

Analysis of Perfect World Co.,Ltd's international business using PESTLE

Yinuo Chen^{1, *}, Hening Wang²

¹*School of Management and Economics, Beijing Institute of Technology, Beijing, China*

²*Department of Finance, Shandong University of Science and Technology, Jinan, China*

*Corresponding author

Abstract: *This article discusses the social responsibility that Tencent acts in a major epidemic situation, and explores the ways in which large enterprises should realize the growth of corporate value. Based on Carrol CSR Pyramid and the stakeholder theory, this article explores the forms of large-scale enterprises' social responsibility fulfillment in the context of major epidemics.*

Keywords: *Corporate Social Responsibility, Tencent, Covid-19 pandemic*

1. Introduction

Video game industry has been growing quickly in recent years. In the past five years, video gaming revenues have nearly doubled. And in the next two years, this industry is expected to be the most promising media and entertainment (M&E) sector. While faced with massive opportunities in the international game industry, there are certain challenges and problems requiring solutions to confront and fix.

This paper uses Perfect World Co.,Ltd to gain an insight of how this company can expand its overseas game business. Perfect World is a Chinese video game developer and video game publisher, which was founded in 2004 by Chi Yufeng. With aims to develop and market games with Chinese characteristics, it specializes in massively multiplayer online role-playing games.

2. Current International Business

Overseas business is a significant part of Perfect World Co.,Ltd's operation. In 2018, the company's operating income from overseas accounted for 27% of the operating income of the game business³. Until April 11, 2020, the company has wholly-owned subsidiaries in North America, Europe and Asia. However, there is still a long way to go for this company in order to adjust to the rapidly changing global business environment and achieve better results.

3. PESTLE Analysis

The part will analyze the international game business environment through PESTLE analysis, which stands for political, economic, social, technological, legal and environmental factors. Since environmental factors are relatively not important to game business, I'll focus on the former five factors to evaluate the risks and opportunities.

After each analysis, there are suggested solutions for Perfect World Co.,Ltd to cope with such situation and changes accordingly. The suggestions include company structural adjustment and adopting monetization strategies etc.

3.1 Political Aspects: Challenges from Local Government

To acquire the latest progress in the global gaming industry, games development needs multinational efforts, for example, outsourcing or using a licensed technology from a firm abroad. However, this process can encounter pushbacks from local government aiming to protect the domestic gaming industries, and carrying out policies such as high taxation placed on foreign gaming companies. Also, unstable political environment and instability of policies can lead gaming companies to suffer from

financial loss.

This paper suggest that this company can conduct two measures to deal with such risks. Firstly, it can form a backup plan to cope with the situation where interruptions occur, including increased tariffs and trade bans. For example, if one game product can't sell in US due to regulation on trade, it can set up a plan of selling this product to other areas and get in touch with local game retailers in advance.

Secondly, the company can get a political risk insurance, which protects it from events such as acts of domestic or international political unrest and violence, capital repatriation, and sovereign debt default, therefore mitigating the risk of political risk.

3.2 Economic Factors

This section focus on the economic factors of *Perfect World Co.,Ltd* current situation from three aspects: The intensified competition, game publication transition and challenges from game distribution.

3.2.1 Intensified Competition

The competition and costs becomes more intensified as more gaming companies are entering international gaming market, which puts the firm under greater financial risk. The investment of acquiring valuable IP and accessing new capabilities is costly and considerable, so it is also important for gaming companies to get enough cash for growth investment.

Perfect World Co.,Ltd can find new revenue streams by adopting monetization strategies from other sectors to minimize the risk of negative investment return on overseas market. For instance, instead of releasing a new version of games and waiting for another product to come along, it can promotes gaming-as-a-service (GaaS), which enables game developers to create long-term games by updating regularly with new features. This benefits the firm through a higher lifetime value of games, thus recurring revenue and extra participation from player.

3.2.2 A Different Approach to Game Publication

Games are played using different platforms overseas, since diversified video game developers and publishers are located across the world. Moreover, many game users are interested in some of the big names like Nintendo and Sega, which produce video games for their own proprietary game panels. The company can concentrate on the production of software and marketing and distributing them internationally, rather than create video game equipment or gaming consoles.

3.2.3 Various Channels of Game Distribution

The mobile game distribution channels in every country are not similar to each other. For example, China doesn't use Google Play and instead has about 200 Android app stores constituting a highly fragmented market. An accurate strategy for distributing games in different countries is required.

The company needs to check at their different consumer behavior in different channels and adapt the games to be suitable for divergent circumstances. For instance, it can build different versions or make some changes to the original version for various app stores. And it can work with local publishing and localization partners, depending on the specific situation.

3.3 Social Aspect

3.3.1 The Content Matters

The content is of crucial importance to international consumers⁵. It is important to stand out with high-quality products among all those competitors. However, the production of content is likely to be unstable, and the content itself needs to be constantly updated, therefore the content production company must form a content creation system in order to obtain stable and continuous growth.

Perfect World Co.,Ltd can build an internal entrepreneurial mechanism that integrates development platforms and project teams, which helps attract and inspire high-quality talents and enables the company to continuously enrich its product pipeline and maintain long-term stable growth. In this way, entrepreneurship within a large company can obtain platform-level resource support and a complete incentive mechanism, so that the team can maximize creativity.

Moreover, under this structure, it can focus more on producing prime content and developing more differentiated products. This can be further achieved by, for example, identifying the proven intellectual

property (IP) from other sources, including licensing famous content from distinct mediums or revitalizing their back catalogue and releasing retro games.

3.3.2 Culturalization Process

International gaming markets consists of users from diversified cultural backgrounds. It is highly possible that same lines have different interpretations during the process of presenting games, and can easily lead to disputes and media controversy, which is costly to manage with paying for the crisis management and the expensive monitoring software.

Perfect World Co.,Ltd should adapt the game content to fit the local culture, by fully understanding multiple cultural aspects like foreign cultural traditions and the latest pop culture in the targeted country etc. This requires more than basic language translation, it is also important to capture a regionally exclusive experience within the game.

3.4 Technology Aspect: Cloud Gaming

Under the trend of 5G, the Cloud-based streaming explores a new way of presenting games. The development of cloud gaming not only represents more than a chance for entering global gaming market, but also it's a strategic imperative that will help firms firstly occupy more market shares.

Most of the video game companies have been slower to adopt these technologies in their back-office and customer-care functions⁶, and even slower in most countries where 5G technology are not developed yet, providing a greater opportunity for Perfect World Co.,Ltd to step in quickly.

The firm can increase investments in cloud-based or streaming platforms and actively explore the combination of VR technology and games to seize the first-mover advantage. Also, it can collaborate with high-technology firms to use their technical advantages to further promote the game to be more advanced.

3.5 Legal Aspect: Attention on Cybersecurity

The cybersecurity becomes increasing significant when expanding the overseas gaming market, as the probability of in-game fraud and serious cyberattacks rises due to uncertain internet environment in different countries and a rise number of game users⁷.

Perfect World Co.,Ltd can use blockchain as a leading solution to secure the gaming settings and gain trust of the consumers throughout the video game ecosystem. Specifically, it can use blockchain technologies to secure gamers' online digital identity, protect the authenticity and value of virtual goods, and create completely transparency for rights and royalties throughout the game value chain.

4. Conclusion

Though the international business environment of gaming industry is challenging and changing rapidly, *Perfect World Co.,Ltd* can better itself by adjusting monetization strategies, giving attention on game distribution and publication differences, changing its organizational structure for content creation system and conducting localization strategy etc. The response of *Perfect World Co.,Ltd* towards the global game market is both external and internal, which helps strengthen its current position in the overseas market and is expected to further facilitate its process of expanding the business internationally.

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