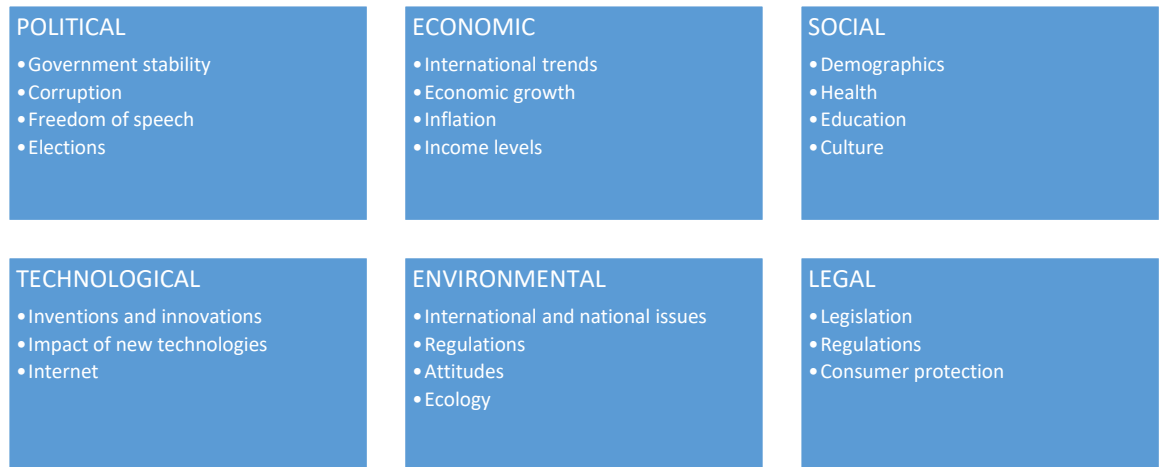


Figure 13. Dimensions of PESTEL analysis. (Rastogi & Trivedi 2016, 387)

PESTEL can also be referred to as PESTLE or variate as PEST (political, economic, sociological, technological) or STEEPLE (social, technological, economic, environmental, political, legal, ethical). As PESTEL is a tool, it is important to choose the most suitable form of it so that company's or organization's objectives are fulfilled with the analysis. (Rastogi & Trivedi 2016, 386.)

PESTEL analysis requires research, gathering of information and critical thinking, so that the results of the analysis can be utilized in the best possible way, the organization's next steps are identified, and the decision-making process is made clearer. The analysis itself is a great tool when done right but it is also important to learn from the process and of all the findings made during the process and analysis. Therefore, the action plan based on the findings is the key outcome and monitoring the plan later will help on the way to internationalization. The main process of going through the analysis is presented in Figure 14. (Reding 2021.)

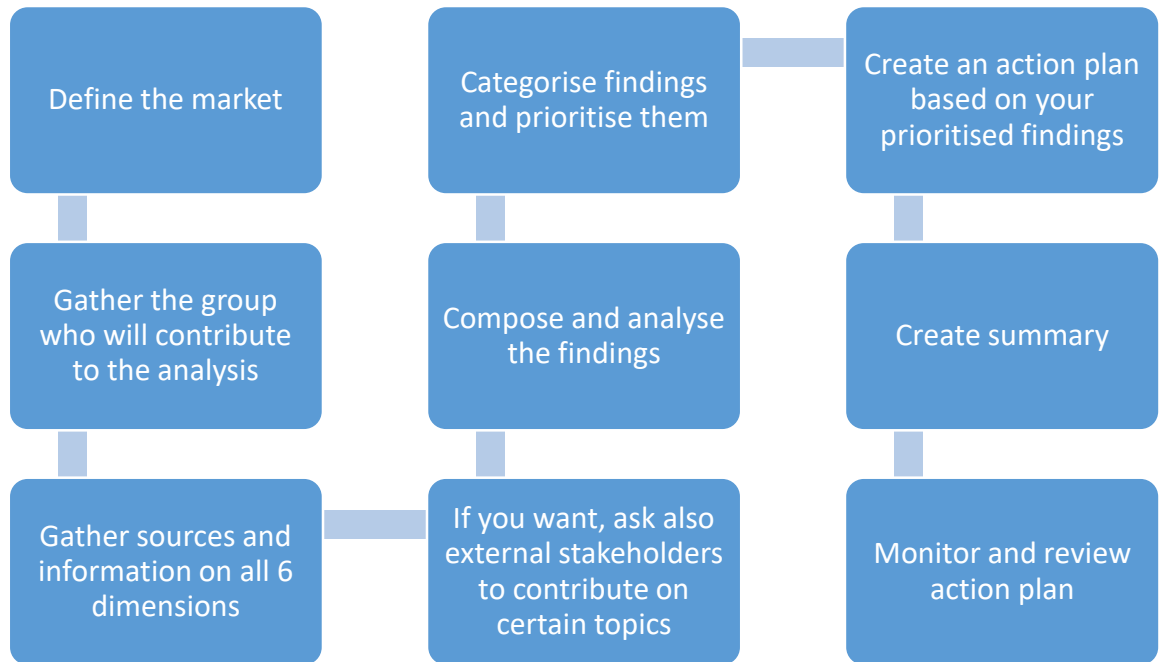


Figure 14. PESTEL analysis process. (Reding 2021.)

PESTEL analysis and other aspects of the US as a market will be discussed more in the next chapters.

5.1 Customs and corporate culture

The United States being a large country but also being well known through films and media, may create a false image of how things may be done and how people act in the corporate world. Like in any new market area, it is crucial to do proper research and know your target market and its true features well. Tips on acting in the US business culture are pictured in Figure 15. (World Business Culture a 2022.)

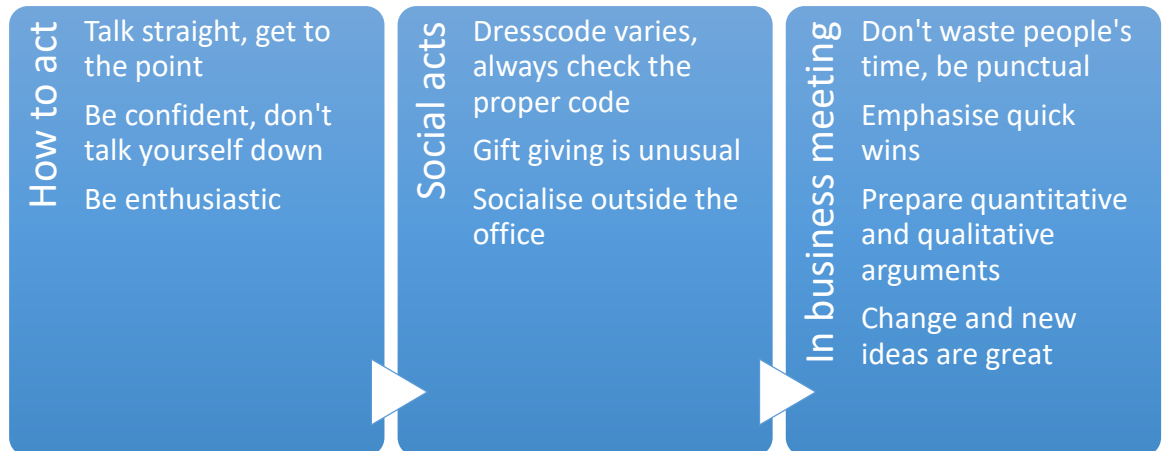


Figure 15. Business culture tips on the US (World Business culture b 2022).

There are also things to know about communicating in the US business world. Sports metaphors are often used, so it would be beneficial to learn a few, if not to use but to understand what the counterparts are talking about. Using your native language in a room where not all speak or understand it, should be avoided. This could be seen as offending or excluding others from the conversation. Generally, while speaking and networking, it is very important to make eye contact, smile and make small talk. When using e-mail or other forms of messages for communication, always check on your spelling, be informative and use correct salutations. While text messages are not considered a good form of communication in the business world, LinkedIn is a good professional platform to reach out and connect. (USC Marshall 2020.)

In business meetings as mentioned in Figure 15, it is important to arrive on time, especially when you are hosting the meeting. A friendly atmosphere is appreciated in the meetings and even humor can be used in conversations. Thinking aloud and imagining ideas during the meeting is normal and most times encouraged. Silence can make Americans uncomfortable and therefore they may seek to fill the possible voids. Disagreements may occur and they may be presented even bluntly. Don't rush to an agreement but some sort of verbal seal is often reached. (Cultural Atlas 2022.)

5.2 Political environment

The United States is a constitutional federal republic and the president acts as a chief of state and head of government. There are two main political parties: the democratic and the republican, but also a few smaller ones including the reform, the green and the libertarian parties. The United States is also a member of many international organizations including WHO, NATO and UNESCO. (CIA 2022.)

In political view the 2020 decade started with a bang. Joe Biden was elected as the 46th president with the first female vice-president Kamala Harris by his side. In 2021 mob of his opponent's supporters rushed to the US Capitol trying to prevent the certifying the results of the election. In addition to the internal ruckus, there was also an international fight against the Covid-19 pandemic which also dominated the political field. (Santander 2022.)

The United States has fallen into a deep division and even undergoes some democratic backsliding. The United States no longer is in the top 30 liberal democracies, voters are pessimistic towards the future and President Biden's ratings have been decreasing even though there have been some achievements: vaccination rates, economic growth and new jobs and reduction in child poverty. (Jackman 2022.)

When looking into taxation in the United States, it is important to understand the different levels of taxation businesses must handle. Business structure has an effect on what businesses must pay and how. There are also local tax laws depending on the state. In 2017 a new taxation law was signed which decreased the corporate taxation rate from 35 % to 21 %. The new law also restricted how deductions of rates could be used. Notable is that this new taxation law has affect especially on companies which had less taxable income in US than the amount of royalties and services fees paid to the foreign parent company. Meaning that those companies which have high taxable income in the US, benefit from the reform. (USA Gov 2022; PwC 2018.)

United States are part of a few international trade agreements, for example NAFTA and ASEAN (CIA 2022). Like in Europe, also in the United States international trade both in goods and services has become increasingly important. This has also brought a need for rules and laws that govern the trade but also protect intellectual property. There are also new agreements under negotiations so that the United States can strengthen their economy. Many agreements are with developing countries because of having duty-free exports. A notable thing on trades is that even though services account a great deal of total trade because they are invisible, it is also problematic to collect data on them and therefore identify the barriers regarding them. (Krist 2022.)

5.3 Economic environments

The economy in the US like many other around the world was shaken by the Covid-19 pandemic and especially caused inflation to rise. The US economy has recovered but there is still work to be done to get inflation to target. Because of Russia's attack to Ukraine, there are also increases in gasoline and food prices, which in addition to the inflation rate have increased the hardships of households and decreased their purchasing power. All of these may also lead to higher unemployment and a rise of the interest rates. (Hodge 2022.)

The covid-19 pandemic also had sort of positive affect on the gaming industry since people had to spend more time at home and had time to play. Video-game internet traffic increased hugely in the US since the pandemic restrictions came about. Steam, an online platform of video games, hit their peak of players and Twitch, a game-play streaming service, doubled their average viewership. The video game market has been estimated to grow by 26 % during the pandemic but it is important to also note that the industry is still not clear from the effects of the recession. The shortage of components and hardships in supply chains in general have had its impact on the selling of machines and consoles. The cost of living in rise will also mean that people may not consume as much to services like video games. But there is also some light ahead and estimates say that market should begin to grow again in 2023. (Ball 2020; Browne 2022.)

The employment situation in the US at the time of writing this thesis was 3,6 % which has been the level for few months in a row but has decreased from the high level of over 14 % at the start of the pandemic. In the first quarter of 2022 the GDP had decreased for the whole nation at an annual rate of 1,6 % with 8 of 21 industry groups having decreased. The leading industries being nondurable goods manufacturing, retail trade and finance. (BLS 2022; BEA 2022.)

According to American Gaming Association (2021) top concerns that may limit operations include supply chain delays, interest rates, shortage of labour and uncertainty of the economic environment. These issues mean that companies' management must pay greater attention to them while keeping also mind of consumers' health and safety issues.

5.4 Social environment

The US has a population of over 337 million (CIA 2022) and the largest demographic is 25–54-year-olds as depicted in Figure 16. According to Entertainment Software Association (2021) the average age of video game player is 31 years and 67 % of American adults are players meaning that the largest demographic is also the largest group of people that play some sort of video games.

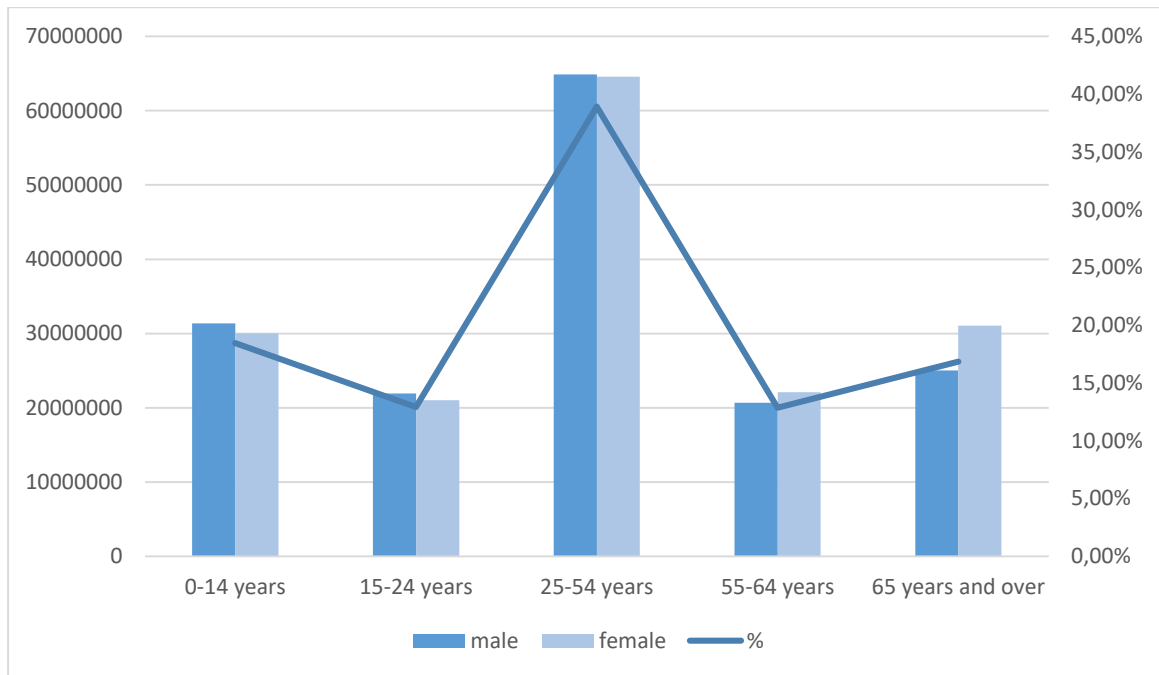


Figure 16. Age structure of United States. (CIA 2022.)

The unemployment rate in the US has been around 4 % and a little over 15 % of the population lives below the poverty line (CIA 2022). The national graduation rate from high school is 86 % and it has increased from what it was 10 years ago (Riser-Kositsky 2019). In 2021 the highest level of education among the population 25 or older was high school graduation (27,9 %) with bachelor's degree (23,5 %) in the second place (Census Bureau 2022).

In 2020 median household income was 67 521 dollars and real earning 41 535 dollars, which both had decreased from the previous year. Also, the poverty rate had increased to 11,4 %, meaning that in 2020 there were 37,2 million people living in poverty in the US. Because of Covid-19 and inflation in the US, prices have been up but at the same time income hasn't increased at the same pace, meaning that people are also spending less. Consumption of services has although started again after the pandemic, and there is some demand for travel. While the food and fuel prices rise, it may take a toll again on the service industry. Estimates say that Americans saved a little over 5 % of their after-tax income in May 2022, while before the pandemic that same figure was about 7 %. (Census Bureau 2021; Casselman & Smialek 2022.)

When looking into future estimations on the US demographics, by 2050 people 65 or older have outnumbered those 18 or under. The views regarding having children are also shifting towards people being less likely to have children which will also lead to into more aged population and a rise of the average age in the country. Estimates also say that the US will be more racially and ethnically diverse in the future making the majority of the population nonwhite. This although may be perceived to lead to more conflicts between racial and ethnic groups. (Pew Research Center 2019.)

5.5 Technological environment

The US has been and continues to be one of the technologically powerfully economy with 2,4 trillion dollars R&D expenditure in 2019. US companies are the technological forefront in many areas, for example computers, aerospace, and military equipment. The majority of the R&D is dominated by the business sector while the governmental side focuses mainly on defence. (CIA 2022; NSF 2022.)

GCI or Global connectivity index ranks nations annually based on their ICT investments, digital economic performance, and ICT maturity. In 2020 on GCI ranking the US placed first with a score of 87, while Finland was in sixth place with a score of 76. In technology enablers, the US received high scores in broadband and cloud, while AI was not that much over average. When looking into 4G and 5G connections, Finland actually scored higher than the US, but both countries are above average. (Huawei 2020.)

As the US economy has a growing focus on technology and innovation, there is also extensive laws regarding intellectual property (IP). On federal level, the IP laws can be divided into four main categories: patents, copyrights, trademarks, and trade secrets. Regarding all of four forms of protection, there are descriptions how they are created, how to obtain rights and what the rights include. When applying the IP laws to the video gaming industry, it gets a bit challenging since a single game is a combination of program, pictures, designs, music, trademarks and so on. And to add another layer of challenge, many games are distributed

worldwide, so specific regulations in all jurisdictions should be considered by the companies. (Hickey 2022; Piechowka 2021).

The gaming industry itself has also made an impact on technology and its development. Blockchain basically lives on information, delivering and receiving it faster and more accurately via distributed database. Differing from traditional database, blockchain structures the data together and this data block is the added to the chain of other blocks. Blockchain technology is now finding its way to other industries like finance and healthcare and may change how they are conducted in the future. (Spiel Times 2022; Hayes 2022.)

Future trends of the gaming industry will of course include more use of blockchain technology and its applications, but there will also be other aspects which may shape the industry. Cross-platform gaming which would allow users to access the game over multiple devices and therefore wouldn't hinder users from playing the game because of the unavailability of certain devices. Cryptocurrency and subscription plans may also collide with the gaming world by changing how the purchases or earning via games is done. One notable thing not just in the US but worldwide was Apple's decision in 2021 to change its Identifier for Advertisers which tracks users. This means that in the future it is harder to track users that are using apps on their Apple devices and therefore may hinder development and marketing into the right direction. (Prayertitus 2022; Takahashi 2021.)

5.6 Ecological environment

The US population is estimated to be 404 million in the year 2060 and therefore it would have a great impact on the environment because of the ways Americans consume. Nowadays Americans tend to waste a lot of food while a big part of the population is obese, consume over 50 % more materials than Europeans, only 53 % are automatically enrolled in curb side recycling programs and their houses have grown bigger while having fewer occupants. Energy accounts for 5,7 % of GDP and most energy comes from petroleum. In comparison, the US consumes 16 % of the world's energy, while the European Union uses 4,2 %. (Center for Sustainable Systems, University of Michigan 2021.)

The US uses and produces a mix of different energy types with petroleum being the highest consumed source in 2021. Renewable energy accounts for only 12 %. In last couple of years, the production of energy has exceeded the consumption. Primary energy sources include fossil fuels, nuclear energy and renewable energy. Notable is that electricity isn't a primary energy source, but it is actually generated from primary energy sources. Looking at using the energy, the gaming industry adds up to that by using whopping 34 terawatt-hours of energy each year taking 2,4 % of all residential electricity. It is also estimated that gamers in the US also create carbon emissions equal to about 5 million cars. The gaming industry should pay attention to power consumption and efficiency, and the whole industry can also make an impact on what devices are used for playing so that they can decrease power draw. (EIA 2022; Smith 2019.)

There are, of course, laws regarding environmental issues but those came about much after the Civil War. The idea of protecting the environment from misuse and waste is fairly new. On federal level those laws include Clean Air Act (air protection and research), Clean Water Act (restoring and maintaining waters), Comprehensive Environmental Response, Compensation, and Liability Act (taxation of businesses with hazardous materials), Endangered Species Act (conservation of fauna), Marine Protection, Research and Sanctuaries Act (regulates dumping into ocean), National Environmental Policy Act (harmony between people and environment) and Resource Conservation and Recovery Act (regulates solid waste). The future of environmental laws in the US may have to do with what happens with climate change, meaning bringing down the greenhouse-gas emission and the use of fossil fuels. (Meyer 2017; Library of Congress n.d.)

Gaming industry may generate a negative impact on environmental issues through e-waste, consuming electricity, contributing to carbon footprint and so on but they also do good by creating and developing games that promote environmental awareness and teach users about the issues. For example, a game called Bee Simulator allow users to become bees and try to survive in their harsh world and seeing what declines their population. Niantic, Inc. which

developed Pokemon Go held an event for players and they collected more than 145 tons of trash. It appears that virtual experience can inspire people to change their ways and become more active also in their real lives to fight against climate change. And then there's also the shift from physical games and their packages towards cloud gaming and downloads, which reduce the amount of carton or plastic materials used in packaging. (Kondratenko 2021.)

5.7 Legal environment

As mentioned before in other aspects of PESTEL environments, there are several laws in the US. Businesswise, the laws regulate those activities aren't unethical and businesses are run in the right way. The US is a competitive marketplace with complex rules and regulations that require thorough knowledge on many aspects. The main laws include consumer protection, antitrust, public interest protection and as previously mentioned the environmental laws. In addition, there are also laws on diversity, employee's health, and safety. Incorporation law affects businesses regarding bankruptcy, patents and copyrights as discussed before. (LawTeacher 2013.)

When diving into the video gaming industry and its legal aspects, it is good to understand how using for example buildings, artworks or even famous people's faces may lead into legal actions. In the US however, there is somewhat broad view on reproducing cityscapes, but commercial agreements apply when trying to include the face of a well-known person into a game without their consent. All in all, it is recommended to check the legal limitations especially regarding realistic videos, pictures or characters, so that all permissions needed are acquired. (Coraggio 2021.)

Other legal issues which should be taken into account in the gaming industry in general include data privacy and security, employment issues in esports and there is even efforts for regulating in-game advertising. Data privacy and its handling are regulated so that companies must treat personal information in a correct manner and allow consumers to have rights on their own information and its accuracy. Laws regarding data privacy are estimated to evolve in the future

and possibly additional laws will be amended. Esports has also grown as has the industry and therefore players, leagues and teams will have to resolve labour and employment issues and those may also bring new aspects to the industry itself also. Especially in the US there is also concerns related to gambling, there may be changes in the in-game betting. In 2021 there was also efforts made regarding regulating or even banning loot boxes and in-game advertising. (Dreyer et al. 2021.)

In-game economies and monetization may become under scrutiny because of the financial impacts they may have. Game developers should know and remember that virtual currency may also be subject to state and federal gambling laws, even if the game is not casino-type. In addition, the use of non-fungible tokens (NFTs) are also making their way into the gaming world and their trading may have brought legal problems regarding unfair commercial practices and yet again, the gambling laws. (Hoppe 2020; Lober & Guidobaldi 2022.)

5.8 Competition in the industry

The gaming industry has seen growth in the past years and decades, especially during the Covid-19 pandemic when people had more time on their hands to play a game or two during lockdowns. According to the survey conducted by EY (2022) 72 % of executives in the gaming industry say that increased competition in the sector is a moderate or significant opportunity and 83 % said that the industry is under pressure to innovate constantly. A hindrance for the industry development has been because of monetization and purely focusing on that. But since the market is tight and getting even more se, the situation in the industry will change. Better design and communication between developers and users will be the key to success in the competitive market. (Urban Matter n.d.)

In 2021 there were estimated to be 18 500 video game software development companies and 1 530 video game publishers in the US. The biggest US-based company by the workforce is Electronic Arts. Other big actors in the industry residing in the US include Activision Blizzard, Insomniac Games, Riot Games and Roblox Corporation. (Clement 2021.)

The newest comer in the mix is Netflix, which announced in 2021 that they will be entering the gaming market. Notable thing is that Netflix doesn't offer microtransactions within its games, but instead the monetization comes from its subscription model. Netflix's strategy as using games as a content category and support their core business of series and movies. (Netflix 2021; Morton 2021)

According to the survey by EY (2022), priorities for making it in the industry in the future include investing in AR/VR/Mixed-reality experiences, creating easier use of digital transactions on platforms, building consumer trust and focusing on hiring talents with different types of skills and capabilities. An interesting trend in the industry may be acquisitions among gaming companies but also tackling the challenges together with competitors to lower the risk and costs, but also decrease the time spent on development. (Nipp 2022.)

6 DATA COLLECTION

Data collection was this thesis was conducted via an online questionnaire form which consisted of 15 open questions regarding the process and internationalization challenges. These questions were formed with the help of the project manager, so that the questions would lure the gaming network into answering and would be clear enough to get proper answers. Open questions as well as the qualitative approach also allows the answers to be natural and don't restrict or guide the answers into a certain direction.

The questionnaire was divided into three parts so that the structure of the questionnaire was clear and the answerer didn't have too many questions visible at the same time. For background purposes 2 questions was about answerers and their relation to the industry. The next part of the questionnaire was about the market, the industry, and the internationalization process. The last part of questions focused on resources, success factors and helpful background. The questionnaire form is presented in Appendix 1.

The online form was delivered to the Baltic Explorers project's network to be answered. The target number of answers was set to 10 – 15, and total number of

answers actually received was 12 out of 50 companies in the network. This was matched the target and was good result and provided a good amount of insight from the industry. Even though the answers were a bit short here and there, the main points came across and the answers could be analyzed. As the process went forward, also few gaming companies were contacted via email for couple specific questions regarding internationalization and its challenges.

By combining the theory and the results from the questionnaire, a clear view regarding the challenges and possible solutions should be seen and therefore the research questions should be answered.

7 RESULTS

The first part of the questionnaire was 2 general questions regarding the answerer themselves. The first question was about their current relation to the gaming industry and according to the answers they were either working in the gaming industry or studying in the field. The second question asked what country the answerer was working in. 9 of them were from Finland, 1 from Estonia, 1 from Latvia and 1 from Sweden.

The second part of the questionnaire consisted of 8 questions about the gaming industry, the market environment and the internationalization process. These questions had some overlapping, but they provided good insight, nevertheless.

Question 3 asked how the decision regarding the target market was made. According to the answers the decision of the target market is made in many different ways and depending on the game. Analysis is mentioned in few answers as well as utilizing the publishing platform's analytics and data. Publisher can also be the decision-maker regarding the target market for the game developed. It also seems that often the target is set straight to Europe and the US. An interesting notion is also that first the game is developed and after that the target market is set. Unless the game is a custom order for certain purpose or project i.e., educational games.

Question 4 asked what kind of market can be considered a good one for gaming companies. A good target market for a gaming company depends heavily on the game according to the answers and the focus is mainly on trying to reach as many players as possible. There can be an idea of a specific target group or demographic, but the success depends on getting enough players and buying power. None of the answers mention the born global model which is interesting as this seems to be the trend among the companies in the industry to be able to get as many players as possible. Mind map of choosing a target market with notes regarding the US are presented in Figure 17.



Figure 17. Mind map of choosing target market.

On question 5 answerers were asked to think about are there any special characteristics when considering the US as a target market. Regarding this question, the answers divide somewhat. Few mention that it should be approached like any new market with proper research and figuring out the possible cultural aspects differing from the company's own. But there are also many answers considering heavier competition, different legislation compared to Europe and that the US often times holds the early adopters for new trends. Answers don't yet again mention anything being born global from the start or criticize the idea of focusing on only one market instead of a global mindset.

Challenges that gaming companies may face when entering the US market was the topic of question 6 and a summary of the findings are presented in Figure 18. According to the answers, having a big enough budget, doing enough and the right kind of advertising, standing out in the highly competitive market, lack of

network and having the right connections. As mentioned in the PESTEL analysis, it is also noted in the answers that navigating through all the regulations, taxation and laws can be daunting. One answer also notes the differences in corporate culture between the US and the Europe.

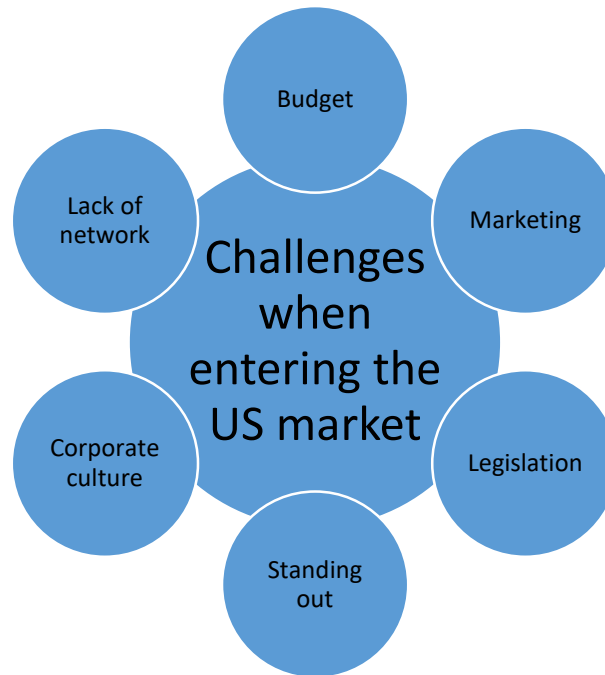


Figure 18. Challenges when entering the US market.

Question 7 asked about if there was another market suitable for a soft launch which was similar to the US. Soft launch means releasing the game in some select market or platform to test it out before releasing globally and it can help indie game companies to get picked by a publisher (Knezovic 2022). According to the answer many regards for example Canada or UK as good choice for a soft launch. Canada is explained to be the closest market regarding language, gaming trends and being a similar market in general. Few also mention Australia and Europe.

Question 8 was about what the key is to making it in the competitive environment. Answers had many great tips but what comes up most often is marketing. Having a good game idea, doing market research and competitor analysis, and having enough funding are mentioned also. But the most interesting answers include more personal attributes on people: be active, be persistent, use your personality

and try to stand out. While companies could have great idea and all possible resources available, also the people representing the company matter. All these attributes can be basically divided into corporate and personal sides, and they are presented in Figure 19.

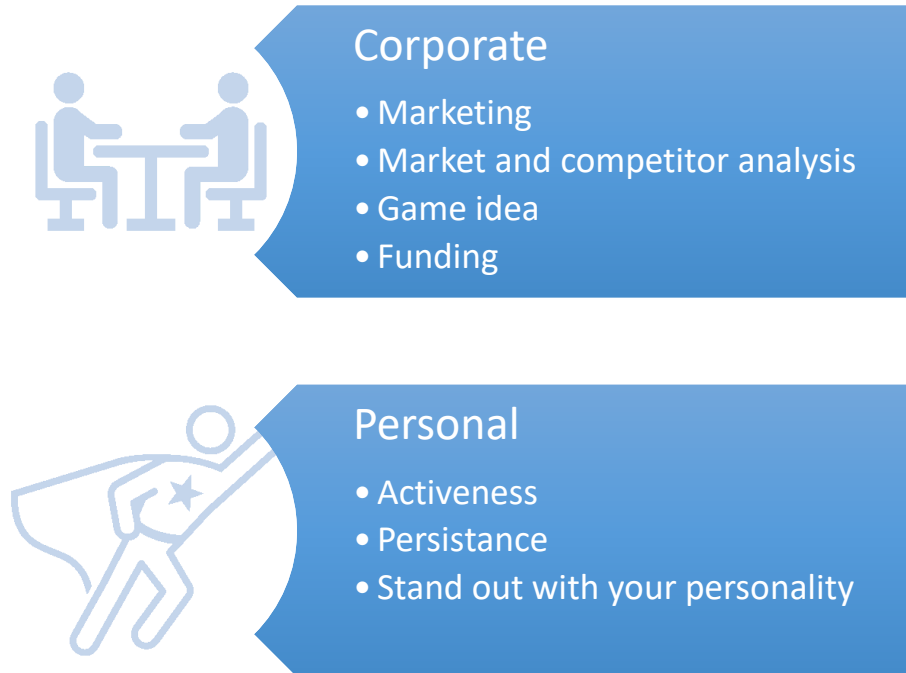


Figure 19. Attributes for making it in the competitive market.

The hardest and easiest parts of internationalization were the topic of question 9. Internationalization as a process gained more answers regarding the hard points than the easy ones. Figure 20 presents the combined points that answerers found to be easy and hard. Especially navigating through the cultural differences and adapting them also into the game is noted in a few answers as well as making the right connections in the industry.

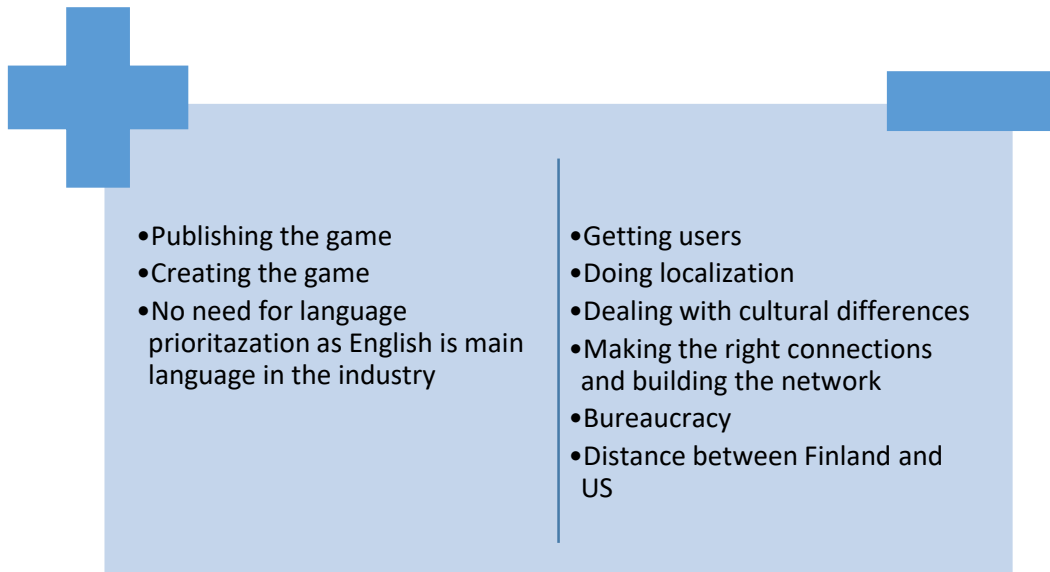


Figure 20. Hardest and easiest points of internationalization process in the gaming industry.

The last question of the second part was about describing the Finnish gaming industry and environment. The Finnish gaming industry is described being creative, successful, and very professional. According to the answers there are many smaller companies so many developers and industry workers know one another and can provide that way also support for each other. Helpful is also an adjective which rises often in the answers, which tells a good story on the Finnish industry as the future all over the world will probably require getting together more and sharing knowledge with competitors. Word cloud created from answer's keywords is presented in Figure 21.



Figure 21. Word cloud describing Finnish gaming industry.

The third and last part of the questionnaire consisted of 5 questions regarding the process, success factors and resources for the new companies.

Question 11 asked what kind of background of experience could be beneficial when starting the company and internationalization. Answers describe many attributes and know-how, the people or the company should have. These attributes can be divided into three groups as presented in Figure 22. Many say that the love for games and experience as a gamer is one aspect, but the need for knowledge on business operations, finance, marketing, and data analytics are also necessary. Having also the right connections rises also in this question. It is interesting that as mentioned in the theory, a versatile group of people may be necessary to reach success, it can also be reflected from these answers.

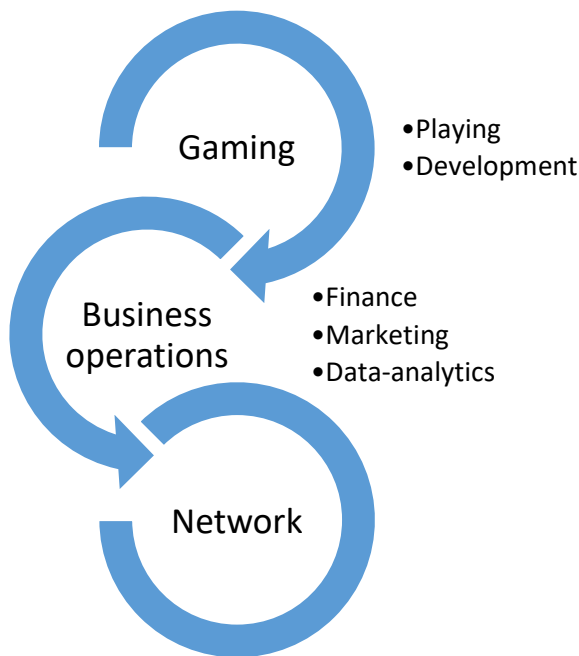


Figure 22. Beneficial background to enter the industry.

When asked about the resources new companies may need before and during the internationalization process in question 12, the answers are quite shallow and general. Talented team, contacts, mentors and seeking information via tutorials and communities are mentioned, but not much on specific organizations etc. This speaks on behalf of my thesis but also the need for projects like Baltic Explorers

which can provide concrete help and direct new companies towards the right resources and tools. Contacts and network can help new companies forward but, in my opinion, knowledge within the gaming company is also necessary so that they aren't solely dependent on outside help.

When asked on financial resources in question 13, the answers are more specific and many mention for example Business Finland. Other answers (Figure 23) include publishers, loans, savings, angel investors and grants. Couple of answers have an interesting idea that on the side of game development, new companies can also do customer or commission projects to acquire revenue and therefore also experience. Of course, it can be hard to find such projects as a newcomer but that can also grow the network for a new company and even provide other resources like funding later on.



Figure 23. Possible sources for funding.

Question 14 asked about success factors for making it in the gaming industry and the answers brought again many different and excellent notions. World cloud on most common factors is presented in Figure 24. Perseverance in different forms was found in multiple answers as well as having luck and good game to deliver. The most interesting comment describe finding the sweet spot between making

the game you want to make, what you can make and what you should make, and I think this sums up perfectly the hardship of any company trying to create their product and hope it to be a success. Sometimes what you think is the best way or feature, may not be what the general public sees to be the best. I also liked that one answer notes that it is important to evaluate one's actions whether they are successes or failures and learn from each one.



Figure 24. Word cloud describing success factors in the gaming industry.

The final question was the most open-ended of all and asked for words of wisdom for new gaming companies. Never giving up, being brave, learning from mistakes and trusting oneself are mentioned in multiple answers. Very good tips on asking for feedback regarding the game and its development, attending industry events and working hard towards one's plans.

8 CONCLUSIONS AND DISCUSSION

This part of the thesis will explain the conclusions of the research, recommendations for the new companies and to the Baltic Explorers -project on how to support the new companies the best way possible. Reliability and validity is also discussed as well as suggestions for future research topics.

8.1 Conclusions

The objective and aim of this thesis was to research what kind of challenges small indie companies in the gaming industry face when they are trying to internationalize to the US market and how the general process of internationalization in the industry looks like. Notions of the know-how in the new companies was also seen as interesting as well as what kind of special knowledge was required to make it in the competitive market of the US.

What are the biggest challenges during the internationalization process small/indie game companies face?

Research conducted by Scuiattiato (2021) found that the challenges faced by 4 interviewed Finnish gaming companies included funding, human resources (employee retention), strategic management and planning. These three core challenges are also linked to another and can have a chain effect, causing the gaming company more troubles along the way. In the same research the capabilities which the companies deemed as success factors included data analysis, wide skill set, flexibility, adaptation, working culture and communication. Important notion through this research is that the importance of talent acquisition, defining clear goals and objectives can help business to grow and accelerate the development of the game and its publishing also.

According to Hallikainen (2022) from Colossal Order Oy, the most challenging parts of the starting the company and developing the first game are getting funding, having enough competence, and figuring sensible scope for the game. When the new company is figuring out their business plan and target market, it is important to think about what kind of financing model they are going to use, whether they will seek a publisher to fund the development and marketing, or if they are going to do all that themselves. Neogames and their documents are mentioned as a valuable resource to look into and the to-go tip is that always have legal help from someone knowing the industry to check on publishing deals/contracts. (Hallikainen 2022.)

All three, Lappalainen (2015), Scuiattiato (2021) and Hallikainen (2022), mention a few of the things that also came up in the questionnaire but also raise a good point of having the right knowledge and competencies. When new companies begin their journey of development and building their business, the good game idea is just not enough. Having business knowledge or at least a network to receive support regarding business issues is crucial. Also creating some sort of management models are needed, so that dealing with decision making etc. will not become a hassle and therefore have a negative impact on the business.

Biggest challenges seem to be according to the research and theory having enough resources, doing the right things and having an excellent idea for the game as well as gathering the proper network and knowledge to move the business forward. Dealing with bureaucracy, monetization and getting enough players seem to be a daily hardship for new and maybe also even for the already established companies.

As the internationalization usually happens via being born global in the gaming industry, dealing with localization and doing multiple market researches to match to different local cultural and legislative aspects is also a big challenge. Gaming industry is highly competitive and building a business for the global market is a tough job, but by persevering and seeking every bit of help is crucial. Having business competence within the company is beneficial, as the good game idea is not enough to build the company.

What kind of knowledge and information is needed to make it in the competitive market like the US?

According to the research new companies have realized that doing market research and analysis is a must, as well as looking into the wide and complex legislation at place in the US. Language and cultural aspects must also be taken into account during the game development. Even though this thesis didn't discuss competitor field much, that is of course something that must be researched by the

gaming companies and compare their business proposition and gaming idea to their competitors'.

How does the internationalization process for gaming companies look like in general?

Born global model for internationalization is strong within the gaming industry, but that doesn't remove the need for doing market research, having knowledge on how different markets work and what are the local trends. Process for the internationalization is therefore usually taking on the whole globe right away but still remembering to research every local practice to be compliant in every aspect.

The internationalization process is also dependent on the choice of whether the company will publish the game themselves or if the publisher handles the publishing and everything related. Utilizing the programs like Baltic Explorers and other resources can also help the new companies to find the best way of internationalization. General steps of the process was also presented in this thesis in the chapter 4 which could act as a ground for the planning made by a new company.

Does the background and know-how of the gaming company affect the internationalization and making it in the industry?

The gaming industry can be described as a creative but also knowledge-intensive field. The knowledge that is created within the company and received from other resources are a key to developing new and unique products but also gives a competitive edge if the knowledge and innovative culture is properly nurtured. Even in indie companies implementing knowledge management practices is crucial to be able to connect expertise from multiple fields and areas together and therefore enable a culture of innovation. (Oviatt & McDougall 1994; McDaniel 2015.)

It is important to grow knowledge within the company and utilize professional on the areas that the new company may not yet have knowledge on, this could be seen in the research conducted before as well as in the answers of this thesis. If the new company doesn't yet possess knowledge on how to run a business, how to negotiate or have understanding on legislation or contracts, their journey to global markets may be shortlived. It is important to also have the business knowledge so that the new company can make the best out of their game idea.

Building the company and recruiting the right people with needed knowledge may not be the first thing in mind for a new business, but handling those aspects right from the beginning lays a solid ground for future. As can be seen from all these researches and comments from the industry, laying the proper groundwork for the company and planning the game and future endeavors, helps the gaming companies on their road to the global market.

8.2 Recommendations

The purpose of this part of the thesis is to give my recommendations for the new companies embarking on their journey to international markets as well as to Baltic Explorers -project how they can support the new companies so that they can succeed.

My suggestions for the Baltic Explorers -project is that a new gaming company needs especially support regarding how to manage basic business operations as well as what decisions have effect on the future of their company. Legal aid is very important so that new company can make sensible agreements with potential publishers and funders, so if any way possible it would be a great advantage to have a legal partner that can provide guidance. I think the game development itself will be handled well by the new companies but understanding the monetization aspects and how to evaluate their performance could be beneficial.

For the new companies in the gaming industry, my first advice would be to take every piece of help and funding available to support their operations. There are

multiple resources available even in Finland and new companies should take advantage of as many of them as they can and build their knowledge base that way. Taking benefit from tools, resources and projects like Baltic Explorers and other incubators can provide essential information for a new business. Also starting to build the business operations right from the beginning may seem like a big task while doing the game development at the same time, but I think that having well-constructed operations and business model will have a great impact later on.

8.3 Validity and reliability

Reliability explains how well the results can be trusted and if the results can be reproduced again later. Reliability can be increased and ensured by using appropriate tools and minimizing the possibility of errors and misunderstandings. Validity on the other hand explains the accuracy of research, meaning that if the research has high validity then the results can be utilized in real world situations. Validity is hard to assess and ensure, but the main rule is that the research should measure what it claims to measure. Together the validity and the reliability evaluate the quality of the research. (Nicolas 2022; Middleton 2022.)

Looking at the whole research process for this thesis, I think there are few parts which could have been conducted better. Questionnaire and comments from gaming company helped to build a view what may be the challenges and how those can be overcome during the start process, but perhaps conducting interviews could provide deeper insight and would allow to ask follow-up questions and deep dive into notions of the answerer. Or if the online questionnaire had gathered more answers, could there have been some other trends or aspects that could help future companies to navigate the business world. Nevertheless, the comments received via the questionnaire are in line with the research done before and with industry knowledge.

Results and conclusions of this research match also the researches conducted before as well as what could be drawn from the theory. Therefore, the validity of the results is at good level and can be also seen as reliable. In my opinion, the

results and recommendations can be utilized in the real world and comments from the project also suggest so. Theory and previous research conducted also support the results of this thesis. New companies have many obstacles on their way but having solutions or guidance even to few of them, can help them move forward.

8.4 Future research topics

The gaming industry and its internationalization aspects have been researched quite much even in Finland, but I would think that description of one journey from beginning to having a game published would be an interesting topic with comments on what didn't go as planned and how those pitfalls could have been avoided.

Another topic that would be worth researching is that if the two similar companies started their development process and journey to global markets, but had different approaches to publishing, how would their success differ from one another. Also, the knowledge management and even what kind of knowledge start-up companies usually have versus what they needed along the way could be interesting.

9 FINAL WORDS

Gaming industry will probably see many new companies in the future, many of them will fail and few of the will establish them in the competitive industry. What can be concluded from this thesis, is that handling building the business and the internationalization process with care, can help the new companies to endure. Utilizing different tools and resources should be done and taking every bit of advantage the new company can find. Building the network around the business will help in the global markets but also having local network of Finnish gaming industry businesses can help with sharing knowledge and conquering the world together.

This thesis had a super interesting topic even though I had only little experience from the gaming world. My aim from the beginning was to produce something relevant content and results for the project, so that they could utilize it their future projects or publications. I have to admit that following the proper process on how to conduct research was not fully obeyed but I am still very pleased with the outcome.

I had given myself quite an ambitious timeframe to complete the thesis and that decision also had impact on the execution of the research. If I had planned a longer timetable, maybe the results and research would look like different but I don't think there is any doubt that all the suggestions and findings wouldn't be relevant.

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QUESTIONNAIRE FORM

Internationalization process and challenges in gaming industry when entering US market

This questionnaire is part of Master's thesis. Purpose of the thesis is to analyze internalization of gaming companies into US market: what are the challenges, how to stay successful and what is the process in general. Thesis is done in co-operation with Baltic Explorers -project.

You have time to answer until the end of **June 30th**.

If you have any problems or questions regarding the questionnaire or thesis, please do not hesitate to contact crile013@edu.xamk.fi.

Thank you for taking time to answer these questions!

1/3

1. What is your current relation to gaming industry?

2. In which country do you work in?

2/3

3. How is the decision of target market made?

4. What kind of market is a good target for gaming companies?

5. Are there any special characteristics when considering US as a target market?

6. What kind of challenges companies may face especially when entering US market?

7. Is there another market which would be similar to US and be good e.g. for soft launch?

8. What is the key to make it in such competitive environment?

9. What points of the internationalization process are the hardest? And which the easiest?

10. How would you describe the Finnish gaming industry / environment?

3/3

11. What kind of background or experience is beneficial when starting the journey?

12. What resources should new companies seek before and during the process?

13. What are the main / best sources to find financial aid?

14. What are the success factors to making it in the industry?