Liu Yang

Market Entry Strategy in Chinese Market
Case Company-Fantastec Oy
Market Entry Strategies in Chinese Market

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Liu Yang
Bachelor's thesis
Spring 2015
International Business
Oulu University of Applied Science
Fantastec Oy is a Finnish game company that develops educational games for children. At the moment, Fantastec has already launched their business in several markets with overseas partners such as Sylvan Learning from the U.S and Samsung from South Korea. Now, China is a potential market that Fantastec is interested in and wants to explore more about the market.

In recent years, China has made a great growth in market, which makes foreign companies are more interested in exploring their business in China. Since China is a so huge and potential market in the world, it would bring a lot of business opportunities for foreign companies.

In this thesis, the main objective is to make a clear and practical market entry strategy for Fantastec Oy based on Chinese market. Moreover, how to enter the market with partnerships is an important part in this case. To find out that what kinds of companies to cooperate with and how to cooperate with these companies will be focused in the thesis.

As for the research methodology, in this thesis, secondary research methods will be applied mostly. Both theoretical and practical parts will be included. Market research will also be applied with the methods of PESTEL analysis and SWOT analysis and other analyses will be discussed as well. Based on different researches of China, the most effective entry strategy will be figured out step by step.

The results indicated that partnerships are a very important for foreign companies to entering Chinese market. Partnerships will offer a lot of opportunities and make it much easier to get familiar with the local market and also offer a very useful network for foreign companies. Meanwhile, selecting the most suitable partner is a key factor. Then targeting on the right customer segmentation is quite important to develop the business. Moreover, adapting to the Chinese business style is another key factor to have successful business in China, therefore, having a good knowledge of Chinese business etiquette are what foreign businessmen need to pay attention to.

Keywords:

Market entry, marketing mix, Chinese market, partnerships, educational games, market research
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1. Introduction

In recent years, China has become a very popular market in the world and it has attracted a lot of foreign companies to expand their business in China. It has already been a trend in recent years to start to do business in China, because China offers great business atmosphere and the economy is dynamic growing fast year-by-year. There is also rapidly increasing in consumer wealth. The most obvious feature is the cost of employment is quite low, which is a very effective way to save the cost for companies running their business in China.

“Within China, rapidly changing demographics, rising incomes, increased consumer spending and an increasingly open business environment have all helped to make the Chinese market increasingly attractive to Western businesses across a variety of industries. Similarly, declining sales in their home markets has forced many US and European companies to relocate China firmly to the centre of their long-term global growth strategies.”(B2B International. Date of retrieval:09.07.2015)

However, how to make a well-prepared market entry strategy regarding to Chinese market is still a hot topic for many companies to consider before entering China.

In this thesis, based on the case company Fantanstec Oy, concerning to the business field, business sections and business model of the company, the most suitable market entry strategy in Chinese market will be developed.

1.1 Objectives

The aim of the thesis is to develop market entry strategies based on Chinese market for Fantastec Oy. Basically, the thesis is focusing on the market research in China and the partnership seeking and cooperating.
Regarding to the market research, firstly, the overall market trend and the current situation for foreign companies in China will be analysed. For example, PESTEL analysis and SWOT analysis will be used here for both the market analysis and company’s analysis. Secondly, considering entering the market with partnership is the best way for Fantastec to enter the market, therefore, Chinese game companies, kids’ websites and educational institutions are the main target of partners for Fantastec to establish the relationship with. Through the analysis of these companies, the most suitable ones will be selected for further cooperation with Fantastec to enter Chinese market with detailed plans. Thirdly, focusing on the customer segmentation will be also included in order to make better publicities targeting on the right customers.

In following chapters, there will be detailed research of Chinese market, and the current situation of game market in China will be introduced as well. Moreover, according to different classification of the partners, there will be more detailed information about the partners. More attention will be paid to the chapters of market research and partnership analysis.

1.2 Background

“Fantastec is a developer of award-winning kids learning games. Wonder Bunny game series includes several kids’ apps for IOS and Android devices, and educational online game world Polar Heroes is at beta stage. Fantastec combines Finland’s games and education expertise which is among the best in the world (OECD’s PISA-tests). Fantastec Mission & Passion is to boost kids’ happiness and create great value for parents with visually impressive, fun and educational games.” (Fantastec.fi. Date of retrieval: 16.01.2015)

In general, Fantastec is a game developer in educational games from Finland. The products of Fantastec are different kinds of educational games and these games are available on multi-platforms, which can be played on Apple devices, Android devices and also online version. At the moment, Fantastec has already
establishing partnerships with an American company Sylvan Learning and also Samsung from South Korea. Therefore, Fantastec is seeking partnerships in China as well in order to get in to the market and start to explore their business there in China.

In the thesis, the main research questions are following:

- How to enter Chinese market with partnerships?
- What is the current market situation in China in game industry?
- What are the main factors to be considered to enter Chinese market?
- What are the risks for market entry in China?
- What are possible and potential partners for Fantastec to cooperate with?

In the following content, within different chapters, there will be detailed explanations and analyses based on the research questions.
2. Market Entry Strategies

With the fast growth of the economy in China, China is playing a more significant role in the world’s economy. In order to get more familiar with the market, more detailed analysis based in China will be shown in this chapter.

China is a so big country with so huge number of population. The population at the moment is approximately 1.37 billion by 2014. There are 23 provinces and more than 600 cities in the country. To some extent, this large amount of population indicates great opportunities in the market, as the potential customers are in huge amount for the foreign companies. Moreover, with the growth of economy in China, and the position of China in the world in recent years, which are attractions for foreign companies to run their business in China as well.

“China is a rapidly rising global economic power. Overall growth has averaged a robust 7% to 8% for more than a decade with some markets expanding much more rapidly.” (GlobalSmes. Date of retrieval: 16.03.2015)

2.1 Market Research

“China is a vast country both in terms of its geographical area and population.” (Bennett & Blythe, 2002,110)

There exist a lot of opportunities for foreign companies to explore their business in China in different regions based on the business they are running.
This figure shows the industrial orientation in China. From the chart, it shows that in Beijing and Shenzhen, IT industries are quite developed and advanced there. In these two cities, there are usually some certain areas or districts for IT companies, especially. Some big and famous game companies such as Tencent, Netease, Huawei, ZTE Cooperation and so on are all located mainly in Beijing and Shenzhen.

Beijing and Shanghai are very big cities in China with advanced IT industry and huge population as well. For Fantastec, there are more opportunities to seek partners from these two cities, regarding to the technical level in Beijing and Shenzhen, there are plenty of different kinds of game companies, which are very potential to be the partners.

“While it is true that China represents a huge potential market for foreign manufactured goods and services, it is also the case that understanding where these opportunities lie and how to access them can be extremely challenging. Whether it be the large Western multinationals with an established China presence or the first-time market entrant with no previous China experience, foreign companies of all shapes and sizes often find their China success stymied through insufficient lack of local understanding.” (Mark Hedley, Entering Chinese Busi-
2.1.1 PESTEL Analysis of China Gaming Industry

“PESTLE analysis, which is sometimes referred as PEST analysis, is a concept in marketing principles. Moreover, this concept is used as a tool by companies to track the environment they’re operating in or are planning to launch a new project/product/service etc.” (Pestle Analysis. Date of retrieval: 16.04.2015)

PESTEL analysis is applied here to make the market research in a more precise way about the gaming market in China concerning to different factors.

**Political Factors** The most obvious political feature in China is that China is censorship and regulated. The online game industry is deeply shaped by the political environment in order to maintain and keep a healthy gaming industry. There are strict regulations for foreign games to enter Chinese market due to the content of games, and age limitations as well as some other factors. In different countries, there are different regulations for games. Therefore, it is not easy for foreign games to enter the market.

“ In a statement issued recently, China’s State Council has announced its decision to lift the above-mentioned ban, allowing foreign companies to start distributing and selling consoles across the country under the condition that they have established production and sales operations in the free trade zone in Shanghai, and that each console must be examined and approved by China’s Ministry of Culture before going onto the market (Toor, 2013).” (ILLIA BUSINESS, Date of retrieval: 26.01.2015)
**Environment Factors** China is a country with huge market share of domestic enterprise. The online game industry in China is a stable industry at the moment with home grown companies that encompasses all levels of the value chain, including development, publishing, distributing and selling.

“Under the Electric Power Law of the People’s Republic of China, companies are naturally obligated to abide by the principle of utilizing electricity with efficiency and protecting the environment. Companies will have to make sure their hardware products must not cause harm, pollution and any hazards. This may be relatively costly at times, and might affect companies.” (ILLIA BUSINESS, Date of retrieval: 26.01.2015)

**Social Factors** China is a so huge country with huge number of population as well. The population at the moment is 1.34 billion. In China, the culture is basically collectivistic, and the economy is decentralized. Shaping the social and cultural trends is equally important, which led to the rise of online game industry in China as well.

“The overall living standards in China have been improved, and the lifestyle of the younger generation in China is quickly shifting towards westernization, which includes the gaming culture. This is, interestingly, because there is a belief that westernization brings about a sense of prestige, in association with brands with established reputation.” (ILLIA BUSINESS, Date of retrieval: 26.01.2015)

**Technological Factors** “China has highly advanced technology and Internet infrastructure, with a very wide area of coverage across the entire country, allowing high speed connectivity from any populated regions.” (ILLIA BUSINESS, Date of retrieval: 26.01.2015)

With the rapid development of IT technologies in China, online gaming industry has benefited from it a lot and it has also developed very fast in the recent years. With the development and advantages, it will attract many foreign game companies to develop their games in China.
Economical Factors “With a population of 1.3 billion, China recently became the second largest economy and is increasingly playing an important and influential role in the global economy.” (The World Bank, date of retrieval: 16.01.2015)

In China, the economy has been developing rapidly for many years, and it turned to change the style from traditional development model to modern one. Manufacturing industry is still the main and biggest industry in China. The real estate develops quite fast in recent years. It has become another important industry in China as well.

There are some important figures and data shows the economy situation in 2014:

- Data 1: GDP increased by 7.4% compared with 2013.
- Data 2: CPI rose by 2%. The low-price running of the price index is a reflection of the inadequacy of the effective demand of the national economy. However, it offers some time for price revolution.
- Data 3: The total retail sales of consumption increased by 12%. Consuming is one of the key factors to boost the economy. The demand of securing the quality and safety of the products and the importance of activating the supply needs through innovation are increasing obviously. Therefore, the right consume policy must be taken to release consume potentialities and make consume continue to play a fundamental role in promoting economic development.
- Data 4: Import and export value increased by 2.3%. Last year, China’s import and export volume 26.4335 trillion Yuan, an increase of 2.3% compared with 2013. There is the gap compared with the year’s goal 7.5%. But the growth is still faster than the main economy group and other developing countries. The global market shares that China takes up keeps steady and increasing. (Xinhua Net. Date of retrieval: 27.03.2015)
**Legal Factors** China protects home industries in a large extent based on the law. More specifically, for game companies, which are originally from China, they are in a good protection from the country.

Similarly to most other types of media in China, video games are under the strict policies of censorship as well. Any video games that violate the laws of censorship will be banned from importation in China. These policies may potentially affect the company. (ILLIA BUSINESS. Date of retrieval: 26.01.2015)

All the above are PESTEL analysis in general for the game industry in China. Based on different factors, for Fantastec, it will be much easier to enter the market, because the games are designed for children, which are without forbidden contents such as violence and negative affects. Moreover, it is very healthy and educational games to teach children knowledge on different subjects. With the fame of Finnish education in the world, it can be indicated that there are will be big possibility that some Chinese companies, which are related to education and game industries will be interested in cooperating with Fantastec to make the games popular and spread to the market. Once Fantastec got the best partners from China, there will be less legal issues to deal with. Fantastec will benefit a lot from the partners as well in the market.

### 2.1.2 Risk analysis of Entering Chinese Market

Before entering a certain market, it is quite important to have a good consideration and analysis of the risks that may exist in the market. Once having a good preparation of those possible risks, to some extent, it will help the company to avoid some uncertainties in the business. Especially when entering such a big country like China, there will be more risks that should be taken into consideration for the company before entry the market.

China is a difficult market to enter, and long-term view is required. (Bennett & Blythe, 2002, 113)
Cultural Risks Obviously, for a Finnish company to enter Chinese market, a big challenge is the culture. China is a historic country with thousand years of history. There are certainly a lot of differences in languages, business etiquettes, traditions, negotiations styles and so on. Lacking of information and knowledge on these cultural issues probably will cause some mistakes and negative influences for the company.

“The cultural aspects of the Chinese are immensely reflected in the business world, for example, A CEO in the western world is normally looked upon as a consensus builder or as an individual who debates and discusses strategies with their employees and then executes the strategy, whereas in China the leader is looked upon as the sole decider and executor of strategies. There is a strict hierarchy in the Chinese business culture, which is very different from the business culture of some of the west countries.” (Jayaraman, 2009,4)

Competitive Risks Considering to the popularity of Fantastec in China, and the famous and successful game companies in China, it is difficult to compete with them, because these famous companies have already taken up the market with their fame and popular games in China for years. For Fantastec, it is a really big risk for entering the market. Therefore, Fantastec should make it clear about their target customers and have an acquaintance of the competitors.

2.1.3 Market Entry Options

There are several possible options for foreign companies to enter the market in China. Basically, these recommended options are licensing and franchising, becoming joint ventures and setting up subsidiaries.

Licensing and Franchising “ Licensing means assigning the rights of something to another company in exchange for some reciprocal right or compensation.” (Gesteland & Seyk, 2002,61)
Basically, it is to give authority to a Chinese company so that they have the right to produce or use the product from the foreign company. It is a popular way to entry the market and it is also the easiest way.

**Joint Ventures** “A JV can be defined as an association of two or more parties to achieve a common business objective. Each party contributes certain resources and, depending on what is contributed, usually assumes as share of the risks and rewards resulting from the undertaking.” (Gesteland & Seyk, 2002,64)

The joint venture is a way of establishing partnerships with the Chinese companies. It can make the market entry much easier since it can be described simply as to become a part of a Chinese company. For foreign companies, to a large extent, it helps them to avoid the political and economic risks. Moreover, foreign companies can also enjoy the benefits of the existing customers that the company already have.

**Establishing Subsidiaries** Establishing a subsidiary means to set up a brunch company in China and it is under the foreign company’s own responsibility. Obviously, there are advantages and disadvantages to establish a subsidiary in China. For companies who do not want to choose licensing and becoming a JV, if they have the power and the strength to set up the brunch, this is recommended, especially for some big companies.

Based on the experience of many foreign companies, who have entered China successfully, it turns out that the most popular and successful business model for foreign companies to enter Chinese market is to be joint venture or simply to establish partnership with Chinese companies. For Fantastec, it is also the most possible way to enter the market.
2.2 Online Gaming Industry in China

Online game industry in China has been experiencing significant revolution and changes during the recent 10 years. The game market is becoming more and more mature. Games are various and they can be played in different devices nowadays, such as tablet and smartphones. With the development of game industry in China, the market has become more and more competitive and attractive for both native and foreign companies. In this chapter, a general overview of online game industry in different sections will be introduced.

2.2.1 Overview of Game market in China in 2014

Table 1: Market size of online gaming in China from 2010 to 2016, by platform (in billion Yuan)
(http://www.statista.com/statistics/315067/china-online-gaming-services-market-size-by-platform/)

Table 1 shows platform of game market size in China by different platforms. Obviously, PC is always taking up more proportion than mobile and playing
games on computers has been the best way for many players in the past years. However, since 2013, with the popularity of smartphones, there was a big increase in mobile market. People start to play more games on mobile phones, which makes the mobile market size grow more and more faster. It can be predict that smartphones will be the main trend for players to play games on in the future. Compared with playing games on computers, it is much lighter and more convenient to play with smart phones.

![Chart showing Chinese Game Market Total Revenue](http://www.spellgun.com/blog/2014/12/19/2014-game-market-overview)

Table 2: Chinese Game Market Total Revenue

From Table 2, it shows that the total revenue of Chinese game market has kept increasing from 2008 to 2014. From the year 2008 to 2010, the revenue grew slightly, with the increase of around 7 billion. While from 2011, it increased obviously with a 37% increase from 2013. It reached the peak of total revenue, which was 114 Billion Yuan.
Table 3: Chinese Game Market Revenue by Category
(http://www.spellgun.com/blog/2014/12/19/2014-game-market-overview)

Table 3 shows the market revenue of different categories of game type. Obviously, PC Client is still the main trend and as it mentioned from the Table 1, it also shows that PC market size is always the main one. It reached 60.89 billion Yuan in 2014. Meanwhile, Mobile games has been rising in recent year, which is after PC client, it was in the second place of the market revenue with 27.49 billion Yuan. Then comes to web game, which took up 20.27 billion Yuan in 2014.
Table 4: Chinese Game Industry Market Share by Revenue (http://www.spellgun.com/blog/2014/12/19/2014-game-market-overview)

Regarding to the market share of different kinds of games, PC client online game, mobile game and web game are still the top three in the market. PC took up 53%, followed by mobile game with 24%, and then web game is the third that took up 18% of the market share.
Mobile market has become a popular and important market in game industry in recent years, especially when smartphones have been used widely. In early years, for example, in 2008, there was only 1.5 million Yuan revenue from mobile market, because at that time, smartphones were not so popular and widely used in China. While now, with the popularity of smartphones in China, mobile market has made a huge growth, which reached 274.9 million Yuan.

### 2.3 Customer Analysis

“China has the highest number of gamers in the world (173.4 m) and 65% of these are paying players. A relatively low average spend places China number 2 in the world rankings based on total game revenues, just behind the US whose average gamer spends double that of a Chinese gamer. Social/casual games are the largest segment followed mobile and PC/Mac. In fact, China has a relatively higher percentage of PC/Mac, MMO, tablet and smartphone gamers than any other country." (Newzoo, Date of retrieval: 20.01.2015)
Based on the huge number of population, and the percentage of people who are playing games, which shows the growing trend of game market in China. It is a promising industry in recent years. Therefore, for foreign game companies, it is a great opportunity to enter Chinese market, because of the fast development of technology and sciences these years, which makes China more attractive for foreign game companies to enter.

For Fantastec, since the games are designed for children's education, therefore, pre-school children and parents are the main target customers for Fantastec. Parents are the one who purchase the game for children while children are the targets who are playing the game mostly.

2.4 SWOT analysis of Fantastec Oy

A SWOT analysis can help to identify and understand key issues affecting the business.

“SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates.” (Management Study Guide, date of retrieval: 16.04.2015)

A SWOT analysis is conducted here to analyse the case company Fantastec Oy, though the strengths, weaknesses, opportunities and threats, there will be a much clear vision of the business and to recognize the different factors while entering Chinese market.
**Strengths** Fantastec Oy is a Finnish based company and the main business is developing educational games for kids. This can be a very good strength already, since Finland is famous for its perfect education all over the world. For the customers in China, this would be the key attraction to try the games.

Moreover, the crew of Fantastec is also excellent. There is a strong team with qualified programmers, experts in marketing, and gaming and education fields. These offer great foundation of the Fantastec crew. Fantastec has also won some awards in different kinds of competitions. The most important strength is that in 2011, Fantastec Oy was the 3rd most attractive Finnish companies in China, which means that, since then, Fantastec has already gained some fame and popularity in the educational game field in China.

**Weaknesses** Fantastec is a young company, and it did not have much experience in doing business in Asian countries. China is a so big market for the company. Moreover, at the moment, the company does not have good network or partners in China, which makes it difficult to enter the market. Another point is that the games of the company are not very known by most of the Chinese customers. Therefore, it is kind hard for them to download the games by themselves.

**Opportunities** The games of Fantastec are all available in multi-platforms already. These kinds of educational games are in very small amount in Apple store, which brings opportunities for Fantastec’s games. For example, while people searching educational games in Apple store, the products of Fantastec will be shown as a recommendation for the customers from the limited educational games in the stores.

Secondly, education is a very important and big concern in China. Fantastec can take a full advantage of the fame of advanced Finnish education and technology when entering Chinese market. It will surely attract many parents customers attention. Also regarding to the one child policy for so many years in China, parents always want to offer their only child the best of everything. If they think that Fantastec’s products are beneficial for kids’ study, they will definitely
get all the series for their kids. Meanwhile, E-learning is quite popular nowadays in Asian countries. Fantastec covers the topic of E-learning as well.

**Threats** Fantastec has quite fierce competitors from both Finland and China. There are so many famous game companies that Fantastec are facing with. For example, in Finland, Rovio has been already famous all over the world. While in China, there are some big game companies are conducting the game industry, such as Tencent. It is quite hard to take up a place among those big and famous companies.

Moreover, the politics are also protecting the domestic enterprises and market as well. For foreign companies, it is a challenge that they have to deal with these matters.

Overall, based on the SOWT analysis, there indicates good opportunities and business chances to entering Chinese Market, while the company still facing some obstacles. Therefore, for the company, it will be much better to take full advantages of their strengths and try to avoid the weakness as well as make good partnerships with potential companies.

2.5 Partnership Analysis

Considering to the business area of Fantastec Oy, it turns out that game companies, educational institutions are the most suitable options for establishing partnerships in China. In Chapter 2, market entry options have been introduced already. The case company Fantastec is looking for cooperation with Chinese companies, therefore, becoming a joint venture is recommend for Fantastec. Regarding to the possibilities of cooperation and the type of Chinese companies. In this chapter, detailed information on possible companies will be analysed and comparisons will be made among different companies.
2.5.1 Chinese Game Portals

In China, there are so many game portals online. In these websites, it contains a lot of different kinds of small games. There are categories such as sports games, action games, puzzle games, educational games and so on. It offers a huge amount of games under different categories. The games there are quite easy to play and it is fun as well. Therefore, people in different ages can find the game type that interests them in these game portals.

Here is a list of popular Chinese game portals that are possible for Fantastec to establish partnerships with.

1) 4399 Mini Games
   Website: [www.4399.com](http://www.4399.com)
   About 4399 Mini Games: It is the most popular game portals in China and it has the biggest group of players as well. Now the users has reached 200 million, every single day there are about 30 million visitors to the website, and 310 million times of view times per day. 4399.com aims at students from primary school to middle school, and also white-collar workers, which account for 93% of the total the users, males take up 58% while females take up 42%.
   Contact Information:
   For online game inserting
   Email: zhouliming@4399inc.com

2) 7k7k Mini Game World
   Website: [www.7k7k.com](http://www.7k7k.com)
   About 7k7k Mini Games World: 7k7k Mini Game World was founded in 1st of May 2003. It is one of professional mini game portal in China. It searches good sources of mini games from Internet. 7k7k attracts many users with their special mini games, and the customers’ loyalty is quite high. It is quite popular among young people. It has also received good rewards in game portal fields.
Contact Information:
For online game inserting
Email: renjie@7k7k.com

3) QQ Mini Game of Tencent/ Tencent Kids
Website: http://games.qq.com/mini/, http://game.kid.qq.com/
About Tencent: Tencent was founded in November 1988. It has grown into China's largest and most used Internet service portal. In its ten-year history, Tencent has been able to maintain steady and fast-paced growth by always putting its users first.
Contact Information:
For online game licensing, co-publishing, co-development
Email: IED_BD@tencent.com
Tel: +86-755-86017265

4) PC Games
Website: http://www.pcgames.com.cn/flashgames/
About PC Games: PCgames was launched in December 2003 and its primary appeal is with teenagers. This portal offers comprehensive information regarding all types of games through the following main channels: Online games, E-sports, PC games, Console games. PCgames provides information relating to game industry trends and developments in China, as well as the latest news and reviews of the hottest games that hit the market. Users also have an opportunity to voice their opinions about both currently available games and games that are in production. Such commentary on future games gives game producers a chance to advertise their products, gauge interest levels in products that have yet to be released, and even pick up some tips on what features or improvements their target audience may be looking for in a game.
Contact Information:
Email: chenjing@pcgames.com.cn (Guangzhou)
zuolingling@pcgames.com.cn (Shanghai)
5) 2144 Mini Game

Website: [http://www.2144.cn/](http://www.2144.cn/)

About 2144 Mini Game: 2144 Mini Game was founded in 2006, it is the most popular mini game portal in China. With the development since 2006, now, 2144 Mini Games has covered mini games, web games, mobile games and news of games and other fields as well. At the moment, 2144 mini game has reached around 100 million register users. There are 5 million players are playing on the website. It also got many rewards in China game portal industry, such as Top 100 Chinese websites and Top 1000 global websites.

Contact Information:
For online game cooperation
Email: wuailing@2144.cn

Since these game portals are quite familiar with each other from the business model and business field, in all the game portals, they have categories as kids’ games or educational games, which are suitable for Fantastec’s games to be joint under the category. As these game portals are quite popular ones in China, and they already have their stable customers, with the help of good marketing, these game portals would offer great opportunities to make Fantastec’s games known by their users.

### 2.5.2 Children’s Websites

Fantastec is developing educational games for children. It is a good idea to cooperate with some children’s theme websites. Since kids and pre-school children are the main target group for Fantastec, if cooperating with the children’s theme websites, Fantastec can publish their games on the websites, it also provides great opportunities to let children and parents know about the games.

Here is a list of popular Chinese children’s theme websites that are possible for Fantastec to establish partnerships with.
1) 5068 Er Tong Wang  
Website: [www.5068.com](http://www.5068.com)  
About 5068 Children: 5608.com is a theme website for children’s education and entertainment functions. It provides songs, games, compositions, stories, cartoons and so on. It aims to make children have fun while studying.  
Contact Information:  
For business cooperation  
Miss Ma  
Email: markina@5068.com  
Tel: +8618655331016

2) Xiao Jing Ling  
Website: [http://www.060s.com/](http://www.060s.com/)  
About Xiao Jing Ling: Xiao jingling is a website which contains fostering, education, study and entertainment for infants, toddlers, pre-school children. Educational part consists of recognizing words, poems learning and etc. Learning part consists of math, Chinese, English, and other subjects as well. For entertainment part, there are songs, stories and games for children. Besides, there are also searching services related to children. The content of Xiao Jing Ling website is all free.  
Contact Information:  
Email: ask060s@126.com  
Tel: +86 010-52523356

3) 61 Er Tong Wang  
Website: [http://www.61ertong.com/](http://www.61ertong.com/)  
About 61 Er Tong Wang: 61ertong.com belongs to New Power Network Technology Co. Ltd, the website was founded in 2007, and it is mainly a portal which focuses on offering services for Chinese children. The core advantage of 61ertong is that they have professional and high efficient developing teams for providing early educational content for preschool children. In the website, children can enjoy listening to children’s songs, watch cartoons, playing games, learn painting to master the necessary skills and knowledge during their growing. It also set up forums and blogs for children, to explore the road for entering Internet. The aim for 61ertong .com is to mo-
tivate children’s potential, to improve their imagination and creation, to light up a bright future for kids.
Contact Information:
Tel: +86 0769-22893131
For business cooperation
Email: office_01@61gequ.com
For content cooperation
Email: office_08@61gequ.com

4) Zhongguo Ertong Ziyuan Wang
Website: http://www.tom61.com/
About Zhongguo Ertong Ziyuan Wang: It provides healthy and abundant entertainment study resources for Chinese children. There are sources over 100 thousands, and all download for free. It has got a lot positive appraisal from parents and children. It is one of the most influential children’s websites. There are children’s literary, cartoons, songs, stories, compositions, games, puzzles and etc.
Contact Information:
Email: admin@tom61.com

These above four Children’s theme website are selected as potential partners for Fantastec. The advantages of these websites are that they are really useful for children’s early education and it offers lot knowledge on their websites with different categories, and games are always fixed categories on the websites. For Fantastec, it is a good choice to insert the games under these children’s theme websites, because the target group is very obvious among these websites. Moreover, considering parents are also involved while children are looking through the websites, they may need their parents to offer help in reading, as in Fantastec’s game are also designed for both parents and children, it is a efficient way to put more attentions on these websites.
2.5.3 Private Educational Institutions

As for educational institutions, from Fantastec’s side, the main target groups of the educational institutions are private kindergartens and English educational institutions, which are focusing on kid’s English studies.

The strategies to let people know about Fantastec’s games, for kindergartens, is to introduce the games to the kids in class, because it contains mathematics, English Alphabet learning and knowledge related to the nature, while teachers start to teaching stuffs that are relevant to the games’ content, it is a good method to make children study while enjoying the game. For educational institutions, this way can be also applied, but since it is quite professional educational institutions and academies, it will be much better to improve the content of the game little bit more to meet the level of different children.

Here are the possible partners that are suitable in this selection.

1) New Oriental-Pop Kids Education
   Website: http://pop.xdf.cn/
   About Pop Kids Education: Pop Kids Education is a famous brunch of New Oriental Education & Technology Group. Pop Kids Education provides all subjects and educational services for kids from 3-12 years old. The courses of Pop Kids Education include English, Chinese and math. At the moment, there are over 480 schools of Pop Kids Education in over 60 cities in China and there are more than 300 million students.
   Contact Information:
   Tel: +86 010- 62605000
   E-mail: zixun@xdf.cn

2) TAL (Tomorrow Advancing Life)
   Website: http://www.100tal.com/z2013/haoweilai/index.html
   About TAL: TAL Education Group is a leading K-12 after-school tutoring services provider in China. TAL Education Group offers comprehensive tutoring services to students from pre-school to the twelfth grade through three flexi-
ble class formats: small classes, personalized premium services, and online courses. The tutoring services cover the core academic subjects in China’s school curriculum including mathematics, English, Chinese, physics, chemistry, and biology. The learning center network includes sixteen key cities in China: Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Wuhan, Xi’an, Chengdu, Nanjing, Hangzhou, Taiyuan, Zhengzhou, Chongqing, Suzhou, Shenyang and Jinan. They also operate a leading online education platform in China, which is a good option for Fantastec to cooperate with.

Contact information:
Address: 12/F, DanlingSOHO, Danling Avenue 6, Haidian District, Beijing.
Code: 100060
Tel: 010-52926669-1111/3333/6666
Investment Cooperation Hotline: 010-52926669-8146
Media Cooperation Hotline: 010-52926669-8315

3) Ailu Education Group
Website: http://www.ailu.cc/web

About Ailu Education Group: Ailu education Group is a comprehensive educational group, which mainly focuses on early education business. It was founded in 1987. There are around 10 thousand students now in Ailu kindergartens around several cities in China, and there is 1,800 staff working in Ailu. Several billions has been invested by Ailu investment companies. It has grown to more than 30 kindergartens, education investment companies, art schools, international children swimming project and early childhood education center over eight cities in China, which includes Beijing, Shanghai, Chongqing, Zhejiang province, Guangdong province and Fujian province.

Contact Information:
Addr: No.28 Beiyuan Road,Pudong New Area
Tele: +86 021-50390911
        +86 021-50390063

By cooperating with educational institutions is another way to marketing the business. It is not like simply inserting a game in a game portal or a websites.
The main idea is to make Fantastec’s game as part of their education, which is to make a full use of the games with the educational content. For example, while students having math class at the institutions, teachers can use the game Wonder Bunny Math Race as a study material to learn about mathematical operation. For children, it will be quite attractive to do the math exercise in a game. Other subjects can apply this way as well with Fantastec’s games.

2.6 Business Etiquette in China

While doing business in China, it is quite significant to know the business style and etiquette as well. There are a lot of differences in the business etiquette between China and Finland. Having a better understanding of the business etiquette in China is very important in successful business. Recognizing the business etiquette is one key step to make success business in the market.

2.6.1 Guanxi-Relationship

“Whether we are marketing, selling, sourcing, or negotiating a joint venture, the fundamental differences between relationship-focused and deal-focused business behavior impact our business success throughout the global marketplace. This is especially true for Asia.” (Gesteland & Seyk 2002, 13)

Establishing good business network with different companies or government is the first step for starting the business in China. Relationship is called guanxi in Chinese.

“Being relationship-focused, Asians prefer to deal only with family, friends, and persons or groups well known to them-people who can be trusted.” (Gesteland & Seyk 2002, 13)

Relationships in China are very formal. Chinese people tend to like doing business with someone that they totally know well or more or less have some social
relations with, such as family, friends and people or groups that have connections to them. It is hard to have some cooperation with a totally new company that they are not familiar with at all. Essentially, a business relationship is built based on another business associate recommendation. Therefore, the business relationship is a quite deep and complicated issue in China. While establishing a relationship, it is always important to keep yourself at a professional level, which will bring good impressions on other senior business people.

“ It is crucial to establish and maintain good relationships with key business contacts and relevant government officials. Attending industry networking events, contacting industry associations and municipal or provincial investment promotion bodies, and following up on personal introductions are all good ways to start the relationship-building process.” (Business Etiquette in China, Date of retrieval: 16.01.2015)

Once got good business networks in China, it will be much more convenient to start running the business, and with the help of different organizations, companies and the government, the company will avoid many uncertainties and obstacles in business.

“When doing business in China establishing a contact to act as an intermediary is important. This brings with it multiple benefits. They can act as a reference, be your interpreter and navigate you through the bureaucracy, legal system and local business networks.” (Doing Business in China, Date of retrieval 16.01.2015)

2.6.2 Giving Face-Mianzi

“ It is critical that you give face, save face and show face when doing business in China.” (Doing Business in China, Date of retrieval 16.01.2015)

“ Face has to do with self-respect, dignity, reputation. Causing serious loss of face can completely disrupt a promising business.” (Gesteland & Seyk 2002, 116)
Paying full attention to giving face in China is one of the key etiquette. Chinese people care about their face very much. Especially in business occasions, most of the business occasions are in public, which means people should notice that in this situation, it is always better to show the respect to others and do not do anything that make people lose face, because that will be very impolite and it is really harmful to build your business relationships.

### 2.6.3 Names and Titles

In China, it is very common and important to address people by their positions and family name in business occasions. The order of Chinese people’s name goes with family name first, then followed by given names. More specifically, if there is a manager attending in a business meeting whose family name is Yang, then the right way to call him or her is Manager Yang. Or there is a chairman in a business conference whose family name is Wang, and then the right way to call him or her is Chairman Wang and so on and so fourth. If you do not know the person’s position, then just call them by Mr/Miss/Mrs with their family names. Do not call people with their full names in business occasions, which is not a polite way to address people. Addressing people correctly and politely will help to make good impressions on people.

“Seniority is valued in China. It is important to address your counterparts by their title (Chairman, Director, etc.). Find out who the most senior person in the room is, and address them first.” (Business Etiquette in China, Date of retrieval 16.01. 2015)

It is very important to realize the seniority in China. It will be embarrassed if you address other people less senior than the most senior one, it will be considered as an impolite behaviour. Therefore, before going to attend a business meeting or occasions, it is important to know about who will be the one in the highest position and people relevant as well.
2.6.4 Meeting and Greeting

In business, meeting and greeting are the most common elements that happen most frequently in different business situations.

“ In China, meetings start with the shaking of hands and a slight nod of the head. Be sure not to be overly vigorous when shaking hands, as the Chinese will interpret this as aggressive.” (Doing Business in China, Date of retrieval 16.01.2015)

In Chinese people’s view, it is very important to be polite and professional in business situation, because to some extent, it is a way of showing your personal quality as well. A suitable handshaking, nodding of the head or a smile will be a good way to leave good impressions. Moreover, what should be paid attention to is that Chinese people are not into physical contact very much, so leaving a suitable space or keep a suitable distance in meeting or greeting is important. Touching behaviours are not recommended much in China in business.

Overall, in the business occasion, it is considered to be a very formal and professional occasion. Therefore, the way of talking, addressing people, dressing and also body languages and gestures should be noticed carefully and always remember to show the professions in the occasion.

2.6.5 Gift-Giving

“Exchanging gift is a key part of the business culture, contributing to develop “guanxi”. (Gesteland & Seyk 2002, 120)

“ Gift giving is a common Chinese custom that business visitors to China should prepare for and use to advantage. The advice of a Chinese friend or colleague is invaluable in doing this properly.” (Business Etiquette in China, Date of retrieval 16.01.2015)
Giving gifts in China is a very common issue in business. But more important thing is to think about the target person, who will get the gift and what should the gift be. For foreigner, it is better to select the gift, which includes the feature of the local culture, the country of where the foreigner is from. It will be a wise choice.

Presenting and receiving gifts should be done with both hands, which shows the respect and politeness.

2.6.6 Orientation to Time

“The Chinese value punctuality and adherence to schedules. They except the same of their foreign counterparts—especially potential suppliers.” (Gesteland & Seyk 2002, 117)

Punctuality is vital in China. It is always good to be on time or even early in business. Being a little bit earlier is a habit for most of Chinese in normal situations. Being on time or early helps to make good impressions on others. However, being late is considered to be impolite. Do not forget to make apologies when being late. Especially in business situations, arriving late will make other people think that you are not taking the meeting seriously and they will doubt your professional abilities as well. In Chinese view, one’s behaviour reflects a lot about the person’s personalities. Therefore, when comes to business issues, always remember to pay attention to your behaviours, which will make differences on your work.
3. Marketing Mix

“ The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place.” (The Economic Times. Date of retrieval: 17.03.2015)

In this chapter, there will be a marketing mix analysis based on 4Ps of Fantas-tec’s business and their products in Chinese market.

**Product** There are 3 kinds of games of Wonder Bunny’s series, which are Wonder Bunny ABC Race, Wonder Bunny Math Race and Wonder Bunny and Animal Friends. The games are designs by a Finnish based company. These games are all fun for kids and beneficial for parents as well. They are all safe, healthy games with educational features.

Wonder Bunny ABC Race is a game, which teaches kids to learn English alphabets from A to Z. There will be a bunny racing in the game, by tapping the hanging alphabets in the correct order, the bunny will run further and faster to reach the end quickly.

Wonder Bunny Math Race is teaching kids simple math operations from preschool to 3rd grade, which includes addition, subtraction, multiplication and division. The same rule applies as the ABC Race, the faster you tap the answer, the faster the bunny will run.

Wonder Bunny and Animal Friends is mainly teaching kids the knowledge of the nature with different animals and different plants.

From the interview I had with the parents, from their point of view, what they focus more about the product, they except a successful educational game are the healthy and educational content, and also if the game attracts children to be in-
interested in it. Moreover, the knowledge that children will learn from the game is quite important, which indicates if it is a good educational game.

**Place** The games now are available on multiplatform, which are Apple Stores, Google Play, Amazon and it is also available for online version. Customers can download the game free from those platforms and try it directly from the webpage as well.

Since the company is seeking partners in China, once the cooperation is done, with different partners as mentioned in previous chapter, these games will be distributed with different channels, for example, in game portals, different children’s theme websites, or even will be used as a studying material in early education class.

**Price** Fantastec’s games are all free to download in different platforms, but once to purchase something in the game or unlock later chapters, it charges with different prices, the price ranges from 1 Euro to 20 Euros and there are usually discounts in some certain times.

**Promotion** Virtual marketing is a very effective way to make promotions in China. Sina Weibo is now the most popular social network, which has users of 156,500,000 totally by 2014. Many companies also have their official account in Weibo, it is really a fast and easy way to make promotions in China. Everyday there are so much information is shown in Weibo. With the help of Weibo, it will gain much more popularity for Fantastec in China.

Another popular social media that almost every Chinese is Wechat, companies can register public official accounts for themselves. When there are campaign activities or some news about the company, people who follow the account will receive the latest news all the time.

Moreover, making advertisements on education related websites would be one option, such as these children’s theme websites, forums about early education and so on.
BabyBus is a strong competitor for Fantastec. A brief marketing mix of BabyBus will be given below.

**Product** BabyBus focuses on meeting the educational needs of preschool children. Their apps are divided into two age groups, the Starter Series for toddlers and the Prodigy Series for children 3 year and older.

**Place** All the applications of BabyBus are available in iOS and Android devices with 9 languages.

**Price** Almost free and some of the products cost 1RMB(0.15Euro) to download and there is no extra charges within the application.

**Promotion** Virtual Marketing has been applied very frequently for BabyBus. Sina Weibo and Wechat are the main tools for them to make promotions.

Compared with Fantastec, obviously, BabyBus offers more products than Fantastec, there are not only educational games, and there are also other applications for early education, which covers more fields than Fantastec in education. The place is quite similar, and nowadays, most of the applications are available in both iOS and Android stores, but Fantastec provides online version, so customers can also try the games from computer, which is also very convenient. Both Fantastec and BabyBus’s products are free to download, but in Fantastec’s games, purchasing is needed when you want to unlock further chapters, but BabyBus is always free within the content. Promotions can be applied with the same tools because these two are the most popular ones and people use it quite often. Therefore, Weibo and Wechat are the most efficient promotion tools in Chinese market.
4. Research Methods

The main research method that is used in this thesis are secondary research and qualitative research.

“Sourcing, evaluating and analysing secondary data in critical and creative manner is vital to the planning and delivery of effective marketing research.” (Malhotra, Birks & Wills, 2013, 59)

“Secondary data are data that have already been collected for purposes other than the problem at hand.” (Malhotra, Birks & Wills, 2013, 61)

Secondary data offers a lot of relevant information that already been published. It is quite easy to get the access to different kinds of data while researching with secondary data. Moreover, it is very convenient and inexpensive, by searching some key words online, some relevant articles or books will be shown. I can choose from those results, and then go deeper with some of the results that are related to my topic and get the most useful information applied into my thesis.

Secondary data consists of internal secondary data and external secondary data. Internal secondary data refers to the daily activities, transaction and enquires of an organization. More specifically, some of the information about the case Fantastec I have collected are originally from the company’s site or the people from the company. External secondary data mainly refers to those published sources. They can be general business data or even data from the government. What I have used for external secondary data mainly books from the library of Oulu UAS.

Qualitative research was conducted through the interview I had with several interviewees, who have children aged two to six years old, the purpose was to see the opinions and attitudes from these parents about online educational games and early education.
“Qualitative research can offer great insights in understanding the richness, depth and complexity of consumers. (Malhotra,Birks&Wills, 2013, 87)

The result from the interview turned out that most of the parents have downloaded some educational applications on their phones or tablets, applications includes songs, stories, language learning, basic mathematics knowledge and also games. These applications were all free to download and no extra purchase within the applications. Parents cared a lot about the content and also the educational efficiency of the applications they have used. They were willing to try new educational applications with good quality and good evaluation. If the price is reasonable and the application is worth to pay for, they will consider purchasing for their children. Making children having fun while learning something really useful is what parents expecting from a successful educational application.
5. Conclusions

The aim of the thesis was to find out the effective strategies for the company Fantastec Oy to enter Chinese market. Through the whole thesis, the most important part was the deep market research based on Chinese market. By going through the market research of game industry in China, as well as the risk analysis of entering Chinese market, which indicates that there is good both internal and external environment for Fantastec to enter the market. Meanwhile, concerning to the potential risks, those factors are needed to be prepared before entering the market to avoid unnecessary obstacles, to some extent.

While mentioning about the entry options, there are several main ways to enter China, such as licensing and franchising, or establishing a brunch company in China and so on. Concerning to Fantastec, the most possible and effective way will be to become a joint venture with some local game companies. It would be a much convenient way for companies like Fantastec to enter a certain market. Since it is a small and young company, when it has connections with some big and experienced game companies, it would be really helpful for Fantastec to establish the network in China. Moreover, they will benefit from the local big companies with the resources these companies have once there will be successful cooperation between the company and Fantastec.

Moreover, an overall analysis of game market in China has been analyzed as well. It has been done to see what the current situation of game market in China is like. From the charts in the chapter, it showed a positive trend for game industry in China. As in the market size keeps increasing, mobile market is growing as well, but PC client is still the main methods for players to play games on, these results indicate the future trend in game market.

According to the overview of game market in China, it shows that the game industry is developing steadily and there are a lot opportunities in the market for
foreign game companies to enter with their products with special advantages and features.

There is also a SWOT analysis based on the case company in the thesis. Fantastec is a Finnish company, which brings the most obvious advantage to enter the market in China. Finland is famous with advanced technology and education in the world. Chinese customers will mainly focus on this point and have the interest in the company and the games. There are good opportunities in China as in it is a so huge country with large population. There are a lot game companies in China, especially in some cities with strong and advanced IT industry such as Beijing and Shenzhen. To having good cooperation with Chinese game companies creates a lot of chances for Fantastec in the market. However, on the other hand, Fantastec is also facing the fierce competition with the local game companies in China.

Based on the business areas and game features, mainly the customers are targeted as pre-school children and children in grade 1-3. Moreover, since pre-school children are still very young, parents are the main targets that Fantastec should mainly attract. In China, parents are willing to pay for their kids for best education. If there is good publicity for Fantastec’s games, which make parents think it is really helpful for their kids, they will definitely buy the whole game for their children. It will be a good method to reach the customers with good advertising and publicity.

Entering the market by establishing partnerships with local game companies or education-related organizations are the main entry option that Fantastec is possible to conduct. It is also the best and most effective way for Fantastec. Concerning to the business areas of Fantastec, it turns out that game portals, children’s website, private educational institutions are the most suitable partners to cooperate with. Because these companies are all in industries related to education and games, there are more possibilities among these companies. Companies’ detailed information was given in the chapter 2.5.
While doing business in a new market, it is always important to know about the business etiquette in the country, which helps the business people adapt to the local business environment quickly. In China, there are some main factors about the business etiquettes should be highly paid attention to.

Establishing relationship is the first step to do before starting to talk about business. If there are no good relationships with some companies or relevant organisations in China, it will become very hard to do business in the market. Caring about people’s face and paying highly attention to the way of addressing people are very important in Chinese business culture. Moreover, some factors like punctuality, meeting and greeting behaviors all reflect someone’s personalities and professional spirits in business. In Chinese saying, detailed issues determine success. Mastering a good knowledge of Chinese business etiquettes makes good advantages while doing business with Chinese companies.

To sum up, entering Chinese market is a good opportunity for Fantastec to expand the business there. Based on different kinds of market researches that have done in the thesis, and applying to the advantages and strengths of Fantastec, once there is suitable and successful partnership established, which means the big move has made in the market.
6. Discussion

The thesis aims to expand business opportunities through detailed market research based in China and to seek partnerships for Fantastec in China. Through the whole process of the thesis writing, I have gained and learnt experience in a more academic way.

The topic is originally from my internship experience. In summer 2014, I had 20 weeks internship period in Fantastec Oy. My tasks were to conduct market research about China. Since Fantastec Oy was very interested to establish relationships to cooperate with Chinese companies, at that time, I got a list of the Chinese companies that Fantastec was interested in and I did deep research about these companies to see if there are cooperation possibilities regarding to the business areas of these companies. Fantastec had contacted for cooperation possibilities with several companies that are doing business in educational field.

During the process of the thesis, I have also gained a lot of knowledge while I was doing the market research about Chinese market. I started to learn how to make what I have learnt and what I have known from different resources in a more professional and academic way rather than simply write them down. Another important thing is to select key useful information among all the resources. Obviously, there is so much information that is related to my topic from Internet, books, or other resources. I need to make it clear what I should use as a very valuable reference and how relevant the recourse is to my topic.

Moreover, I learnt how to use the research methods to the fullest in academic writing. In the thesis, I have used secondary research, quantitative research together with qualitative research. Secondary research is the easiest way to get information from published resources. Therefore, I have read some books that are mainly related to market entry and marketing research. Quantitative research and qualitative research also help me to analyze information and data in
a more specific way. With the help of the research methods, which embodies some of the key points and ideas of the purpose for the thesis.

The most valuable and significant thing for me in writing the thesis is that I have gained a lot of knowledge of game market in China. Because of lacking of knowledge about the game market in China myself, which means there is a lot for me to research about. It is a good chance for me to study about Chinese market more deeply in many ways. By doing the PESTEL analysis of China, I read much information about political issues, economic issues, social issues and these relevant issues in China. Based on these information and plus my own understandings, which makes the PESTEL analysis completed. Moreover, making a market entry requires lots of contents and effective strategies, but considering to the most important part is the market, therefore, I tried my best to put the most relevant and most valuable issues about the market in my thesis, which also emphases the key point of the topic. During the research process, I did improve my knowledge of the market situation is China, especially in game industry. I have also known better about Chinese business environment and business culture as well.
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Appendix

Interview Questions (For Chinese parents who have 2-6 years old children)

1. How many children do you have?
2. Have you ever used or downloaded any educational applications for your children’s pre-education?
3. What kinds of educational applications you have downloaded?
4. What is your first concern while you choosing an educational application?
5. Are these educational applications effective for your children’s early education?
6. Will you be willing to let your children play online educational games?
7. How much will you be willing to pay for an educational application?
8. What do you expect from a good educational game?