

Reframing the Game:
How the interaction between technology, culture, and marketing plays along in the platform
society.

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Abstract

Reframing the Game: How the interaction between technology, culture, and marketing plays along in the platform society

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The video game industry has substantially transformed itself in the last decade. Game companies had to adapt to fit into the new logic of production and consumption dominating the global market. In the continuous evolution of digital communication, technologies like social network systems, mobile devices, app stores, and live-streaming broadcasting allied to their capacity to gather and move a large amount of user data, have each played crucial roles in speeding up the rate of change in the game industry. This rapid transformation has also affected players. While expert players had to adapt to new ways of paying for and playing games, subjecting themselves to new designs, mechanics and gameplay, newbies found new opportunities to expand their gameplay.

Drawing from Kline et al. (2003), this dissertation examines the current state of the game industry, underlining the significant changes it has been facing over the years. In their scholarship, Kline and colleagues developed an analytical tool to investigate the video game medium in the context of a high-intensity marketplace. I make use of their circuitry to investigate the current context surrounding the game industry. In broad strokes, this study examines how the industry's new business models and strategies influence and leverage these circuits, which, in turn, interferes, accelerates, and intensifies the interconnections between them, generating new layers of interactivity at every turn.

The video game industry is massive in scope, and its business strategies vary according to each developer's size and ambitions. Thus, this research focuses on two mainstream companies as a case study: Electronic Arts and Tencent. By following these companies' production practices and business strategies in the last decade, this study attempts to understand the processes that shaped the game industry during the 2010s. This research uses critical political economy and textual analysis as methodological tools to look closely at a large corpus of documents. As this research demonstrates, the interplay between the circuits tends to be guided by the marketing circuit; accordingly, the intense acceleration between the circuits and the formation of new layers of interactivity entail the reduction of social and cultural relationships to mere monetary transactions.

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1. Introduction

On a recent flight to Europe, two people in the seats near mine loudly debated about the end of the first season of HBO's TV show, *The Last of Us*. The shocking final scene indeed raises questions, the most common ones, as shown through the conversation between my two flight neighbours: "Would you do what Joel did? Would you save one life to the detriment of the entire humankind?" These questions, and countless others, echo the inquiries asked by many players in 2013 when a video game of the same title was officially released. The show's success recalls the equally successful video game *The Last of Us*, developed by the game company Naughty Dog and published by Sony Interactive Entertainment. To leverage the massive hype generated by this cultural phenomenon, HBO has already confirmed the production of a second season based on the second instalment of the game, *The Last of Us Part II*, released in 2020.

On the same flight, many people were playing various video games through the airline's entertainment system, from puzzles and platformers to racing and strategy games. People were also passing the flight time playing on their mobile devices or laptop computers. Off the plane and within the airport area, retro arcade game machines and the current generation of console booths were both available, along with many charging stations, for people to use to both play games and recharge their devices while waiting for their flights. Similar scenes could be seen all around town as well, such as in subway cars, coffee shops, bars, bookstores, and other social spaces. If not playing on their mobile devices and laptop computers themselves, people instead watched someone play games on the live-streaming platform Twitch.TV, or even rooted for a particular esports team while displaying a *Dota 2* tournament on their screen. The straightforward take on this is that the video game medium has become far more accessible over the last decade, which has significantly extended its audience. People are not only playing more games, but they've also become far more willing to spend both more time and money on them.

The various scenarios observed above were not that common a decade or so ago, and it is not because video games did not exist back then. They were instead restricted to a sub-cultural circle, which many people did not have access to or did not want to access. The video game culture has been gradually expanding over the years. It is not an exaggeration to affirm that video games are

now everywhere: specialized media outlets, graphic novels, spin-off books, TV Shows, and movies to name just a few. The medium has also colonized museums and art galleries, traditional newspapers and magazines, and sports and entertainment channels. Even financial bibles like Forbes and Bloomberg have among their columnists journalists who specialize in video game field. It is not that hard to understand why video games have become such an evident global trend. Moving billions of people and US dollars every year, the game industry found in the platform society its fast track to increase its cultural, social, and economic relevance. As an offspring of digital technology (Dyer-Whiteford & de Peuter, 2009), it is not a surprise that the current rapid speed of technological development, especially on telecommunication devices, has had a major impact on the video game industry, which, in turn, has profoundly affected our cultural and social tissue.

In the early 2000s, Kline et al. (2003) were the pioneers in investigating the historical context and the complexities resulting from the coalition between digital technologies and global markets. The scholars delve into the technological development, cultural impact, and economic phenomena of the video game medium using a combination of Media Studies, Political Economy, and Cultural Studies as theoretical and methodological tools. They suggest that it is only possible to comprehend the emergent media in the digital context by analyzing the interconnection between “technological innovation, cultural diversification, and globalized consumerism” (p. 50) and how they dynamically operate inside the circuit of capital.

Drawing from Garnham’s schematic¹ and in connection with the movement of a globalized media industry, Kline et al. (2003) elaborate an analytical tool encompassing what they named the “three circuits of interactivity in a high-intense marketplace.” This circuitry addresses the interplay between technology, culture, and marketing while examining the industrial production and marketing of video games and the cultural impact of the medium on society. The authors emphasize the interactivity of the medium, reflected in the form of players’ agency, as a crucial feature of video games. In the interplay of these circuits, players have the power to comply with,

¹ Garnham’s schematic describes the circuit of capital as a cyclical and continuous movement where industrial production creates commodities and stimulates consumption. This cycle generates a flow of money and sufficient profits to restart the cycle over again (Kline et al., 2003)

reinforce, refuse, subvert and negotiate with the game or their digital context and counterpart. In the circuit of culture, the player may follow or depart from the path (meaning) suggested by the game designer. In the technological aspect, as natural users of digital apparatuses, players become a vessel to disseminate innovation into widespread use. Alternatively, the players can also hack these same video games and stimulate subversive activities. For the marketing circuit, the authors emphasize the negotiation process between producers and consumers in the information era of capitalism. The direct connection between the community of players and developers through games' webpages, forums, help desks, and early access feedback has been a feature of the industry of video games since its inception.

Although the dynamic interplay of the cycles of technology, culture, and economy have co-existed for a long time within society, the fundamental contribution of Kline et al. (2003) was to unveil the mechanism behind the growing interdependence of these circuits as well as to demonstrate how such interconnections are powerful, mainly by considering the dominant role of the marketing circuit in driving the others. In that sense, the interplay between the circuits serves to sell cultural and technological goods and promote a new commercial path for a different range of products.

Nonetheless, nearly two decades after the book was published, the historical context in which Kline and his colleagues developed their analysis has significantly altered. Technology has evolved, society has adapted to ubiquitous techno gadgets, culture has embraced the digital world, and the game industry has been elevated to one of the key economic sectors of the twenty-first century. In such a new gaming landscape, I inquired what the interplay between the three circuits of interactivity could tell us about the current state and power dynamics of the video game industry. As an important analytical tool able to uncover the intricated systematic of interests underneath gameplay activities in the past, I decided to revisit their circuitry analytical tool and apply it to the current state of the industry to see how the intensity and interaction between the circuits have changed. In 2023, for instance, the number of video game players worldwide surpassed 3.3 billion, and the global gaming market generated \$187.7 billion in revenue. The global game industry expects continuous economic growth, reaching a yearly revenue of \$212.4 billion in 2026 (Newzoo, 2023). The game industry has also adapted to a new commercial logic of production that has impacted video game circulation and its marketing

process worldwide. Innovations in Information and Communication Technologies (ICTs) has allowed the game sector to transcend its usual reach and colonize already massively-used digital apparatuses such as Social Network Systems (SNS), smartphones, and tablets. Mobile games, in particular, stormed into the gaming market, taking the lead in the sector in terms of global revenue. In 2023, the mobile gaming segment accounted for 49% of the global market revenue (\$92.6 billion), with console and PC gaming sharing, respectively, the remaining 30% (\$56.1 billion) and 20% (\$37.1 billion) (Newzoo, 2023). Furthermore, the pervasiveness of mobile and casual gaming lowered the bar for general audiences, permitting the game industry to expand into the mainstream culture. Gaming live-streaming and esports competitions were also crucial for boosting engagement and fostering the communities growing up around them. The creation of various kinds of game content, such as that tailored towards player skill improvement, or tips for progressing past challenging sections, or even seeing skilled players in action, has also helped normalize play practice while also further inserting gaming culture into mainstream and pop culture.

Such changes in the logic of production encouraged the emergence of games-as-a-service (Kerr, 2017), which also entailed a new approach to marketing games, new forms of playing them, and a new arrangement of monetization. The logic behind games-as-a-service has considerably altered video game consumption, transmuting game ownership into a user-licensing agreement. Essentially, the early 2010s free-to-play business model, encouraged mainly by the mobile market, revolutionized video game monetization through in-game purchases and other advertising techniques. Gaming live services like season passes, expansion packs, extra content, microtransactions, and random boxes have spread to PC and console games, aiding in growing the global revenue for these segments. The number of players willing to spend money on in-game purchases and gaming live services has gradually increased. In 2023, the number of global ‘payers’ increased by 7.3% compared to the previous year, reaching a staggering 1.47 billion players, nearly half the total number of global players.

In geographical terms, the game market has also changed direction toward the east side of the globe. The Asia-Pacific region has debunked the myth that North America and Europe are the most significant game consumption markets. The Eastern countries accounted for 46% (\$85.8 Billion) of 2023’s global gaming market revenue. The Asia-Pacific region is then followed by

North America and Europe, with 27% (\$51.6 billion) and 18% (\$34.4 billion) of the market revenue, respectively. Latin America and Middle East + Africa market revenue slices account for 5% (\$8.8 billion) and 4% (\$7.2 billion) respectively. The Asia-Pacific region also displays a large population of players. The region accounts for 53% of players worldwide, reflecting the massive markets of India and China. The high level of gaming engagement in countries like South Korea and Japan has also contributed to the rise of players in the Eastern area. North America and Europe combined account for 20% of global players, while Latin America and Middle East + Africa account for 27% of worldwide players. The expansion in the number of players in non-mature markets, like Latin America and Middle East + Africa, was mainly driven by improvements in Internet infrastructures and economic access to mobile Internet data packages (Newzoo, 2023).

The Asia region's dominance in the game market also translates into high rankings for the top public companies by game revenue (Newzoo, 2023). For example, one can see the rise of Chinese companies in the top five positions of the list (Tencent #1 and NetEase #5), which has been dominated in the past decades by American and Japanese companies like Microsoft (#4), Activision-Blizzard (#7), Sony (#2), and Nintendo (#9). It is also crucial to note the presence of big tech corporations like Apple (#3) and Google (#6), listed among the top ten companies by game revenue, even though they have never developed or published games. The presence of these tech corporations demonstrates a change in the power dynamic of the industry. These companies hold enormous power as mobile gatekeepers and curators in the new arrangement of game circulation via App Stores.

These significant shifts in the commercial logic of game production, circulation, and marketing have greatly affected gaming culture, redefining and expanding the role of players in the interplay of Kline et al.'s (2003) circuitry. The industry's new business models and strategies are influencing and leveraging these circuits, which, in turn, interferes, accelerates, and intensifies the interconnection between them, thereby generating new layers of interactivity at every turn. Thus, facing a different historical, social, cultural, and economic context from those Kline and his colleagues encountered, I make use of their circuitry analytical toolbox to investigate the new and even more intricate contexts surrounding the game industry. This research examines the game industry's production practices and market trends to uncover their influence and impact on

Kline et al.'s circuitry and, consequently, how such impacts on the three circuits may dynamically drive the power relations within society.

Drawing from a significant amount of data regarding the high extension of cultural penetration and economic relevance of the video game industry, this dissertation attempts to answer **how the newer production practices adopted by the game industry in the last decade influence cultural and social practices in our contemporary society**. Acknowledging the broad scope of the proposed study, secondary questions are therefore necessary to design different strategies to approach Kline et al.'s (2003) circuitry and, hopefully, provide a solid groundwork to aid in answering the dissertation's question. To better understand the impact of technological innovation across the last decade, this thesis approaches the circuit of technology by inquiring **how the adoption of external technologies (not necessarily developed for gaming purposes) by the game industry in the last decade fundamentally changed the process of video game production, circulation, and consumption**. Regarding the impact of new technological, social, and economic contexts in the circuit of culture, this research asks **how the expansion of game audiences and players influences the game industry dynamics and the culture of play**. Lastly, to address the game economy and marketing changes, this study poses the question of **how the video game industry adapted to the service sector**.

Since the video game industry is massive in scope and its business strategies vary according to each developers' size and ambitions, as well as the regional market and the types of games and platforms found there, this study approaches the research questions outlined above by focusing on two video game companies: one from a mature video game market based on publishing logic to illustrate the course of adaptation to a new commercial logic of production, circulation, marketing, and consumption based on platform logic; and one from the new game market, grounded in the platform logic. Thus, this study will map and investigate the business steps of the American company Electronic Arts and the Chinese giant Tencent to understand how they have driven their production practices and business strategies to match the new technological, social, cultural, and economic contexts that emerged in the last decade.

This research acknowledges the role played by independent studios as a crucial piece in the cultural and economic growth of the video game industry, mainly through their role in driving

design innovation for the sector. However, it also admits that the suggested analysis scope is already broad enough to fulfil its academic goal. In addition, it is possible that the inclusion of independent studios in this scope of investigation would help to create unbalanced comparisons that could lead to analytical instabilities in the final examination. Therefore, although excluded from this study, independent developers may become a target for further investigation by the natural unfolding of this academic work.

1.1 Chapter Breakdown

The present dissertation is divided into two parts. The first part, which consists of chapter 2 and 3, lays out the theoretical basis for this academic investigation, including its methodology and methods, and it also offers a brief historical overview of the companies used as case studies in this dissertation. The second part, consisting of chapters 4 to 6, presents an analysis of the dynamic interplay between the three circuits of interactivity as applied to new technological, cultural, and economic contexts by mapping and investigating the production practices and business model decisions from Electronic Arts and Tencent over the last decade.

Chapter 2 revisits the original work of Kline and his colleagues in developing the analytical tool to investigate the video game medium in the context of a high-intensity marketplace, or the three circuits of interactivity: the interplay between technology, culture, and marketing. It provides an updated context of the current status of the game industry, underlining the significant changes it has been facing over the years, and a brief overview of the history of the Chinese game industry to set the ground for properly discussing Tencent's production and business decisions. The chapter also provides concise reasoning on the political economy of communication, extending it to incorporate the economic ecosystem of China. The intention here is to understand how such an economic ecosystem reflects the development of the country's political economy. The chapter ends by presenting the analytical process employed in this dissertation, describing the corpus examined and the methodological tools applied to this study.

Chapter 3 provides a historical overview of the companies investigated in this research. It summarizes Electronic Arts' and Tencent's movements surrounding their business strategies, technological decisions, their influence on and use of game culture, and their general decision-making from 2008 to 2018. The narrative created encompasses the companies' public actions

available across a myriad of public documents, such as newspapers and magazines, specialized media outlets in games, financial media, and statistics data provided by specialized tech and video game business-oriented institutes to offer a comprehensive storyline on how the current techno-cultural and economic contexts influenced the companies' business decisions regarding market expansion, monetization systems, and production practices. Similarly, many of these corporative decisions helped to create and reinforce cultural trends while also shaping technologies and markets. It is essential to underline that although Tencent and Electronic Arts have different business trajectories, significant shifts in the digital competitive global economy have converged in such a way that both companies face similar cultural, social, and economic trends.

The second part investigates the interplay between technology, culture, and marketing circuits by mapping and analyzing Electronic Arts' and Tencent's production practices and business model decisions over the last decade. As this investigation extends to a Chinese company, scrutinizing the three circuits also offers glimpses of the changes in technology, culture, and marketing in China's context. Chapter 4 unpacks the circuit of technology by describing key opportunities offered by the digital platforms that have impacted how games are currently produced, distributed, and consumed. Divided into three sections, the chapter starts by unfolding social network systems' earlier but significant role in massifying game activities to millions of people worldwide. Next, the discussion moves on to how various mobile platforms' features helped to foster and normalize play practice by adding quick and frivolous play session breaks on everyone's schedule. The final part of the chapter discusses the streaming platforms and their impact on gameplay viewership, as well as their contribution to expanding the influence of the game industry by grooming a large gaming audience. Following Nieborg's (2021) advice, in which one must acknowledge and understand the role, position, and business practices of game publishers to comprehend the fundamental nature of game production, the scrutiny on these platforms is performed through the examination of Tencent and Electronic Arts business strategies aimed at expanding market share and profit by leveraging social network systems, mobile devices, and streaming platforms.

Chapter 5 deals with the circuit of culture by examining the influence of new audiences and new gaming cultural practices within the video game industry. Unlike Kline et al. (2003), who

focused their cultural analysis from an internal perspective (the meaning of the gaming text), I advocate for a shift towards examining the circuit of culture from an external perspective by looking at the impact of new players, skilled streamers, and professional athletes on contemporary gaming culture. As such, the chapter investigates how the emergence of these new gaming cultural resources has helped expand the game industry's relevance, influence, and capital power. The first segment of the chapter investigates how the arrival of new groups of players through mobile and casual games has affected the game culture. It problematizes the identification of a 'player' in contrast to the so-called 'hardcore players.' The analysis then turns to the live-streaming gameplay and gaming content creation via video-on-demand to comprehend how these players and their content impact the game culture and drive business decisions. The final segment of the chapter delves into the world of esports tournaments, examining how competitive gaming practices add to the gaming culture and cultivate expectations for a professional gaming career in younger generations. Once more, this chapter addresses its investigation by looking at Tencent's and Electronic Arts' business strategies to demonstrate how these companies have approached and used each new category of players as new cultural and economic assets to extract affect, engagement, and financial value.

Chapter 6 unpacks the marketing circuit by focusing on the transition of the video game from a one-off product to one that now includes fragmented monetization and ownership replacement. The goal here is to scrutinize the marketing strategies of titles billed as 'game-as-a-service' as well as how game developers and publishers have navigated through the changes in the commercial logic of game production while transitioning from publishing to platform logic. This chapter draws attention to the relationship between advertising strategies and models of monetization applied by the game industry to engage and hook players into their continuous offering of services. This chapter is divided into three sections. The first focuses on free-to-play games and the digital advertising structure behind them, such as collecting and exploiting user data and adopting in-game advertising. In the case of ad-supported games, the revenue stream is based on the player's time rather than their wallet. The next segment deals with the popularization of in-game purchase features. It outlines the different styles of microtransactions to discuss how they have been used as direct marketing and cross-promotion tools that are specifically tailored to encourage excessive consumption thereby shaping new behaviour patterns

across the gaming culture. The last section of the chapter considers the role of subscription models in video games, from the old forms of online membership to access game's online servers to the current range of subscription plans inspired mainly by television streaming platforms and cloud computing services. The goal is to understand how subscriptions have been employed as promotional tools to increase the interest and awareness of a video game publisher's services anchored in early access, curated, and exclusive games available on their game catalogues. Again, this chapter dissects Tencent's and Electronic Arts' marketing and business strategies regarding monetization systems choice and marketing and service promotion, as well as how these companies employ such tactics to generate hype, engage players, and ultimately convince them to consume not only the game itself but also the constant flow of in-game items and goods.

I conclude my analytical process by addressing the research questions that encouraged the present study. The final thought is also divided into three parts. In the first part, I review the main topics of discussion involving the three circuits of interactivity. Here, I attempt to respond to the research questions regarding the circuits of technology, culture, and marketing while demonstrating that the interplay between the circuits is still impacting the production, circulation, consumption, and general culture of video games, as well as influencing social-trend behaviours within our society two decades after Kline and his colleague's first analysis. In the second part, I tackle the main research question by demonstrating how the intense acceleration between the circuits generates new layers of interactivity, in which the results mainly entail reducing social and cultural relationships, as well as experiences, into mere monetary transactions. Finally, I acknowledge this research's limitations and review its possible contributions to the game studies field. I also attempt to address the possible unfolding for this research while briefly speculating upon possible challenges game scholarship may face in the following years based on current techno-cultural trends such as NFTs, generative AI, and Metaverse. Despite my skepticism, it is worth remembering, as Kline and his colleagues pointed out, that the circuits also work in a dialectical sense. This form of capitalism attempts to subsume the circuitry within a dominant logic of profit accumulation. At the same time, this economic bias may be subject to resistance, disturbance, and subversion from other essential actors in this industry. The video game history has proven players' resilience and subversion through many practices (modding, hacking,

cheating) already incorporated into the culture of video games and play. So, let us see what the future holds.

Part 1

2. Theoretical Framework

2.1 Media analysis in the high-intensity marketplace: the three circuits of interactivity.

The digital era has introduced contemporary society to a range of new technological apparatuses that have (supposedly) helped people with their everyday life activities and established a new way of living. These technical devices, though, are not neutral, unbiased, or free of responsibility in regard to the plethora of the sociocultural and economic issues and controversies they generate. These problems have emerged from past problem-solving directives and techno-fixes that have become further intertwined with the particular lifestyle these technological apparatuses encourage. In fact, these techno devices have radically transformed the essence in which our society works, everything from the logic of production to labour to consumption relations. They have also altered the forms in which we socialize, communicate, and interact with each other, which, in turn, have influenced our culture in a broader manner. Many scholars have spilled much ink discussing and examining the impact of the digital era on different aspects of humans' everyday lives. Tiziana Terranova (2000), Bolter & Grusin (2000), Manuel Castells (2000), Lev Manovich (2001) are a few of the scholars that have contributed to this field, and while their theoretical contributions are valuable for understanding the digital period, my research focuses on analyzing a medium that those studies have overlooked: video games.

One of the first works to address the controversies of the digital world is the remarkable book *Digital Play*, published in the first half of the 2000s. There, Kline et al. (2003) examine the video game industry as a phenomenon that has gradually emerged out of post-industrial capitalism. The book offers a ground-breaking method for analyzing interactive media in the context of an emergent, high-intensity digital marketplace. The scholars examine the video game industry through what they term the three circuits of interactivity: technological, cultural, and economic (with a focus on marketing). Developing an exploratory tool, Kline et al. (2003) interpose three theoretical lenses—media studies, the political economy of communications, and cultural studies—arguing that, though they might reveal some aspects of cultural production practices, none of these approaches may be sufficient on their own as an analytical means; however, if

combined, the three approaches could be used to properly investigate interactive media in the digital economy era. To comprehend the emergent media scene within the digital context, they argue, one must analyze the interconnection between “technological innovation, cultural diversification, and globalized consumerism” (p.50) and how they operate dynamically inside the circuit of capital.

This dissertation uses Kline et al.’s (2003) circuitry theory as a tool to analyze the way the game industry has progressed over the last decade through an examination of their business strategy choices, technological decisions, and influence on (and use of) the game culture. To achieve this, the first section of this chapter revisits the theoretical influences that assisted Kline and his colleagues in the development of their analytical toolbox. I will also briefly summarize the way the authors did their analysis of each circuit of interactivity. The second section offers a brief update on the current context of the game industry, emphasizing some of the significant changes the industry has undergone in the last few years. The third section then briefly revisits the history of the game industry in China to set the ground for discussing the context in which Tencent has flourished. The fourth section of this chapter details my reasoning for examining the political economy of media, including the economic ecosystem of China to demonstrate how it might be reflected in the development of the country’s political economy. The final section deals with the analytical processes employed in this dissertation. It offers a description of the corpus analyzed as well as the methodological tools used in the study.

2.2 Creating an analytical tool: the three circuits of Interactivity

This section briefly highlights the theoretical work Kline et al. (2003) draw upon to compose the analytical tools they then use to undertake their examination of the video game industry. Although the authors acknowledge the wide-ranging content (and intricacies) inherent in all three theoretical fields—media studies, political economy, and cultural studies—and they do discuss each of them extensively, this section means to provide the main points of each theoretical lens that helped Kline and his colleagues develop the arguments to support the creation of their exploratory instrument. It also provides a glimpse of their own circuitry analysis, which is marked by the temporal context of the emergence of the video game industry.

2.2.1 Media Studies

From the media study perspective, Kline et al. (2003) use Harold Innis' concept of the bias of communication technology and its effect on the broad social relations of power. Innis states that media impacts our senses, mainly our senses of time and space. Thus, constant innovation in media technology serves a larger purpose than merely improving the transmission of information; it also intends to profoundly reorganize our life experience. Innis' study reveals that: "Media of communication both shape and are shaped by the cultural and economic circumstances from which they emerge" (Kline et al., 2003, p. 32). Such an arrangement entails a dynamic of power in which a particular social group (the oligopoly of knowledge) has the means to decide how knowledge is organized, stored, and distributed. Returning to Innis' full description of the process by which the bible—the first printing press book—served to demonstrate and expand the power and control of the Catholic Church, the authors underline that Innis was one of the first theorists to acknowledge the interplay between media and markets. This interrelation, Innis suggests, emerges from the continuous process of the commercialization of communication which produces new media conglomerates (or oligopolies of knowledge) that in turn retain the means to manipulate and control the public sphere. Kline et al. (2003) also use insights from Marshall McLuhan, especially "his observation that technological mediation is a condition of culture" (p. 33) as technology permeates practices of everyday life. More precisely, the authors examine McLuhan's idea that media can expand the human experience by extending human perceptions and senses. Such an argument is also widely used by digital futurists and techno-enthusiasts, particularly those from tech corporations and the game industry, to describe the qualities of both tangible and virtual technologies. These technophile discourses are often recounted in public presentations featuring new gadgets and software applications at technology expositions and fairs, such as when Microsoft's HoloLens at the 2015 E3 'just stole the show'². Other examples are the potentialities of iPhone X for augmented reality in mobile games that were pitched at Apple's conference in 2017, and when Meta (formerly Facebook) announced in 2021 their move into the so-called metaverse. These are examples of how these actors

² <https://www.bloomberg.com/news/articles/2015-06-15/minecraft-hololens-game-demo-at-e3-just-stole-the-show-#xj4y7vzkg> accessed March 16, 2023.

disseminate and sell the idea that technology can and does extend the human experience by enhancing our perceptions and senses.

2.2.2 Political Economy

Kline et al. (2003) frame their political economy analysis within a Marxist perspective. Drawing on Nicholas Garnham's work, they apply Marx's circuit of capital to study mass media. Garnham describes the circuit of capital as a cyclical and continuous movement where industrial production creates commodities and stimulates consumption. That is, "Businesses must not just produce commodities but also sell them. They must find buyers who want their goods, have purchasing power, are in an accessible location, and so on" (Kline et al., 2003, p. 39). This industrial production cycle is able to generate flows of capital and sufficient profits to keep the cycle in a loop. For Garnham, the role of mass media in such an engine is perceived as having two lines of action: first, as content providers, mass media needs to sell content to consumers. Secondly, mass media are themselves promotional vehicles that sell the attention of their consumer audience to advertisers. In the first arrangement, mass media work their way through a continual series of technological innovations that in turn work to harness and soak individuals with limitless opportunities for media content consumption. In the second arrangement, mass media functions to create, encourage, and sustain societal consumption needs. As a result, they say, "'commercial' mass media accelerate the circulation of all commodities" (Kline et al., 2003, p. 40). Garnham's observations reveal the prominent role of marketing in the commercial process of mass media; it configures a high-intensity market that infuses and interlocks with many different aspects and spheres of social life. Such intense mediated marketing requires a structure that involves marketing subsectors (e.g., audience research, advertising design, and media buying) to properly communicate with audiences and stimulate and direct their desires toward new commodities and brands. For Kline et al. (2003), this process demonstrates that: "The market becomes altogether saturated with media (and vice-versa), which in turn brings us to the consolidation of a distinctly mediatized marketplace" (p. 40).

Kline et al. (2003) then underline the strength of a political economy approach to media studies by offering an elaborate and comprehensive analysis of corporate concentration and conglomeration power in the production of media empires. They suggest that this scholarship can explicate in detail how the flow of information is aligned with media commercial system

interests, often disguised as a “trivialized infotainment over serious social analysis,” and can favour a specific ideological spectrum that in turn shapes the broader thinking of a society. In sum, while maintaining and voicing the interests of the ruling classes, media corporations often ignore and marginalize content that criticizes such an arrangement of conglomerate power. For Kline et al., the political economy of communication and broadcast media studies are valuable, and potentially offer profound analyses of the power dynamic of media, while also uncovering how these relations of control emerge through mediatic practices. However, these power dynamics in the video game medium have lacked scrutiny. Thus, their goal was to develop an analysis of video games that incorporates a critical perspective of power relations in the game industry, as well as consider the dynamic of participation inherent within digital culture.

2.2.3 Cultural Studies

Although Kline et al. (2003) offer a brief overview of important studies and contributions to the field of cultural studies, they primarily focus on Raymond Williams's work since his critical approach to cultural studies also acknowledges the interplay between technology, culture, and economy. Williams, they say, was a fierce critic of technological and economic determinism—though he was vastly influenced by Marx's depiction of capitalism as a system that encourages social inequalities—alleging that both forms of determinism tend to overshadow the fact that: “The moment of any new technology is a moment of choice” (Williams, 1983 as cited in Kline et al., 2003, p. 47). Williams' approach to investigating media in the book *Television: Technology and Cultural Form* was instrumental in Kline et al. on the development of their own methods for tackling cultural studies. In his work, Williams (2003) set forth the concept that new media is not a result of a single event, but a convolution of previous technologies and scientific discoveries, as well as institutional settings and historical contexts. He asserts that although cultural manifestation and technological innovation are controlled and constrained by the capitalist system, such a process also revolves around resistance, struggle, and negotiation. Analyzing the institutional development of television in different societies,³ Williams claims that television technology could have been shaped and influenced by different arrangements and interests, such

³ Williams' research and compared broadcasting regulations in different societies, such as Western European and North American. Though his comparative analysis on broadcasting content was focused on Britain television channels and the U.S. television channels.

as public service rather than commercial interests for instance. A similar statement would be professed by Vincent Mosco in his analysis of the development of the Internet.⁴

Kline et al. (2003) also highlight how Williams' work addresses the cultural and economic aspects of media technology. Emphasizing the concept of television flow, or the television's technological ability to broadcast images and audio without gaps or interruption during transmission, Williams points to the power of media technology in influencing culture. A seamless and fluid transmission offers the public a new form of experiencing media which, in turn, encourages changes in social relations and cultural practices: "In this way, media are deeply cultural, reshaping practices in the realm of everyday life" (Kline et al., 2003, p. 48).

Furthermore, as noted by Williams (2003), such a process is greatly encouraged by economic forces, which often disguise marketing by content while blending advertising breaks and television programs. Specifically, television flow is based on the idea that commercial entities use the medium extensively for marketing purposes. As a result, commercial interests have overpowered the public ones and have guided TV producers to invest in broadcast content that is designed to capture the viewer's attention. Furthermore, this content transforms the viewer's attention into a commodity that can be sold, thus fulfilling the needs of competitive marketing. In sum, the approach Kline et al. take draws on Williams' criticism of television as a cultural technology that was developed in a particular historical context. Using this approach, Kline and colleagues examine interactivity in digital games and digital play while considering the interplay of cultural, technological, and economic forces that have helped to foster new forms of media in the world.

2.2.4 The three circuits of Interactivity

Drawing on these three disciplines — media studies, political economy, and cultural theory — Kline et al. (2003) put forward their analytical instrument, namely the three circuits of interactive (culture, technology, and marketing) and how they interact within the circuit of capital. These circuits of interactivity are "a dynamic process, involving socially organized structured flows, cultural practices, and feedback loops that bind human agents and artefacts in cycles of creation,

⁴ See the political economy section in this chapter.

consumption and communication” (p. 52). As key components of the capitalist engine, these circuits serve as a dynamically intertwined tool that is used to intensify and accelerate the process of commodity exchange. In such an arrangement, the cultural circuit is depicted as both production and consumption working within a wide array of cultural processes and artifacts, including the design and consumption of games. The technological circuit encompasses digital apparatuses and gadgets as a strategic part of the media industry’s infrastructure. The marketing circuit involves research, advertising, and branding processes that are sutured together to create a persuasive consumer approach. Such interconnections between circuits serve not only to sell cultural and technological goods, but also to promote a new commercial path for a different range of products.

As the authors remind us, the analogy of circuits is not a novelty. Scholars have been using it in previous studies in the fields of culture and technology. Kline et al. (2003) recover the circuit of culture analysis done by Paul du Gay and colleagues in their examination of the socio-cultural impact of Sony’s Walkman. In the circuit of technology, they cite Cynthia Cockburn’s investigation of a complex operation that involves machines, inventors, and users. In their description of the three circuits as applied to video games, Kline and his colleagues observe that alongside the figures of authors, designers, and game texts, the player has a key role in the cultural circuit. Players are positioned as the protagonists within a fictional environment, and therefore, they are able to reinforce, refuse, subvert, or alter meanings suggested by the game creator. That is, interactivity is a crucial feature of the cultural circuit in Kline et al.’s model. On the level of technology, the player is also a skilled user of technological apparatuses with access to a gigantic and networked telecommunication ecology. Thus, this type of user serves as a key source for promoting innovative techno devices and applications in order to popularize them and encourage wide-spread use. With that said, it is also true that such mechanisms for the dissemination of technology are also eventually challenged by hackers, who often inhabit the user pool. Finally, in the marketing circuit approach, the ‘negotiation’ between producers and consumers is a central aspect of the informational era, in which, besides the product itself, users’ data has become the main—if not the most important—commodity for commercial exchange.

The authors also point out the inherent operational contradictions of the circuits as they underline the dichotomist issues of each circuit. Kline et al. contend that technology poses conflicts

between enclosure and access, leading to the problem (or solution) of piracy. Decisions around games' thematic content may reveal hegemonic values such as militarized masculinity, signalling a cultural struggle between the desire for violent games as evidenced in the popularity of first-person-shooter games, which dominate the market, and numerous other varieties, which tend to be neglected. Analysis of marketing materials reveals a range of issues that revolve around the dichotomy of commodification vs. play; here, a great deal of tension resides between creativity and control of the game development processes. Indeed, the dynamic interconnection of the cycles of culture, economy, and technology have co-existed for a long time within society; however, Kline and his colleagues expose the mechanisms behind the growing interdependence of these circuits, as well as demonstrate how such interconnections are becoming more present and powerful. The following summarizes Kline et al.'s analytical application of each circuit, thereby giving sense of the historical context of the video and computer games industry in its early days.

2.2.5 Circuit of technology: resources, labour, and piracy loop in a globalized market of game production

The technology circuit is described as the process by which interactive experiences cultivate digital aptitudes in a continual cycle of engagement with virtual experiences, innovation, and the dissemination of technology. This process reinforces and crystalizes an idealized social construction of the apparatus of technology. However, this perpetual cycle of design, diffusion, and adoption of new digital technologies also provides the means for it to be hijacked by commercial logic, which in the computational era translates into hacking and piracy. The possibility of emergent turbulence, or unintended deviations within the technology circuit, is the focus point for Kline et al.'s critical approach. For the authors, this techno turmoil is connected to human defiance, such as in the cases of subversive use and labour sabotage, rather than the result of a machine failure. To explain this relation, Kline et al. dive deep into the intricacies of the video game's hardware and software supply chain. On the one hand, the authors tackle the idea of *work as play* (labour side) that positions work as a fun way to learn how to use tools, and ultimately as a means of getting involved in game development. This message that gaming work is closer in nature to leisure activities than dull, ordinary, daily jobs is disseminated by techno corporations but, on closer inspection, this gaming work can also be seen as a form of profound

labour exploitation, which is a far cry from the fun work they claim it to be. On the other hand, the authors reveal that the concept, *play as work*, is one in which players provide data as feedback in a range of activities including debugging codes, adjusting gameplay, and helping guide game production. In addition, players also freely give their own techno-knowledge and creativity to companies during the production of new game levels, captured by the idea that games are just a fun hobby or extracurricular activity. The production input of players commonly serves to extend a game's life for the player community, further strengthening a sense of connection between players and developers (which is generally seen as a reward in itself by players), and even generates unexpected revenue streams for game publishers.

In the so-called "dialectic of discontent" of the digital economy, Kline et al. (2003) emphasize the differences and complexities of the geolocations of production and consumption inside the circuitry of technology. These differences and complexities, they suggest, encourage users, to some degree, as well as unhappy employees, to engage in piracy activities. The distinctions between types of work, workers, the disparities in wage ranges, and other forms of exploitation follow specific norms and patterns that have been established by the global market. These distinctions have not only fomented polarization between the wealthy, those typically found in the global north, and the poor, those typically found in the global south, but they also have clearly demarcated who can and cannot consume the end products, as well as those who will merely sell their labour working in a production line. Such distinctions, they suggest, are not only determined by economic conditions, whether based on place of birth or socio-economic class, but also marked by gender boundaries. Kline et al. bring attention to the labour distinction observed between "knowledgeable" male developers and the disposable "nimble fingers of a global pool of primarily female cheap labour" (2003, p. 205). Within this context of economic disparity, the pressure of the capitalist system to attain both consumers and profits, regardless of any externalities, has resulted in the rise of commercial deviance. Although the authors believe that piracy can be seen as "the shadow aspect of the interactive play industry's own labour practice" (Kline et al., 2003, p. 215), they also recognize that other reasons may stimulate such deviant actions. For instance, the cracking of a system may be a form of challenge, or a part of a game, instead of those actions being a response to a lack of accessibility due to costs, and/or

design and work issues. Ultimately, some users may even break the system because it's fun for them.

2.2.6 Circuit of Culture: The cult of a militarized masculinity

In their analysis of the culture circuit, Kline et al. (2003) explore the way the genealogy of interactive games (military/academic/business) has helped create an appetite for video games that conform to the gendered language of militarized scenarios of war and violence. It is so naturalized within gaming culture that it almost seems as if it is the inevitable path. Discourses of violence and war, they suggest, strongly resonate with young male video game fans, and thus game production tends to fall into a cyclical pattern of reproduction. Such design repetition generates tension in any desire to invest in thematic variety, largely due to uncertainty around the acceptance of diversity by the game audience. Drawing on Pearce's claim that the fascination for violent games is not related to a market choice but rather because it is easy to make, Kline et al. (2003) argue that the resistance to theme variation is not related to audience acceptance, but is instead similar to the development of content for television and movies; video game creators realize that violence is cheap to sell "and easy to plot, requiring a minimum of creative scripting and design" (p. 251).

In an interconnected culture, digital interactive products have the potential to grow into adaptable and recyclable franchises that coevolve with input and data gathered from the product's use by consumers. In this environment, Kline et al. (2003) argue that: "Customers are trained and educated by the company, and then the company is trained and educated by the customer" (p. 251-252). Again, in considering the genealogy of technologies and their creation, the scholars bring attention to the ways in which the idea of "common sense" is mobilized in digital technology ecologies. This "common sense" attitude assigns digital technology to the male sphere, turning video games into toys for boys who are comfortable with the procedural rhetoric that privileges the contexts and vocabularies of war, combat, and conquest. Such grammar serves to instruct male audiences to "ignore, objectify, or even abuse women, while unmistakably informing girls that digital space is not for them" (p. 257). Due to practice of gender exclusion by design, the video game industry has imposed upon itself a restricted commercial reach, which comes into conflict with its desire to truly become a mass entertainment medium. To expand its audience, reach, and create new streams of revenue, the game industry, thus, has aimed its

commercial targets to include female audiences. However, due to a massively masculine content design, the sector struggles to convince female audiences that they are now welcome to consume interactive gaming products.

After failing to target girls through so-called “girly games,” the gaming industry realized that adventure/shooting games could be designed to encourage female players’ interests. As put by Kline et al. (2003): “The fullest expression of the game industry’s ambiguous attitude towards women is Lara Croft, the fearless and curvaceous heroine of Eidos’ Tomb Raider” (p. 263). In her role as the protagonist of an adventure game, Lara is the personification of women’s emancipation and empowerment, in which her strong and independent nature may fit a projected fantasy for many girls around the world. At the same time, Lara’s physical attributes work to sexually objectify the character. This tension is glossed over by the game industry in their attempt to position her as evidence of the industry embracing women and welcoming them into the gaming world. The main character of Tomb Raider then both reinforces more traditional representations of women, thus appealing to the male market, and challenges those same representations by depicting a fierce and active character that appeals to the female market (Kline et al., 2003).

2.2.7 Circuit of Marketing: Managing brand, licensing, and product placement in a hyper-marketing era

Within the scope of the marketing circuit, Kline et al. (2003) looked at the production, distribution, and circulation of video games, which, at that time, mostly revolved around commercial publishing logic: that is, the cycle of interaction between marketers, commodities, and consumers in which commodities are materialized into physical and tangible products. In essence, they say, the marketing effort is centred around managing the struggles that have emerged between the different spheres of production and consumption by creating, expanding, and consolidating a market, or its consumer audience. This process interposes cultural and promotional practices in order to facilitate the transformation of signs and activities into commodities, as well as to convert commodities into signs. The authors observe that in the digital media economy, the circuit of marketing is positioned to negotiate demands from different stakeholders, such as companies’ interests (e.g., profitability, market penetration), technological transformation (e.g., innovation, patch correction), and the rapid reorientation of cultural trends

(e.g., pop culture buzz, social network viral contents, memes). Under this functional arrangement, marketing places itself in a privileged position among the three circuits, assuming the power to determine how the interplay within them will take place.

Kline et al. (2003) offer an analysis of marketing practices within the context of a publishing logic that is focused on one of the industry's more expensive promotional campaigns: the high-budget-triple-A one-off product, also commonly known as the blockbuster game production style. They found that this style was able to stimulate the creation of a fan base around products', publishers', and the companies' brands. The role of these large and devoted customer bases is to serve as a loyal "armies" that are able to fight for their beloved products and brands, which, in turn, ensures commercial success for both software (games) and hardware (consoles) industries. The commercial dispute between Nintendo and Sega during the 1990s is an example of how aggressive this type of marketing strategy can get, with both companies' advertising campaigns encouraging an irrational rivalry among their consumers. Such a heightened tone pushed the game industry to become even more market oriented, ultimately restricting the game's creativity. From the marketing perspective, Kline and colleagues note, game design has become less relevant. As put by Kline et al. (2003), commercial pressures led "to the creation of games that are from their inception conceived as franchises whose marketing potential can be extended into multiple cultural spaces and constantly renewed over time" (p. 221). In summary, the authors stress that the marketing circuit has become a powerful force, one able to drive the cultural circuit.

The authors also underline the speed at which game consoles and computer technologies transform and evolve, suggesting that audiences evolve at the same accelerated pace. This rapid technological and cultural transformation requires innovative promotional strategies in terms of symbolic investments in order to multiply the game market segmentation. Kline et al. (2003) argue that under the publishing logic, marketing strategies were developed primarily for mass media channels. Such campaigns were anchored in massified cultural trends, in which TV had a large slice of the advertising budget. Such marketing tactics included significant investments in Intellectual Properties (IP), licensing, and merchandise to strengthen the brand's presence in multiple venues (e.g., animation, toys, collectibles, books, etc.). Kline et al. also cite costly advertising campaigns that work to provide a sense of immersion for consumers by mixing in the

advertising elements of the game's cutscenes and the actual gameplay. In addition, in order to narrow down on what their audience desires, game companies' market research has focused on intensifying their use of focus groups while also monitoring cultural trends among young people.

Kline et al.'s (2003) circuit of interaction helps us to understand the clear interdependence between the cultural, technological, and marketing cycles, in which interplay is constructed within the digital system of production and consumption. However, the interplay between the circuits is not free from conflicting dynamics. The authors claim that reverberations from cultural, economic, and technological vectors tends to drive the circuitry in opposing directions. Nonetheless, the production of the play, as well as the very relationship between the game and the player, is only possible due to the interaction of technology, culture, and marketing, since it encapsulates the process "in which the game industry sets out to manage the flow of play to gamers" (p. 295). One of Kline et al.'s (2003) major contributions stemmed from their decision to study and analyze the industry's finances and economic interests more closely in order to consider how these interests played out in the development of new technologies, as well as their impact on the gaming culture. As these circuits operate in dynamic cyclical processes influenced by "socially organized structures of flow, cultural practices and feedback loops" (p. 52), they are constantly altering and reshaping themselves according to changes in cultural, social and technological contexts.

The historical context in which the authors developed their theory has changed considerably. The rapid dissemination of casual and mobile games due to the development of new telecommunication technologies, the emergence of live-streaming gameplay and video game online competitions, new forms of consumption, and also new ways to play games have pushed marketing teams to rearrange their strategies to conform to the dominance of in-game microtransactions. In-game virtual currencies are just one example of the current techno-cultural and commercial context of the industry, and accordingly, the circuits of interactivity are operating to align with these new social, cultural, and technological arrangements. In the next section, I introduce some of these changes to create the foundations for the analysis of the current state of the three circuits of interactivity in an even further intensified marketplace.

2.3 From product to service: changing digital games' production and circulation logic.

Over the last decade, we have witnessed the emergence of new techno-cultural and commercial arrangements surrounding digital production and circulation that have considerably impacted the interplay between the three circuits of interactivity theorized by Kline et al. (2003). The rise of new Internet technologies and smartphone devices has led to further adaptation on the digital cultural practice level, while consolidating the market and also leading to the development of new marketing strategies to sell virtual goods. As noted by Srnicek (2017), tech companies have shifted their business model and colonized the Internet through enclosure, particularly through platform apps. Such a rearrangement provides these companies with new forms of tracking, extracting, exploiting, and commodifying user data. In the same vein, Van Djick et al. (2018) define a platform as an infrastructure purposely designed to facilitate interaction in exchange for harvesting, storing, processing, circulating, and profiting from user information and interactions. For Van Djick et al., the consistent and constant refinements in platform infrastructures and ecosystems are leading forms of social organization that hint at our society's shift towards becoming a "platform society". This phenomenon has accelerated the replacement of the publishing logic of production and circulation, and also worked to establish the rationality of the platform as a new logic for digital production, distribution, and consumption. In that sense, platformization "is not a single process of transformation, but, rather, constitutive of a wide variety of shifts shaped by the interactions between particular platforms and specific cultural producers" (Poell et al., 2022, p. 4). As noted by Kerr (2017), platform logic has exerted enormous influence on current cultural productions, particularly in game production. This logic is accelerating the transition of video games from a one-off product to a service-dominant model, which consequently transforms the way players interact with and consume games.

In the book *Global Games: Production, Circulation and Policy in the Network Era*, Aphra Kerr (2017) argues that the platform logic rearranges the video game industry in terms of its key aspects: marketing orientation, production strategies, product circulation, and monetization. The marketing strategy moves from a massified target audience to a niche audience, one that is more fragmented, personalized, and targeted. This approach is enabled through a continuous flow of user data tracked by digital media. As target audiences are narrowed down into multiple

segmented niches, the budget for advertising is redistributed into multi-channels and multi-platforms across the Internet, rather than being focused solely on mass media outlets. Cultural trends are still used as an engine to push the hype to the audience; though, they are connected and translated into digital cultural contexts and practices, such as live-streaming, social network viral content, and memes. Under the platform logic, the game production cycle also changes and accelerates. Instead of a production cycle for a one-off game lasting five years, game studios operate now with shorter (a few months typically) but continuous cycles of unfinished product updates. The main sites for game circulation have moved away from physical retail locations to virtual distribution centralized on publishers' and tech corporations' online stores. In the service logic of digital production, the game has also become part of a perpetual monetization cycle. In this new logic, the game industry has expanded to smartphone devices, consolidating the market in terms of both mobile games and free-to-play games, while also attaching itself to the microtransaction business model as the new norm for gaming commodification.

In her research, Kerr (2017) identifies signs of this transformation in the political economy of the game industry that date back to 2006. She observes that mature game companies reorganized their business approach to better respond to the digital market by creating their own digital distribution services. This enabled these companies to have more control over their digital transactions, and, as a consequence, to also increase their revenue stream across the digital environment. Valve Corporation was one of the pioneers in this shift, launching Steam as the company's digital content distribution channel in 2003. Kerr also notes an increase in mergers and acquisitions as mature companies work to diversify their portfolios and access new markets, most notably mobile and free-to-play games. A good example of this is Electronic Arts' acquisition of Playfish Studios in 2009. Finally, Kerr points out that despite the expansion of the game industry, there has been an ongoing concentration in the market, with a handful of tech companies controlling most of the global revenue. That is, similar to the days when the console dominated the market and developers had to submit to publishers in order to have their games distributed across markets, mobile game developers now have to deal with a small number of key distributors' gateways so that their games can circulate and be visible within the immense flow of new games entering everyday into app stores vaults.

The platformization of video games has also created a distortion in the market in which companies like Google and Apple figure among the top game companies in terms of revenue, even though they haven't developed or published a single game. While console manufacturers (Sony, Microsoft, and Nintendo), as well as mature game developers and publishers (Electronic Arts, Activision-Blizzard, Ubisoft), are still relevant as key players in the industry, the distribution of power has changed and fallen into the hands of big tech corporations such as Apple, Google, Amazon, Tencent, and NetEase. These companies have the power to decide what games can and will be developed and distributed, which players have access to these games, and how these games are played. In essence, the previous logic based on publisher and consoles is replicated in the platform logic, as large corporations continue to operate as gatekeepers within this specific market logic.

The relocation of global production to regions that have lower wages has intensified, and is yet another consequence of the platform logic. According to Kerr (2017), under the rules of late-stage capitalism, global game companies have few concerns about whether the manufacturing of their products occurs in a liberal democracy or a state-driven nation, nor what labour conditions their employees may face overseas as long as the production costs remain low. This observation resonates with Dyer-Witthford and de Peuter's (2009) *Games of Empire*. Drawing on Hardt and Negri's concept of Empire, Dyer-Witthford and De Peuter depict the contemporaneous idea of *Empire* as the governance of global capitalism in which the world market transcends geopolitical boundaries to significantly disrupt and increase regional social differences. The interaction between transnational corporations, financial organizations, international institutes, and non-governmental institutes, with each partaking in the exploitation of social life, ultimately establishes a vast, decentralized, and multilayered network of power. This regime, they say, is "based on corporate exploitation of myriad types of labour, paid and unpaid, for the continuous enrichment of a planetary plutocracy" (p. xxiii). It is within this powerful and wealthy yet, at the same time, chaotic system that Dyer-Witthford and de Peuter's *Games of Empire* places video games.

For Dyer-Witthford and de Peuter (2009), games are an exponential tool for late-capitalism since they not only encapsulate advanced forces of production, but also imprint a model of behaviour by training people in digital technologies and network communications. By focusing on

revealing the social impact of the political economy strategies adopted by the video game industry, the authors dissect the formation of a corporate game complex that heavily relies on immaterial labour, cognitive capitalism, and accumulation through virtual transactions. In this way, by uncovering the practices of the game industry and revealing what is beneath its entertaining discourse, they provide us with tools to understand the strategy behind the industry's movement, such as the use of players as part of a profit mechanism through the normalization of their specialized free labour, knowledge, and data in contemporary society.

The game industry's new arrangements that comply with platform logic are producing distortions in the global game marketplace that have transformed how games circulate among consumers, as well as redefining the role of the player in the context of game commodification. Kerr's (2017) analysis of industry production practices—though focused on European studios—has many parallels with my own research. One of the inevitable similitudes is the interest in the emergence of China as an important and sizeable gaming market, as well as the key role played by Chinese companies, particularly Tencent, in the current context of the video game industry. Often described as a communist dictatorship but also treated as a crucial capitalist player, China remains a mystery to Western societies. It is important to go beyond the narrow-sighted bias and discriminatory discourse to understand how China participates in and shapes the game industry. Thus, the following sections provide a brief historical overview of the development of the game industry in China as well as the political-economic context of the last decade that has allowed Chinese game companies to rise and flourish not just regionally, but globally as well.

2.4 The Game Industry in China: A brief overview

The Chinese video game market history is entangled with the history of modern China from the late 1970s onwards. It is also one of the many and varied consequences of the development of a digitalized China. In 1978, Deng Xiaoping launched a series of economic reforms and promoted a 'market opening' policy that sought to modernize the country's industry sectors and technologies through contracts and trades with foreign companies (Fung & Liao, 2015; Zhang & Chiu, 2020). As put by Guo (2021), the economic reforms transformed the very structure of Chinese culture. This transformation was accelerated by the commercialization of Chinese media from late 1970s onward, and continued through the rapid spread of the Internet industry across

the country which was largely encouraged by the Chinese state. In 1978, Chinese government suspended the restrictions on media advertising, which officially acknowledged media space as a tradable commodity. This policy was fundamental for kickstarting the modernization of Chinese culture, since it essentially changed Chinese government's general perception regarding cultural products "from enlightening and ideological tools to viewing them as consumable goods" (Guo, 2021, p. 6). This new structural revolution of the cultural field began when the Chinese State realized that popular culture (as a commodity) could help to trigger further economic reforms. In early 2000s, Jiang Zemin, then secretary general of the Chinese Communist Party, recognized cultural production as commercial activity at the Sixteenth National Party Conference, reformulating the previous notion of cultural industries as simply a tool to be used by the state and for state propaganda. From that moment, Chinese state has understood that the cultural sector (including Internet media) is strategic for economic growth, including it in the country's regular Five-Year Plans. Unlike the traditional media that had to adapt from the previous centralized constraints to the new commercial mechanisms, such as advertising model and international co-production processes, the Internet media has been able to leverage a relative degree of freedom to testing along with commercial practices. As noted by Guo (2021),

As the fastest-growing commercial medium, the Internet not only shaped the developmental trajectory of China's entertainment culture, but it also opened up a discursive space for civic engagement, political deliberation, and creative practices. From the mid-1990s onward, the intricate dynamics between the new and "old" media in transition [...] have contributed to an unprecedented level of cultural productivity in the contemporary era. (p. 9-10)

China's digital technology development flourished through its heavy public investment in the tech industry. The country began its Internet development by establishing cooperation between Chinese and Western Academic Institutions in late 1980s. As noted by Guo (2021), the Chinese administration has played an essential role in expanding and modernizing the country's telecommunication infrastructure, with one of its aims being to accelerate its development in the fields of "agriculture, industry, national defense and science and technology" (p. 25). The Chinese government designed the four national backbones of the country's Internet infrastructure between 1994 to 1996. These backbones focused on specific areas: a) public: hosted by the

Ministry of Industry and Information Technology; b) education: hosted by State Education Commission; c) research: hosted by Chinese Academy of Sciences; and d) commerce: hosted by the Ministry of Electronics Industry. Though these networks were connected with one another and linked to the global internet, all international data traffic must pass through the national network infrastructure, which is under the supervision of the Chinese state. According to Guo, in ten years (1994-2004) the State Planning commission's funding delivered Internet connection to all the country's university campuses. In the following few years, the Internet infrastructure was able to support cloud systems and broadband mobile Internet, and by 2009 around 95% of Chinese cities, towns, and villages already had Internet access. Besides the large investment in digital infrastructure, policy makers within the education sphere also quickly recognized that computer skills were essential in the training and preparation of the new generation for the future (Fung & Liao, 2015).

2.4.1 Clone, copycats, and smuggling devices.

It was in this political and economic context that video games first arrived in the Chinese marketplace. After Atari's crash in the 1980s, Japanese game companies increased in popularity and began to dominate the global game market. In the late 1980s and early 1990s, consoles like Nintendo Entertainment System (NES) and NEC PC Engine started to reach the recently-opened Chinese market; however, their products faced heavy taxes. There was a 130% tax for the regular importation of consoles and devices, plus an additional 35%⁵ of value-added tax per game imported into China (Fung & Liao, 2015; Liao, 2016; Zhang & Chiu, 2020). Japanese companies weighed the potential revenues of a massive consumer market against the high costs of entering the Chinese market, and they decided it was worth the risk. Nonetheless, even though there was a high demand for these products, especially among young consumers, the majority of the emerging Chinese market was not able to afford the high prices of NES or PC engine consoles, creating an opportunity for local hardware clones and software copycats, as well as encouraging the development of a sizeable black market dealing in gaming devices.

⁵ This percentage may be slightly off considering that Liao (2016), as well as Zhang and Chiu (2020), suggest a tax rate of 17%, instead of 35% as found in Fung and Liao (2015). Also, note that Fung and Liao refer to the extra percentage as an additional tax "for specific 'preferable' items," (p. 122) thus, I am assuming other gaming gadgets than console games may also be a target of the extra taxation.

During the 1990s, the rise of unauthorized production of digital games and gaming devices soon peaked, flooding the market with dozens of local hardware imitations and software ‘localizations’ to meet consumers’ needs. Xiaobawang was the first—of many—reversed-engineered game consoles released in China while, at the same time, small, local software companies and game developers multiplied the number of even cheaper hacked games by mixing in Chinese subtitles (Fung & Liao, 2015; Zhang & Chiu, 2020). Besides the many local clones, the game market in China was also infused with black market products, in which legitimate devices were constantly smuggled in duty-free or without paying import taxes. While the Chinese government did declare they were fighting against copyright infringements and piracy, their efforts were considered not adequate by the world trade community standards⁶. In fact, by implicitly neglecting to address the true extent of the piracy issue, the government was signally that they recognized that the reverse engineering promoted by local companies was actually a way of strengthening and modernizing Chinese industries, as well as fostering the country’s technology development and economic independence. As put by Zhang and Chiu (2020), the role of piracy in the development of industrial productivity and the improvement of technology in China explains not only “why piracy was prevalent at that time” (p. 3), but also the government’s inefficient actions in terms of suppressing it.

In the mid-1990s, game development and publishing were thriving in China with companies like Jinpan Electronic Corporations, Qiandao Software, Western Hills Studios, and Object Software bringing successful games like *Condor Rush* (1994), *Jianxiaqingyuan* (1997), and the *Jianxia* game series (1997-2009) to young people in China. In the late 1990s, the Chinese video game industry reached an important milestone by establishing a mutually beneficial form of cooperation between local and foreign companies, in which local studios served as internal agents responsible for localizing game titles produced abroad, making them suitable for Chinese consumers (Fung & Liao, 2015; Liao, 2016; Zhang & Chiu, 2020). As put by Liao (2016), at that moment in time, Chinese companies and studios were active actors in the process of “vernacularizing Japanese console games into [Chinese] everyday life” (p. 276). Games like

⁶ There is not enough information to clarify if the accusations from World Trade Organization were triggered by direct complaints from foreign video game companies affected by the wave of piracy in China.

Tomb Raider and *Commandos: Behind Enemy Lines* were also distributed with official Chinese localization in 1998 and 1999, respectively. Such cooperation was a remarkable step for local game development since it helped to improve the quality of local game production (Fung & Liao, 2015). In the subsequent years, a series of well-developed Chinese games caught players' attention which led to the emergence of a profitable domestic game industry. With that said, the commercial success of domestic game production also faced a new wave of piracy and copyright infringement, which led many Chinese studios and publishers into a severe economic crisis (Fung & Liao, 2015; Zhang & Chiu, 2020).

With a such a vigorous black market and robust piracy movement in the 1980s and 1990s, foreign game companies put off offering their games' hardware and software to Chinese consumers, or even investing in the Chinese market at all (Liao, 2016). To worsen the situation, in 2000, the State Council approved a bill to ban video game consoles and arcades in China. The bill, sponsored by seven Chinese government ministries, proposed that manufacturing, assembling, and selling video game consoles, gaming peripherals, and game content should be prohibited across the entire territory (Fung & Liao, 2015; Liao, 2016; Zhang & Chiu, 2020). The document justified the ban as a valid response to requests from parents and teachers across the country who wanted to protect young people's mental and physical health. Indeed, documented cases about the spread of internet and gaming addiction in places like Taiwan became part of the Chinese media's discourse which emphasized the negative aspects of gaming, thus helping to disseminate a moral panic about video games in Chinese society⁷ (Szablewics, 2020).

Zhang and Chiu (2020) write that some scholars believed that by removing the already established global game companies from Chinese territory, this would allow the domestic industry to thrive and develop competitive and high-quality products by themselves (Liboriussen & White, 2016 as cited in Zhang & Chiu, 2020). However, they remind us that the game market in China was already dominated by cloned consoles, pirated games, and smuggled devices provided by the black market years before the ban was established by the Chinese regulatory agencies. Nonetheless, it is important to underline that, at that time, the rise of illegal products

⁷ See more in Chapter 5.

reveals itself more as a symptom of the precarious economic situation of the Chinese population due to the low income of its working class, rather than an indication of a preference for copycat products by the Chinese consumers. Fung and Liao (2015) also consider that the restrictions imposed by the Chinese government served as a form of political, economic, and cultural protectionism against the influences of global capital. They remark,

Chinese society was always vigilant of excessive consumption ... They [the Chinese government] realized that the infant domestic market would soon be eroded and conquered by large, competitive, international companies mainly coming from the Western world, pushing local companies to the margin of the market. Eventually, this means economic colonization. (p.128)

The console ban lasted for 14 years. In January 2014, the State Council published a bill allowing foreign companies to produce and commercialize video game devices across Chinese free-trade zones; nonetheless, it required foreign companies to partner with a local developer or publisher in order to apply for the government approval process. In China, the distribution and circulation of games and gaming equipment must be authorized by government regulatory agencies before entering China's market. According to Zhang and Chiu (2020), it is not an easy task to obtain a publishing license from the government: "Only a few game operators and traditional state-owned publishing houses can qualify" (p. 4). Microsoft's Xbox One, Sony's PlayStation 4, and Nintendo's Switch consoles were released in China respectively in 2014, 2015 and 2019 through partnerships with the local companies Bes TV, Shanghai Oriental Pearl, and Tencent. Despite the efforts to get themselves into China, console manufacturers claim only 4% of the Chinese total gaming market, while PC represents 30%, and mobile dominates with 66% of the gaming total revenue (Batchelor, 2022, November 03).

2.4.2 Online and Mobile Games: a new design approach for virtual item purchases

The unfavourable conditions for game consoles in China (for both domestic and foreign companies) further depreciated beginning in the 2000s and onwards. Combined with rampant piracy issues and government regulations, the online game industry's boom posed a severe challenge to traditional forms of game development. As Fung and Liao (2015) put it, the 2000s marked the moment when online games flourished worldwide, and in China. In addition to the

traditional games, such as Chess, Weichi, Xiangqi, Chinese Checkers, and Gongzhu, that were transposed to the online environment, local developers created multi-user dungeon games that began to attract Chinese players. Nonetheless, the domestic companies were still running behind foreign competitors in terms of industry knowledge, as well as in terms of the production quality of online games. These challenges can be seen in the 1980s and 1990s, when China's gaming market was immersed with expensive Japanese games gadgets, and then again in the 2000s, when South Korean online games flooded the Chinese gaming market (Chew, 2019).

The Chinese state saw internet and online games as a route to modernize the country's creative industry, and in order to support and fund developers and studios to produce original and native online games, it introduced the "National 863 Project" (Fung & Liao, 2015). As Chew (2019) remarks, the financial support and expertise accumulated by local companies considerably improved the quality of domestically produced online games. From 2004 onwards, the quality of these games was good enough to capture and retain a major portion of Chinese players, as well as earning some international success. Five Chinese online games (Fantasy Westward Journey, Perfect World, Tian Long Ba Bu, Zhenztu (ZTO), and The World of Legend) figured in the top 10 Forbes' great successes of 2009⁸ (Chiang, 2010a, June 10). Fung and Liao (2015) argue that the Chinese government sacrificed offline games in favour of online games due to economic factors rather than the proclaimed social concerns. They contend that Chinese companies were not competitive enough in video game development, and that the ban was used as a way to purge foreign influence in China. Nonetheless, foreign games never stopped entering the Chinese market, and at a certain level, domestic companies used their continued access to those games to learn and improve their own game development knowledge.

Despite government investments in the sector, video games were never free from state regulations. Restrictions such as limiting minors' daily play time or controlling transactions (quantity and values) with virtual currency in the game environment were already in place around the mid-2000s. The government also demonstrated concern about a new business model known as free-to-play that was attached to microtransactions, which were a hallmark of a logic

⁸ <https://www.forbes.com/sites/velocity/2010/06/10/top-moneymaking-online-games-of-2009/?sh=12611db410e8> accessed March 22, 2023

that positions game as service. These free-to-play games were quickly gaining traction in the Chinese gaming market. Through policy, the Chinese state sought to constrain spending on virtual items. Chew (2019) argues that, at least in China, the new model for game monetization emerged with local developers working on localizing games for the Chinese market: “Developer-led localization in the period [2006-2009] generated a business model, a payment method, and a game design approach ... It has fundamentally transformed the Chinese online games industry and is profoundly influencing that in the West” (p. 204).

Indeed, the Asian game industry helped disseminate the free-to-play business model to the rest of the global market. The model consists of releasing an online-based game free of charge, and then subsequently generating revenue through in-game advertising and microtransactions in the form of purchases of virtual items, levels, seasons, etc. The model of ‘try first, pay later’ inevitably appealed to the low-income players in China⁹ who were already used to piracy and low-price game content. However, the free-to-play game model flipped the script, and players who were used to accessing games for free found themselves in a nightmare of gaming costs as they became ensnared in and by the game. When the free-to-play design is taken to the extreme, the game loses its balance of the play and reward system, becoming something closer to a pay-to-win arrangement — in other words, a cash cow for both developers and publishers. Despite these issues, the business model quickly flourished in China. Of the 203 online games formally operating in the country in 2007, 154 were free-to-play, which indicates that in less than two years, free-to-play became the mainstream business model for the Chinese online game industry (Fung & Liao, 2015).

Aside from online PC games, the model disseminated even more quickly with the popularization of social media networks and the widespread use of mobile devices in China. Currently, China's gaming market is the largest video game market in the world, with more than 744 million gamers and a revenue of US\$ 45.8 billion.¹⁰ The country is also a growing powerhouse in sectors beyond PC and mobile online games, such as esports tournaments and leagues, as well as live-streaming

⁹ In the earlier 2000s, most low-income players used Internet cafes to access games, until at least, the eventual dropping in the costs of computer equipment and the dissemination of mobile smartphones.

¹⁰ <https://newzoo.com/resources/rankings/top-10-countries-by-game-revenues> accessed March 27, 2023.

gameplay. It is expected that the Chinese market will double in value by 2027,¹¹ reaching US\$ 90.52 billion (Wood, 2023, Jan. 31). In the next section, I briefly introduce the reasons for using the political economy lens to examine the Western video game industry. In addition, I fleetingly discuss how China has been developing its political economy since the reforms of late 1970s, which has profoundly transformed the Chinese economy landscape in general, and the video game industry in particular.

2.5 Why consider the Political Economy context?

As put by Mazepa & Mosco (2017), political economy analyzes the interaction between control and survival in social life, in which “control refers specifically to the internal organization of social group members and the process of adapting to change,” while “survival means how people produce what is needed for social reproduction and continuity” (p. 163). Thus, it is intrinsic to political economy to observe and understand social relations, particularly power relations between different segments of society. For Mosco (2009), the dynamic involved in such relations establishes the grounds for the process of production, circulation, and consumption of resources, including resources of media from the press to the Internet. Because political economists see the economy as something inseparable from social life, their scrutiny is dedicated to the power arrangements between social structures of governance, production, distribution, and consumption of essential resources for society’s continuous thriving. Broadly speaking, the theory of political economy is in a constant process of adaptation. As social life is not static, power relations are also dynamic, requiring political economy scholars’ to pay close attention in order to identify and explain social relations and social processes within a particular context of social changes and historical transformation. My research is similar to that of Kline et al.’s (2003) work in their book, *Digital Play*, where they consider the production, distribution, and consumption logic within a set of particular power dynamics and social relations in the context of the timeframe of their analysis. What follows is an examination of the social and historical contexts of the current political economy of the Internet and digital platforms. These are also embedded within their

¹¹ <https://www.businesswire.com/news/home/20230131005897/en/The-China-Online-Gaming-Industry-is-Expected-to-Reach-90.5-Billion-by-2027---ResearchAndMarkets.com> accessed March 27, 2023.

own time-oriented logic of production, circulation, and consumption, which in turn produces further forms of power dynamics and social relations influencing video game media.

As noted by Mazepa & Mosco (2017), political economists have observed commonalities between the use and development of traditional mass media and the new media phenomena, the Internet. Mazepa & Mosco suggest that “these [similarities] indicate that power relations are not significantly altered by the Internet, but are extended online” (p. 164) since the dominance and power of corporate structures remain intact, even if some brands and names switch positions in ranking. In their close study of the conflicts and disputes that have encompassed government policymaking, businesses decisions, labour negotiations, and legal impositions over public and private ownership regarding communication resources, Mazepa and Mosco consider the Internet the result of political processes that have prioritized profit over all else. They note the ways in which the concentration of private ownership of media companies and the control over the means and modes of media production has significantly reduced public access and participation. Indeed, it is important to underline the fact that that public participation has been very much undermined in regard to the decision-making process over Internet development and its social role and value. Nonetheless, for the purpose of increasing profit and behavioural control, public participation is not only welcomed but also constantly encouraged, if not nauseatingly pushed by Internet corporations. This exaggerated push to increase users’ input is one of the means that allow corporations to transform the Internet into a structurally commodified online space.

In this digital space, new forms of labour (most notably the unpaid form), audience engagement, and social interactions are stimulated, reformulated, and reconceptualized. This has granted technology companies the ability to develop new approaches that allow them to exploit and harness the production, distribution, and consumption of content, which, in turn, helps to tip the balance of power in favour of private interests. By extending their power globally, tech companies have grown so large that they now rival, and even threaten, nation-states. Their efforts to maintain maximum profitability and to gain control over the governance of the virtual space has resulted in them ferociously fencing off the online environment to keep it under private control (Van Dijck, 2013; Mazepa & Mosco, 2017; Van Dijck et al., 2018).

Mazepa and Mosco (2017) have observed that the current convergence of centralized data storage on clouding computing, excessive data analytics, and the Internet of Things requires from political economists an approach focused on understanding how these new digital arrangements can impact our lives at the environmental, economic, political, cultural, and social levels. They also suggest that such an analysis could help guide the world's nations on establishing the protocols and governance for what Mosco (2018) calls “The Next Internet.” Drawing on Parkhill’s democratic idea of information as an essential public need that requires exclusive public control, Mosco suggests that governments should consider the “Next Internet” as a public utility available to all as rights of citizenship, like electricity or water. While such a vision seems viable, it would not be free of conflict, as seen already in the disputes between private conglomerates and the public interest. Whether the world's nations will have the means to overcome the concentration of private conglomerates’ power remains uncertain. Mosco (2018) notes that China seems to be the only country so far that’s been able to overpower private corporates through public interventions and regulation. I will discuss the development of the Chinese political economy with respect to its specific private economic arrangements and its public governance in a subsequent section. The following exposes the key political economic concepts I intend to draw on to examine the logic of production, circulation, and consumption, as well as the forms of power dynamics and social relations that relate to and influence video game media.

2.5.1 Commodification, Spatialization, and Structuration

As stated by Mosco (2009), there are three key entry points to theorizing political economy: the processes of commodification, spatialization, and structuration. In a strict sense, commodification refers to “the process of turning use values into exchange values, of transforming products whose value is determined by their ability to meet individual and social needs into products whose value is set by their market price” (p. 132). That is, the commodity derives from a wide range of individual and collective needs, including satisfying basic biological needs (e.g., food) as well as meeting the conventions of a particular social group (e.g., from material to cultural artefacts). From a Marxian perspective, such a process of exchange commonly results in surplus value (i.e., profit) for those who own the means of production and regulate the transaction process. When looking at the commodification of communication,

political economists consider three major products from which enterprises obtain surplus value: content, audiences, and labour, though new dimensions like immanent commodification (i.e., a commodity's capacity to produce new commodities) have also been considered in contemporary political economy approaches.

Drawing from Henry Lefebvre, Mosco (2009) describes spatialization as a “process of overcoming the constraints of space and time in social life” (p. 157). In capitalist terms, such time/space compression implies improvements in transportation and communication systems, wherein the time needed for moving goods, people, and messages over a distance shrinks. Such a reduction in spatial distance tends to expand capital surplus in return. Although Marx described the concept of spatialization as a tendency of capitalism to “annihilate space with time” (Marx, 1973, as cited in Mosco 2009, p. 157), contemporary political economists have been using the term transformation instead of annihilation. Capitalism has, in fact, restructured the spatial relationship within society by transforming not only mobility but also the connections among people, goods, and messages. Spatialization then addresses geographic and institutional extensions of organizational activity by looking closely at different forms of institutional extensions of corporate power. That is, it pays attention to the ways corporations organize and strengthen themselves to dominate markets. Conglomerates constantly change their structures and innovate in technologies, and they undertake these transformation in order to use their updated production processes and services to extend their power concentration and market control. As underlined by Mosco (2009), the most common forms of business concentration are horizontal concentration, vertical integration, and transnationality.

The process of structuration is described as the political economy bridging individual agencies and social structures. In Mosco's (2009) own words, it depicts “a process by which structures are constituted out of human agency, even as they provide the very ‘medium’ of that constitution [...]; put simply, [...] We are the product of structures that our social action or agency produces” (p. 185). That is, society and individuals are both informed by one another; the structural formations of ideas like social class, gender, race, and social movements, as well as the power dynamics between them, all must be considered within a political economy analysis. Mosco contends that to advance and balance a political economy analysis, political economists must extend their scope of scrutiny beyond that of business and government institutions to include

factors such as social processes and practices as well as individual agency. Such an approach, Mosco says, would broaden political economists' understanding of the power relation dynamic within society, as "the emphasis on social action or agency that informs the structuration approach also insists on expanding this conception of power by examining how it operates at the constitutive, interactive, or micro-level of power" (p. 187).

As mentioned above, this research focuses on investigating the role and position of the global video game industry; thus, it approaches political economy by mainly drawing from its crucial aspects of spatialization, commodification, and structuration. As put by Nieborg (2021) "commodification offers us a way to study what kinds of games are developed and under what conditions, whereas the process of spatialization acknowledges that this process is embedded within the logic of global capital," (p. 182) and I would add, structuration may also help to reveal how the global industry of video games may fight with social and cultural processes and practices even as it leverages them.

2.5.2 The Political Economy in China

The national processes of a political economy, and consequently, the socio-economic development that it has helped unfold, is extremely complex to define and full of contradictions. These complexities and contradictions arise as a result of the political system and economic rationale the government in power decides to adopt, but they are also in part related to the capacity of a nation to maintain political and economic stability, regardless of any geopolitical or internal crisis. To further complicate matters, these national processes of a political economy and socio-economic development may also be connected to the different modes of production that are implemented in the government's effort to push economic development. China is no different. In the last few decades, China has been going through a process of profound transformation, a process that borrows elements from economic globalization while at the same time managing to protect its internal market and traditional culture from foreign influences.

The particularities of the Chinese political and economic system, especially the country's capacity to maintain an impressive socio-economic growth for decades, has confounded political figures, economists, and scholars in their effort to understand the Chinese political economy and its systematics. The tension is primarily located in the convergence of the Chinese political

system, which possesses a strong centralized government, with the co-existence of various modes of production that emerged in 1978 and have continued on,¹² including production forms that fuse the roles of private capitalist corporations and state-owned enterprises. Such mixing encourages theoretical divergences amongst scholars in terms of determining whether China operates under state capitalism (Kolodko, 2020) or market socialism (Jabbour et al., 2021).

Although the debate over which type of system—capitalism or socialism—is dominant in contemporary China¹³ generates a great deal of interest, it is beyond the scope of this research. Nevertheless, I will use some political and economic structural descriptions and arguments from both perspectives to offer a brief but hopefully comprehensive overview of how the political economy China has been developing over the last few decades. This speed of development has allowed the country to reach a high level of global economic importance while also allowing it to become a significant player not only in the geopolitical landscapes but also in the global game industry.

2.5.3 Political stability and a systematic economic planning

One of the most interesting phenomena from the mid-2010s onwards was the gradual advancement of an anti-China narrative that has been circulating, most notably in Western countries. Some authors are even identifying the increasing hostilities perpetrated by some political leaders and media conglomerates from the West toward China as “Cold War Two” (Kolodko, 2020). In fact, the phenomenon has been growing stronger ever since China took its place as the second most important economy in the world. The issue, however, does not seem to be connected to China's position as number two in the global economy, but rather it appears to be due to the fact that the Asian country reached this status by taking a very different political economic route than that adopted by most Western countries. According to Kolodko (2020), instead of adopting the neoliberal agenda and fully deregulating the market economy, China followed the path of “active economic interference, by running a well-oriented industrial policy” (p. 9) and, as a result, it has been successfully improving the life of Chinese people. The success

¹² There are five types of modes of production coexisting in China: 1- natural subsistence economy, 2- small commodity production, 3- private capitalism, 4- state capitalism, and 5- socialism. See more in Jabbour et al. (2021).

¹³ See also Jabbour and Gabriele (2021).

of what some call ‘the Chinese miracle’ is a result of China's political stability allied to a highly-planned economic development scheme. The Chinese government’s regular five-year plans identify the primary areas for economic development and the policy strategies and funding that will help the country realize its targets, such as the New Silk Road project which focuses on the expansion of Chinese influence into different regions around the world.

As noted by Kolodko (2020), Western liberal democracy struggles with the limitation that comes with elected terms in public office, which he claims are “too often and for a too little time” (p. 12), and which result in a lack of time for planning and acting effectively. Such a short political cycle, he says, often compromises a country’s capacity for socioeconomic development. These issues, though, do not apply to China; in fact, it is quite the opposite. “Many a time [sic] this is what makes the Chinese way of steering the economy superior, because the negative impact of political cycles on the economy, so typical of Western liberal democracy, does not occur in China” (Kolodko, 2020, p. 13). The internal political stability increases China’s capacity to plan its economy, which in turn has helped to lift the country's status from that of a low-income to a high-income country¹⁴ within only two generations. The centrally planned economy that is promoted in China has helped the country to narrow the economic disparities and institutional gaps that it once had in comparison to the wealthiest economies in the world. For Kolodko, such an achievement was possible because of an active reformulation and modernization of Chinese administrations and institutions. While Chinese institutions were inspired by some of the methods already tested and proven effective in the Western market economies, the government’s administration of bureaucracy and regulation took an internal approach by proposing their own solutions to make improvements. In fact, Chinese institutions follow a dynamic cycle of attributions, which better equip and prepare them to define and reorganize economic activities, and then distribute roles and responsibilities between the public (state) and the private sector in order to keep the economy growing (Jabbour & de Paula, 2021).

Instead of focusing on private capital and market deregulation to explain the country’s economic success, Jabbour and de Paula (2021) highlight the dominant role of the State in guiding the

¹⁴ to be reached in 2024 (Kolodko, 2020).

economy. Using theoretical contributions from Keynes (the complementary interplay between State and market),¹⁵ Rangel (the central role of the State in promoting national development through dynamic institutional organizations),¹⁶ Gerschenkron (the State serving as the primary investor and resources lender for private sectors)¹⁷, and Hirschman (state investments in key industrial areas to overcome economic stagnation)¹⁸ as tools to support their arguments, the authors contend that the process of accumulation in China reflects the manner in which the State has decided to intervene in the socio-economic process according to different economic cycles and historical moments. For the authors, each economic cycle encourages changes in institutional organizations and their characteristics, in which “market and private sector roles change, and the scope of planning accompanies the cyclical changes” (Jabbour & de Paula, 2021, p. 317).

Jabbour and de Paula (2021) suggest that an analysis of China's strategy to enhance its economic growth, particularly when looking at the relationships between public and private sectors, reveals elements of the thought and theory of Keynes, Rangel, Gerschenkron, and Hirschman. They argue that the ideas of these economists were applied in a very strategic manner while also being refined to better respond to each cycle of institutional changes, and this has consequently altered public and private roles. The authors emphasize two major State interventions in the Chinese economy that have massively reformulated and redirected Chinese institutional dynamics. These interventions both stand in relation to private initiative and have allowed, in their interpretation,

¹⁵ Jabbour and De Paula remind us that Keynes advocated for the State to influence private investments to aim for the socialization of investments. Such influence takes the form of taxation and exchange rate policies. That is, by using the monetary and fiscal rules, the State could guide and stimulate private spending. Keynes argued that, in some cases, the monetary and fiscal guidance from the State is enough; in others, the political and economic conjunctures require a direct intervention, in which the State assumes the role of the private sector in orienting the market.

¹⁶ For Rangel, the role of the State in adapting to different economic cycles throughout institutional changes is fundamental to both “the promotion of intersectoral transfer of resources and the reorganization of activities between the State and private initiative” (Jabbour & de Paula, 2021, p. 319).

¹⁷ Such a characteristic, the authors say, intersects with Gerschenkron’s concept of the State as financier and investor, in which the creation of financial institutions focused on long-term funding would help late development nations to overcome obstacles related to supporting and expanding chains of production. For Gerschenkron, a solid State financial system is capable of effectively replacing a weak private financing system in support of economic development.

¹⁸ Jabbour and de Paula (2021) use Hirschman's broad vision of economic planning, with the State as a crucial player that works to induce growth by investing in key industrial areas in order to overcome stagnation, create investment opportunities and “back and forth linkages to the private sector” (p. 320). This encourages the supply generation to backup these industries. For Hirschman, such a dynamic would stimulate development “through tensions, disproportion and imbalances” (Hirschman, 1958 as cited in Jabbour & de Paula, 2021, p. 320)

the State to recover its decision-making power (which was diminished since the liberal reforms starting in 1978) and reach its current level of importance in leading the Chinese economy.

The first massive intervention, Jabbour and de Paula (2021) observe, came in the late 1990s, following the 1997/98 Asian financial crisis. To reduce the impact on the internal market, the government launched the Greater Western Development Program (1999), a large income transfer as an attempt to unify economic differences across Chinese territories. They argue that this plan's success depended on the Chinese state's overuse of instruments that worked to socialize investments and therefore overcome unfavourable economic variables (e.g., deflationary pressure) that threatened China's market stability at the time. The second significant intervention was implemented in 2008 to protect the Chinese internal market from a global financial crisis once again. China's government announced in November 2008 a stimulus package for the economy of US\$ 600 billion (12.6% of China's GDP at that time) to avert any impact by the global economic crisis and to keep the country's flow of production going strong. A few years later, China invested in infrastructural improvements like highways, subways, and high-speed rail lines. According to Jabbour and de Paula (2021), the Chinese state's financial agility and capacity has allowed its economy to flourish, so much so that in 2013 they announced the New Silk Road initiative. This project has channeled US\$ 1 trillion toward infrastructure (Chinese investments and execution) that will be allocated across 69 countries. In addition to this, the country has also developed smaller, yet ongoing, internal projects at home.

The capacity for investment and execution demonstrated by the Chinese State comes not only from its powerful public banks and public financial systems, but also from its highly efficient group of state-owner conglomerates that are themselves comprised of 149 business enterprises.¹⁹ As development-oriented state institutions, the Chinese financial system and these state-owned companies have become central tools for the Chinese state's national strategy for economic growth. This is particularly true when you consider their flexibility, as seen in their ability to dynamically change their role while also reorienting goals and policy mechanisms toward the

¹⁹ In China, public banks and financial institution are not only responsible for funding the developmental needs of different and vast economic areas, but they are also responsible for regulating the entire financial system. The Chinese state-owned conglomerates surpass by large private corporation in terms of efficiency and productivity (Jabbour & de Paula, 2021; Jabbour et al., 2021)

coordination and socialization of investments (Jabbour & de Paula, 2021). The authors perceive a number of institutional changes that have sought to reorganize activities between public and private initiatives that have taken place since the Deng Xiaoping reforms in the late 1970s. At that time, the reorganization implied a reduction in public influence in favour of that of private companies; however, by the end of the 1990s, the state took back the reins of the Chinese economy from the private sector, seeking a stronger role in guiding the economy's development. For Jabbour and de Paula (2021), such a political-economic structure indicates that the Chinese ownership structure (and economic dynamics) are considerably different from what is seen in other regions. Despite the uniqueness and apparent strengthening observed in the Chinese political economy context, power relations are dynamic and constantly affected by political, economic, social, and geographical contexts. Thus, the authors also remind us that China is currently experiencing an internal transition in its dynamics of accumulation that may create imbalances between consumption and investment, while also putting pressure on the state regarding international financial liberalization. Such a process will demand new models of planning and rearrangement capacities from the Chinese state in order for it to overcome the challenges ahead.

2.5.4 From general to specifics: The political economy of media in China

Kolodko (2020), Jabbour et al. (2021), and Jabbour and de Paula (2021) provide a broad overview of the power relation dynamics that have influenced Chinese economic development in the last few decades and which have helped the country to reach the political, social, and economic status it currently holds. Nonetheless, a wide economic scope doesn't necessarily mean that their analysis cannot catch some of the specificities of the political economy of media and Internet corporations. As outlined by Liu (2019), a close examination of the interplay between the country's historical context and the technological development of Chinese Internet companies demonstrates a clear and mutually beneficial relationship between the private high-tech conglomerates and China's government, a relationship that works to ratify the power relations underlined by the scholars I have discussed above. Liu (2019) writes:

Private sector interests benefit from state support both financially and politically in the establishment of a commercial-surveillance-infrastructure. Both the state and high-tech giants are woven into a new system of social governance wherein the online-offline

boundary collapses, and the old mode of passively surveilling populations is replaced by active behavioral engineering and the incubating of cultural life (p. 04).

Focusing on unpacking the complexities of social media platforms and state surveillance from the perspective of the political economy of media, Liu (2019) offers a comprehensive analysis of the power relations between the tech giant Tencent Holding and the Chinese government. Interestingly enough, Tencent (like other Chinese high-tech private corporations) tends to minimize its dependency on government actions. Nonetheless, as Liu points out, besides financially assisting the incubation of tech companies, the Chinese government also provides them with a number of key advantages, such as undermining foreign competition, price control, and property rights. His work highlights the historical context of public investments in technological innovations, development and industrialization, a technology-driven educational system, and the creation of the Special Economic Zones (SEZs). These investments all testify to an effort to develop and establish a high-tech economy in China.

In the mid-1980s, Liu (2019) notes that the Chinese state initiated a plan to gather intellectual resources in order to work on developing key technologies that were perceived as necessary to encourage economic growth. Under the so-called Torch Plan, the government “initiated a series of policies that encouraged scientists who worked in public institutions to leave their tenure track and become entrepreneurs with their own business” (p. 07). For instance, Legend Group Corporation (Lenovo Computers' parent company) was founded by former China Academy of Science scientists. At the same time, Tencent flourished not only because of the SEZs financial incentives but also because of the technology-driven educational system implemented in China from the late 1970s onward. According to Liu, the company’s founders (including the CEO Ma Huateng) were among the first wave of students to have backgrounds in Information Technology and Computer Science. More importantly, however, Tencent’s founders were also former employees of state-owned information enterprises. These connections, Liu argues, have led to a network of influence that has certainly granted Tencent some privileged information and contractual advantages with the Chinese government (Liu, 2019).

Such entanglement of tech companies’ monopoly and the Chinese government makes it hard to ignore the level of collaboration between public and private systems. This collaboration seeks to

maximize profitability and maintain the commercial monopoly of the private side while also enhancing public surveillance and control on the State side. Liu (2019) argues that from the power relation between the State and Tencent Holding emerges a “commercial-state surveillance complex,” a system that the State is eager to exploit as much as possible. The State seems interested in taking advantage of the seamless techno-cultural ecosystem of products and services that dominates content production, distribution, consumption, payment systems, entertainment, and leisure, such as that offered by Tencent and many other Chinese tech giants. Although Liu notes the enormous online/offline surveillance apparatus, one that focuses on individual behaviour and which tech companies have granted to the Chinese State, Liu also recognizes that such surveillance infrastructure was essentially created under economic and commercial logic rather than a political coercive interest: “The surveillance infrastructure is not primarily designed for pure State surveillance and dictatorship. It is the mutual constitution of the political and the commercial that is the driving force” (Liu, 2019, p. 20). Indeed, the Chinese political economy reveals intense cooperation and convergence of interests between private and public institutions. However, these relations are not free of conflict and contradictions on both the side of private companies and that of the government, for heavy regulations imposed by the State often impact the profitability of Chinese corporations.

2.6 Methodology

Drawing from Kline et al.’s (2003) concept of the three circuits of interactivity within a high-intensity media marketplace, this research explores the current status of the game industry. The goal is to understand how the interaction between the circuits of technology, culture, and marketing that encompasses game production, distribution, and consumption, is fostering and shaping new cultural and economic habits on a global scale. To unravel these various events, this work focuses on dissecting the production practices, cultural trends, and business models deployed by the game industry from 2008 to 2018.²⁰ This period is relevant because it is framed by some key technological breakthroughs, economic changes, and social behavioural shifts that have guided the video game industry to reach the point where it currently is, such as: the debut of

²⁰ Technically, the time-span scope for this research is from 2008 to 2018; nonetheless, relevant information updates regarding the industry, Electronic Arts, and Tencent were included later to fill in gaps when required. This new range potentially includes events that occurred up until 2022.

Apple's App Store and the global economic crisis in 2008; In 2009, Apple made available the In-App Purchase system for developers of their iOS devices the, which allowed them to commercialize virtual goods in their application; Apple's iPad was launched in 2010, bringing the option of a larger screen to mobile game developers; The emergence of esports tournaments and global competitions in mid-2010, and the launching of Twitch.TV, a streaming platform focusing on gameplay broadcasting from 2011 onwards, and; The freeze on the Chinese gaming regulation that lasted almost 10 months in 2018, to name but a few. As the game industry is enormous in scope, this research approaches the topic by looking at two relevant representatives of the video game industry: the American company Electronic Arts (EA) and the Chinese juggernaut Tencent. Thus, this investigation dives deep into the way these companies have evolved during the last decade by examining their business strategy choices, technological decisions, and their influence on (and use of) the game culture.

To unpack such investigation, this dissertation will make use of two distinct but complementary methods: **critical political economy** and **textual analysis**. The chosen techniques will support and assist with the close reading and examination of a corpus of documentary sources based on investors-driven datasets and repositories, financial reports, official documents, public articles and announcements from the two companies (Electronic Arts and Tencent), a collection of articles from five specialized news outlets, videos repositories, and lastly live-streaming channels related to digital games in general and the two companies in particular. These publicly available sources are important as they supply political economists with the clues necessary to understand corporations' business decisions as well as the current cultural trends revolving around video game media. Corrigan's (2018) criteria for assessing documentation has been useful and has guided both my collection of data and my standards for quality control. These criteria include: a) authenticity: which means paying close attention to the authorship, origin, and legibility of the document; b) credibility: which implies accuracy and honesty in producing a document—attention is required when dealing with sensitive topics in the industry or a specific company, since there may be distortions in the facts that may compromise accuracy and sincerity; c) representativeness: "Whether the documents consulted are representative of the totality of relevant documents," (John Scott, 1990, as cited in Corrigan, 2018, p. 2761), that is, a consideration of the typicality of the documentation examined; and d) meaning: which requires

scholars to familiarize themselves with the terminologies and images conveyed by these documents.

The main sources used in this research are the following:²¹

1. **Official News:** Announcements from Electronic Arts and Tencent through their official channels (e.g., websites, social media channels);
2. **Official Financial Reports:** As open capital companies, both Tencent and Electronic Arts quarterly earnings meetings are documented for public access through investor-focused media. For this material, the main source used was the Seeking Alpha website, a medium focused on business and investments;
3. **Official Annual Reports:** Again, as open capital companies, both Electronic Arts and Tencent keep their annual reports accessible on their official websites;
4. **Crunchbase:** This is an online repository that collects and stores information about industry trends, investments, companies, and key businesspeople. Accordingly, it is a reliable source for tracking Electronic Arts and Tencent's relevant business decisions related to mergers, acquisitions, and investments;
5. **Newzoo dataset:** This is an online dataset that provides information about technology industries, particularly on the video game global market and its trends;
6. **Statista dataset:** This is an online dataset focused on market statistics that also provides information on video game statistics in different market regions;
7. **GameIndustry.biz:** Launched in 2008, the gameindustry.biz is a branch of the publisher Eurogamer. The outlet is recognized for its role in providing qualified analysis of the game market as well as significant interviews with key industry personnel;

²¹ Other relevant journalistic sources outside the primary data that could offer some valuable information on the game industry's business actions or more specific topics regarding the two target companies' business strategies and investments were also added to this research source list. Some sources include the English versions of a few Asian news outlets covering technology and video game industry trends and business shifts.

8. **Game Developer** (former Gamasutra): Founded in 1997, it is operated by UBM TechWeb. The outlet is focused on all aspects of video game development; therefore, it is well recognized for providing news and information essential for game developers;
9. **Polygon**: Created in 2012 and operated by Vox Media. This outlet specializes in entertainment news, including news related to the global video game industry. As a distinguishing point, Polygon claims to focus on the people behind the games, rather than the games themselves;
10. **IGN**: Launched in 1996, IGN is owned by j2 Global. It is one of the most popular entertainment websites;
11. **Kotaku**: Created in 2004 and owned by Univision Communication. This outlet is also recognized as specializing in video games and the global entertainment industry. Despite being involved in controversies, such as being blacklisted by companies like Sony, Bethesda, and Ubisoft, the outlet has able to maintain its popularity among its player audience;
12. **YouTube**: As a popular video stream platform, YouTube's repository has an enormous amount of videos dedicated to video games. It also holds official accounts for major video game companies;
13. **Twitch.TV**: As a popular platform for live-streaming video gameplay, Twitch became a source for (intentionally or not) promoting video games. Many game developers also maintain an official account on its platform.

2.6.1 Gathering Documents

The gathering of the documents that make up the corpus that I collected took place in two phases. The first phase was focused on harvesting official documentation. I sourced the data from company websites (Electronic Arts and Tencent), which provided copies of annual reports and general information about each company's enterprises, as well as from investor-focused media (Seeking Alpha²²) where I was able to access and download copies of transcripts of

²² <https://seekingalpha.com/>

conference calls, which disclose companies' quarterly results. The second phase involved the collection of articles published in five specialized news outlets (GameIndustry.biz, Game Developer (formerly Gamasutra), Polygon, IGN, and Kotaku). These news articles were collected manually following the search results for the companies' names and within the time frame of this study's scope. The navigation towards these articles followed the sequence of pages suggested and the organization of the news outlet websites mentioned above. The relevant articles were accessed, saved as PDFs, and then added to a database. Because IGN and Kotaku display their search results in scrolling mode rather than page mode, some adjustments were made to access and download these articles. In the case of both news outlets, a scraper script was created to harvest articles from websites related to Tencent and Electronic Arts in the time frame of 2008-2018. The scrape's result was then converted into an Excel file, where the articles' URLs were stored. From these URLs, the articles were manually accessed, and again, the relevant texts were saved in a PDF file and then added to a database.

In this first (and primary) round of data gathering, a total of 3,787 articles from the five specialized news outlets were added to the research database. It was noticeable that the total number of articles collected displayed an incredibly unbalanced proportion of coverage in regard to the two companies. Although this fact raised some concern, such an outcome is entirely understandable since all of my sources were connected to Western news media outlets. Of the 3,787 articles, 3,520 provided information related to Electronic Arts, while only 267 articles provided information on Tencent's activities. Indeed, Tencent received little attention from Western news outlets, apparently not warranting coverage news outlets until the company began to execute major acquisitions of Western studios. Thus, further data about Tencent was required to better cover the company's history and business strategies.

Among the official documentation, Tencent's corpus comprises 15 Annual Reports files from 2008 to 2022 and 36 Earning Call Transcripts whose time frame ranges from the fourth quarter of 2013 until the second quarter of 2022. The Electronic Arts official corpus again surpassed Tencent in numbers, at least regarding Earning Call Transcripts. In total, 66 files were collected ranging from the third quarter of 2008 to the third quarter of 2022; among these files, 59 were Call Transcripts and 7 were financial events where EA's executives served as main guests or

keynotes speakers; in addition, 15 Electronic Arts Annual Reports files from 2008 to 2022²³ were also stored in the data corpus. Again, this official data was retrieved from the companies' websites (Annual Reports) and from the investors-focused website Seeking Alpha (Quarterly Call Transcripts). It seems that the Western, investor-focused media only started to pay attention to Tencent after the company started to expand its investment abroad significantly. Though the timeframe for this research begins in 2008, I could only gather information on Tencent financial reports from the end of the 2013 fiscal year onwards. The differences in the amount of information between the two companies poses a serious limitation for this investigation. This is due in large part to the challenges of accessing documents and articles written in Chinese which I do not speak or understand. The language barrier prevented me from fully accessing and investigating, for instance, Tencent's game portal WeGame, and the WeChat platform. Although WeChat (the international version of the app Weixin) and WeGame portal might be possible to automatically translate, both platforms present gaps in their translation. These gaps resulted in some areas displaying information only in simplified Chinese. Tencent's financial documentation and news reports related to the company from before 2013 were difficult to access as well, since the links that returned from my Internet search at the time were all in Chinese. In addition, the language limitation prevented me from exploring more of the Chinese policies related to games and the country's Internet culture. Despite of willing myself to watch Chinese video game live-streaming platforms, such as Douyu and Huya, in an attempt keep up with the Chinese scenario of esports' competitions, the results from that effort added little to this research.

2.6.2 Analytical process

Corrigan (2018) pointed out that it is intrinsic to a political economy approach to media that one observes media and practices within "their structural and historical contexts" (p. 2751). That is, understanding social and institutional relations, particularly the power relations between media corporations and various socio-economic actors, is vital. Nonetheless, he says, it is not that often that political economists of media clearly articulate or disclose their methodologies. As mentioned above, the methodological approach I use is grounded in the political economy

²³ In both cases, the Tencent's and EA 2022 Annual Reports used were the interim version, not the document's full version. This version of the report provides only the information related to the company's performance during the year's first half.

approach and I use textual analysis to assist with the translation and analysis of the documentation collected. These techniques help contextualize and reveal the business practices of corporate institutions, as well as exposing cloudy managerial rationale and unclear interests. Put differently, these techniques have helped expose the statements that are not clearly articulated in public-facing documentation, but are nevertheless implicit within corporate communications and actions. The collected texts and documentation demanded a close reading, and while doing this, I tried to keep in mind Corrigan's (2018) method of 'burrowing down' and 'listening in', two techniques for conducting business documentation analysis. He writes,

one can distinguish these techniques based on their respective attention to business practices and industry conditions (burrowing down) versus statements or discourses about those practices and conditions (listening in). These techniques can also be employed at different levels of analysis (Corrigan, 2018, p. 2757)

In fact, Corrigan (2018) suggests an ethnographic approach to the political economy analytical method as a mode of researching and analyzing business documentation. Corrigan suggests that researchers "immerse themselves in relevant trade publications" (p. 2764), through long and meticulous close readings, along with familiarizing themselves with an industry's historical contexts, the relationship between key players and institutions, and its business terminology.

Similarly, a textual analysis also gathers relevant paratexts that allow research to expand beyond the primary texts and include other texts that deal with the same topic, as well as intertexts, different genres of text, and the wider public context in which a text is circulated. Engaging with similar texts/topics may help to make the connections between them more explicit and offer clues on how these texts might be interpreted. Gathering extra textual information provides researchers with a broader understanding of the culture they are investigating (in the case of this research, the business culture). For instance, by extending my familiarity with business culture, I would likely improve my knowledge about business people's sense-making practices, and consequently, it would enhance my own capacities for interpreting these texts. By looking into these related materials a researcher would also likely get used to the dominant discourses associated with a particular culture. As put by McKee (2002),

It's only by consuming several texts in a series that you get a sense of what the rules are, and what various aspects of it mean. You start to see what is considered as normal in the programme, and what is unusual. You become familiar with the programme's strategies (p. 94)²⁴

Broadly, textual analysis involves looking carefully at the evidence the text provides so that the research can make an educated guess in regard to the most likely interpretation of the text by different entities. However, any interpretation of a text must consider the context in which that text was produced; that is, contextualization is what allows for an educated guess in terms of how text will be interpreted. Another point to consider is the goal of the analysis, which requires that one be clear about the questions that motivated examining the text in the first place. Establishing an analytical focus will help to narrow down the search for evidence and clues within the corpus of text.

Accordingly, by approaching documents and sources like business and financial reports, official announcements, specialized media articles, and streaming channels using methodologies grounded in both a political economy approach and through the lens of textual analysis, it is possible to reveal, or demonstrate, how EA and Tencent made decisions and also how these same decisions have impacted the industry as a whole.

²⁴ The words series and programme are in this quotation because they reflect McKee's object of analysis, which is articulated in regard to a television show. Though the terms do not match the object of this study, they could be easily replaced for financial transcripts and official annual reports.

3. Ten years of the game industry evolution: Watching Electronic Arts and Tencent businesses strategies from 2008 to 2018

The gaming industry has largely been forged through technological developments, and for this reason it is vulnerable to technical advances at the same time as it advances them. In the past decade, the sector has experimented with a variety of new technologies and possibilities that have emerged in the gaming ecology: for example, one can observe the quick growth (and rapid decline) of casual and social²⁵ games, the consolidation of Mobile games within the digital market (whose business model has turned games, that were once considered goods, into services), and the geographic transformations of the game market that have occurred as result of acquisitions and partnerships that involved several studios, key publishers, and strategic regions around the world. The period also saw new forms of engagement flourishing among developers, players, and even audiences through recorded play-throughs, live-streaming gameplay, and the association with professional sports through the video game industry's business model of esports modality. All these novel shifts in the gaming ecology have become connected and (re)mixed to reframe the future of gaming and generate billions of dollars of profit for the sector.

The video game industry is massive in scale, and business strategies vary according to a company's size, as well as the capacity of its developers and publishers. My research and analysis focuses on two companies: the American publisher and developer Electronic Arts (EA) and the giant Chinese tech conglomerate Tencent. Both companies are considered key players in the industry. EA has been in the industry since its very inception, starting its business in the early 1980s when games were packaged products, and has since grown to become one of the biggest publishers in the West. Tencent grew its game business within a context of online services; that is, the company had already been fully immersed within the logic of commercial online platforms. The Chinese company was able to increase its ranking in the world's top 25 gaming companies, managing to keep itself on the top for the last few years.²⁶ This chapter examines

²⁵ In mid-2000s, games published on social networks platforms became popularly known as 'social games.' Such categorization is related to the nature of the platform where the game is held rather than the characteristics of the game per se, as they barely promote social interaction or real-time social play. (Mayra et al., 2017)

²⁶ <https://newzoo.com/insights/rankings/top-25-companies-game-revenues/Q42019> accessed November 9, 2020.

EA's and Tencent's production practices, business strategies, and general decision-making over the previous decade (2008-2018). I track these companies' actions through a range of methodologies including examination of news articles and statistics data provided by specialized tech and video games business-oriented institutions. I use this data to map and understand the political economy of the video game industry. Although the two corporations have different trajectories, particularly in regard to the time at which each firm entered the game industry, significant shifts in the digital competitive global economy have now converged, pairing both companies to the same industry trends and similar business strategies. The following sections of this chapter provide a brief and descriptive historical overview of Electronic Arts and Tencent, highlighting and analyzing their business choices and decision-making regarding market expansion, in-game monetization, and production practice behaviour.

3.1 Electronic Arts

As a significant player among video game companies since 1982, Electronic Arts has evolved with the game industry, contributing to, and pushing hard for many of the changes we have recently witnessed. The publisher bet high on crucial trends in technology, including the emergence of devices and platforms (e.g., mobile devices and social network websites) capable of supporting gameplay in a range of forms. While some bets worked well and helped the company flourish, other bets did not, which put the company in a precarious financial situation. This section offers a general overview of the business decisions Electronic Arts made over the period of a decade, decisions that were forged by the same game market trends that we see today. This section is organized chronologically and is divided into theme-based subsections to present the information with more clarity.²⁷

²⁷ Although the events discussed are presented in thematic blocks and chronologically, many of the changes that happened in the game industry occurred almost concurrently. For instance, the investment in the free-to-play model attached to microtransactions came along with mobile and PC online games, using Asian markets in particular as a parameter in this new business model; the expansion to areas like mobile and social network gaming structures was possible through acquisitions and partnerships. The business shift from product to service occurred because of the investments in free-to-play attached to both the micropayment form and new subscription models, leading gaming activities to become enclosed within the service's practices rather than products' purchases. Note that in-game monetization may take different forms, ranging from character and weapon cosmetics skins to loot crates, cards, crystals packs (or any other sort of in-game currency packs), extra levels, downloadable contents (DLCs), and so on.

3.1.1 Moving to a Digital Market

3.1.1.1 Social Landscape or what was left of it!

Electronic Arts' move to create a division that focused on production and marketing of casual, social, and mobile products in 2005, demonstrates the company's awareness of digital gaming market trends, and their attempt to profit from it (Fleming, 2007, February 16). However, in the late 2000s, the publisher narrowed its path, more fully investing in these new techno tendencies, and spent large sums of money doing it. From 2009 to 2011, EA invested in numerous acquisitions as a strategy to expand its digital presence on all available platforms, most notably by adding developers like Playfish and PopCap (Reilly, 2009c, November 9; Reilly, 2011a, July 12; Crecente, 2011b, July 12). During this time, the company also bought the UK-based mobile publisher Chillingo, along with a few small studios like Ohai, Bright Games, and KlickNation; it also expanded its sports league licensing by partnering with Major League Baseball²⁸ (Buchanan, 2010b, October 20; Rose, 2011c, July 12; Graft, 2011b, August 16; Curtis, 2011, December 1).

We might speculate that Electronic Arts was obsessed with digital revenue models. The company goals included gaining the leadership of the game market in social and mobile landscapes, though to accomplish that EA had to overtake Zynga as the lead developer on the Facebook platform. EA proceeded to adapt most of its successful franchises to social network platforms and mobile devices (Campbell, 2011, April 7; Cifaldi, 2011b, July 26). Playfish was the company's main production studio for that task, although other EA studios also contributed to reaching this goal. This acquired studio was in charge of changing and adapting many of EA's titles to Facebook, including *FIFA*, *Madden*, *PGA Tour Golf*, *The Sims Social*, *Dante's Inferno: Go to Hell*, *Dragon Age Legends*, *Mass Effect Infiltrator*, *SimCity Social*, along with Hasbro's board-alike games, and other social game IPs acquired through studio purchases (Staff IGN, 2009c, November 23; Caoili, 2012b, January 17). At the time, EA believed that social platforms and casual games would overtake the market and change how games were produced and played. The development process also took a reverse direction, relying on small-budget production and

²⁸ Although MLB has an exclusive licensing deal with Take-Two that covers most baseball games, EA took advantage of the fact that the contract between MLB and Take-Two did not include the social game formats and platforms. (Caoili, 2011b, March 31)

teams. At that time, some of EA's executives suggested that console games were close to the end of their life cycle, and social games would grow in importance for EA and the entire industry (Graft, 2010d, August 24).

The substantial investment in acquisitions that worked to fill the gap in the company's development demonstrates that it was taking these markets seriously. EA's optimism regarding casual social gaming was fundamentally grounded in the low-cost production of Facebook games and the successful performance of Zynga Inc. Primarily offered as free-to-play, Facebook games commonly deployed three methods to generate income: a) commodification of users' data, b) advertisements, and c) charging micropayments for cosmetics or in-game advantages like increases in a gamer's ability to progress in the game. Although many Facebook users started engaging with the platform's casual games, only two percent were willing to spend real money on any virtual items. Despite this small percentage rate, Zynga managed to make \$500 million in 2009 from the social network (Tanner, 2010, August 24); numbers that demonstrated the platform was no ordinary place that merely accommodated games, but that it had great potential for disseminating social gaming, and this in turn stimulated other game companies to fight hard for their space on Facebook.

Indeed, the social gaming strategy worked for a while. The publisher reported \$1 billion in deferred net revenue (packaged goods and digital content) during the 2011 fiscal year, of which three quarters of the total value (\$743 million) came from online delivered products and services alone (Electronic Arts, 2011a, Annual Report). Quickly, EA became a company with significant influence in the online, mobile, and social space until the social game dream began to fall apart. The growing market for Facebook gaming also introduced an inconvenient problem for social networking users: aggressive viral marketing and excessive game-related posts. Such marketing tactics generated a wave of dissatisfaction across Facebook users, crystallizing a lack of goodwill among users and their gamer friends. For example, a high number of spammy games required friend requests for advancing in their games. Eventually, Facebook users' complaints forced the platform to change its policies on applications in order to decrease spam. Accordingly, developers focused on player retention over viral game diffusion (Mayra et al., 2017). Major developers, including EA, saw a massive drop in active users across the social platform. Most of them believed a relationship existed between the new notification policies and the decrease in

players' numbers (Caoili, 2010a, May 7). For instance, Electronic Arts' monthly active users on Facebook dropped from 46 million across 11 titles on March 31, 2010 to 35.7 million across 40 titles available on March 31, 2011 (Electronic Arts, 2010a, Annual Report; Electronic Arts, 2011a, Annual Report).

Facebook's move changed the game business significantly. In 2012, John Riccitiello, CEO of EA at the time, acknowledged at a public event that social games were overhyped and admitted that EA helped to feed the hype through its investment and acquisition activities in social gaming (Caoili, 2012f, October 19). In the same year, the company shut down some of their Facebook social games, including *Dragon Age Legends* only eighteen months after its release, and announced some layoffs in its casual and social studios (Curtis, 2012, May 18; Caoili, 2012e, August 21). In 2013, Electronic Arts detailed its understanding of the state of social gaming, particularly with respect to sports game franchises. In a statement, Andrew Wilson, at the time EA Sports Vice President, said: "Social, as it relates to Facebook, is not a focus for us anymore. We didn't do great there. I made games on Facebook because I thought people were there that wanted to play them. Then it became apparent to me that either I had the wrong game, or they weren't there." (Sarkar, 2013a, July 2). Despite the decline in popularity, as play habits moved from desktops to mobile platforms, there are still some successful social games on Facebook, like *Angry Birds*—though most of them are now multi-platform games.

3.1.1.2 Mobile Gaming

EA's strategy to use social gaming and develop a reliance on Facebook disintegrated quickly, leading to a decline in the company's earnings, but not all of its digital investments were lost. Mobile platforms were demonstrating themselves to be part of a more reliable and robust market. The publisher tried to take as much advantage of Apple's new technology while still being cautious. The third instalment of iPhone's OS already featured an In-App Purchase service in 2009, allowing developers to add downloaded content onto their games that were tied to microtransactions, subscription services, and multiplayer modes through peer-to-peer wireless play (Alexander & Remo, 2009, March 17). EA, though, decided to move slowly in regard to the free-to-play model at the beginning; most of the company's smartphone releases were priced

(and pricey) games. Still, EA went on to test the model with a mobile version of the *Battlefield* franchise (Crecente, 2008a, May 13).

Targeting the global mobile market, EA invested in purchasing game development studios in strategic regions worldwide. In 2008, the company acquired Hands-On Mobile Korea. The goal was to strengthen EA Mobile Asia's development and publishing areas through the expansion of the company's mobile business into Korea's massive gaming market (Crecente, 2008b, May 22). In another strategic move to expand its global presence, Electronic Arts sought out critical companies to become its new partners. The publisher announced a partnership with the Japanese company Taito, which granted EA exclusive distribution and licensing rights for Taito's entire catalogue, including *Space Invaders*, *Arkanoid*, and *Cooking Mama* (Caoili, 2008a, May 22). EA partnered with Handango, a US-based smartphone content provider, to distribute EA Mobile's top casual games globally (Staff IGN, 2008a, August 12). Before purchasing PopCap, EA had an exclusive worldwide agreement to publish PopCap's games until 2010 (Caoili, 2008b, September 4). The publisher also formed a strategic mobile relationship with Eidos. The agreement granted EA licenses for four key Eidos titles: *Tomb Raider Underworld*, *Just Cause 2*, *California Games X*, and *Minesweeper*, all to be published across all existing mobile channels and devices. The partnership with Eidos also included the rights to develop mobile versions of most Eidos video games for three years (Staff IGN, 2008b, September 15).

In 2009, Electronic Arts signed a distribution deal with Bandai Namco Networks Europe. The agreement provided EA Mobile with rights to publish existing and upcoming Bandai Namco titles across Europe, Russia, India, Latin America, South Africa, New Zealand, and Australia (Staff IGN, 2009b, September 22). EA Mobile partnered with id Software to launch *Wolfenstein RPG* on the App Store (Staff IGN, 2009a, August 14). At this point, the company started to look at lower price apps and entered the \$0.99 mobile games market with *Zombie & Me* from its 8lb Gorilla subsidiary (Alexander, 2009c, July 13). The mobile division of Electronic Arts was not only looking for quick successes on Apple's devices, it was also betting on all the devices available in the mobile market, including Android, Windows Phone, BlackBerry, Sony, and Nokia devices.

As a result of the 2008 economic crisis, retailers worldwide took a more conservative approach to ordering game inventory, impacting EA's selling performance. At the time, 96% of the company's net revenue came from direct sales in retail (Electronic Arts, 2009a, Annual Report). The hit forced the publisher to both diversify and invest more in its digital business model as a means of recovering from declining sales of physical video games. John Riccitiello, CEO of the company at the time, stated that the mobile market was just one of many digital arenas to which EA looked to recover financially and to get back on the path to profitability (Alexander, 2009d, November 4). Electronic Arts also transposed its web-based game vault (Pogo) to a free app on the App Store. The move was one of EA's strategies to increase its digital revenue to \$750 million by the end of the fiscal year of 2010. For EA executives, extending Pogo smartphone devices was a solid step toward dominating the mobile market and consequently helped the company increase its financial gains (Morris, 2010, December 9).

In 2010, the company worked closely with Apple to ensure the iPad tablet would also be seen as a gaming device as well as a portable media and creative machine (Buchanan, 2010a, January 21). Compared to smartphones, the large screen of iPads gives developers more room to adapt their user interface and game designs to accommodate more buttons, menus, and gestures. A week before the iPad's official launch around 900 games for iPad were in the App Store. Electronic Arts had five games available when the product launched (Graft, 2010b, April 2). Besides Apple, Amazon and Samsung had also announced the Software Development Kit (SDK) for their Kindle and Galaxy devices, creating more intense competition among the companies who produced and marketed larger-screen portable devices while at the same time producing new opportunities for game companies to distribute and disseminate their services (Remo, 2010, January 21).

In addition to boosting the production of games for mobile devices as a means of expanding and cultivating new audiences across platforms, Electronic Arts deployed another strategy to take the lead in the digital market: it cut the price of its titles on smartphones during crucial periods of the year. The company began to understand how to hook players into the mobile environment. In advance of the Christmas of 2010, EA cut the price on 60 of its titles on Apple's App Store, leaving most of them with a price tag of just 99 cents. The lower price enabled the company to

lift 14 of its games to the top 25 best-selling iPhone games and put 15 titles among the top 25 apps on iPad in December (Thomsen, 2011, February 1). During a conference call with shareholders, the publisher used these numbers to claim that EA was, at the time, the number one publisher on iOS. As their focus wasn't limited to Apple, the company also announced itself as the top-selling game publisher on Windows Phone 7 and Blackberry's OS, and a big competitor on Android's App Store with two games among the top five best-sellers. Electronic Arts also reported in the same call that it had gained the title as the number two game company on Facebook, listing their apps for FIFA, Madden, Monopoly, and Dragon Age as top performers (Thomsen, 2011, February 1).

Electronic Arts mobile's average pace for game development between 2009 and 2010 was between ten to twelve games yearly.²⁹ The rate doubled in 2011 after acquiring Chillingo and PopCap. In 2011, Chillingo released around 20 games,³⁰ including *PainKiller Purgatory*, *The Witcher: Versus*, and *Red Ball 3* (Staff IGN, 2011a, March 10; Staff IGN, 2011b, March 24, Staff IGN, 2011c, May 26). EA Mobile, on the other hand, released five versions of EA franchise games, including *FIFA 12*, *Need for Speed Shift 2 Unleashed*, and *Burnout Crash* (Crecente, 2011a, July 7; Davis, 2011, October 12; Good, 2011a, July 7). In 2011, Electronic Arts also experimented with the subscription service model. In partnership with The Tetris Company, EA launched a new *Tetris* game for Apple devices featuring paid subscription options for accessing exclusive content and accelerating players' rank progress. In this model, iOS users could choose between a stand-alone version of the classic puzzle or being a member of the T-Club and have unlimited access to extra game content that would be regularly dropped in the app store (Caoili, 2011c, December 1; Good, 2011b, December 1).

It is interesting to note that despite the game industry quickly moving into the digital market, anchored by the success of mobile devices, not all companies decided to bet as 'aggressively' as Electronic Arts. For instance, Activision was one of the few big corporations in 2011 that remained cautious regarding mobile spaces and watched its rivals from a distance (Morris, 2011,

²⁹ <https://www.giantbomb.com/electronic-arts/3010-1/published/> accessed November 9, 2020

³⁰ <https://www.giantbomb.com/chillingo/3010-6684/published/> accessed November 9, 2020

September 9). Its big move into mobile came only in 2015 when the company bought King Digital Entertainment for \$6 billion. In combination with the acquisition of Blizzard in 2008, the move put Activision far ahead of EA in terms of the ‘game as a service’ model. At the time, Blizzard was the leader in PC games as a service, while King had mobile leadership in the West. Indeed, both companies managed to harvest from their investments by multiplying their market value over a period of few years;³¹ however, despite the appearance that Activision had a more solid entrance into this new business context, EA’s growth was higher in terms of percentage than Activision during this period.

While figuring out how to enter and position itself in this new market, Electronic Arts decided to keep investing in the digital sector, which, at that point, was largely seen as a trend in the video game industry. In 2011, the company purchased the Australia-based mobile and online developer Firemint to expand the EA Interactive label (EAi) along with Playfish (Orland, 2011, May 3). In a statement, EAi Vice-President and General Manager Barry Cottle indicated that EA’s vast intellectual property holdings were particularly advantageous in the mobile market, and that this factor could help the company break into the massive and very competitive mobile app market (Alexander, 2011a, May 4). In 2011 the company also started to explore and venture into the free-to-play format that is attached to the microtransaction business model by acquiring the ‘freemium’ developer Bright Games (Graft, 2011b, August 16). In 2012, the publisher opened a new Maxis studio in Helsinki, Finland, focusing on developing new mobile titles in *the Sims* franchise (Rose, 2012f, September 28). EA also decided to improve the mobile game experience by bringing the high-quality graphics that characterized its console and PC games to mobile devices. As such, the company designated DICE, one of the publisher’s first-party studios and the developer of the game engine Frostbite, to adapt that robust game engine to work on mobile platforms (Corriea, 2012b, October 3). In 2012, the publisher also announced a freemium mobile game based on the Simpsons franchise. Released for iOS and Android devices, *The Simpsons Tapped Out* was responsible for matching EA’s expectations, becoming one of the year’s biggest titles. (Rose, 2012a, February 21). This shift toward focusing on the free-to-play model signalled

³¹ EA value in 2012 was \$4 billion, in 2018 it was over \$ 30 billion; whereas Activision value in 2012 was \$10 billion, in 2018 it was over \$ 60 billion, (DFC Intelligence Report, 2018, October 16 retrieved from <https://www.dfcint.com/dossier/electronic-arts-and-activision-blizzard-focus-on-games-as-a-service/>)

the company's continuing expansion into the mobile market. Nick Earl, head of EA Mobile and Social label at the time, stated that premium mobile game releases would become more of a rarity for EA (Frushtick, 2012, November 16). As the mobile market was mainly filled with the free-to-play model, EA had no other choice but to shift its mobile business approach to match what was already established by the mobile market. Ultimately, the publisher's decision to embrace the free-to-play model was more like a market reaction than an original or strategic business move.

While EA made considerable investments in the mobile sector, the design of the free-to-play games and their means of monetizing players' engagement, began to be an obstacle for the company. Chillingo, one of the biggest mobile publishers at the time, began to have difficulty producing the next big hit game. For the publisher's executives, their next hit game had to combine efficient monetization mechanics with a good, fun game design. They illustrated that it is not an easy task. The publisher declared it turned down some outstanding games because they did not present an effective monetization model (Campbell, 2014b, March 19). Simultaneously, EA's freemium games began to present problems, most notably a lack of balance between monetization and game design. Both players and game reviewers noticed that mobile games like Real Racing 3 pushed microtransactions to the point that it began to compromise the game mechanics. In response to the wave of one-star reviews on Apple's App Store, the company was forced to adjust the game's economy by reducing the frequency of microtransactions connected to the game's progression activities (Rose, 2013b, February 15). The United Kingdom regulatory agency also forced Electronic Arts to rework their advertisement for the mobile reboot of the Dungeon Keeper franchise. British regulators ruled that an ad calling a game 'free' is misleading and the company had to fix the advertising. The regulatory agency argued that although Dungeon Keeper is free to download, players can only progress by waiting a long time or by buying in-game gems using real money (Rose, 2014a, July 2; Schreier, 2014c, July 2). The trouble with rebalancing the in-game purchasing mechanics was not enough to seriously harm EA's mobile business. The company reported having roughly 1.5 million mobile game downloads daily during its 2014 fiscal year, and just Real Racing surpassed 100 million downloads (Campbell, 2014, May 6).

In 2015, EA opened a Chillingo studio in Shanghai, seeking to expand its mobile market into Chinese territory (Wawro, 2015b, March 17). A strategy that made sense considering that Chinese players were already used to the free-to-play model paired with the in-game purchase format not only on mobile devices, but also in PC games (Chew, 2019; Fung & Liao, 2015). Interestingly, EA kept its free-to-play mobile worldwide release schedule by launching some of its top franchises, such as *UFC*, *Heroes of Dragon Age*, and *Star Wars: Galaxy of Heroes* for Android and iOS systems. Simultaneously, the company abruptly ceased supporting and selling 23 of its older mobile games without disclosing the reasoning behind their decision to shutdown these games (Wawro, 2015c, September 11).

In 2018, Electronic Arts announced the acquisition of Industrial Toys as an effort to expand the publisher's reach in the mobile market. The company declared at the time that the newly acquired studio would focus on creating free-to-play games with 'intricately advanced layers of narrative and gameplay' for mobile devices (Valentine, 2018a, July 9; Wawro, 2018a, July 9). The announcement signalled that EA was willing to bet on another game design style for the platform. A year later, in 2019, the company announced that its recently launched *Apex Legends* would also be heading to mobile device platforms. EA revealed to its investors that the fastest-growing franchise the company ever created would be carried over to mobile devices and into the Chinese market. EA's decision to bring *Apex Legends* to mobile was far from a leading strategic move. It was more a response to keep up with its rivals, such as *PlayerUnknown's Battlegrounds (PUBG)*, a game developed by the South Korean company Krafton (former Bluehole), and *Fortnite*, a game developed by the American company Epic Games. *PUBG* and *Fortnite* were the most popular and well-known battle royale games on all platforms, including mobile. The mobile versions of both *PUBG* and *Fortnite* opened these games up to a much wider audience, increasing the revenue stream for their publishers (Goslin, 2019, May 8). Although EA revealed a mobile version of its hit *Apex Legends* in 2019, the game only reached both Apple's app store and Android stores in May 2022.

3.1.2 Games as a Service: The business model that changed game production and the consumption of games.

The game industry's shift into service logic has been quite wild. To some degree, freemium and subscription modes are erasing players' sense of game ownership. Instead of relying on selling

packaged game units, the industry is pushing players to acquire (temporary) access to them. EA's move into the service business model was initially cautious, but the company had already perceived the potential of the model as early as 2008. John Riccitiello, the publisher's CEO at that time, recognized that subscription, microtransaction, and casual games were all centred on the PC platform. At one of the company's events, he declared:

[G]iven the built-in PC-based audience for BioWare's and Valve's games, the microtransaction-based BattleForge and Battlefield Heroes, and the possibility of significant subscription revenues from Warhammer Online. It is not a surprise move; what happens in 2009 at EA will help further define the direction of the platform in the West (Nutt, 2008, May 14).

EA gradually embraced the free-to-play model. It began by advocating for elasticity to be applied to its development process, a process that allowed developers to change things on the fly and learn something from the users 'right out of the gate.' Another advantage the company's executives identified was that the model contained the possibility of monetization at every level. The free-to-play model is flexible and can accommodate both gamers willing to pay nothing and players who want to spend money to improve their game experience. "You can hide things, you can change the design, you can change the pricing of things. This model is fairly forgiving. You don't have to get it exactly perfect the first time, the way you have to in the console business," claimed Nick Earl, head of EA Mobile and Social label at the time (Frushtick, 2012, November 16). While the implementation of subscription modes was relatively smooth, the free-to-play model with attached microtransactions led the company to be mired in yet more controversies. The constantly unbalanced in-game monetization system demonstrates how hard the company had pushed for a change in the ways their players consume games, and the following section briefly illustrates Electronic Arts' decisions around the application and management of both freemium and subscription business models.

3.1.2.1 Free-to-Play model

Following Asian market trends, EA entered the freemium games model with the EA label Play4Free, a division that offered free PC games for download. At the same time, revenues were generated through advertising and microtransactions. Under the Play4Free label, EA developed

its first free-to-play game in 2008, and launched *Battlefield Heroes*, a cartoonish version of the *Battlefield* Franchise in 2009 (Jenkins, 2008a, January 21). In subsequent years after *Battlefield Heroes*' release, the company offered a range of free-to-play PC games based on its own recognized titles, such as *Need for Speed: Worlds*, *FIFA Worlds*, *BattleForge*, *Battlefield Play4Free*, *Lord of Ultima*, and *Star Wars: The Old Republic*, to name a few. Electronic Arts aimed to expand its presence and investments in Asia by way of the free-to-play model. By the end of 2008, the company acquired J2MDoft Inc., a Korean developer that specialized in free-to-play PC online games that were monetized through microtransactions and advertisements (Martin, 2008, December 3; Staff IGN, 2008c, December 3).

In 2009, EA renewed its partnership with Neowiz, also a Korean developer, and both companies worked together in 2006 to bring *FIFA Online* to South Korea. The game was a massive success at the time, amassing four million subscribers within a few months of its release (Sheffield, 2009, January 7). Although the Korean market was showing signals of over-saturation of free-to-play games, Electronic Arts and Neowiz inked a deal to co-develop four new online titles.

Interestingly, even though the company was moving forward and actively embracing the freemium model, not all of EA's executives were certain about giving games away. At the time, Danny Isaac, head of EA Korea, pointed out the significant risk of giving so many game titles for free in a well-known overcrowded free-to-play market such as Korea. For him, the free model necessarily elevated the need for quality game design because of the challenges of attracting and hooking players in such a saturated market. There was also the challenge of increasing players' willingness to give the game time in order to explore its potential. "If it doesn't grab their attention, then they're going to quickly move on to something else. If they've paid 60 bucks for it, then maybe they would have spent more time getting to the depths," Isaac argued. Unlike *Battlefield Play4Free*, *Battlefield Heroes* did not reach the Korean market. Despite *Heroes*' success in the Western market,³² Isaac claimed that the game's aesthetics wouldn't get Koreans' attention. The game art style, he said, resembles the ones of earlier Korean games, which would give Korean players the feeling of playing an old game (Sheffield, 2009, January 7).

³² The game accumulated three million registered players in the first 5 months, with 50,000 joining it every week (Alexander, 2009e, December 16)

The transition to the service business drove EA to focus on mobile and PC platforms. The publisher contracted Element, an online monetization platform, to accelerate its online gaming strategy. The tech company provided developers and publishers access to payment gateways, virtual goods merchandising functionality, analytics capabilities, virtual item gifting, support for in-game currencies, item storefronts, catalogue management, and cash-in flows (Caoili, 2010b, July 26). The publisher also asked its specialized MMO and RPG studios like Mythic and BioWare to experiment with both free-to-play and subscription modes to understand which one would be more attractive to players. Though Mythic and BioWare executives were inclined to favour the subscription model, arguing that subscription is a more reliable revenue stream (Hyman, 2008, June 5), games like *Lord of Ultima* and *Star Wars: The Old Republic* were transposed into the free-to-play with attached to microtransactions business model after being under a subscription model for some time. The turn in both games' monetization models showed that Mythic and BioWare executives were not entirely right about subscriptions' reliability,³³ leaving room for testing the potency of the in-game economy and free-to-play model. At the time, Ray Muzyka, general manager of BioWare's label, reinforced EA's role in pushing the industry further down this path. "There is a fundamental shift underway in how gamers play and pay for games, and Electronic Arts is a leader in providing new business models and new ways to consume content" (McWhertor, 2012a, July 12).

In 2010, *FIFA Online 2* peaked at 220,000 concurrent players and reached annual revenue of around \$50M in Korea alone (Graft, 2010c, August 11), while *Need for Speed World* surpassed 3 million registered players less than six months after its release.³⁴ In 2011, the publisher partnered with the browser-based game developer and portal operator BigPoint to distribute the Play4Free portfolio to global audiences. At the time, BigPoint had over 175 million registered users and attracted up to 250,000 new registrations per day (Caoili, 2011a, February 28). The company also signed a distribution agreement with the German-based frontrunner in the free-to-play game business Aeria Games to bring the Play4Free series of titles such as *Battlefield Heroes*, *Need for Speed World*, and *Dragon Age Legends* to the portal. Like BigPoint, Aeria was known for its

³³ After a solid launch, SWTOR began to lose a considerable number of registered players every month (Rose, 2012c, April 19).

³⁴ <https://www.ea.com/news/need-for-speed-world-past-three-million-users> accessed October 07, 2020

strong community base of over 40 million registered members (Rose, 2011d, September 21). In 2012, three years after launching its first free-to-play game, *Battlefield Heroes*, Play4Free reached 25 million active players worldwide. For the publisher, the ability to amass 25 million registered players is a remarkable achievement and demonstrates the business model's potential. "It is a testament to the explosive growth of the free-to-play market and a reflection of EA's commitment to spearheading the digital transformation," declared Sean Decker, VP of the Play4Free label at the time (Caoili, 2012a, January 12). Although reaching 25 million active players is indeed an achievement, in 2012, *League of Legends* alone had 12 million active players daily and 32 million active players monthly (Statista, 2014, January 28), demonstrating how competitive the game sector is.

In an official statement, Electronic Arts declared that the growing freemium gaming category was a crucial aspect in its strategy to reinvent itself as a digital gaming leader. While acting as EA's Chief Operating Officer, Peter Moore believed that free-to-play is an 'inevitability' for all mainstream games. On occasion, he was so sure of the model's dominance that he declared that big-budget franchises would be entirely free-to-play sooner than later (Karmali, 2012a, June 21). The publisher had already done so with one of its big franchises: *Star Wars: The Old Republic*. At the time, the most expensive game in history,³⁵ SWTOR passed from the subscription model to a free-to-play mode less than a year after release. The game struggled to maintain its subscribers and failed to meet the company's expectations (Rose, 2012c, April 19). By the end of 2012, EA decided to rebrand its free-to-play business by merging the Play4Free label into its Origin platform. The company intended to accommodate all its digital products under one roof (McWhertor, 2012c, December 12; Rose, 2012h, December 13).

The expertise and know-how Electronic Arts developed with the freemium model through its investments in the mobile and Asian markets over the years allowed them to aggressively push the model across multiple platforms while also making use of its extensive game catalogue. The push was an attempt to force its players to switch the way they pay for and play games by reducing their choices on different platforms. The monetization shift was strategically calculated

³⁵ Although EA never publicly announced the development cost of the game, financial analysts projected that the publisher invested a range between \$150 to \$200 million to produce SWTOR (Cifaldi, 2012, November 15)

to improve the company's financial results regardless of whether or not players were ready to absorb such a dynamic change. In 2012, FIFA alone brought in a record \$108 million in revenue, including in-game monetization. In the UK, FIFA Ultimate Team, a digital-only version of the soccer game, was the second best-selling EA offering in that country all year. These numbers helped EA to motivate investors when the company 'face[d] continued pressure' from the stock market (Campbell, 2012, July 6). The digital market service as a whole, and the digital gaming service in particular, has created an unparalleled pattern of consumption that in turn has provided the entertainment industry with information for developing and improving its business models by altering games' content, mechanics, and economy as they see fit on certain contexts.

3.1.2.2 A very unbalanced in-game economy

As described above, the push to change consumption patterns may generate positive financial results; however, if done aggressively, it may cause adverse reactions and stimulate conflict between the game company and its player community. EA has an extensive history of garnering player distrust, winning the 'worst company' title in America in 2012 and again in 2013 (Schreier, 2012, April 4; Sinclair, 2013, April 9). Electronic Arts occasionally suffers from its consumers' boycott or backlash that have forced it to walk back business decisions, or at least temporarily. In 2013, EA's subsidiary Firemonkeys released Real Racing 3, the first free-to-play instalment of the game series. However, the game's microtransaction system was utterly unbalanced, forcing players to pay real money for literally everything, from getting a racing car to speeding up mechanical repairs; otherwise, they would have to wait for real-time (not in-game time) to unlock a vehicle or have it repaired for the next race (Rose, 2013b, February 15). Such mechanics felt like punishment for players who declined to pay real money for in-game items. Six months later, the publisher committed a similar mistake by linking microtransactions to Madden's mobile game mechanics, generating complaints and criticisms from both players and critics (Rose, 2013f, September 3).

The executives' excitement to use the new business model to harvest as much profit they could was so intense that one of them would occasionally be caught making an honest declaration about EA's financial intentions. In 2013, for instance, Blake Jorgensen, Chief of Financial Officer at Electronic Arts, claimed at the Morgan Stanley Technology, Media, and Telecom Conference that EA was ready to run microtransaction features in all of its future games,

independently of whether or not the game is free-to-play. In addition, he said, the publisher was developing a secure in-house process for online payments rather than maintaining third-party contracts with outsourced companies. Jorgensen added that the company decided to move forward with the in-game purchase model because players have already ‘embraced’ microtransactions within their games (Karmali, 2013, February 27). Nonetheless, the players’ communities were fairly vocal about their disagreement with how EA dealt with microtransactions. Blake Jorgensen’s declaration outraged the game community once more, forcing Electronic Arts to respond. A few days after the event, Jorgensen publicly stepped back and clarified that the press misunderstood him. He meant that even though all of EA’s future games will support the ability to include microtransactions, it does not mean that all of EA’s games will have them (Rose, 2013c, March 6).

In 2014, EA released the mobile version of *Dungeon Keeper*. The game displayed many issues with its in-game monetization, and was highly criticized by gamers and game critics for its aggressive push toward micropayments. Kotaku’s journalist, Jason Schreier, suggested that the game *Dungeon Keeper* pushed microtransaction design “in the worst possible way” (Schreier, 2014a, February 3). Although the game is labelled as free-to-play, players complained that playing the game is impossible without engaging in several in-game purchases. The industry veteran Peter Molyneux, developer of the original *Dungeon Keeper*, declared to Eurogamer at the time that he didn’t think people would be against the monetization loops “if they came in a lot later and a lot more gentle ... but it is so in your face,” (Yin-Poole, 2014, June 25). *Dungeon Keeper*’s monetization model also drew the attention of the United Kingdom Advertising Standards Authority, which banned advertising of the game in the country, alleging *Dungeon Keeper* was misleading customers and leading them to believe the game was free of charge. In their decision, the British regulators acknowledged that the game was free to download but observed that it also required players to wait a long time or to purchase in-game items with real money to make any progress (Rose, 2014a, July 2).

Although Electronic Arts was betting on free-to-play attached to micropayment transactions, it was also aware of the risks posed by the model. The company faced some failures in attracting players to a few titles. In 2013, a free-to-play version of *Command & Conquer* was cancelled due to a lack of interest from players and poor reception of the game’s alpha version. The

cancellation of the game resulted in the studio's closure, and the developers either reallocated to other EA facilities or were laid off (Ligman, 2013, October 29). In the following couple of years, EA also shut down the free-to-play games *Battleforge*, *Lord of Ultima*, *Need for Speed World*, *FIFA World*, and *Battlefield Play4Free* alongside its first free-to-play development *Battlefield Heroes*. Even though the company did not disclose the reason for the games' closure, the decision was a signal that the company was still struggling to figure out how to take its big franchises into the free-to-play environment (Pitcher, 2014, February 13; Sarkar, 2015, April 15; Tach, 2013, September 6; Wawro, 2014a, February 12).

Indeed, microtransactions have become a controversial topic in the game industry, and Electronic Arts has often been criticized for the way it manages the in-game purchase model. It is not rare for EA to push microtransactions to the limit of its customers' ability to pay. Publicly the publisher alleges it does not want to fool or mislead its customers, but in private, it continues implementing features that force players to spend more. For instance, EA allows players to transfer their achievements from a game to its sequel but restricts them from doing so with the in-game items bought through micropayment transactions (Campbell, 2012, July 6). The publisher releases full-priced games that include mandatory in-game purchases to progress in the game. In *Star Wars Battlefront II*, the loot box system is one example of the company's approach to game monetization design. Such actions and restrictions expose a classic clash between discourse and practice in an environment driven by unrealistic revenue expectations.

Although the game industry has been attaching micropayments to its instalments for a while now, the practice became problematic in players' eyes when it exceeded their idea of a fair market. Indeed, companies intentionally create unbalanced in-game monetization systems and attempt to attach micropayments to over-full-price games. EA is not an exception to that rule. The company has a history of upsetting its customers and creating controversies. Nonetheless, players' and critics' reactions to the *Star War Battlefront II* loot crate system was more than EA could have expected (Taylor, 2017, November 17; McWhertor, 2018a, June 9). The similarities between the current in-game economy and gambling practices—which have strict regulation norms—caught the attention of regulatory agencies worldwide due to possible violations of national laws. The Belgian Gaming Commission warned Electronic Arts (Valentine, 2018b, September 10), Valve, and Activision Blizzard that they could face criminal charges if the

companies didn't remove the loot box mechanics from their games' systems. Valve and Activision stepped back from the monetization system, but EA decided to go to court over the issue (Taylor, 2018c, May 10; Taylor, 2019, January 29). Yet, a few months later, Electronic Arts reconsidered and agreed to remove the loot box system from its game, *FIFA* (Whitman, 2019, January 31). Even in the US, where there is a tendency to invoke free market ideals, which feature as minimal of regulation as possible, some states, like Hawaii, pressured the Federal Trade Commission to investigate such gaming mechanics (Campbell, 2018, November 27; Good, 2017, November 22; Plunkett, 2017, November 21).

The adverse reaction to loot crates and the court situation in Belgium impacted EA's market value. Its share price dropped and created a buzz in the financial market. The situation forced EA's CEO, Andrew Wilson, to personally guarantee to its investors that the loot box system is not gambling (McShea, 2018, May 9). In response to the criticism, Wilson went public to assure everyone that the company would do better in the future (Batchelor, 2018c, June 9). The negative reaction to the monetization system of *Star Wars: Battlefront II* was beyond what Electronic Arts could handle, making the company publicly stress that its next game *Battlefield V* would be free of loot boxes and all the in-game purchases would be merely cosmetic (Hall, 2018a, May 23; Hall, 2018b, May 24).

Electronic Arts had to manage players' anger over the loot box system for a long time. After the public 'mea culpa,' some of EA's executives defended the model, arguing it is fair and sustainable (Santangelo, 2018, August 8). Despite players' loud complaints regarding EA's monetization systems, and in an effort to preserve the company from accusations of promoting gambling practices, EA's legal representatives declared in the UK Parliament's Digital, Culture, Media and Sports Committee in 2019 that the monetization mechanics are not gambling. They referred to the system as surprise mechanics rather than loot boxes and explained they are "quite ethical, quite fun and quite enjoyable to people" (Diaz, 2019, June 21; Grayson, 2019a, June 19; McAloon, 2019b, June 19). Apparently, EA's legal team and EA's customers were not playing the same games.

3.1.2.3 Subscription mode

Besides the free-to-play business model, Electronic Arts expanded its digital service business into other approaches, such as subscription packages. The company started to test the model in 2011 when EA launched the Season Tickets subscription for EA Sports titles. The Season Ticket subscription promised players early access to downloads, free or reduced prices on DLCs and other extensions, and free premium web content, all for an annual fee of \$24.00 (Reilly, 2011b, August 2). EA also experimented with the model on its mobile games, offering *Tetris* as a subscription option in the iOS app store. Players could either make a one-time payment of \$0.99 to have access to a closed version of the game, or they could choose to be a member of the T-Club and have access to the game's exclusive content for the cost of \$2.99 per month or \$29.99 per year (Good, 2011, December 1). In June 2012, the publisher launched *Battlefield Premium*, a subscription model inspired by Activision's *Call of Duty Elite* service. The annual service subscription for *Battlefield Premium* cost \$50 and offered players special features, virtual items, and early access to content packs (Caoili, 2012d, June 4). Indeed, EA's subscription service took many shapes and forms initially, suggesting that EA struggled to understand which format would best suit its players.

In 2014, Electronic Arts announced EA Access, a Netflix-style subscription service in which members would have discounts on EA digital goods, early access to downloadable content of EA games, and access to a library of EA titles at the cost of \$4.99 per month or \$29.99 per year (LeJacq, 2014, July 29). EA Access was initially planned and designed for consoles. The publisher relied on Microsoft and Sony support for the subscription service. Sony, however, was not interested in offering the EA Access service. At the time, the Japanese company declared the service's format did not bring 'the kind of value PlayStation customers have come to expect' (Rose, 2014b, July 30), rendering the service available only with Microsoft and its Xbox One console. It was only in 2019, five years after its launch, that EA was able to offer its subscription service on the PlayStation platform (McAloon, 2019a, May 7).

Electronic Arts terminated the Season Ticket subscription service in 2014 (Rose, 2014c, August 21), a few weeks after the EA Access service was released. After experimenting with different subscription formats, the EA Access service became the publisher's model of choice. EA added a mixture of older and recently released titles to the service vault every month, while new releases

were kept out of the library. Despite EA's investments in the Access service, other subscription services, such as the Premium subscription format discussed above, were offered in parallel. In 2016, Electronic Arts expanded the EA Access subscription program to include its Origin distribution platform exclusive to PC games, naming it Origin Access (Wawro, 2016a, January 12). Both programs look similar; the main difference is that Origin does not offer the annual subscription option (Sarkar, 2016, January 12; Schreier, 2016, January 12). In 2018, EA started to add games from other publishers to its Origin Access service vault. Warner Bros Interactive Entertainment was the first to enter the program. It also created a premier version of Origin Access, allowing players access to EA games on their release day, with a price tag of \$19.99 per month or \$129.99 annually (Batchelor, 2018d, June 9). More recently, in August 2020, Electronic Arts rebranded EA Access and Origin Access to EA Play and Origin Access Premier to EA Play Pro.³⁶

For Electronic Arts, live services connected to subscription programs have been the means of monetizing players' gaming and sustaining its business in the long term. At the UBS Global Technology Conference in 2017, EA's CFO Blake Jorgensen discussed the success of the Ultimate Team mode on EA Sports games and indicated that the approach was still generating revenue long after the game was launched. For Jorgensen, the EA games that had a significant base of players, like the *Battlefield* franchise, would also benefit from live service connected to its multiplayer mode. Meaning the company had plans to expand its live service business model across many titles in the near future. Currently, EA's primary form of revenue comes from live services attached to its established franchises, and consequently, its business is becoming less dependent on new IPs (Batchelor, 2017c, November 14).

The future of EA's live service is being shaped by the cloud services attached to subscription plan formats, similar to Google Stadia and Apple Arcade. During an investor call, the company CEO Andrew Wilson affirmed that subscription and cloud streaming would change the gaming scene in the same way it has done with other entertainment industries like music, movies, and TV (Valentine, 2019d, July 31). Indeed, the subscription format has already changed the

³⁶ EA Origin website: <https://www.origin.com/can/en-us/store/ea-play> accessed on September 25, 2020

entertainment scenario; the only difference is that the game industry can extract more profit from players, due to its interactive nature and active player's agency, than video or music subscription services. As EA's own CFO Blake Jorgensen said back in 2017, subscription services like Netflix or Spotify are 'capped,' in that because they charge a flat monthly fee, they are unable to further monetize their users without altering that flat rate. Games, on the other hand, can be monetized again and again over time (Batchelor, 2017c, November 14). The game industry's capacity to extract money from players is remarkable, and it is the primary reason the video game has become such a popular and powerful medium in the past few decades.

3.1.3 Investments and Acquisitions

Acquisitions are common to any business, including the game industry and are most often driven by a need for companies to fill gaps in their development expertise, obtain key intellectual properties to increase their competitiveness, or as a business strategy, such as reducing market competition. Like many other publishers, Electronic Arts has invested in acquisitions since its beginning, primarily to fill in gaps, keep abreast of industry trends, and expand its presence in the global game market. In 2008, EA acquired VG Holding Group, owner of BioWare and Pandemic Studios, for \$775 million; the company added to its game portfolio ten new franchises in the deal. At the time, the publisher declared that the two acquisitions would help leverage the company into a more competitive position by expanding its development expertise in role playing games (RPGs) and action and adventure genres (Alexander, 2008a, January 7). As the free-to-play business had been booming in the Asian market since the 2000s, EA purchased Korean developer J2M, whose expertise was focused on free-to-play online PC games that were monetized through micropayments and advertising (Martin, 2008, December 3; Staff IGN, 2008c, December 3). Since 2008, the publisher has been seeking to expand its expertise in free-to-play through the consolidation of the business model across the gaming industry, most notably on PC and mobile platforms. In 2008, Electronic Arts also aggressively attempted to acquire the publisher Take-Two by offering \$2 billion in the deal. EA's CEO at the time, John Riccitiello, affirmed during an investor call that a key reason for the purchase was Rockstar's franchise, Grand Theft Auto (Alexander, 2008b, February 25), published by Take-Two. The negotiation between the two publishers dragged on for months and ended without a deal, leaving Electronic Arts no choice but to give up on the acquisition (Alexander, 2008c, September 15).

While 2008 was marked by EA's attempts to acquire studios and publishers, 2009 was marked with rumours of other companies, like Time Warner and Microsoft, who were bidding for Electronic Arts (Reilly, 2009a, September 3; Reilly 2009b, September 23). Such stories about the possibility of Microsoft purchasing EA were so influential, that they pushed the publisher's stocks in the financial market up by 8.1% (Fahey, 2009, September 23). Despite the rumours, Electronic Arts was not for sale; in fact, the company in mid-2009, acquired the social gaming studio Playfish for \$300 million (Graft, 2009, November 12). At the time, EA was convinced social gaming would be the industry's new trend and most profitable business, and it was indeed, but not for the long term like the publisher thought.

It is interesting to notice that although Electronic Arts was trying to expand its market penetration through acquisition, it did not have enough resources or market power. Simultaneously, the company was undergoing a massive restructuring of its business, cutting large sums to reduce costs (Graft, 2009, November 12). That is, the company was announcing acquisitions, massive layoffs, and shutting down studios concurrently. Such a shift in their business strategy could be read as a statement that the company was seriously investing in and expanding in the digital direction. EA's next acquisition in 2010 demonstrates this point. The company purchased one of the largest mobile publishers in the UK, Chillingo (Graft, 2010e, October 20). In 2011, the company purchased the mobile and social developer PopCap Games in a \$1.3 billion deal (Cifaldi, 2011a, July 12). To match EA's expectations, the PopCap acquisition had to add \$1 billion annually to the publisher's digital business (Cifaldi & Alexander, 2011, July 12). In the same year, EA acquired the mobile developer Firemint (Orland, 2011, May 3) as an effort to boost its digital gaming position, with respect to the mobile field, DLCs, social networking games, and microtransaction-based mechanics.

Looking to expand BioWare's social division at the end of 2011, EA bought the social gaming developer KlickNation (Curtis, 2011, December 1). Following that, in 2012, Electronic Arts acquired the Swedish mobile App developer ESN (Corriea, 2012a, September 26), while, at the same time, a rumour spread that EA had attempted to buy Valve (Karmali, 2012b, September 10). However, neither the publisher nor Valve confirmed the story. After the ESN deal, the publisher announced it would halt its acquisitions. EA admitted it had only marginal success from its new acquisitions and declared that it would focus on in-house creativity and innovation in the future

(Nutt, 2014c, December 2). EA's promise lasted three years: in 2017, the publisher closed a \$450 million deal to acquire the long-time partner studio Respawn Entertainment (Brightman, 2017a, November 9; Schreier, 2017, November 9). In 2018, focusing on expanding its mobile and clouding gaming service, the company completed two more purchases: the clouding gaming technology GameFly (Kidwell, 2018a, May 22) and the mobile developer Industrial Toys (McWhertor, 2018b, July 9).

3.1.4 Partnerships

Over the last decade, Electronic Arts has built many meaningful partnerships as an effort to sustain and expand its various business interests. The names on the list of the publisher's partners range from independent studios, regional publishers, entertainment and toy companies to sports associations. With the help of its partners, the company has sought to amplify and diversify its publishing catalogue through EA Partner and EA Originals, to expand the presence of EA's games across different regional markets, and to develop and publish popular entertainment content in a digital game format. The interests of EA's various partnerships were addressed through a range of business practices that also involved in-game marketing and in-game advertising. That is, the company also used their games as a marketing and advertising platform for products and services.

In 2008, looking to expand its IP exclusive licensing, EA sealed a deal with Hasbro to bring the toy company's most successful board games into digital form (Jenkins, 2008b, February 11). In 2009, EA secured an exclusive worldwide license to create video games based on Robert Ludlum's thriller novels, including the novels and film series featuring the popular character, Jason Bourne (Caoili, 2009, February 2). However, no video game based on Ludlum's novels was ever produced, published, or disseminated (McWhertor, 2010, March 23), suggesting that for some reason the company did not choose to leverage the licensing agreement. Between 2010 and 2012, the publisher signed a multi-year agreement with the *NBA* and *UFC* to publish the sports franchises' basketball and fighting events in a virtual format (Leone, 2012, June 4; Rose, 2011a, May 23). In 2013, the company signed an exclusive multi-year licensing deal with Disney to develop and publish games for the *Star Wars* franchise (Graft, 2013, May 6). In marketing and advertising, EA Sports inked a wide-ranging deal with Gillette in 2008 for a co-branded gaming championship. The deal included having sports stars like Tiger Woods promoting both firms—

EA and Gillette— to male players specifically (Staff Gamasutra, 2008b, August 28). In 2009, a multimillion-dollar contract was signed with Dr. Pepper, in which the soft drink offered premium DLC pack codes for E-rated games on more than 500 million of its can and bottle products (Alexander, 2009b, June 25).

In efforts to compete in the highly competitive mobile market, EA continually sought innovative approaches that included cultivating a great deal of variety in terms of its content and products. One way of doing so was through the labour and creativity of independent productions. Through a partnership between its Chillingo subsidiary and Samsung, the publisher created a program to nurture mobile indie developers, similar to the EA Partners program. Developers received support from Chillingo and Samsung throughout the publishing process and were given access to tools and resources to continue developing their titles (Corriea, 2013a, February 27; Rose, 2013a, February 7).

With respect to console gaming and the PC, the company's strategy was similar. Electronic Arts relied on independent games to bring novelty and innovation to its catalogue. Through EA Partner and EA Originals labels, the publisher brought games such as id Software's *RAGE* in 2008 to gaming consumers (Staff Gamasutra, 2008a, July 14). These also included: Klei's *Shank*; Hothead's *DeathSpank*; Respawn's *Titanfall*; and Valve's *Portal 2* in 2010 (Graft, 2010a, March 4; Graft, 2010f, December 22; Reilly, 2010, April 12). More were to follow with Coldwood's *Unravel* in 2016 (Wawro, 2016b, May 17), Hazelight's *A Way Out* in 2017 (McWhertor, 2017, June 10), and Jo-Mei's *Sea of Solitude* in 2019 (Hall, 2019, May 28) to name a few. EA also negotiated with other publishers and developers to promote their games in different markets. In 2008, EA inked a deal with NetDragon, a China-based game developer, to develop an MMORPG based on *Dungeon Keepers* (Thang, 2008, December 1). In 2011, the company made a deal with Sega to distribute EA's titles in the Japanese market (Rose, 2011b, July 5). In 2012, an agreement was signed with Nexon to deliver *FIFA Online* in the Asian market (Rose, 2012d, May 3) and in 2013, an agreement with Nintendo to bring some of its titles to their console was made (Rose, 2013d, May 22). On the live-streaming side, Electronic Arts closed a deal with TwitchTV in 2012 to allow Origin users to broadcast their gameplay from their PCs (Rose, 2012g, November 8), as the publisher didn't possess its own proprietary live-stream service and channel.

As indicated above, the company, Electronic Arts, has contributed to and pushed hard for the many changes we are currently witnessing in the game industry. The industry has radically shifted its game production and consumption practices, as well as the playing habits of consumers, in part because of the effects of EA's entry into the digital market. EA's business strategies and decision-making demonstrate the publisher's role in that profound shift. As noted, Electronic Arts was not only following some of the industry's key trends but was also forcing some of these changes in its efforts to achieve its ends, particularly in regard to new forms of game consumption and in-game monetization. Investments in acquisitions and partnerships were crucial to fill EA's production gaps and lack of business expertise, thereby expanding the publisher's services and positioning the company in the global game market. That is, both acquisition and partnership were fundamental for the company to keep itself relevant in the mainstream industry's new production requirements and marketing expectations. EA has admitted that it made some bad business decisions by investing in some overhyped trends that ended up not fulfilling potential promises, and even failing—purposely or not—to balance game design and mechanics with new gaming forms of monetization. Nevertheless, the company has worked to overcome these challenges, increasing its market value and remaining among the top 10 video game companies in terms of revenue.³⁷

3.2 Tencent

Founded in 1998, Tencent Holding is a Chinese conglomerate whose subsidiaries and industries operate in a vast range of business areas, including online services, social networks, entertainment, technology, artificial intelligence, news outlets, payment systems, marketing solutions, and cloud systems.³⁸ The company started focusing on Internet-related services when its first product QQ messenger app was launched in February 1999. Rejected as an investment by many companies, the instant messaging service was offered for free on Tencent's website. The popularity and fast adoption of Tencent's instant message across China can be credited to QQ's technical features. Its friendly user interface combined a simple but meticulous design, powerful functionality, and online security, all of which aligned deeply with Chinese users' preferences.

³⁷ See <https://newzoo.com/insights/rankings/top-25-companies-game-revenues/> accessed November 9, 2020

³⁸ See <https://www.tencent.com/en-us/business.html> accessed November 16, 2020.

Despite its popularity, QQ was not increasing Tencent's revenue. On the contrary, the company accumulated debts due to the elevated costs of maintaining QQ servers online. Its competitors, AOL, Microsoft, and Yahoo!, were not dependent on their messenger services (ICQ, MSN, and Yahoo! Messenger, respectively) to make profits, whereas Tencent desperately needed QQ to thrive and make money (Li & Adamas, 2005). The Chinese company remained unprofitable for the first three years of its operation. The scenario eventually started to change in 2001 when the South African media company Naspers purchased 46.5% of the firm's share capital in a deal of \$32 million (Li & Adamas, 2005; Loizos, 2019, September 9).

In the early 2000s, the company realized that QQ's larger user base, which reached over 100 million daily users with the potential of 1 million clicks daily (Li & Adamas, 2005), could mean something to the marketing industry. Tencent then opened the app for marketing by selling in-app advertising banners. At that time, a business model like this was improbable for most websites or similar messenger services, which made QQ a powerhouse for Internet advertisements in China. The number of QQ simultaneous users per day increased substantially and quickly. With more than 1.8 million people already using its online service at the time, QQ presented an average growth of 800k new registered users every day (Li & Adamas, 2005). The tremendous use of instant messaging was also encouraged by its built-in technology. QQ was the first messenger application to offer mobile wireless services and seamless instant messaging integration between mobile devices and PCs (Li & Adamas, 2005). To increase the company's income and support server operations, Tencent added a subscription plan featuring extra content and services for a small monthly fee (Li & Adamas, 2005). Beyond the messaging package service, QQ Premium users got access to news, fashion, sports, games, and dating chat rooms. Tencent sealed a deal with South Korea's Imazic to launch and operate Sephiroth, one of China's most popular multiplayer online games. The partnership not only improved QQ subscription features but can also be understood as a rehearsal for Tencent's future entrance into the gaming market.

QQ accounted for more than 95% of the Chinese market, and this helped Tencent attract investors. By the end of 2003, Naspers tested the stock market sentiment on Tencent by hinting at a possible Initial Public Offering (IPO) of its joint venture with Tencent. That rumor ended up elevating Naspers' share price by 4% (Li & Adamas, 2005). A few months later, as arranged by

Goldman Sachs, Tencent announced its IPO in the Hong Kong Stock Market. At the initial moment of trading on June 16, 2004, the price jumped 12%, and its volume of almost 440 million shares made it the second most-traded stock on the Hong Kong Stock Exchange. Tencent raised about \$199 million in the event. According to Li and Adamas (2005), at this point, Tencent's decision to become a public trade company was more of a strategic business decision to grow globally than a question of raising money. The company's financial report shows a considerable margin of profits for the first quarter of 2004, indicating an increase of 87% compared to the same period in 2003, reaching ¥ 444 million (US\$ 53.6 million) in net profit for the year (Li & Adamas, 2005). The decision to open its capital appears to be a strategic move from Tencent to grow its strength and expand its online services to better compete with international Internet giants.

After the IPO event, Tencent's business strategies followed two distinct paths. First, Tencent used its digital tools to create China's most prominent Internet community. To do this, the company combined different modules of QQ instant messaging and the QQ website (qq.com) to create a competitive and robust e-commerce platform. Second, Tencent focused on expanding the number of its online game players by improving QQ platforms and features. Moving forward with its business plan, Tencent invested in a solid Research & Development (R&D) team of more than one hundred people who were dedicated exclusively to online games (Li & Adamas, 2005). The company founded its gaming subsidiary in 2003 to focus on mobile entertainment.

From August 2003 and August 2004, QQ games and Tencent's entertainment online game (EOG) platform attracted more than 630,000 concurrent players. With the highest number of concurrent users per day and average online users, the QQ games have overrun their rivals and have taken the lead in EOG in China (Li & Adamas, 2005, p.106).

Tencent's trajectory gives us a glimpse of its appetite for building and growing its tech business in China and expanding its reach globally. The company also aimed to extend its game business to become the primary gaming company in China. In that vein, Tencent has worked to amplify its capacity as a game operator for foreign game companies that endeavour to have their games bought and sold in China. The Chinese government applies strict rules for foreign companies to launch their products and operate services in China's mainland; thus, the easiest way for most of

those companies to penetrate the Chinese market is by establishing a business partnership with a local firm that will take care of the operational process of local marketing, distribution, and localization if needed (Li & Adamas, 2005). Tencent has also invested heavily in game development; however, it would still take some time before Tencent had the capacity to develop its own games. At the time, Tencent functioned more as a gaming operator by licensing and releasing games from different developers and then offering them to its large user base through its online services package (Einhorn & Stone, 2011, August 4). Tencent created its game publishing division (Tencent Games) in 2003 and published its first game, QQ Tang, in 2004.

3.2.1 Building an Empire

As Tencent was primarily focused on the Chinese internal market, the company took a while to expand its investments in the West, and this decision seems to be aligned with the fact that Europe and North America were still struggling to recover from the 2008 economic crisis. While Western countries were working hard to maintain the financial flow of investments and sales, the Chinese economy was in full ascension. For instance, China's online gaming market grew 63% in 2008, reaching \$2.8 billion in value. At the time, Pearl Research analysts forecasted that the sector's value would double, surpassing \$5.5 billion by 2012 (Jenkins, 2009, April 9). In fact, the Chinese economic growth was so spectacular that the online gaming sector reached these expectations in 2010 (Graft, 2011a, April 12). Thus, China and its enormous internal marketplace became a place of hope for the global economy and the video game industry itself.

Nonetheless, for foreign companies China is a challenging market to enter. Those companies who want to establish their business in China's mainland, and benefit from a slice of its market, are subject to the Chinese government's rules, including policies intended to protect national industries in the Chinese territory (Messner, 2019, May 23). Mandatory partnerships allowed foreign companies to work with local companies to offer products and services to the Chinese market, benefiting Chinese enterprises, including Tencent. In fact, this was the opportunity Tencent was waiting for, as revealed by Ma Huateng, co-founder and CEO of Tencent, who affirmed in the company's early stages: "The value of Tencent would be in the future but not the present" (Li & Adamas, 2005, p. 95).

Taking advantage of the favourable context that included Western companies' desire to enter the Chinese market, the Chinese government protection rules, and its motivations to expand and explore new markets, Tencent was well positioned to become a global player. By partnering with foreign video game companies, the Chinese firm would benefit from accessing their know-how and improving Tencent's production pipeline (McWhertor, 2013, July 26). The first movement was in the middle of 2009 when the company made a deal with Take-Two Interactive to bring *NBA Online* into China (Alexander, 2009a, June 23). In the following couple of years, Tencent partnered with some of the most prominent global video game studios, such as Electronic Arts, Activision, Bandai Namco, Zynga, Popcap, King, Microsoft, Capcom, Square Enix, Nintendo, among others. They also brought to China localized online versions of games like *Call of Duty*, *The Sims*, *FIFA*, *Plant vs. Zombies*, *City Management*, *Candy Crush Saga*, *Monster Hunter*, to name a few (Batchelor, 2018e, August 30; Caoili, 2012c, May 11; Cifaldi, 2011c, July 26; Corriea; 2013b, June 17; McAloon, 2017, November 13; Nutt, 2014b, April 16; Rose, 2012b, April 12; Rose, 2013e, July 3; Sarkar, 2013b, July 23).

3.2.1.1 Mobile Game Dominance

Although the online PC gaming market has yet to be considered by researchers, it has been gradually losing its market to mobile devices in the last few years. This shift from PC to mobile games has been occurring in the Chinese gaming industry since 2012, driven by a rapid expansion of China's broadband Wi-Fi connection and a growing mobile Internet user base (Fung, 2017). Local tech and game companies, including Tencent, were investing in mobile game teams, releasing new mobile titles, and improving their mobile platforms to take advantage of the sector's momentum and growth. In 2018, China already had the largest mobile gaming market in the world, controlling 25% of the global mobile gaming revenue at the time (Taylor, 2018b, May 8). This phenomenal achievement was also possible because of the strategies employed by Chinese gaming companies and publishers. As the leading mobile platform in China, Tencent has been dominating the gaming sector for a while now. Possessing a more extensive active user base throughout both of its platforms, QQ and WeChat, the conglomerate can easily promote and distribute its mobile games to billions of users. Using QQ and WeChat platforms via a website and mobile apps, Tencent provides users with an extensive list of games,

reviews for each game, and possible game matches by genre and user preferences (Che & Ip, 2017; Fung, 2017).

Tencent uses its platforms' entire ecosystem of services to attract and maintain players, and keep them hooked to its games. The company also generates profit through harvesting user information by appealing to its audience preferences. According to Che and Ip (2017), in 2015, most Chinese players (~66.9%) acquired mobile games via social networks; thus, companies like Tencent, with its robust user base derived from QQ and WeChat combined, can easily promote their games through social apps. One of the tactics applied by the company has been to promote the game on the front page of the WeChat application. Tencent's games are highlighted on different tabs along the platform's front page, with tabs bearing titles such as 'recent games played', 'recent games added' (algorithmically customized for the user), 'discover games your friends are playing' (as a subtle invitation to download), and 'hit games you may be interested in' (also algorithmically customized for the user). Note that the easy-to-use interface and an algorithm replace the user's agency on a certain level. As Tencent's games are given pride of place on its platforms' front page and special tabs, users need only click once to download the game app. This user experience approach prevents users from visiting the app store in the process, which is also a subtle way to hide games developed by Tencent's competitors. Such a user-friendly strategy keeps players hooked on not only Tencent's games, but also the entire ecosystem of services that the company offers. Tencent takes advantage of its players' network connections to stimulate competition between friends and acquaintances, offering a personal type of scoreboard rather than applying a general scoreboard containing the ranking of all Chinese players. Because of the sense of intimacy and proximity encouraged by design, players feel more compelled to share their game experience through the networking sharing features on both QQ and WeChat (Che & Ip, 2017).

Tencent has used public reports about Chinese players' behaviour, such as their preferences for free-to-play games or their willingness to spend money on in-game transactions, to inform its strategies for monetization services. From these reports, the company has learnt that micropayments are effective only if the player becomes attached to the game, meaning that players will only be willing to spend money on a game if they consolidate play habits and stick with the game. One of Tencent's monetization strategies is to make the highest levels

exponentially more challenging to increase the player's need to purchase unique tools to improve their performance (Che & Ip, 2017; Fung, 2017). The low price tag for these extra powers further encourages players to spend money on the game. Naturally, tactics and strategies applied to attracting, keeping players, and even making them spend money on in-game transactions may vary according to the type of the game.

Tencent currently dominates the Chinese gaming market and is becoming one of the most prominent global players in the industry. In 2018, four of the top 10 mobile games by overall revenue worldwide were developed or operated by Tencent, including the number one on the list, *Arena of Valor*.³⁹ Considering the ranking by Apple's App Store and Google Play, there is a slight difference in the ranking on each online store but not a considerable change in the number of games listed as Tencent games. It is also worth noticing that the *PlayersUnknown Battleground (PUBG)* mobile, which Tencent developed, was the most downloaded app worldwide in Apple's App Store and the second most downloaded app overall. Despite *PUBG* mobile's popularity, it is currently not in the revenue ranking due to difficulties matching Chinese government requirements to in-game monetization mechanics. China's administration required the *PUBG* mobile game to be reworked into a more friendly version for Chinese audiences. Despite bearing similarities to the original game, the new version, *Game for Peace*, may increase Tencent's chance of getting the game's monetization system approved by the Chinese government (Goh & Jiang, 2019, May 8).

Indeed, the Chinese market has a number of differences in comparison to the Western mobile gaming market. In China, a game's genre classification must follow a few requirements to better suit the audiences' cultural and social preferences while avoiding the sensitive content condemned by government rules (Che & Ip, 2017). A broader discussion of the Chinese gaming market, including the mobile segment, as well as a more detailed analysis of Tencent's role in this context, will be offered later in this study.

³⁹ <https://sensortower.com/blog/top-apps-games-publishers-2018> accessed June 11, 2019.

3.2.2 Investments and Acquisitions

Tencent is not only the local operator for the many foreign studios and publishers entering the Chinese market but it has also worked to diversify its portfolio by investing in Western video game companies. An exciting landmark in the company's 2011 strategic plan was when Tencent made an ambitious move and acquired the majority stake in Riot Games, a deal estimated to be valued at \$400 million. At the time, the Californian studio was experiencing enormous success with their Multiplayer Online Battle Arena (MOBA) *League of Legends* (Nutt, 2011, February 4).

After the acquisition deal, specialized news outlets publicized that the relationship between the two companies was passing through some turbulence (Li & Goh, 2019, May 22). The issue in their relationship began when Tencent required a mobile version of *League of Legends* (LoL) that they planned to launch in China and worldwide, an offer which Riot declined. It was reported that a disagreement over the monetization model was the main point of tension among the enterprises. Tencent then decided to develop the mobile game, *Honor of Kings*, highly inspired by LoL, exclusively for Chinese audiences. In November 2015, the game became the world's highest-grossing MOBA game, which further increased the tension between Riot and Tencent. Despite the apparent clash between both companies, a spokesperson from Riot declared that the company's relationship with Tencent is the best it could ever be (Kidwell, 2018b, August 13), with the two companies successfully finding a middle ground and moving on to work on a mobile version for *League of Legends* together. The Californian studio did not disclose an expected launch date for the LoL mobile at the time. Despite the relationship challenges in its initial foreign businesses, Tencent did not step back from investing in Western companies. In the following year, 2012, the Chinese company purchased 40% of another American studio, Epic Games, in a \$330 million deal. Though the investment granted Epic access to the Chinese market, there was no announcement regarding the localization of the Gears of War franchise for Chinese audiences. Epic and Tencent had already a long-time partnership that involved the licensing of the game engine Unreal by the Chinese company (Crecente, 2013, March 21; Rose,

2012e, June 19). In 2013, the Chinese company became number one in the ranking of the Top 25 gaming companies worldwide, and remains at the top as of the time of this writing.⁴⁰

Although Tencent had disagreements with Riot, the Chinese company is known in the game industry for its ‘hands-off’ approach after making an acquisition. The Chinese company is usually described as having friendly behaviour towards the acquired studio regarding creative and management freedom. The only exception to the rule is if a foreign subsidiary (or partner) studio intends to launch a game for the Chinese market. In that case, Tencent usually takes the lead in the project. Despite the massive amount of money Tencent has been putting into purchasing studios, the company has not attained seats on the board of directors in all of the acquired game production studios. The company did get seats on Epic’s board of directors, however. After buying 40% of Epic, Tencent had the right to two seats on the studio director’s committee, giving the Chinese company access to information on Epic’s following projects. Thus, it is possible to speculate that Tencent already knew of, and maybe even contributed to, the production of Epic’s hit *Fortnite* since the Chinese company had acquired stakes in Epic in 2012 and *Fortnite* was released in 2017.

Curiously enough, a couple of months after the purchase, it was reported that key people at Epic left the studio, including the studio’s president at the time Mike Capps (Crecente, 2013, March 21). Such a stampede may be just a coincidence or it may indicate that Tencent is not as ‘hands-off’ as it appears. Nonetheless, during a public Q&A at the 2019 Game Developers Conference (GDC), Epic Games representatives declared that Tencent does not interfere with Epic’s business or creative decisions.

Tencent has no, zero, input into our business. They do not talk to us about what we are doing. They don’t suggest what we should be doing. They don’t make any decisions for us. They are not in our building. Everything we do is with our team, and the final point of conversation when it goes up to the top is Tim. And Tim does not take any orders from Tencent. (Allison, cited by Wilde, 2019, March 22)

⁴⁰ <https://newzoo.com/insights/articles/the-top-25-public-companies-generated-54-1bn-game-revenues-in-2014-up-10-4-year-on-year/> accessed July 11, 2019.

Tim Sweeney, Epic Games CEO, clarified on his Twitter account on April 4, 2019,⁴¹ that Tencent joined Epic as an investor to help the company move into the online game market. In his Twitter thread, he said Epic has many outside investors and confirmed that the Chinese company is the largest among them. However, none of them “can dictate decisions to Epic. None have access to Epic customer data.” Sweeney affirms that the relationship between the two companies is positive at all levels, and ends the Twitter thread by declaring that all of Epic’s decisions are made in the USA, and that he is ultimately responsible for all the decisions made within and by the company. Despite the unusual stampede away from Epic after Tencent stepped in, this public declaration reinforces the ‘hands-off’ narrative that has characterized Tencent’s behaviour throughout its acquisitions.

Over the next couple of years, Tencent maintained its domination strategy by investing a large amount of money in a variety of both independent and established companies, such as Activision Blizzard, Playdots, Glu Mobile, Robot Entertainment, Miniclip, and Artillery (Fahey, 2018, March 23; Nutt, 2015a, February 18; Nutt, 2015b, April 29; Nutt, 2015c, October 21; Wawro, 2014b, December 16; Wawro, 2015a, February 27). In 2015, Tencent purchased the remaining stock of Riot Games, assuming total control of the firm (Frank, 2015, December 16; Nutt, 2015d, December 16). In the same year, Tencent launched the *League of Legends*-like mobile game, *Honor of Kings*, raising tension between the companies (Li & Goh, 2019, May 22).

In 2016, the Chinese conglomerate acquired the Finnish mobile game company Supercell, the developer of successful titles like *Clash of Clans* and *Clash Royale*. The deal was established at \$8.6 billion, and Tencent, once again, decided to maintain the studio’s creative and management independence. In fact, Supercell’s CEO Iikka Paananen publicly revealed the two main reasons it joined Tencent: first, Tencent’s history of acquisition and partnerships, such as the process of acquiring the American studio Riot Games; second, Tencent assured that Supercell would keep operating independently with its headquarters maintained in Finland (Alexander, 2016, June 21; Kerr, 2016, June 22). By the end of 2017, the Chinese firm became the first Asian tech company to be valued at over \$500 billion, reaching a higher market value than Electronic Arts, Activision

⁴¹ <https://twitter.com/TimSweeneyEpic/status/1113963223517138949> accessed July 11, 2019.

Blizzard, Ubisoft, and Take-Two combined (Brightman, 2017b, November 20). Such a financial milestone aligned Tencent with other worldwide tech giants like Apple, Google's Alphabet, Facebook, Microsoft, and Amazon (Kerr, 2017).

To maintain its local and foreign investments dynamic, Tencent also allocated money to the Chinese streaming platforms DouyuTV and Huya, the Sweden game publisher Paradox, and the American company Snapchat. In early 2018, Tencent acquired the New Zealand-based studio Grinding Gear Games (Batchelor, 2017b, November 13; Batchelor, 2018a, March 12; Batchelor, 2018b, May 21; Hall, 2016, May 27; Kerr, 2018b, May 21; McAloon, 2018b, March 12). However, the year 2018 was not easy for Tencent. The Chinese government announced a series of reforms in its regulatory agencies, temporarily interrupting the games' licensing and content approval for circulation in the Chinese internal market. The so-called freeze of gaming operations in China forced Tencent to reconceptualize its production, marketing, and investment strategies, at least for the time the administrative reforms last.

3.2.3 2018: the atypical year

As mentioned above, 2018 was an atypical year for Tencent due to the Chinese government's administrative reforms. The rearrangement in the Chinese regulations forced the company to align its investment strategies and marketing budget to the government's new policies (Kerr, 2018e, October 1; McAloon, 2018d, November 8; Valentine, 2018d, November 8). In early March, the Chinese government decided to restructure the State Administration of Radio and Television, which handles the approval and licensing of games to be distributed in China (Dring, 2018, September 13). The freeze on game approval persisted for nine months, generating a considerable financial loss for all local game company operators. With the approval delays and new regulatory adjustments required for its games, Tencent lost \$200 billion in market value (Valinsky, 2018, October 16). In addition to the new approval delays, Tencent also had issues keeping some of its games in its platform vault.

To complicate things even more, Chinese authorities required the company to pull *Monster Hunt World* out from WeChat a few days after the game's launch (Kerr, 2018c, August 13). Under new rules, Tencent's world-hit *PlayerUnknown's Battlegrounds (PUBG)* mobile had to be replaced with a Chinese-friendly alternative. The sibling version, *Game for Peace*, was very similar to the

original game (Russel, 2019, May 8). The block on new games released to the public along with the increasing costs that came with the reformulation and localization of the games, put Tencent in a difficult position. Financially precarious, Tencent required companies who had games frozen due to the new Chinese regulations to suspend their marketing activities, and if possible, return investment money to the company (McAloon, 2018d, November 8). The unfavourable context forced Tencent to begin its first management restructuring in six years in an effort to redirect the company's investment strategy (Kerr, 2018e, October 1).

One strategy adopted by the company was to temporarily stop investing large amounts in a few big studios and instead start to diversify its investments by allocating less money across different companies. At the time, the company had invested in companies such as the South Korean-based studios Bluehole (Currently Krafton) and Kakao Games, Ubisoft, the Chinese-based studio Shanda Game, the Shanghai-based video-sharing and games' website Bilibili, and Dream 11, India's most prominent sports game platform with over 30 million users (McAloon, 2018a, February 15; McAloon, 2018c, March 20; Sinclair, 2017a, September 27; Sinclair, 2018a, February 7; Staff Asia Gaming Brief, 2018, September 7; Taylor, 2018a, February 15; Valentine, 2018c, October 3).

New development agreements and partnerships with the Japanese companies Square Enix and Nintendo also resulted in 2018. The deal with Square Enix involved the collaborative creation of a new piece of intellectual property; the agreement with Nintendo led to Tencent's game, *Arena of Valor*, made for Nintendo Switch consoles (Batchelor, 2018e, August 30; McAloon, 2017, November 13). The Chinese conglomerate also inked a deal with Ubisoft to publish, promote, and operate the French company's PC and mobile titles in China (Parfitt, 2018, March 21).

Tencent also closed a contract with the American tech giant Google to launch an AI-driven game on WeChat. In addition, the conglomerate partnered with Singapore's company Garena (branch of Sea) to publish Tencent's mobile and computer games in Indonesia, Taiwan, Thailand, the Philippines, Malaysia, and Singapore (Moh, 2018, November 19; Staff Reuters, 2018, July 18). Despite (and because) of the adverse conditions faced at home, Tencent managed to expand its influence across different regions across the globe in 2018. Unlike previous years, when Tencent made the news headlines by allocating massive amounts of money to a few video game

companies, 2018 marked the moment that Tencent inverted its strategy by focusing on developing capillaries of influence across many companies in different geographic locations.

The restructuring of the regulatory agencies, which led to new administrative rules and policies, created some adversities for Chinese game companies, including Tencent. Nonetheless, the company was able to maintain its profits thanks to investments overseas (McAloon, 2018e, November 15). The conglomerate even managed to hold on to its title as the largest video game company in the world, a position Tencent has held since 2013. In fact, despite the damage to its market value in 2018, Tencent's stocks were still worth buying and selling. In March of 2018, Naspers, who paid \$32 million for 46.5% of Tencent's shares back in 2001, sold 2% of its Tencent shares, raising \$10 billion with the financial transaction (Cotterill, 2018, March 22). It is important to underline that the stock transaction occurred before the administrative restructuring of the Chinese regulatory agencies began. The real damage to the company's market value had not yet appeared when Naspers negotiated its Tencent stocks. At the time of the sale, Naspers declared it was the first time the company sold any Tencent's shares and reassured the market it had no intention to sell any of its remaining stock in Tencent in the years to come (Cotterill, 2018, March 22).

3.2.3.1 The Real Chinese Wall

The Chinese government is known for its social, cultural, and economic intervention. Chinese authorities heavily control the local markets to protect its industries and culture from foreign influences, making it impossible for companies abroad to operate within the country if they do not conform to Chinese rules. Indeed, foreign companies must choose a Chinese company with which to establish a commercial partnership to access the massive Chinese market. The administrative bureaucracy faced by foreign companies is eased through these partnerships with local Chinese companies since they know how to navigate the processes of getting licensing and content approval from the regulatory agencies (Zhang & Chiu, 2020). This favourable scenario has allowed companies like Alibaba, Tencent, Baidu, NetEase, and Shanda Games, to name a few, to grow their businesses substantially.

Despite these onerous restrictions and regulations posing formidable barriers, foreign companies continued to seek access to the Chinese market. Strauss Zelnick, CEO at Take-Two Interactive,

called for the U.S. government to intervene in the situation and provide better support to the game industry (Sinclair, 2018d, September 13; Wawro, 2018b, September 13). Another public criticism levelled against the Chinese government's market restrictions came from Thomas Rosenthal, general manager at 505 Games Asia-Pacific. The executive affirmed that Chinese companies are less powerful in confronting their government than Western companies thought they would be. He expressed that Western publishers assumed that powerful companies like Tencent would have a close connection with the Chinese government, but "[t]he reality is that all local publishers need to comply with the law in China," (Handrahan, 2018c, November 9). Rosenthal's response to the Chinese regulator freezing the games approval process reveals an assumption that the Chinese government cares neither for the game industry, nor for their own national companies (Valentine, 2018e, November 28). Additionally, the executive praised the active grey market in Valve's Steam marketplace operating in China, and identified it as a possible detour to overrule Chinese regulations. "Assuming the worst case scenario – that Steam's international version is shut down [because of the implementation of Steam China]-- you will have to go through the government approvals process," he concluded (Handrahan, 2018c, November 9).

Indeed, the Chinese state's interference in its own economy is not exclusively related to market or industry protection; in fact, it involves a range of regulatory norms that sometimes end up restricting Chinese companies' economic gains to favour other segments of Chinese society. The conflicts involving private and public forces in the name of a societal welfare raise essential questions, mainly about the current role of National States. Should the State governance privilege economy, democracy, surveillance, or society? Or should they try to find a balance among them? Or is it something else?

Indeed, the State's heavy-handed tactics that monitor the Chinese gaming marketing might even turn out to be an efficient way of controlling its population, more specifically through surveillance. Public concerns about game addiction among young Chinese citizens and the growing number of cases of myopia in children have guided the government to develop new regulatory norms. Such regulatory processes have included blocking youth from accessing mobile games, restricting users' playtime across mobile devices, and even limiting the number of new games approved for internal distribution each year (Batchelor, 2018f, August 31; Kerr,

2018d, August 31). According to the new regulations, children under 12 can have one hour of playtime per day, while youth between 13 to 18 can play for two hours. Chinese companies developed algorithms to control users' access to video games to reinforce these restrictive laws. For instance, Tencent's Artificial Intelligence division employed its research team to develop a surveillance system to help the company comply with government regulatory norms and bylaws. The "Healthy Gaming System" combines facial recognition and an ID check system integrated with the Chinese public security database. The technology maps the user's face and matches the data with the Chinese police database to identify players and determine their ages. The system is already in use on the company's mobile hit game *Honor of Kings* and must be extended to Tencent's entire catalogue of games by 2019 (Handrahan, 2018b, November 5; Kerr, 2018f, November 5; Taylor, 2018d, October 2).

Tencent's "healthy gaming" system has enabled the company to find and arrest people who were cheating the company's in-game monetization system for their own advantage. As microtransactions became an essential part of the game industry's economy, any attempts to subvert and take advantage of them had to be severely suppressed. The combined forces of Tencent and Chinese law enforcement resulted in 30 cases opened by local police and 120 individuals arrested under accusations of cheating practices (Kerr, 2018a, January 17; Handrahan, 2018a, January 17). In addition, the company has begun implementing strict rules for live-streaming game content on its platforms to meet Chinese Internet regulations. It seems Tencent was the first company to step in to reinforce the State's law over live-streaming content. In February 2019, the conglomerate announced a list of subjects the company would be watching for on its streaming platforms. Tencent intended to prevent discussions and behaviours that involved sensitive topics as defined by the Chinese Government, such as national politics, nationalities, religious and regional thematic, promotion of violence in the real-world, violation of other people's privacy, infringement of copyright of publishers, developers, and other streamers, and promotion of gambling, terrorism, or pornography, among other topics. While announcing the new rules, the enterprise stated: "There is a natural copyright relationship between gaming content and live-streaming platforms. Tencent, as a gaming streaming platform leader and game publisher, has the responsibility to promote the standardization and

authorization of streaming content in the industry.” However, the company did not make clear what its actions would be in the case that such rules were violated (Batcher, 2019, February 19).

Tencent has managed to grow spectacularly over the last decade, becoming a gigantic and powerful video game company, its influence spreading well beyond Chinese borders. In part this growth is thanks to the massive investment Tencent has made in studios abroad in the last few years. It is interesting to notice the mutually beneficial relationship between the Chinese state and the local, private corporation. On the one hand, Tencent took advantage of the government’s protectionist policies that sought control over Chinese industries and the internal market to grow, acquire know-how, and improve the company’s game production pipeline. This acquired advantage, in turn, allowed the company to accumulate capital, invest in foreign companies, expand its powerful influence, and amplify its potential profits on a global scale. On the other hand, the company also had to submit to Chinese public administrative and regulatory decisions, regardless of whether they impacted the company’s economic interests or market value.

Although playtime limits may impact a game company’s income, the new rules were apparently guided by public concerns about the well-being of Chinese children. Although a discussion on the Chinese regulatory rules is beyond the scope of this research, the way China creates and organizes policies offers something to think about regarding the limits of economic freedom compared to the Western countries’ neoliberal economies. Nonetheless, despite the government’s switch mode that constantly alternates between helping and regulating, the fact is that Tencent managed to take advantage of many of the game industry’s trends. In summary, the company has been able to exploit an intrinsic connection between games, social platforms (QQ and WeChat), and digital distribution as a form to strengthening and controlling its chain of services.

3.3 Summary

The global game industry has shifted its business model from selling products to selling services, and this exigency has dictated new gaming habits, defined new forms of play, and normalized new ways of consuming video games. This brief historical overview of Electronic Arts and Tencent demonstrates that their business decisions have influenced the video game industry as a whole and impacted society on a cultural, technological, and economic level. Although the two companies present quite different trajectories, as well as the fact that part of EA’s game business remains packaged products (which do not exclude live services), both are currently following

similar paths in marketing trends and investments. Both have invested in the freemium model that attaches microtransactions and subscriptions to a ‘free-to-play’ game; both have relied on acquisitions and partnerships to fill gaps in their production process, amass intellectual properties, and expand to different market regions.

The two companies are on opposite geographic poles; accordingly, their moves mirror one another as they attempt to spread their influence globally. While Tencent has invested heavily in purchasing successful studios across Europe and the US to expand and fix itself in the Western market, Electronic Arts has done the same by looking into Asia. EA acquired (or moved) a couple of studios, most notably in South Korea and Hong Kong, as a means of expanding into the Asian market. The company also partnered with Tencent to access the massive Chinese game market. The events regarding the Chinese regulatory reforms of 2018 impacted both Tencent and EA, as well as all game companies in China, be they local or foreign.

The following chapters offer a breakdown of these companies’ business decisions and strategies using Kline et al.’s (2003) concept of the three circuits of the high-intensity marketplace (Technology, Marketing, and Culture). I will analyze these three circuits in the context of the global gaming economy; I split each circuit into different chapters to allow a better understanding of how the current game production practices associated with new business models under a new global commercial logic influence our perception of culture and society. This research will highlight and explore similarities and differences of production practices and business strategies for both Electronic Arts and Tencent in relation to the Circuit of Technology and how the companies are leveraging current technologies to support and reinforce the global trends and desires of the video game industry.

Part 2

4. Playing the platform: new forms of production, circulation, and consumption of video games

We are currently living in what Kline, Dyer-Witheford, and De Peuter (2003) have defined as a post-Fordist society. This new societal form emerged in the 1970s but established itself as a potent reformulation of the capitalist system in the 1990s in concert with the computer and the Internet revolution. It seems that another social era is currently being drafted by the continuation of the technology revolution. One might even say that digital platforms, virtual currency, machine learning, and artificial intelligence are technological tools capable of introducing a new societal form. As Srnicek (2017) has pointed out, after 2008 Internet companies shifted their business models to take advantage of the various free resources available to them. These companies colonized the internet with their digital platforms to impose a number of invasive forms of exploitation, commodification, and surveillance, such as data mining, automation, a sharing and attention economy, enclosure environments, mediation, and other infrastructural interventions. For Srnicek, digital platform's ubiquitous features help it to transcend the concept of the internet.

Similarly, Van Dijck, Poell, and Waal (2018) describe a platform as an infrastructure designed to facilitate the interaction between two or more groups of users—commonly customers, advertisers, producers, service providers, and public institutions— in exchange for a "systematic collection, algorithmic processing, circulation and monetization of user data." (p. 4) According to Van Dijck, Poell, and Waal, the network nature of online systems supports the creation of an ecosystem capable of shaping everyday practices, and consequently boost the flow of data. That is, platforms use mechanisms like datafication, commodification, and selection to influence social-cultural and economic practices.

To accelerate the data flow in a platform's ecosystem, tech companies provide users with tools, and allow them to create their own marketplace and economic opportunities. Software Developer Kits (SDK) and Application Programming Interface (API) are the most common tools among these apparatuses. Their availability has helped companies like Facebook, Apple, Google,

Amazon, and Microsoft become major service distributors and primary internet gatekeepers. As Srnicek (2017) noted, platforms' power and value are reflected by their capacity to acquire and retain users, along with gathering, processing, and analyzing their data inputs. Such infrastructure relies heavily on their network capacity to improve their services through users' inputs, and then convert that information into a commodity. The more users a platform has, the more it can enhance and diversify its services, bringing more users, and thus keeping the cyclical process alive and flourishing. The data exchange process provides platforms with more means to improve their services, and eventually, lock users into their ecosystems. By having a business model rooted in extracting and controlling data, "platforms position themselves so as to extract data from natural process (weather conditions, crop cycles, etc.), from production process (assembly lines, continuous flow manufacturing, etc.), and from other businesses and users (web tracking, usage data, etc.)," (Srnicek, 2017, p. 48) and with this data then goes on to influence social behaviour and consumption patterns, and to also predict what people want.

For Van Dijck, Poell, and Waal (2018), such continuous refinements of platforms' infrastructures and their ecosystems, combined with their economic model and permanent influence on societal sectors, are producing a "platformization" phenomenon, and leading social organization towards a kind of "platform society." Although platforms play a crucial role in current technological developments through the transformation of various economic sectors, as well as the adherence of corporations and public bodies to these changes, platforms cannot be understood as a new economic system, nor as the social consequence of a technological construction. Instead, by promoting a vastly connected world, platforms infiltrate societal organization through its own institutions, financial systems, social and cultural practices, and thus "forc[e] government and states to adjust their legal and democratic structures" (p. 02) to their terms and conditions of service.

Internet development, and the subsequent platformization evolution, is a techno-social phenomenon that has flourished similarly in different parts of the globe. Even with cultural and political differences, the platformization phenomenon in China has followed a similar path as that of the U.S. Guo (2021) notes that the Chinese experience has also been based on data extraction in concert with the sharing and attention economy, in which the "counterbalancing dynamic of information and attention, which is 'de-materializ[ed] and virtualiz[ed],' consolidates

the central role of attention in the digital economy" (p. 11). Analogous to Western development, platforms have used their resources to attract and engage users and monetize their data and creativity since the early days of the Internet in China. In a similar vein, various Chinese tech applications—bulletin board systems (BBSs), blogs, microblogs, social networks websites, mobile and web apps (WeChat is the current phenomenon)—have gradually promoted a sort of 'user grooming' as a way to increase profits and expand influence. Perhaps the only difference in the platformization process identified between China and the west is how they handle users' private information in response to various forms of internet regulation. Although Chinese tech companies are private entities, they are subject to rigorous State Internet Governance and public policies—including censorship, state surveillance, and regulatory process for products and services which may also demand companies to forsake their exclusive rights over a license or product and cause millions in losses for Chinese companies (Batchelor, 2018f, August 31). In most of the Western countries, on the other hand, the issue is precisely the opposite: a lack of regulation enforced by the neoliberal agenda and tech corporate lobby groups creates legal insecurity for users and their private information (Van Dijck et al., 2018).

As platform penetration reaches all segments of society from public institutions to those positioned in the productive and economic sectors, the game industry has taken advantage of the "platformization" phenomena to expand its audiences and gain gaming capital (Consalvo, 2007) over the last decade. Here, I will investigate the platforms that have redefined the production, circulation, and consumption practices in the video game industry. In fact, social network, mobile, and streaming platforms have colonized the game environment and embedded their logic of production, monetization, dissemination, and consumption into the game production process. As Aphra Kerr (2017) noted, the influence of platform logic in cultural production has grown exponentially in the game industry in recent years as the production process tends to follow the dominant logic of the market and profit generation. The new digital game platforms also opened the door to new developments, such as the generation of intense competition between various platforms, especially so in the mobile market where relatively few companies—mainly Google and Apple—control access to the key distribution channels. In fact, Google and Apple combined have 99% of the global market share of mobile OS (Statista, 2021). Such data demonstrates the shift in the value chain from physical retail space to emergent digital distribution, and

emphasizes the leadership of platform logic of production in the game industry (Nieborg, 2015; Kerr, 2017).

Kerr (2017) argues that market platformization has encouraged the emergence of games as a service, and consequently, a permanent ongoing development stage within its own logic of production. A rough timeline shows that the free-to-play business model was adopted in the late-2000s by casual, social, and mobile games, and then by the mid-2010s, it became even more prominent by extending its reach to PC and console games. Kerr suggests that the account lock system used to play online games opened the door for game developers and intermediary services to access and gather players' data and also monitor their gameplay behaviour. Over time, such data usage was improved to develop customized advertising systems and new forms of in-game monetization. Similar to Srnicek's observations (2017), Kerr has also pointed out that in the digital game sector, platform logic creates economic power and value through the volume of network activities and user-generated data; thus, game companies that are able to control the user network production will be elevated to the "dominant position as a gatekeeper in the software production network" (Kerr, 2017, p. 81).

A focus on digital platforms and how they operate reveals the significance of the platformization of game production, circulation, and consumption and how it has impacted the current gaming circuit of technology. As such, this chapter will focus on describing some of the keyways digital platforms impact the way games are currently produced, distributed, and consumed. The chapter is organized as follows: the first section gives an overview of social network platform characteristics; next, the conversation moves to mobile platforms' features, in particular those of the smartphone; the third and final section deals with streaming platform apparatuses. As Nieborg (2021) reminds us, one must acknowledge and understand the "role, position, and business practices of game publishers" (p. 181) to comprehend the fundamental nature of game production. As such, each of the following investigations into these platforms analyzes Tencent's and Electronic Arts' business strategies that include the new market logic and profit generation afforded by social network, mobile, and streaming tools. Furthermore, I will consider how such platforms transformed these companies' understanding of games.

4.1 Social Network + Games

Develop and manage your own farmland by plowing land, planting, growing, harvesting crops and trees. Oh! Don't forget to take care of the animals: feed and treat chickens, pigs, cows, and horses. And most importantly, ask your friends for help!

This was how a decade ago many people were dragged into a black hole of endless time scheduled farm tasks, an unbearable number of friends' requests, and Facebook notifications. *Farm Ville*, a farm simulator developed and published by Zynga in 2009, like a fever, quickly spread among Facebook users. It took only 6 weeks to reach 10 million daily active users (Lien, 2012, September 5), and 6 months for the game to surpass 80 million monthly players (Chiang, 2010b, October 15) before it was overcome by *City Ville* in 2010. In *City Ville*, players moved from the county side to the urban space, managing roads, adding infrastructure, and collecting taxes. The visual elements changed, but the mechanics remained the same: players needed to draw in their "friends" to help them become the best mayor for their little town. The city simulator reached 16 million daily active players and more than 60 million monthly active users in a couple of weeks (Schroeder, 2010, December 24). Zynga's fast-paced growth in the number of players attracted investors while also increasing its already massive base of user data. Zynga's rise also caught the attention of a number of other game companies with different profiles, sizes, development, and publishing power, which in turn transformed the social platform into a virtual space to be colonized by their games.

In an editorial piece entitled "Why Facebook games matter" on the IGN website, Nicole Tanner (2010, August 24) tried to tackle the importance of social-casual games with an argument that today sounds quite obvious: it popularized game activity and provided another place to play games.

More gamers means more games, plain and simple. Facebook games have brought a staggering number of people into the fold, and most of them had never played a videogame before in their lives. You might argue that this doesn't make a difference because *Farm Ville* players aren't playing the type of games you love. They may be "casual" gamers now, but in a few years down the road, you'll see lots of them step up to more traditional games. (Tanner, 2010, para. 2)

Indeed, Facebook opened the door of gaming for people that had never cultivated the habit of playing before for a variety of reasons, including financial accessibility, lack of ability with controllers, and even lack of interest in spending time in front of a screen performing an activity that most of them would see as childish. Social Network Systems (SNS), particularly Facebook, have assisted in changing the game landscape by making games exponentially more accessible to general audiences, which, in effect, has helped to transform games into one of the prime cultural products worldwide.

Facebook, in fact, did more than that. It helped format a new logic in the production, consumption, and distribution of games by forging an alternative business model for the game industry. Facebook's logic of monetization is based on what Van Dijck (2013) calls "the ideology of sharing" (p.62) which works through a system of connectedness and connectivity.

Connectedness, she suggests, is defined by connecting users who then can share information about themselves facilitated by a purposefully designed interface, while connectivity aims to share user data with third parties. By aggregating and processing data into targeted personalization strategies, Facebook creates value from data. Connectivity may also extract economic value through the user's attention (unconscious exposure to ad space) and popularity (capacity to influence other users). According to Van Dijck, the effective sharing rule created by Facebook became popular because of its ability to cross platforms. "Most online companies absorb Facebook's connectivity principle to offer a free service, collect data about users as they use the service, and sell advertising on the basis of these data." (Van Dijck, 2013, p.65)

Accordingly, this operational logic has proved to be a powerful force in the digital media ecosystem, inspiring many other companies and platforms.

Facebook game service followed the platform's monetization logic by deploying connectedness and connectivity strategies. Offered as free-to-play with attached microtransaction (cosmetics, speed progression to generate income), *Farm Ville* rewards players logged into the game for long periods to stimulate player engagement. Finn (2017) notes that the game's mechanics trapped players in an infinite time cycle related to harvesting crops and other farm maintenance tasks, requiring multiple visits during the day or night. The only way to skip such rigorous rules was to make small payments that would speed up the crop growing and harvesting time, transforming it into an instant task. Although the vast majority of *Farm Ville* players did not pay for that

advantage, a few players were willing to spend considerable sums of money to customize their games and be ahead on the scoreboard. Those players helped to support a business model that would generate millions of dollars in revenue for Zynga and Facebook and establish a business model formula that would spread into many segments of the game industry. As put by Finn (2017), “Farm Ville and its successors are effective at eliciting particular rote behaviours from humans to through a combination of carrots and sticks, engaging them in actions that the company can monetize directly or use to expand its network of users” (p.115). In the same fashion as Van Dijck (2013) who framed Facebook’s logic as a means to engage the user and extract from them, Finn (2017) has also pointed out that Facebook games use similar tactics to foster and retain an excessive amount of players’ attention and money. For him, the escapism embedded in these games conceals “its own forms of discipline and productivity.” (p. 115)

4.1.1 The Chinese Social Network System

Meanwhile, on the other side of the world, China witnessed a similar process in the growing success of social network games. In late 2008, *Happy Farm* started to dominate the most popular social networks in China—RenRen, Kaixin001, 51.com, and QZone—accumulating around 23-30 million Daily Active Users (DAUs). The game was a multiplayer online farm simulator developed by Shanghai-based start-up studio Five Minutes. Although the numbers are imprecise⁴², the game was indeed a success and influenced many other games in China’s mainland as well as its western clone *Farm Ville*. A Venture Beat article by Ng (2009, October 29) describes the eagerness of *Happy Farm* copycats to master the addictive mechanics of the Chinese game, and they did. Soon after, a diverse multitude of games using the same mechanics began to emerge and flourish around the world. Ng points to a game released in a social network popular among Chinese girls in which they are tasked with farming flowers and giving away gift bouquets instead of growing crops to demonstrate this phenomenon. That is, same mechanics, different skin.

As Finn (2017) has observed of some *Farm Ville* players, Ng (2009, October 29) describes similar behaviour including spending a significant number of hours (+5 hours) playing the game,

⁴² At the time, not all Chinese social network released metrics on applications, meaning the DAU may be undervalued.

or setting an alarm clock to check crops and animals during the night. Even worse, he alleges that some features in the game, such as ‘stealing vegetables’, were troubling player’s personal and professional relationships, transforming a video game into a personal or professional nightmare. The addictive mechanics of these games raised concerns about the side effects of video games within the Chinese government;⁴³ however, instead of gaming consoles, this time the national administration have focused on the Internet and gaming addiction among young Chinese netizens.

In another example, *QQ Speed*, an online racing game developed by TiMi Studios and published by Tencent in 2010 on QZone, gained fast and steady popularity in China in its first years after launch. In May 2012, the game surpassed 3 million concurrent players online, creating what Tencent called a “miracle of casual racing online games!”⁴⁴ *QQ Speed*’s attractiveness was based on users’ (gaming and social) engagement. The game encourages interaction among QQ users to team up and improve their *QQ Speed* personal scores and ranking position, as well as meet new friends through the racing game. In the same fashion as western platforms, Chinese social network portals have used addictive games to grow their extensive and participative user base, forge new third-party development partnerships, and also find their way into profitability. The move towards extracting users’ data and feedback to improve services and increase profits confirms Kerr’s (2017) argument that within platform logic, cultural products and services are also influenced by the implicit and explicit representation of audiences, and even more so by their direct involvement as an essential part of their production process.

4.1.2 Social Network Casual Games: A business opportunity, a trap, or both?

Present in the market since the 1980s, Electronic Arts (EA) is well-known in the global industry, especially when it concerns sports video games. Recognized as an essential player in the industry and one of the biggest developers and publishers in the west, EA fully embodies its role in pushing the sector onto directions that it believes to be a potential gaming trend or technological innovation while reinventing itself at the same time. The massive success of Zynga’s games on Facebook and the potential for diversification of the gaming landscape presented by the social

⁴³ See Chapter 2 and 5.

⁴⁴ <http://speed.qq.com/web201008/page/introduce.shtml> accessed May 04, 2021.

media network attracted the attention of various game companies and publishers, including Electronic Arts. In 2009, the company presented to investors and shareholders its new business trajectory that would involve a major restructuring plan aimed at reducing costs and enabling the company to make a substantial investment toward EA's position in the digital era. Such plans for transformation culminated not just in a series of investments and acquisitions in social media platforms, with a spotlight on Facebook, but as well, a tsunami of layoffs, and the closing of facilities and studios in different world localities (Electronic Arts, 2009c, F2Q10, Earnings Call Transcript).

Considered a mature company, EA had to transform, and adapt itself to the new gaming market offered by different digital platforms. EA made its name by creating mainstream (or triple-A) games for PC and video game consoles under a publishing logic of production and circulation; that is, the publisher heavily relied on intellectual property and copyright. However, the company had to rapidly expand its managerial scope in order to have an opportunity in the digital business. As a well-established game publisher and developer, EA kept most of its production under the publishing logic process. In contrast, it also started to "transition" into the platform logic by incorporating those elements into its production process.⁴⁵ Such transitions included investments in mergers and acquisitions to fill production gaps. In fact, such a movement towards platform logic was not exclusive to EA; the last decade witnessed segments of the game industry blending different production logics into their projects, including the emergent platform logic of production; "although fastest growing companies in the fastest growing markets are operating within a platform logic" (Kerr, 2017, p. 78).

In 2009, estimating that the digital business (which include mobile, microtransactions, subscriptions, and advertising) represented 35% of the total global industry (Electronic Arts, 2009c, F2Q10 Earnings Call Transcript), EA expanded in the direction of the digital segment of the industry with enthusiasm, hoping to survive the emerging market transformation and secure

⁴⁵ Publishing logic is a method of cultural production based on single sales of cultural commodities for a segmented mass market, in which the creative labour involves authors, composers, directors, artists, and specialized technicians; while platform logic is based on ongoing production of a tailored and fragmented service that depends on continuous flow of user data and content generation to thrive, having the creative process in the hands of designers, artists, engineers, network support, marketing, data analysts, community manager, and users (Kerr, 2017).

its place in the industry's future. The company acquired the British social gaming developer Playfish. At the time, the social gaming studio already had a solid reputation for the quality of its games, positioning itself as the number two developer on Facebook with more than 150 million downloads and 60 million monthly active users (MAUs) across their games. The studio's addition was part of EA's strategy to a) avoid having to create of an audience from scratch, b) gain knowledge and skills in the production of social games, mainly their mechanics and strategies to attract and engage players, c) boost EA's intellectual properties catalogue, and finally, d) expand the access to EA resources globally through another popular avenue. In John Riccitiello's⁴⁶ own words, "EA is playing offense—positioning ourselves for the future" (Electronic Arts, 2009c, F2Q10, Earnings Call Transcript).

To expand EA's business, Riccitiello's strategic plan focused on adding to the company's launch cycle, in addition to its major intellectual properties, a sort of "daily basis" event, which would combine the single annual event focused on packaged goods and extra-content instalments with social and mobile platform content (Electronic Arts, 2011c, Q2 2012, Earnings Call Transcript). Thus, Electronic Arts relied on Facebook to spread their already popular PC and console franchises among their massive social user audience. EA's executives believed that the free-to-play and unlocking in-game items components would encourage users to try the console or PC version of the games. Interestingly, even though MAUs for most game companies on Facebook started to decline considerably⁴⁷ after certain adjustments Facebook made to their platform⁴⁸, EA did not lose its faith in the medium. Adapting to Facebook's modifications, developers changed their focus from viral diffusion to player retention (Mayra et al., 2017). Having Playfish as its primary social game studio, EA created "social versions" for its most profitable franchises, starting with *FIFA* and *Madden Superstars*, and then moving on to *World Series Baseball*, *Monopoly Millionaires*, *Dragon Age Legends*, *The Sims Social*, *Mass Effect Infiltrator*, and *SimCity Social*, to name just a few.

⁴⁶ John Riccitiello served as EA's Chief Executive Officer from February 2007 to March 2013.

⁴⁷ More than 25% on average (Electronic Arts, 2010b, F1Q11 Earnings Call Transcripts)

⁴⁸ E.g., reformulation of the notification system (Caioli, 2010a, May 7)

The company continued to act on its restructuring plan, aiming to move to low-cost locations to establish its development process and push the low-cost production of social games. In 2010, the company announced on its Q1 2012 investor call the purchase of PopCap Games, another studio focused on social games and the owner of *Plants vs. Zombies*, a trendy social game at the time. More than giving social gaming development a boost and augmenting the company's game catalogue, EA wanted to change PopCap's in-game economy system. According to Riccitiello, PopCap had "a lot of interesting products with relatively low monetization" (Electronic Arts, 2011b, Q1 2012 Earning Call Transcription, p. 20). For the company's executives, PopCap games had the potential to do more through increased user engagement and an improved monetization system. EA would be able to help them by using what they had learned from Playfish. Such moves imply a 'reverse direction,' turning to small budget productions and teams instead of the usual skyrocket budget for mainstream triple-A console and PC games production. In 2010, David DeMartini, Vice-President and Group General Manager at EA Partners at the time, declared that video game consoles had hit their mid-life, and that online and social games were becoming more prevalent. He affirmed that lower-cost social games would become a pivotal product to EA (Graft, 2010d, August 24).

EA's ambition was to transform itself into a digital platform. The publisher invested in the digital distribution platform Origin and in different subscription programs, such as EA Sport Season tickets, to enhance its digital strategies toward social and mobile platforms, microtransactions (e.g., Ultimate Team mode for EA Sports' games), and advertising. Indeed, EA's digital business was flourishing and therefore securing significant influence within the digital sector; however, such performance did not necessarily come because of its investment in Facebook. In fact, EA's performance on the social network was unstable since the beginning, indicating that the company strategically made a mistake by feeding its obsession to replace Zynga as the top game company on Facebook. It is fairly shocking to see the numbers of MAU and DAU in constant decline in each new report, while EA's executives continued to passionately defend their bet in the social

network system, even when facing a certain level of distrust or disbelief from the company's investors⁴⁹.

EA's executives waited a few years to admit that their social network strategy was not performing according to the company's expectations (Electronic Arts, 2012, Q2 2013 Earning Call Transcript). As a keynote at App Conference in 2012, John Riccitiello publicly acknowledged that the social game market had been overhyped. He also admitted that EA contributed to that hype several years ago when it acquired UK-based developer Playfish in a deal valued at \$300 million (Caoili, 2012f, October 19). In 2012, the company shut down some of its social games on Facebook, including *Dragon Age Legends* only 18 months after its release, and announced layoffs in its casual and social studios (Curtis, 2012, May 18; Caoili, 2012e, August 21). In 2013, Electronic Arts announced its exit from social gaming, especially concerning its sports game franchises. In a statement, Andrew Wilson, EA Sports Vice President at the time, said, "Social, as it relates to Facebook, is not a focus for us anymore. We didn't do great there. I made games on Facebook because I thought people were there that wanted to play them. Then it became apparent to me that either I had the wrong game, or they weren't there" (Sarkar, 2013a, July 2). Despite the decline in popularity, as play habits moved from desktops to mobile platforms, there are still some successful social games on Facebook like *Angry Birds*—although most of them are now multiplatform. EA indeed took a risk in gambling on so many fronts to establish itself in the digital platform context, especially in believing in a gaming trend that, in the end, proved to have a lifespan of a mosquito, like social network systems. However, much of these investments and learning processes paid off on other fronts, such as with respect to mobile devices, as we will see in the chapter's second part.

⁴⁹ EA executives presented Playfish's performance on Facebook for the first time by the end of September 2009 (Electronic Arts, 2009c, F2Q10, Earnings Call Transcript) to justify the company's purchase. At the time, Playfish reached 60 million MAUs in the SNS. After ten months, the company's MAUs on Facebook dropped to 52 million (Electronic Arts, 2010b, F1Q11, Earnings Call Transcript). By November 2010, Playfish's MAU dropped once more to 49 million (Electronic Arts, 2010c, F2Q11, Earnings Call Transcript). In only three months, the company reported a loss of 10 million MAUs on Facebook, while Playfish reported 39 million (Electronic Arts, 2011d, Q3 2011, Earnings Call Transcripts). It is interesting to observe the executives' tone at the Q1 2012 Earnings Call transcript: "In the social network gaming, EA has 32 million monthly active users and 5 million daily active users. Playfish experienced improved monetization on the continued strength of *Pet Society*, *Restaurant City*, *FIFA Superstars* and *Madden Superstars*," (Electronic Arts, 2011b, Q1 2012 Earning Call Transcript, p.6) as if they did not lose 7 more million MAU in only five months. Look at the Q&A section of the reports mentioned to see the executives' optimism around the SNS opportunity, even when facing investor distrust in such a business strategy.

4.1.3 Across technologies: Expanding from Instant Messenger to a Social Network System

Unlike Electronic Arts (EA), Tencent may not be a synonym for video games, but it is the quintessential platform company. The company focuses on internet-related services like communication platforms, social platforms, media platforms, search engines, online advertising, e-commerce and online payment systems, and online games. All of these various offerings are available on their portfolio's main services: QQ and WeChat. Perhaps surprisingly, Tencent had an inverse movement compared to Electronic Arts as the Chinese company started its businesses in a different post-Fordist context. Tencent prospered right when the platform logic of production began to emerge; the company is what Kerr (2017) allusively pointed to as one of the corporations presenting high-speed growth for operating within a market dominated by the platform logic of production. As a platform-driven company, Tencent focuses on value-added services (VAS) and creates economic power and value through the volume of network activities and user-generated data it acquires. The company then uses this data to improve their algorithms and services and, consequently, to increase their users' traffic. These services play a crucial role in "creat[ing] an online community for social networking, entertainment, and gaming" (Tang, 2020, Chapter 2 Economic Profile, Corporate Structure and Financial Performance, para. 10).

Since its early days, Tencent has been working on expanding its QQ portfolio in web, social network, mobile, and entertainment, and investing in various entertainment services, including games, to attract users. To boost its VAS, in 2005, Tencent developed and launched QZone, a social platform in which users could create a blog that supports animation and other multimedia content, the sharing of photos, listening to online music, playing games, and so on. The already significant user traffic of QQ helped QZone become the largest SNS in China (Tencent, 2008, Annual Report) and one of the most popular global social network sites. "QZone remains the leading platform for our users to share photos and joke with their close friends" (Ma Huateng, Tencent, 2013, Q3 2013, Earning Call Transcript). Although QZone still has a considerable number of monthly active users (572 million),⁵⁰ Tencent stopped publicizing its performance on

⁵⁰ See Tencent, 2019b, Q1 2019, Earnings Call Transcript.

the company's annual reports and earnings call transcripts.⁵¹ A possible reason for the decision could be the astonishing performance of the WeChat application in terms of the number of users in China, and around the world.

Tencent's investment in social network gaming was almost simultaneous with Western companies. In late 2008, in an agreement with the start-up studio Five Minutes, Tencent launched *Happy Farm*—a multiplayer farm simulator on QZone. Although Tencent did not release any game metrics, it was estimated that user traffic was around 25-40 million DAU a few months after the game launch (Ng, 2009, October 29). In July of 2009, Tencent launched *QQ Farm* and announced the integration of QZone and QQ user profiles to encourage more engagement among QQ friends and help users find more connections through gameplay. According to Huateng⁵², Tencent's platforms efficiently attracted new gamers, retained existing ones, and stimulated users to recommend games they played through their web of friends (Tencent, 2008, Annual Report). Between 2009 and 2010, the company released a number of games, including *QQ Ranch*, *QQ Garden*, *Magic Cards*, *Chinese Chess*, *Skyscrapers*, and *QQ Speed*, to name a few.

Acting within the platform logic, Tencent has focused on connecting and engaging users through entertainment and e-commerce services. Qzone played a vital role in enlarging the company's user base by offering various games, including MMOGs. Such sizeable user traffic can empower any company to control the user network production and transform itself into a platform gatekeeper (Kerr, 2017; Srnicek, 2017). Using QZone algorithms in a similar fashion to Facebook, Tencent was able to sharpen its VAS by profiling its users in order to customize their services recommendations system, predict game genres users wanted to play next, encourage the purchase of cosmetics, and other types of microtransactions. In contrast to Facebook, though, Tencent diversified its revenue sources rather than relying heavily on online advertising. It is interesting to notice that by 2007, Tencent's main revenue source was already based on microtransactions for digital goods, such as in-game purchase through the company's social, mobile, and online web games, and other services, while advertising, its initial main income

⁵¹ QZone has been mentioned neither on the annual reports from 2019 (Tencent, 2019a) and 2020 (Tencent, 2020a) nor on the earnings calls for Q2, Q3 and Q4 2019 (Tencent, 2019c, 2019d, 2020e), Q1 and Q2 2020 (Tencent, 2020b, 2020c).

⁵² Ma Huateng (or Pony Ma) serves as Tencent's Chairman and Chief of Executive Officer. He is also one of company's co-founders.

source, declined to only 13% of its total revenue (Tencent, 2008, Annual Report; Schonfeld, 2008, March 27). But do not mistake the company's strategies. Tencent knew the potential revenue that tailored advertising could have added to its account, but it already had enough other profitable income sources to focus on. It would seem then that Tencent is struggling or attempting to balance ad monetization to the levels of acceptance demonstrated by its users. "We're trying to preserve the user experience. We could dive in and make a lot of money [...], but that's not what we want to do. We're going to take this slowly," declared Poshu Yeung, Tencent's VP for International Business (Carr, 2017, September 21).

Electronic Arts and Tencent had different starting points in the game industry's platform era. While Electronic Arts developed and published their games in a third-party SNS platform (Facebook), Tencent used the opposite approach. To attract more users, it negotiated and licensed games with third-party developers (inside and outside mainland China) that were in turn offered on its QQ platforms, including its social network system QZone. However, the global market and production process aligned them more closely, pushing both companies to invest heavily in mergers and acquisitions to evolve their businesses and increase competitiveness. Both Electronic Arts and Tencent took advantage of their incursion into social gaming to gather information on users' specific engagement with these platforms and games, and to improve their services. From this data, EA and Tencent were able to produce detailed user profiles that revealed several social practices and demands, including new challenges regarding game design and gameplay mechanics. The constant flow of data from players gave these companies the means to drive the industry to change the game production process, along with games' circulation and consumption, thereby reaffirming EA and Tencent as major players in the sector.

Indeed, social network systems (SNS) were essential to opening up the gaming world to a more general audience, as well as providing developers and publishers with players' private data and possible consumer demands. Nonetheless, mobile devices also had an essential role in this process, mainly by replacing the SNS as the host and data provider for the games created by game publishers and developers. In the next section, I will present an overview of the evolution of mobile devices and how they became a valuable environment for the game industry to succeed within the networked platforms.

4.2 Mobile Devices + Games

Similar to social media, mobile phones have played a crucial role in the popularization of games. Social networks such as Facebook and QZone have served as catapults for game distribution, while the rise of smartphones and their speedy penetration into people's everyday lives has served as another avenue for the game industry to expand. The quick dissemination of mobile technologies came at the tail end of the platformization process of digital infrastructures. The introduction of Apple's iPhone and iPod Touch (2007), followed by the App Store (2008), and subsequently by the iPad (2010), was a watershed moment in the emergence of mobile technology. It is undeniable that Apple established mobile media as a new business model, affecting how the world communicates and impacting social and cultural behaviours on a global scale. However, Apple is not alone; concurrently, companies like Google, Blackberry, and Microsoft also released their own mobile operating systems and application stores (Scolari et al., 2012), which helped to consolidate the infrastructure that supports the current mobile platform system and its "multisided markets" (Nieborg, 2015, p. 2).

For years media scholars have been scrutinizing the many affordances of mobile devices, such as their ubiquitous infrastructure, their ability to expand and centralize different types of media, their competence for a social embodiment of space, or even their role in urban control and locational privacy, just to name a few (Silva & Frith, 2012; Farman, 2012; Horst, 2013; Scolari et al., 2012; Schrock, 2015). Yet, I intend to look at mobile device as an entertainment tool, one that has been explored by cultural industries in partnership with telecommunications operators and platform holders. More precisely, I am interested in how the mobility feature, the powerful computational, memory, and network capacity of the equipment, and the platformization of mobile infrastructures impact the video game production process worldwide and the business model of the entire game industry.

4.2.1 Portable VS Mobile + Computational Capacity

Portable games are not a novelty. Since the 1980s, many console manufactures have launched handheld systems like Sega Game Gear, Atari's Lynx, Nintendo Game Boy, Nintendo DS, and PlayStation Portable, just to name a few. Nintendo has been one of the most successful companies in that segment. The company is still in the portable business while all the others left the market. The Japanese company has created many portables, including Game & Watch series,

Game Boy, Virtual Boy, Game Boy Color, Game Boy Advance, Nintendo DS, Nintendo 3DS, Wii U, Nintendo Switch, and Nintendo Switch Lite. At each launch, some technical improvements were introduced in response to users' concerns. Wi-fi connection and touch screen were already available on the Nintendo DS in 2004. In fact, the enhancement of the computational capacity of portable devices during the 2000s reached a high point with the unveiling of PlayStation Portable (PSP). Sony's handheld presented a powerful system, wi-fi, Bluetooth connectivity, and high-quality graphics all wrapped within portable hardware. PSP put a variety of console-quality games into players' hands, including *Grand Theft Auto: Vice City Stories*, *God of War: Ghost of Sparta*, and *Metal Gear Solid: Peace Walker*. These new portable gaming devices helped to expand gameplay beyond living rooms and arcade places, freeing gaming to take place anywhere, at any time.

Even the very first commercial cellphones offered a couple of games on their systems, such as Snake which was readily found on Nokia devices at the end of the 1990s (Mayra & Alha, 2021; Scolari et al., 2012). However, instead of having a dedicated game device or just a phone with a mini-game pre-installed on it, intelligent mobile phones carry the ability to centralize many different functionalities, from work-related tasks to leisure activities in one potent apparatus. Indeed, one could use the same device to play an increasing number of games, no longer having just one or two games pre-installed or having to change "cartridges physically." In addition, mobiles phones featured an always-on internet connection and an extensive storage capability. Furthermore, smartphones' features—GPS location, accelerometer, photo and video camera, and other functions—became deeply associated with an individual's daily life, and this could elevate the game experience to a personal context level. Such ability granted mobile games unique strengths compared to other gaming platforms (Mayra & Alha, 2021). Pokemon Go is a remarkable example of this.

The enhanced computational capability allied with perpetually available connectivity and new locative features have played a vital role in the global dissemination of smart devices and games. Yet, the most significant change for the mobile market was the concept of the application stores and the platform convergence that followed which allowed for the connection to social networks, demographics, and personal data (Feijoo et al., 2012).

4.2.2 App Stores: A Google and Apple domain

The App Store is a preinstalled, unremovable download application service created by Apple for its iOS-powered devices. Through an SDK, a tool kit that helps developers build apps, Apple gives third-party mobile application developers access to their operating system,⁵³ thereby helping the company populate and diversify the applications it offers on its App Store. Although Apple's approach to the app market is rigidly controlled, the mobile market saw an extraordinary growth of applications joining the App Store in only a few months. The expansion of the market came with the launch of Android Market (now Google Play), a similar App Store created by Google for Android-powered devices. Android Market went public three months after Apple's store debut, contributing exponentially to the market by adding thousands of applications regularly to the app business. The reason for such a market boom, especially considering the high number of game applications available in the app stores, was the low cost of development and marketing, compared to the costs for developing console or PC games. Many believed that the rise of platforms and app stores was an opportunity for small and independent game developers to reach the market and diversify (or democratize) the game industry (Feijoo et al., 2012).

Nonetheless, due to the low barrier for entry into this emerging market, a new hurdle began to arise; that is, independent developers, due to stimulated market competition, found it increasingly difficult to become visible to audiences. This market arrangement ends up forcing small and indie developers to either find a publisher to partner with and promote their apps, or to embrace the platform advertising logic (Nieborg, 2015; Kerr, 2017). This demands that they either advertise their apps inside other apps or deploy business practices known as "user acquisition" (Nieborg, 2015). In fact, as Nieborg (2016) demonstrates, the once believed egalitarian 'many-to-many' model of app economy reveals itself as another version of the 'few-to-many' model in which few publishers/developers dominate the app market and define what users will consume. This asymmetry shows that this new market segment "already exhibits signs of increasing industry consolidation and subsequently the concentration of capital and power" (p. 227).

⁵³ <https://developer.apple.com/ios/> accessed June 3, 2021

At its incipience, application stores deployed traditional pricing models, or one-time purchases, as their primary business model. In 2010, Apple made the in-app purchase (IAPs) feature available on its iOS, which allowed developers to sell goods inside their apps. Nieborg (2015) notes that the apparent minor change in the system, in fact, laid the ground for the free-to-play business model to flourish. Fundamentally, it was a structural shift in the way applications are marketed and priced. Inevitably, mobile games adapted their production logic to the platform logic or app stores business model. Following a similar logic of SNS platforms, mobile freemium games relied on an ongoing data-driven development process, following a low-cost and low-risk practice for game development, with the game's performance being measured by user behaviour metrics such as acquisition, engagement, retention, and monetization. As Nieborg (2015) argues, such a game design approach reveals a "wider industry shift of production-based companies that are increasingly moving toward service-based business models" (p. 6).

4.2.3 The Chinese Mobile Territory

The rapid development of China's mobile phone market can be followed through a number of stages. The device shifted from a luxury item in the early 1990s to an essential work/leisure tool by 2010 (Wang & Cheng, 2012). With the emergence of an ecosystem of downloadable online services and games, Chinese society became mobile-centric. In China, the number of mobile internet users grew exponentially from 302.73 million in 2010 to 985.76 million in 2020.⁵⁴ A StatCounter's report revealed that in May 2021, 64.13% of Chinese access the internet through their smartphones in contrast to the 34.92% who access the internet via a desktop,⁵⁵ while in the U.S., the internet access on these devices is almost equivalent, having 48.88% of the internet access on desktops and 47.59% through smartphones.⁵⁶

The transition of the leading internet Chinese companies Tencent, Alibaba, and Baidu, from PC to mobile structure involved a horizontal expansion and diversification of their services beyond the business sector they were already known for. According to Jia and Kenney (2016), Tencent, for instance, expanded from web-based instant messenger and internet portal focused on social

⁵⁴ <https://www.statista.com/statistics/273973/number-of-mobile-internet-users-in-china/> accessed June 17, 2021.

⁵⁵ <https://gs.statcounter.com/platform-market-share/desktop-mobile-tablet/china> accessed June 17, 2021.

⁵⁶ <https://gs.statcounter.com/platform-market-share/desktop-mobile-tablet/united-states-of-america> accessed June 17, 2021.

networking, search engine, e-commerce, and online gaming to a platform ecosystem focused on user-generated content, gaming, financial transactions, and its own application store. Alibaba evolved from an e-commerce and payment service to a complex system of logistics and cloud platforms focused on user-generated content, financial transactions, and cultural industry content production. In comparison, Baidu departed from the search engine platform to create a complex mobile application platform, an application store, and financial transaction services.

The Chinese mobile evolution also opened the doors for mobile hardware manufacturers, Xiaomi and Huawei being the most prominent companies in this sector. Currently, Huawei is in a fierce commercial-tech battle with the U.S. over domination of its 5G network technology. While the Chinese tech companies have made impressive advances, it is interesting to note that none of them have decided as of yet to enter the competition for the operating system market. Such hesitation has conserved Google and Apple's dominance of OS platforms worldwide, including within China. The Android operating system dominates two-thirds of the country; yet, despite Google's penetration, Apple leads in terms of brand distribution (Fung, 2017). Fung (2017) argues that the failed relationship between Google and the Chinese government made third-party app stores crucial to the distribution chain of Android-powered devices. A report released in December 2020 on the application market in China revealed the top 15 Chinese App Stores: Tencent's MyApp; Huawei App Market Store; 360 Mobile Assistant; Oppo Software Store; Vivo App Store; Xiaomi's MIUI App Store; Baidu Mobile Assistant; Anzhi Market, China Mobile MM Store; and PP Assistant in the top ten positions.⁵⁷ Hardware companies like Xiaomi and Huawei have their app stores pre-installed on their smart devices, granting them a considerable advantage in penetration rates anchored to solid unit sales. In fact, Xiaomi has also invested in developing its operational system, MIUI OS, in the face of the duopoly posed by iOS and Android in the Chinese Market. MIUI has 300 million users and is localized by way of providing services in 55 languages (Ortiz, Ren, Li & Zhang, 2019). Despite the apparent overwhelming number of various application stores and the fragmentation of market distribution, the Chinese app store market is still dominated by a few companies. As revealed by Fung (2017), "more than half of Chinese mobile gamers could be reached by focusing on 3-4 local stores in a list of more

⁵⁷ <https://www.appinchina.co/blog/the-top-15-app-stores-in-china/> accessed June 19, 2021.

than 20” (p. 94). In terms of development, the situation in China is not different. Similar to the western market, new mobile game companies are emerging and have encouraged creativity in the Chinese mobile gaming market, and thus stimulating fierce competition. However, the power remains in the hands of three big entities: Tencent, NetEase, and Perfect World (Fung, 2017).

Interestingly, a political economy analysis that uses a business perspective reveals there is an enormous difference between the leading internet companies in the U.S., such as Apple, Google, Amazon and Facebook (AGAF), and their Chinese counterparts, Tencent, Alibaba, and Baidu (TAB). While AGAF is considered a platform conglomerate “whose businesses cover multiple markets and exploit the benefits of their platform ecosystem” (Jia & Kenney, 2016, p. 7), TAB may be seen as a platform business group, in which independent companies bound together to take coordinated action toward reducing or eliminating competition, and at the same time, expanding over other business areas (Jia & Kenney, 2016).

Arguing that “technological outcomes are not given but, rather, are shaped by the political economic context” (Jia & Kenney, 2016, p. 31), Jia and Kenney (2016) investigate the different contexts in which giant tech companies from the U.S. and China have flourished. They claim that U.S. platforms, except for Google and Apple, have leadership within specific internet segments. Their expansions did not significantly clash with other companies' interests, which is not the case with their Asian counterparts. Jia and Kenney take their argument further and suggest that “[a]lthough Chinese internet giants come from different sectors, they have expanded across a range of horizontal services, in a pattern that resembles business groups that compete with each other across a range of sectors” (p. 10). The business strategies' differences, they say, reside primarily in: a) the adoption of most Chinese companies to the open-source operating systems already available in the market (instead of developing their native OS and thus preventing dominance and centralization of power through the usual OS locked system and the extraction of aggregated value); and b) the lack of antitrust law enforcements by competition regulators in China, which is not the case for companies in the west. Jia and Kenney's characterization may not stand the test of time since some Chinese companies (e.g., Xiaomi) have been testing their proprietary OS, while other companies are finding different ways to enclose their ecosystem (e.g., Tencent mini-programs for WeChat); in addition, the Chinese administration has been

improving anti-trust instruments and regulations.⁵⁸ Yet, despite the conceptual differences in the ways they conduct business, at the end of the chain, both Chinese and U.S. platform companies exploit their mobile market in similar ways, which includes aggregating and commodifying user data, fostering an enclosure environment through online services, establishing commercial partnerships, or making use of the acquisition model discussed previously.

As argued by Scolari et al. (2012), the ecosystem implemented by Apple with the iPhone, iPod, and App store redesigned the business model for mobile communication, restructuring and enclosing its entire infrastructure in the West. But I would add that Apple's practices spread beyond the West to enclose the mobile infrastructure on a global scale as well. Nonetheless, Horst (2013) points out that portable media infrastructures are dynamic and often subordinated to a convergence of forces (social, cultural, political, and economic) able to contest, disrupt, or reconfigure them. Indeed, many things have kept changing, from the early mobile phone to the ongoing evolution of smartphones, and also the availability of tablets. These changes in mobile infrastructure have disseminated a new logic of production. This has enabled the platform to operate its products and services in a multisided market. As put by Nieborg (2015), in this market arrangement platform holders define the technological standards and governance model for their platform while mediating consumers and services suppliers. In addition, as discussed at the beginning of the chapter, the configuration of a platform's market is structured on what Nieborg calls a network effect, or the capacity of a platform to create value that relies on its number of users, a condition that affects platform holders, services suppliers, and consumers alike.

4.2.4 Tencent's WeChat Mobile Infrastructure: The Chinese 'Gamingland' or "Everythingland."

WeChat is the most popular mobile application in China, with more than 1.21 billion registered users (Tencent, 2020c, Q2 2020, Earning Call Transcript). WeChat, often depicted by business analysts as the next leading model of innovative services, one potentially capable of overcoming tech giants like Google and Facebook, catches the attention of scholars and analysts alike due to its capacity to combine "the properties of platforms and infrastructures" (Plantin & de Seta,

⁵⁸ Based on anti-trust regulator agency in China, the State Administration of Market Regulation (SAMR) blocked Tencent's attempt at merging of the two largest Chinese live-streaming platforms DouYu and HuYa. (Partis, 2021a, July 12)

2019, p. 02) in one single application. Developed by Tencent in 2011, the app quickly evolved from a mobile messaging service to a mega multifunctional platform where users can do anything and everything through commercial accounts, mini-programs, and private areas. There, users can manage services like text and voice messaging, video and audio calls, photo and video sharing, online and taxes payment, money transfers, booking flights and hotels, ordering food, playing the most popular games while competing with friends, and much more. In fact, WeChat became not just a symbol for a new age of mobile Internet in China but also reasserted Tencent's role as a leading internet company worldwide (Guo, 2021; Chen et al., 2018).

WeChat's quick adoption cannot be disconnected from the popularity of its sibling QQ, though. The large user base of QQ provided WeChat with a substantial advantage, which helped the app surpass 100 million users in only fifteen months. A milestone that took Facebook, Twitter, and QQ between five to four years to reach (Guo, 2021). Nonetheless, QQ held its leadership as the largest social media in China until 2016, when WeChat overcame its sibling in the number of users (Chen et al., 2018).

4.2.4.1 Platform or Infrastructure?

WeChat grew beyond the platform it was supposed to be. Tencent's strategy of building WeChat as a multifunctional environment exceeded the platform logic one commonly finds on typical mobile applications. Plantin and de Seta (2019) argue that WeChat flourished because of its platformization process, which evolved to "the infrastructuralization of its platform model" (p. 03) anchored in features like programmability, adaptability, and modularity. Plantin and de Seta suggest WeChat's infrastructural development benefited from a collusion of interests between the national administration and the private technology industry that strengthened the techno-business market and secured a 'cyber sovereignty' agenda for the Chinese administration.

In line with platform logic, Tencent's WeChat ecosystem depends on its users' aggregation, retention, and engagement with the platform; thus, it heavily relies on its interface design and multifunctionality. Nonetheless, Tencent realized that the company could not create all the applications and services by itself, especially when considering the long development cycle of some apps, such as games—one of the main products in Tencent's portfolio—and certain obstacles that could hinder the company's expansion. At the 2011 Beijing edition of TechCrunch

Disrupt, Ma Huateng, Tencent's co-founder and CEO, admitted that the company needed to open up its API for developers in order to diversify and expand its services.⁵⁹ Tencent then provided third-party developers with an API to create applications that could run inside the company's apps, including WeChat. The platform was becoming more sophisticated, and in 2017, Tencent unveiled the third-part Mini Program for WeChat, declaring:

over time [it] should help us broaden and deepen our services offering in low-frequency use cases, connect more offline services to online users, and provide more avenues for users to sample functionalities offered by apps and thus increase the conversion rate for app downloads. (Tencent, 2016a, Annual Report, p. 5)

Mini Programs are installed, carried, and accessed only through WeChat, requiring no downloads or installation in the phone operating system.⁶⁰ They are also coded in Tencent's proprietary language, which only works on WeChat and has no utility outside of it (Plantin & de Seta, 2019). Following the quick adoption of the Mini Program, Tencent launched the Mini Games in a similar fashion to increase game applications in its ecosystem.⁶¹ Such a locked environment, also known as a walled garden (used also by Apple with its App Store), gives Tencent absolute control over data traffic and applications on the WeChat ecosystem. The centralization of an increasing number of services ranging from financial transactions, administrative tools, cultural and social features not only encourages users' engagement and retention, but also locks them into the application, leading to high traffic and concentration of information inside the platform. Such a strategy can be seen as evidence that WeChat has properties commonly associated with information infrastructure (Plantin & de Seta, 2019). In its 2011 Annual Report, Tencent claimed to be the "leading open platform in China in terms of users activities and revenue opportunity for third-party developers" (p. 06). This leadership started with QQ products and remained unaltered with WeChat, despite the competitiveness of the market.

⁵⁹ See https://techcrunch.com/2011/10/30/tc-disrupt-beijing-a-fireside-chat-with-tencent-ceo-pony-ma/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAIGYxG3gYKWzqa87pO6Hxscm2hbD_KlHeovAcJzgZoJ9RtH3nOg4J4KT7nPRfD_zTBhdjqLxiSP9h2o94-_z5edW0IeFAGS_7FbQtar5xe-6x0PqXHitirklRQsI0up_RanIqAHSyoUteS_gDF9KJBO1QnK_rZLmVjYypo5YPBc accessed June 18, 2021

⁶⁰ Tencent, 2016d, Q3 2016, Earnings Call Transcript.

⁶¹ Tencent, 2018d, Q4 2017, Earnings Call Transcript.

4.2.4.2 Interface Design – Tencent Leveling Up

Another reason for Tencent’s WeChat popularity is attributed to its friendly interface design that is based on a model of connectivity for people. In fact, Tencent has been praised for the simple, friendly, and effective design of its products since the launch of the successful instant messenger QQ (Li & Adamas, 2005; Chen et al., 2018; Plantin & de Seta, 2019; Tang, 2020; Guo, 2021), and it was no different with WeChat’s development. WeChat’s design was not only based on cultural and social elements that are valued by the Chinese audience, but they are expanded to facilitate connection between people, institutions, and services providers to create what Tencent defines as a ‘lifestyle’ (Guo, 2021; Chen et al., 2018).

The cultural and social elements embedded in WeChat’s design were informed by data collected by Tencent over the years on Chinese consumer mobile behaviours. Che and Ip’s (2017) study offers rich information about Chinese audience habits such as game genre preferences, their reasons for playing a particular game, and how games are played by Chinese gamers, information Tencent has probably been aware of for some time. The researchers found that the two major player groups for mobile games were young workers and teenage students. The first group plays games regularly to escape the stress of work, while the second as part of academic competition. The expansion of Chinese society at the tail of the country’s economic rise brought a highly competitive market and enormous pressure in regard to financial and social success. The demands of this new lifestyle created a “collective social anxiety” (Che & IP, 2017, p. 153), triggering psychological issues like a lack of social trust and personal confidence problems, consumerism, and exhibitionism. Accordingly, mobile gaming became part of individuals ‘escapism’ routine, having their playtime distributed across one’s everyday tasks. Most players play during the commute to work or school, during work/school breaks, resting at home, and before sleep. As articulated by Che and Ip (2017), “mobile gaming in China is, therefore, more than a simple interpretation of leisure and a casual activity, and it has gradually become a living habit for Chinese players” (p. 154).

Che and Ip (2017) reveal that Chinese players have a particular taste for traditional games that are part of Chinese culture (e.g., Chinese Chess), games that are simple and fun to play, games that present some social interaction, and games with familiar thematics. These may be one of the reasons why many Chinese games are copycats of Japanese, South Korean, or other Western

games. Che and Ip (2017) attribute the success of games like Fun Fest and WeMatch to their similarities to King's Candy Crunch, and the popularity of WeRun with its resemblance to Nintendo's Super Mario Bros. They affirm that the Chinese audience is also more inclined to play a game recommended by their friends, and that they enjoy competing with friends for scoreboard leadership. Thus, sharing game points through social networks is also a positive feature for Chinese mobile players. It is interesting to observe, but not a surprise, that some of the facts discussed by Che and Ip over the Chinese gaming preferences match with the gaming behavioural analysis pointed out in certain transcripts of Tencent's earnings calls analyzed by this work.

The company translated those preferences into its WeChat interface design to encourage players to stay on the platform for as much time as possible. Like most platform companies, Tencent uses the large user base of WeChat to promote their games across the app social network. It organically integrates new apps and games into WeChat to enhance "users' experience while leveraging their existing social connections" (Tencent, 2012, Annual Report, p. 6). For the company's executives, the strategy is "highly effective" in gaming distribution (Tencent, 2013, Q3 2013, Earning Call Transcript). The game section is presented on WeChat's main page and displays information on recently played games and users, friends that are playing, and a list of the most popular games. The promotion of the games is to stimulate user downloads of games that are popular among a player's friend circle. Another design feature explored by WeChat to encourage game engagement is the scoreboard. For Martin Lau, Tencent's President, such strategies create a "vital marketing buzz," enhancing users' engagement with the games and with the platform (Tencent, 2013, Q3 2013, Earning Call Transcript). Based on Chinese audience preferences, the WeChat algorithm plays a fundamental role in encouraging game downloads by publicizing games their friends are playing. It also constantly updates the games' scoreboard and levelling up among friends, stimulating constant competition and replayability. The ranking is based on the level of intimacy between the player's social circle, meaning it offers "a more personal level of comparisons" (Che & Ip, 2017, p. 162).

4.2.4.3 MyApp Store

Tencent benefits from owning the most popular applications in the Chinese mobile market, including QQ and WeChat. It can easily promote its games and services through its platform

ecosystem, but it is not the only advantage the company has at its disposal. Tencent also operates MyApp App Store, the biggest Android app store in China. My App, in fact, has been leading the app store market for a while now as well as Tencent's games which are included in the list of most popular and top-grossing games. A Newzoo report⁶² from March 2021 revealed that among the top ten Android games in China, seven are from Tencent, including the first place game: *Honor of Kings*—which surpassed 50 million daily active users⁶³ at the beginning of 2017. According to Statista, the list of top mobile games in revenue also presents Tencent in the two first positions, and in March 2021, *Honor of Kings* made 134.42 million dollars while *PUBG* mobile granted 85.94 million dollars to Tencent's revenue report.⁶⁴ Tencent's applications succeed on Apple's platform too: according to App Annie, among the 50 top-grossing apps on iPhone, 16 applications are from Tencent, and 11 of them are games.⁶⁵ Among the 10 most profitable apps, Tencent has those five apps; four are games, including those in the first and second positions. In terms of market share, it is not a surprise Android retains a larger proportion of Tencent's mobile game revenue. In regard to how players spend money using the platform's app stores, Martin Lau, Tencent's President, revealed iOS players are more inclined to spend money on real-time games while Android-based gamers tend to spend money on shooting, racing, and fast arena games.⁶⁶

4.2.4.4 Tencent's Approach to the Game Development Process

Besides the instant messenger business, and other social and entertaining internet tools, Tencent has expressed interest in the video game market since its inception. The company's successful business strategy includes reaching into its pockets and investing heavily in development. Before developing their own games, Tencent served (and keeps serving) as a game distributor and operator for foreign companies interested in releasing games in China. Nonetheless, the company also invests a great deal in partnerships and acquisitions in order to conquer the Chinese game

⁶² See <https://newzoo.com/insights/rankings/top-20-android-games-in-china-by-mau/> accessed June 18, 2021.

⁶³ See Tencent, 2017e, Q4 2016, Earnings Call Transcript – The company stopped publishing the game DAU in the subsequent earnings call, although it kept referring to it as the most popular mobile game globally by DAU.

⁶⁴ See <https://www.statista.com/statistics/1175228/china-top-grossing-game-apps/> accessed June 18, 2021.

⁶⁵ See <https://www.appannie.com/en/apps/ios/top/china/overall/iphone/> accessed June 19, 2021.

⁶⁶ See Tencent, 2017b, Q1 2017, Earnings Call Transcript.

market and also become a global player. The development cycle of games is well known to be long and often expensive, but Tencent’s business strategy was to skip that step and buy out studios with a strong game portfolio. The company has invested in partnerships and acquisitions to expand internationally, and improve its development pipeline in different areas, especially those in which the company lacks expertise. Tencent’s collaborators and subsidiaries studios include: Take-Two, Riot Games, Epic Games, Electronic Arts, Bandai Namco, SuperCell, Ubisoft, Activision-Blizzard, Capcom, Square Enix, Microsoft, BlueHole, Grinding Gear Games, Klei Entertainment, and Paradox Interactive, just to name a few. The company has also established itself regionally by partnering with local companies across Southeast Asia, where the mobile gaming market has also grown considerably (Borowy, 2017).

Tencent’s gradual growth through partnerships and acquisitions has helped elevate the company’s gaming standards on two levels: it has improved its development quality through the acquisition of expertise, and it extended this high criteria to the games produced by third-party developers. Tencent’s tactic on mobile is to create an intertwined connection between its platforms’ ecosystems and service distribution, including games. For Tencent, games merge well with the social interaction features on its leading platforms; this synergy ensures that the quality of the games offered by QQ and WeChat—which Tencent’s executives refer to as “crown jewel platforms”⁶⁷—help the platforms to grow by increasing engagement and the time users spend on Tencent’s ecosystem⁶⁸ instead of harming it.

Tencent has not only developed games, acquired studios with strong gaming portfolios, and owns the most popular Android-powered App Store in China, but the company has also established a number of influential publishing partnerships with foreign companies. The company holds exclusive rights to publish and distribute the most popular mobile games in China, such as *Candy Crush Saga*, *CrossFire*, *Naruto Series*, *Dragon Nest*, *Fortnite*, and *PUBG*, just to name a few. These partnerships have been essential for Tencent in its endeavour to enrich its production pipeline and diversify its game catalogue. But they are also very important to foreign companies looking to enter the profitable Chinese market. Tencent uses its user base as a business asset to

⁶⁷ See Tencent, 2013, Q3 2013, Earnings Call Transcript.

⁶⁸ See Tencent, 2014a, Q2 2014, Earnings Call Transcript.

facilitate the establishment of such partnerships; foreign game developers are aware of Tencent's capacity to distribute games and deliver marketing campaigns by leveraging its large user base. As a platform company, Tencent is constantly reorganizing and adjusting its development and publishing strategies to improve users' experiences.

The company's monetization strategy has been to set very low prices for in-game items, but then to encourage players to spend money to acquire them in order to ease the challenges of the game's higher levels. In other words, buying into the game is cheap, but succeeding at it can be expensive, and therefore profitable for Tencent (Che & Ip, 2017). Tencent has also taken advantage of its acquisitions to tackle the in-game economy. After closing the deal to purchase the Finnish studio SuperCell, Martin Lau declared that both companies' in-game monetization knowledge would be combined to create an in-game economy capable of enticing players to pay for in-game items (Tencent, 2016d, Q3 2016, Earnings Call Transcript). Such knowledge, though, may suffer from various restrictions if applied within Chinese territory. With the Chinese government's high levels of regulation, Tencent needs to impose limitations on the monetization within its games, along with the amount of time players can spend playing them. While Chinese rules might constrain the company's gains at home, the massive penetration of Tencent games abroad can help in mitigating a possible financial loss.

Acting with a multi-front business strategy, Tencent is able to lock users within its ecosystem, and this is no different in its gaming sector. The company has all the means necessary to do it: platforms, app store, technology production, first-party game development, distribution and publishing channels, and a giant user base to offer to third-party partners. All of these different aspects mean that Tencent has a top-notch portfolio of games at its disposal, a portfolio that continuously attracts a horde of players daily to its ecosystem and then restarts the cycle each day.

4.2.5 Electronic Arts' Strategic Moves into Mobile Environment

Unlike Tencent, Electronic Arts does not have an infrastructural ecosystem that includes a popular mobile application store and a vast number of mobile applications. However, the American company still has at its disposal a reliable set of partners and subsidiaries to help it develop, promote, distribute, and publish first and third-party games. It also has a web-based

Online Store, Origin, where the company sells PC games from its brand and other publishers like WB Games, Ubisoft, and Square Enix. The all-digital gaming segment has been part of EA's plans since it acquired Pogo.com, a game-centred website, in 2001. Three years later, the company created a subsidiary (EA Mobile) directed at the promising mobile market. At the time, the company was mainly focused on portables and PDAs. Forecasting investments for 2008, Electronic Arts announced to its shareholders "strategic growth initiatives in Asia, Casual and in [what the executives called at the time] digital/direct-to-consumer" (Electronic Arts, 2008d, F4Q08, Earnings Call Transcript), EA's business model for subscriptions, digital downloads, micro-transactions, in-game advertising, and mobile. To do that, the company recognized its need to approach mergers and acquisitions in an efficient way, that is, by "targeting transactions that will accelerate [EA's] move to digital direct-to-consumer revenue streams" (Electronic Arts, 2008a, Annual Report).

As a company used to triple-A development under a publishing logic of production and retail markets, EA framed its digital business as complementary to the packaged goods business. In 2008, the company already understood what the digital business could mean for the industry's future by looking at the Asian market as a proxy, announcing the acquisition of Hands-on-Mobile, a Korean mobile studio.⁶⁹ The goal was to strengthen EA's presence in Asia by expanding its digital and mobile business to Korea's massive gaming market (Crecent, 2008b, May 22), and also to learn more about the Asian digital market. For John Riccitiello, EA's CEO at the time, Asia already dominated the digital direct-to-consumer landscape. Even though many people already believed that digital business would be leading the industry in the west in the near future, he was not sure if that would be the case: "I do think there's a difference between the way consumers buy and consume content in Asia versus the way they buy and consume content in the U.S." Nonetheless, Riccitiello acknowledged that if the digital business flourishes and overcomes the packaged goods demand, EA investments and partnerships in Asia will help pave the company's path into the digital future. "We're prepared, whether it turns out to be micro-

⁶⁹ Electronic Arts, 2008b, F1Q09, Earnings Call Transcript.

transaction, subscriptions or some combination” (Electronic Arts, 2009b, F1Q10, Earnings Call Transcript).

Electronic Arts combined part of its restructuring plan with the mobile expansion by moving some of its mobile production to low-cost countries worldwide. Allied with low-cost production costs and labour force, mobile offered the company a better revenue margin. Following the opportunities opened up by the popularization of Apple App Store, EA moved some of its key franchises to the smartphone. The publisher also transposed its popular web game Pogo to a free app on the App Store, making hundreds of games available on iPhone and iPod. Michael Marchetti, a Pogo executive, claimed the strategy matched the demography around Pogo users and the target audiences EA was going after with the iPhone market (Morris, 2010, December 9). In 2010, EA reported itself to be the number one publisher on mobile platforms, including iPhone and iPad devices, and featured phones by telecom operators like Verizon, AT&T, Sprint, and T-Mobile on many of EA earning calls.⁷⁰ For the company’s executives, this kind of success reflects EA’s reputation for high-quality games, and that “mobile consumers gravitate towards high quality and brands they recognize from other platforms” (Electronic Arts, 2010d, Q4 2010, Earning Call Transcript, p. 9). In fact, relying on its most well-known brands and franchises was the company's primary strategy in positioning itself in the highly competitive mobile market. Besides Apple’s store and Telecom operators, EA also expanded its mobile catalogue to Android OS, Windows Phone 7, and Amazon’s Kindle.

The company also continued to invest in partnerships and acquire key mobile content providers, studios, and publishers to fill its gaps in the segment. In 2010, EA announced the acquisition of the UK-based mobile publisher Chillingo, which at the time was the industry-leading mobile publishing platform, and the publisher of two top-grossing mobile games, Angry Birds and Cut the Rope.⁷¹ The company also bought PopCap in 2010 to serve as a casual developer for social network systems and mobile devices. In 2011, EA invested in the acquisition of Firemint, an Australian-based mobile developer, and the ‘freemium’-focused developer Bright Games and its

⁷⁰ See Electronic Arts, 2010d, Q4 2010, Earnings Call Transcript; Electronic Arts, 2010c, F2Q11, Earnings Call Transcript; Electronic Arts, 2011d, Q3 2011, Earnings Call Transcript.

⁷¹ Electronic Arts, 2010c, F2Q11, Earnings Call Transcript.

expertise in the free-to-play attached to microtransactions model that would help to expand the EA Interactive label. In 2012, the publisher opened a new Maxis studio in Helsinki, Finland, focusing on developing new mobile titles for *The Sims* franchise, and designating a small team at DICE to adapt the Frostbite Engine to mobile platforms. EA intended to improve the mobile gaming experience by bringing a graphic quality similar to that of its console and PC games to mobile devices (Alexander, 2011a, May 4; Graft, 2011b, August 16; Rose, 2012f, September 28, Corriea, 2012, October 03).

The digital business of Electronic Arts achieved revenue growth on each financial report and investor quarter earnings call. Though the segment is broader than just mobile revenue, the smartphone games have contributed significantly to developing the company's digital income. *FIFA*, *Simpsons*, *The Sims*, *Real Racing 3*, *Plant vs Zombies*, and *Bejeweled* were considered key mobile drivers by the publisher's executives. The company reported a doubling in the revenue on iOS and Android in 2012.⁷² Even though Apple became EA's most significant retail partner in terms of raw sales numbers, EA took a wider view, seeing it as an opportunity to expand its revenue and digital portfolio in order to benefit from the growth of the mobile platforms worldwide. As a publishing logic production company, the triple-A console and PC market are still the biggest money makers for EA; nonetheless, the transition to adopting a hybrid production logic advanced quickly. The publisher moved small groups of developers to work exclusively on developing the mobile space.

After assuming the title of Chief of Executive Office at EA in September 2013, Andrew Wilson stated that the company was moving from product to product plus service (Electronic Arts, 2013b, Q2 2014, Earning Call Transcript). Such a shift toward a hybrid production logic is evident in Wilson's Q&A investor call for Q3 2014: "These live service businesses, it's really important that you continue to work with your gamer base and grow the gamer base and provide them with a really exciting experience over the long term that connects them with their friends and connect them with the experience" (Electronic Arts, 2014b, Q3 2014, Earnings Call Transcript, p. 24). The constant upgrades to the computational capacity of the mobile platforms

⁷² Electronic Arts, 2013c, Q3 2013, Earnings Call Transcript.

allowed the company to leverage all of its capacities to deliver immersive game experiences, high-quality controls and graphics, and compelling storytelling. Wilson claimed that the mobile segment had a crucial role in expanding and strengthening EA's portfolio of games and live services, especially in combining cross-platform, console, and PC services.

Indeed, the global mobile market is included in Electronic Arts' investments. The publisher recognized the value of Asia for its revenue growth and improvement of its live services expertise. EA expanded its mobile development studios and publishing offices to Shanghai, Tokyo, and Seoul in order to produce localized versions of the company's main games. EA's strategy with respect to online free-to-play games in Asia found success, encouraging the company's mobile business expansion worldwide. Though, the transition from the premium to freemium was slow. It was only in 2014 that EA announced the decision to invest in the new technology and personnel to operate freemium services at scale.⁷³ This decision also included translating one of the most profitable live service products into their mobile design variation, the EA Sports Ultimate Team—a card-based microtransaction game created in 2009 for the console and PC version of the publisher's sports games. Although the intention was to drive mobile marketing worldwide, EA has focused mainly on the Asian market, where mobile and free-to-play games are widely popular.

Electronic Arts' mobile strategy relied on its well-known games and brands to be translated into the mobile environment instead of changing its games' thematics to appear more like mobile games. In a competitive, dynamic, and difficult to predict market, this strategy proved efficient in the end, despite some investors' disbelief. The publisher significantly enhanced its monthly active user base to an order of hundreds of millions of players, who were attracted by titles like *FIFA*, *Madden*, *SimCity*, *The Sims*, and many others. EA made these gains without spending any money on paid user acquisition.⁷⁴ Many of the publisher's mobile titles succeeded in terms of MAUs and profitability. They reached the top games charts on many occasions. However, none of them became EA's cash cow, like *Candy Crush Saga* or *Clash of Clans* have been for Activision-Blizzard's King and Tencent's SuperCell, respectively. However, by growing the size

⁷³ Electronic Arts, 2014a, Q1 2015, Earnings Call Transcript.

⁷⁴ Electronic Arts, 2015a, Q1 2016, Earnings Call Transcript.

of its players' community on mobile, EA has a considerably greater amount of players at its disposal to maneuver into the company's other products and live services.

Over the years, Electronic Arts has improved its mobile monetization by enhancing ad technology on some of its titles. This technology serves to sell third-party advertising while also cross-promoting certain EA titles to keep players within EA's network. It also creates more in-game opportunities for microtransactions through extra content and different subscription models.⁷⁵ The company has also extended the EA Sports Ultimate Team monetization mechanic's logic to other mobile titles such as *Star Wars: Galaxy of Heroes*. *Galaxy of Heroes* was also driven by a live service that included the cyclical addition of a range of new activities, characters, objects, and challengers, and granted the company a high rate of player engagement and loyalty. In addition, in order to gain traction over time, the company has also used its live service to tweak the game using the massive amount of personal and behavioural data gathered from its player base. Adjustments to EA's games were made according to each global region and its preferences to better meet players' expectations based on their geolocation. These strategies suggest that the publisher is adopting the platform logic of production more consistently; however, what EA does is more like a hybrid of both publishing and platform logic in regard to its production process line. In answering an investor's question about the longevity of some mobile titles, particularly those whose monetization peaks have reduced dramatically, Blake Jorgensen, Chief of Financial Office at EA, explained:

Yes, the drag from some of the older titles have slowed, but the reality is some of those titles have just stayed around for a long time because they still do great business for us. The key to our mobile business, and I think different than some other people in the industry is, we drive our business just like our console and PC business to be profitable. So, we hold up high standards on profitability. We invest around marketing expenses, around a profitable model, so we don't simply try to build the mobile business in an unprofitable way like we've seen some of the people do in this market. And that's

⁷⁵ Electronic Arts, 2016d, Q4 2016, Earnings Call Transcript.

something that's not going to change. (Electronic Arts, 2017a, Q2 2018, Earnings Call Transcript, p. 14-15)

Electronic Arts uses its data and metrics to guide its mobile business and attract a specific type of player that will ultimately help monetize the platform, and thereby grant ongoing profitability to EA's games. The publisher has applied different strategies for different products/services in the mobile marketplace, such as factoring in a consideration of a game's lifespan. Among EA's portfolio, there are titles designed for short-term, medium-term, and long-term play based on their profitability capacity within the mobile platform. However, the applied changes have not always followed the company's plans. Instead of increasing game monetization, some have gone in the opposite direction.⁷⁶ It is interesting to note that even a significant and well-known publisher such as Electronic Arts has had a difficult time breaking through to the small list of top games that tend to remain at the top for long periods of time. Again, although some of EA's mobile titles have succeeded in the mobile market, the company is still struggling to find its way into the sector.

Indeed, Electronic Arts live service business is more profitable on PCs and consoles than on mobile. Its mobile business seems to be on a rollercoaster, forcing the company to constantly tweak and rethink its strategies in its approach to the mobile sector. EA frequently redesigns its games and the in-game economy attached to the game mechanics. The company also regularly examines how and when to deploy its merger and acquisition tactics. Unlike the SNS market, which the company ultimately withdrew from, EA persists in its attempt for a dominant position on mobile platforms because it is such a significant segment of the game industry now. The company does not extract as much as it wishes from its titles on mobile devices, but these games also do not jeopardize the publisher's revenue. Despite a subsequent retraction in EA's mobile business in recent years, the mobile business still contributes to 40% of the publisher gains,⁷⁷ but has also contributed to reducing the publisher's expectations on their annual guidance. It is intriguing that one of the fastest and most consistent successes launched by EA in 2018, the

⁷⁶ For instance, EA made changes to Madden Mobile to broaden its appeal, betting that the changes would encourage players to spend more, but the game's monetization fell. (Electronic Arts 2019c, Q3 2019, Earnings Call Transcript)

⁷⁷ Electronic Arts, 2019d, Q4 2019 Earnings Call Transcript.

battle royale-style game *Apex Legends*, did not reach mobile or the Chinese market,⁷⁸ even though the company announced such a managerial move on its Q4 2019 investor call. Such delay is quite surprising considering the potential of the game to succeed on the platform, especially when looking closely at the high performance of similar games like Epic's *Fortnite* and Tencent's *PUBG* have presented on mobile. EA has revealed that the company was also considering partnering with a third-party studio to develop the mobile instalment of *Apex Legends*.⁷⁹ Although the publisher has not disclosed which studio it has been considering partnering with, the publisher has also made clear its intent to have a studio that is able to tackle the economies of the game at scale.

Tencent and Electronic Arts have invested in the global mobile market differently; however, both have deployed similar strategies such as mergers and acquisitions to gain leverage and accelerate their profit margins. Tencent benefits from its mega-platform status and infrastructure including QQ Mobile and WeChat, the biggest Android-powered App Store in China. All of this can be leveraged to promote its mobile games at the same time as entering into partnerships with a range of companies that help diversify its games catalogue and improve the company's developmental expertise. Electronic Arts, meanwhile, has struggled to stabilize its performance in the sector, even failing to launch its own mobile cash cow. The company has relied on its brand recognition and franchise catalogue to position itself in the highly competitive mobile market. It is a tactic that may or may not work considering how strong its competitors are, or how well the game economy is balanced. Such struggle does not mean that the American publisher has failed in the mobile segment though. It is undeniable that the mobile market currently takes the big slice of the game industry pie in terms of revenue, and as such both companies, particularly EA, need to keep the wheel of investment moving in terms of innovation, research, and development so that they can continue to engage in the sector as much as possible.

⁷⁸ The company did not launch *Apex Legends* either in China or extended the game into mobile format until the moment this section was written in May 2021.

⁷⁹ Electronic Arts, 2019b, Q2 2020 Earnings Call Transcript.

4.3 Streaming Tools + Games: Expanding audiences, marketing, and markets.

Digital platforms like social network systems (SNS) and mobile devices have forged a new socio-cultural paradigm that we might think of as the global society, particularly within the gaming landscape. These digital spaces have opened the gaming door for everyone who has access to a digital device, transforming gaming activity into an ordinary action or behaviour in people's daily life. However, they are not the only things responsible for such socio-technical change. While SNS and mobile equipment have generated a horde of new gamers, online video streaming platforms have also played a role in bringing another army of people into the gaming world by making games and gamers more visible. Such prominence has acted as an instrument to amplify the gaming audience. Video games appeal to two different audience segments: those who enjoy playing games and those who enjoy watching them being played. When arcades were popular it was not uncommon to see a group of people huddled around a coin-op machine watching a star player's abilities. Later, when games were more commonly played at home, it was not unusual to wait (and watch) a family member or friend to finish a turn or 'die' during a quest before passing the controller to the next person in line. The appeal of the medium for viewership and competitions has always been present. In the 1980s, Nintendo's and Sega's players would cross the U.S. to compete with one another for the title of the country's best Mario or Sonic player. Kline, Dyer-Witthford, and De Peuter (2003) have discussed the role of these competitions as having a cultural influence on youth, while also marketing the game companies' position and ensuring brand loyalty. This strategy demonstrates how the circuits of production and socio-cultural practice are intertwined, influencing and nourishing each other in the process. I suggest that there is a fundamental difference between previous forms of shared gaming experiences and the current practices. The combination of speed and capacity of the internet to reach multiple platforms, and across them, all while accessing a larger user base, allows for platforms and users to interact and inform one another in novel ways that were unknown in the era of pre-digital platform gaming.

In her 2018 book, *Watch Me Play*, T.L. Taylor brings a historical and ethnographic perspective to game live-streaming. Taylor's analysis of Twitch, one of the largest streaming platforms, engages with a range of scholarship from media and game studies to sociology and labour theory. She also investigates the streamers themselves, from professional esports broadcasters to amateur

players transformed into content producers (what she calls ‘variety streamers’). In this section, I will focus on streaming platforms, their affordances, and how they are attracting game companies to connect with users through an official channel while using the platform’s assets (the streamers themselves) to drive consumer choices.

Taylor (2018) writes that game live-streaming is a result of the collision of “multiple cultural trajectories” (p. 33), including the transformation of television and telecommunication infrastructures, the extensive gaming culture and multiplayer experiences, the Internet culture of user-content generation, and the so-called ‘real-life culture’ that is broadly disseminated through reality shows. As part of cultural and socio-technical evolution, internet game broadcasting began to gain traction through YouTube and Twitch. Still, the Let’s Play culture came a bit earlier when these specialized digital platforms first began to operate. Though it is impossible to precisely affirm when or who started the practice, the most common understanding in regard to its origins are the Let’s Play on the website Something Awful’s forum community, and member Michael ‘slowbeef’ Sawyer. In 2004, ‘slowbeef’ published screenshots of the Metal Gear 2: Solid Snake game accompanied by comments over his playthrough (Klepek, 2015, May 6). Indeed, in the beginning, such practice was restricted to a subcultural niche, only becoming a broad cultural and socio-technical phenomenon with the introduction of online video platforms such as YouTube and Twitch in 2005 and 2011, respectively.

The success of the gaming broadcasting on the internet was so stunning that in 2015 YouTube announced the release of YouTube Gaming, a division of the app platform dedicated to video game playthroughs, live-streaming, and esports tournaments. The move was to strengthen the platform and make it more competitive, especially in the face of the growing popularity of Amazon’s Twitch.TV (Dredge, 2015, August 26). This gaming-oriented move by the platforms was intended to help in retaining its top content creators linked to gaming culture, such as Felix “PewDiePie” Kjellberg, who in 2015 hit 10 billion YouTube views (Dewey, 2015, September 9), and got an average of 300 million monthly views on his channel at that time. By December of the same year, PewDiePie was the first to reach 50 million subscribers. In 2020, the streamer inked an exclusivity deal with YouTube, though the terms of the agreement were not disclosed. At the time, PewDiePie accumulated 104 million subscribers and surpassed 25 billion views after ten years on the platform (Sinclair, 2020, May 4). By July 2021, the streamer had accumulated

110 million subscribers on his channel. PewDiePie is just one out of many examples of successful content creators on the platform. As digital platforms' strength and power depend on users' engagement and creation, YouTube could not afford to lose its leading creators to the growing Twitch platform.

Like any platform, YouTube provides technical and social affordances to its users. In exchange, it harvests a large set of data from them that then feeds a market system anchored primarily in advertising. In his study of video game commentators, Hector Postigo (2014) describes YouTube's features and affordance structure as a way of "harnessing the productivity of 'YouTubers'" (p. 06). According to him, apparatuses such as commenting, rating, favouriting videos, and subscribing to channels are used by the platform's algorithms to rank videos and disseminate them to other audiences through the platform's recommendation system, that in turn reinforces and engages the community's creation inside YouTube. The bigger the community is, the more robust the platform's metrics, and consequently the platform's power as well. That is, the more engagement a channel or video can provide, the more gains a platform will receive through the commodification of user's content that is then run through their advertising system. Members of YouTube communities who are also creators can benefit financially through the YouTube Partners Program in which advertising is attached to their videos. The popular creators may even get advertisement contracts for themselves. A very few names like PewDiePie can make millions annually through the platform. A small portion can make a reasonable living with it, but most creators won't making a living from it, or even earn anything. Platforms offer the gamble of success and fame, inspiring users and content creators to produce content for a platform that doesn't care who the next YouTube star is, or who isn't. Platforms just need people to continue producing and consuming content.

In 2020, YouTube Gaming reached more than 40 million active gaming channels. Over 80 thousand creators hit 100 thousand subscribers, over a thousand channels reached 5 million subscribers, and more than 350 gaming creators reached 10 million subscribers in their channels.

YouTube also surpassed 100 billion hours of gaming content watched among playthroughs and live-streaming, including six live esports events.⁸⁰

Twitch, YouTube's main competitor, started to operate in 2007 as Justin.TV. It was initially intended to be some sort of reality TV show, allowing anyone to live broadcast anything they wanted to at any time (Taylor, 2018). In its first four years, the platform faced many legal processes over piracy issues, especially on broadcasting prime sports events, and was also facing reduced viewership numbers. In 2011, Justin.TV was rebranded as Twitch.TV, focusing on the only sector in which the audience was increasing: live game streaming and esports competitions. After rebranding, the platform worked on improving its services and technologies, including the development of a software development kit (SDK) and an application programming interface (API) tool that allowed for third-party add-ons to the platform, and the facilitation of the integration of the Twitch system into games itself (Taylor, 2018). In 2014, Amazon purchased the live-streaming platform to expand its gaming business opportunities in a deal that closed at US\$ 1 billion.⁸¹ As within the platform logic discussed in this chapter, Twitch's growth and survival depend on its users and third-party creativities. As put by Taylor (2018),

Twitch is able to monetize the creative broadcast production of users, finding ways to align and harness the technical creativity of third parties as well as having game developers see Twitch as a central part of their product, it is now a part of its overall framework. (p. 97)

Regardless of its particularities, Twitch's affordances function similarly to those of YouTube or any other platform. It leverages the users and third-party creations, community engagement, and a volume of activity that then is commodified and integrated into the platform's advertising system. Although the platform's size is a fraction of YouTube Gaming—Twitch claims to have over 9 million channels that were broadcasted over 18.1 billion hours in 2020.⁸² The platform's star, Richard Tyler "Ninja" Blevins, alone has 17.5 million followers on his channel.⁸³ Its

⁸⁰ <https://blog.youtube/news-and-events/youtube-gaming-2020/> accessed June 28, 2021.

⁸¹ <https://www.businessinsider.com/amazon-buys-twitch-2014-8> accessed on June 28, 2021.

⁸² <https://streamscharts.com/2020/channels> accessed on July 9, 2021.

⁸³ <https://www.twitch.tv/search?term=ninja> accessed on February 16, 2022.

importance relies on the gaming culture and sense of community inside the platform, which are reinforced by TwitchCon Events. Promoted by the company since 2015, TwitchCon is a fan convention devoted to the platform and the culture of video game streaming. It is an event where users and streamers can meet and engage with each other and strengthen their communities (Kollar, 2015, September 24).

The Twitch community's gaming passion is exploited by the platform itself and the game industry. Game companies have been using the platform to drive consumers' choices and promote games. Investigating the impact of live-streaming on the video game industry, Johnson and Woodcock (2019b) have pointed out that live-streaming directly affects the game industry's marketing and sales beyond just expanding the gaming practice to a broad audience. Twitch has become a game review and advertising channel for consumers who have not yet decided about purchasing a recently launched game. Streamers play the game for live audiences, thus in effect giving a demonstration of the interactive game experience for viewers. The practice, the researchers suggest, provides the streamer with the power to influence the viewer's perception of the game and, consequently, the final decision on the purchase.

Twitch has also been an essential tool for increasing visibility, especially for indie games which are increasingly relying on streamers as one of their primary advertising channel. Johnson and Woodcock (2019b) also acknowledge the importance of the platform to extend old games' lifespan through nostalgic gameplay streaming. Indeed, the emergence of such content creation in these platforms has played a crucial role in the contemporary political economy of the video game industry as well, particularly in the visibility and marketing process of the game production chain.

4.3.1 The Live-Streaming Practice in China

Live-streaming in China began when internet users repurposed video room services to host public performances back in 2005. In 2013, the live-streaming industry was vigorous, with large host unions that functioned to train and manage streamers' careers (Chen & Xiong, 2019; Lu et al., 2018; Lin & Lu, 2017). More recently, with the proliferation of powerful mobile devices equipped with high-definition cameras and high-speed internet technology, the practice has become extremely popular, attracting millions of people. In 2020, the number of live-streaming

users reached 617 million,⁸⁴ approximately 62.4% among internet users, and is expected to grow in the next few years. The high number of live-streaming platforms in China pushes the local market competition to levels that is not comparable to its counterpart in the U.S. (Recktenwald & Yiwei, 2016; Cunningham, Craig & Lv, 2019). However, like their Western counterparts, Chinese live-streaming culture aggregates various styles such as life experience, sports, travelling, e-commerce, gaming, career and future planning, and variety shows. A unique type of content on Chinese live-streaming is the so-called ‘show-room’ where the hosts, primarily beautiful and young girls, sing and dance for their audience, usually a group of men (Chen & Xiong, 2019; Lin & Lu, 2017).

Chinese live-streaming business models also differ from the West’s advertising-dominant model. Most live-streaming broadcast services in China are based on rewards or virtual gifts, which some scholars may call the gift economy model. Viewers are encouraged to purchase gifts for their favourite streamers to improve their connection to the host and their popularity among the channel audience. Gifts typically are converted to monetary and symbolic systems. They differ according to their monetary exchange value and the cultural meaning of the gift, which the platform uses to categorize viewers based on the amount of money spent (Chen & Xiong, 2019). To receive more attention from the streamer or become a VIP in the channel, some wealthy viewers use their money to promote themselves, and offer expensive gifts to their beloved streamers. According to Chen and Xiong (2019), this type of behaviour and attitude attracts the streamer’s attention and the audience’s respect. Among the strategies for viewer retention and to stimulate more donations, streamers verbally acknowledge the gift, encouraging others to donate. Another approach is to offer special attention to those willing to spend money by mimicking a family-type relationship and cultivating loyalty to the channel (Chen & Xiong, 2019). Although the gifts are addressed to streamers, platforms are responsible for collecting the value, returning a percentage of the income to the streamers.

Platforms also offer features to encourage the gift economy, such as a public leaderboard displaying the top donors of the week and the all-time top donors of the channel. This

⁸⁴ <https://www.statista.com/statistics/1061708/china-online-streaming-user-number/> accessed July 15, 2021.

gamification stimulates others to send gifts, and strengthen the streamer's community (Recktenwald & Yiwei, 2016). Chen and Xiong also argue that platforms can organize contests among their streamers to encourage gifting routines, in which the contest winner is the streamer who receives the most gifts from their fan-base audience. In these events, streamers' fan-bases are always encouraged to purchase expensive gifts "to defend the sense of 'group honour' that has been implanted in their subconscious" (Chen & Xiong, 2019, p. 116323).

The live-streaming industry in China involves more than streamers and platforms. There is also an entity responsible for training and managing streamers' careers; some scholars may call them host unions or guilds, or refer to them as intermediaries⁸⁵ (Chen & Xiong, 2019; Lin & Lu, 2017; Cunningham, Craig, and Lv, 2019). An analysis of how scholars describe such entities and their characterizations suggests that it is more accurate to refer to them as management agencies. In the fast-growing market of Chinese live-streaming broadcasting services, agencies have been created to perform two prominent roles: a) offer mentorship to streamers⁸⁶ and b) monitor streamers' performances and content delivered during the show as a means of avoiding issues with the Chinese government. Thus, it has become common for live-streaming platforms to require their streamers to register and be associated with an agency. Agencies also manage streamers' compensations, including a monthly base salary, plus a cut from the fans' gifts income, usually marked at 20% of the total value. They may also receive part of any applied advertising fees. According to the popularity of the streamers, the share rate and salary are negotiable between streamers and the agencies/platforms (Chen & Xiong, 2019; Lin & Lu, 2017).

As Chen and Xiong demonstrate, the partnership existing between agencies and platforms tends to foster collaboration. Agencies usually pay 10% of their income to their host's platform, and closely manage streamers' content and performances to fit into government requirements. In return, they receive discounts on the platform which can be used to purchase advertising space

⁸⁵ It is not totally clear what these agencies are or to whom they belong. Lin and Lu (2017) mention they are composed by companies, which may or may not include live-streaming platforms. Chen and Xiong (2019) call them unions, and Cunningham, Craig, & Lv (2019) do not attribute any specific term to this entity, referring to them just as intermediaries.

⁸⁶ In the West, part of these functions can be fulfilled by the platform itself. For instance, the YouTube Partner Program offers tutorials, recipes, and prescriptions on how to create and curate content to earn money and become an influencer. See more <https://support.google.com/youtube/answer/72851?hl=en>

on the platform's front page where they can promote their streamers. Agencies can also use these discounts to buy packs of gifts to support their streamers at lower costs. Such cooperation enables agencies to promote their streamers better and also to increase their incomes (Chen & Xiong, 2019).

Chinese live-streaming broadcast may also combine advertising systems and a gift economy in live-streaming content categories, such as gaming for instance. As noted by Cunningham, Craig, and Lv (2019), Chinese social media creators operate within an interplay of multiple actors within the media ecology, including "multiple platforms and stakeholders, whether fan communities or general users, sponsors or advertisers, regulators and policy makers" (p. 724). Gaming represents 20% of the live-streaming industry in China, and most gaming streamers tend to focus their attention on the most popular games and esports tournaments. In fact, the success of live-streaming gaming in China results from the impressive economic performance and global dominance of the Chinese video game and esports industry (Cunningham, Craig, & Lv, 2019). However, this success cannot be dissociated from strong government support (Guo, 2021; Tang, 2020). Foreseeing a market niche, the government of China acknowledged esports as an official sport in 2003, allowing companies to foster and nurture talented gamers to reach professional levels (Cunningham, Craig, & Lv, 2019). Chinese tech companies, including Tencent, Alibaba, and Baidu, also own video platforms, live-streaming broadcasting services, and esports' business. Like other categories of streamers, gaming streamers receive a fixed salary and a share of the gifts, through which top gamers can surpass millions in their exclusive arrangements with the platforms (Bloomberg, 2019b).⁸⁷

Like western platforms, the Chinese live-streaming counterparts also have their star streamers. DouYu's, one of China's biggest gaming live-streaming platforms, inked an exclusive contract with Liu Mou, A.K.A PDD. In August of 2019, PDD's audience was more than 10 million followers, and his earnings surpassed, at that time, 4 million dollars a year (Bloomberg, 2019a)⁸⁸, a figure which includes both the base salary plus the gift share rate. Although exclusive

⁸⁷ <https://www.scmp.com/abacus/tech/article/3029528/chinas-twitch-pays-millions-dollars-keep-its-top-streamer-exclusive> accessed July 14, 2021.

⁸⁸ <https://www.bloomberg.com/news/videos/2019-08-12/meet-china-s-biggest-game-streamer-video> accessed July 18, 2021.

arrangements may seem expensive for the platforms, they are still valuable for community engagement and advertising. Losing top streamers might mean losing a large and loyal audience who would follow these streamers to other platforms. Because of the way platforms operate, they cannot afford to lose millions of subscribers' engagement under the penalty of reducing their content, attractiveness, gifts, and advertising economy based on streamers' creativity and their audience commitment (Cunningham, Craig, & Iv, 2019). The highly competitive environment for platforms in China makes such agreements even more imperative. While in the west the most notorious gaming live-streaming platforms are Twitch and YouTube, in China, the top gaming live-streaming platform are DouYu, Zhanqi, Huomao, HuYa, PandaTV, Quanmin, and eGame.⁸⁹

4.3.2 Tencent business on Live Gaming

Tencent manages all sorts of content through their applications and services, and their streaming business is no different. In addition to gaming content, Tencent's streaming business also aggregates music, films, tv shows, sports events, and ordinary user-generated content. The company owns one of the largest video streaming platforms in China, Tencent Video, which in March 2021 counted over 605 million monthly active users⁹⁰ and 115 million subscribers.⁹¹ The platform does not focus on gaming or esports. Instead, Tencent Video operates the rights to stream entertainment content such as films, tv shows, user-generated content, sports, and live events from a variety of providers such as NBA, Sony, Universal, Warner, and the BBC. It also offers its audience Tencent's own produced content. Though, like its significant competitors, iQiyi and Youku, platforms owned by Baidu and Alibaba, the company must expand the original scope of its streaming platform.

Aiming to expand its gaming products and services, Tencent started to invest in live-streaming platforms. In 2016, the company allocated an undisclosed value to Qihoo, a small Chinese live-streaming company.⁹² Two years later, Tencent invested more than US\$ 1 billion in DouYu (US\$ 632 million) and HuYa (US\$461 million), two of the most popular Chinese gaming live-

⁸⁹ See <https://escharts.com/platforms> accessed July 14, 2021.

⁹⁰ See <https://www.statista.com/statistics/1032630/china-leading-apps-by-monthly-active-users/> accessed July 22, 2021.

⁹¹ See <https://www.businessofapps.com/data/video-streaming-app-market/> accessed July 22, 2021.

⁹² See Tencent, 2016b, Q1 2016, Earnings Call Transcript.

streaming and esports broadcasting platforms. Martin Lau, the company's president, justified the business move by acknowledging the synergy between the emergent gaming broadcast market and Tencent's game business. According to Lau, the investment would allow the company to seamlessly connect Tencent's games with Chinese audiences, especially young users, and most likely develop new business models also anchored in the gaming tournament broadcasting (Tencent, 2018d, Q4 2017, Earnings Call Transcript).

In 2020, Tencent made a capital injection of US\$ 262.6 million into HuYa's live-streaming service, which made it the largest shareholder, and granted Tencent control over the live-streaming platform (Tencent, 2020a, Interim Report). The company also guaranteed four seats on Huya's direction board, including the chairman position to Tencent's general manager Lingdon Huang (Batchelor, 2020, April 27). Tencent's purchase of HuYa gave the company a privileged position in the Chinese streaming scenario by granting Tencent influence over China's two biggest gaming live-streaming platforms (DouYu and HuYa). Financial analysts have pointed to Tencent's takeover of HuYa as a strategy to retain and win back its young audience through esports tournaments and gaming-oriented live-streaming. Though WeChat is still the most significant app in China, Tencent has seen some of its competitors, such as DouYin (or Tik Tok), NetEase, and Baidu's iQiyi, grab a slice of its target audience as well as a part of its advertising business. For Tencent, by providing an efficient ecosystem for facilitating and intertwining connections among its social network, gaming and live-streaming services strengthen its services and portfolio and attracts more (or recovers) users and advertisers.⁹³

Still, in 2020, Tencent maneuvered a deal to merge DouYu and HuYa into a super gaming live-streaming platform (Tencent, 2020a, Interim Report). The company already owned the majority stakes in HuYa and over a third of DouYu. Combining both would make Tencent the largest shareholder of the new super platform with a 67.5% stake and grant the company a dominant position on China's gaming and esport live broadcasting scene. DouYu and HuYa have more than 330 million monthly active users combined and nearly 80% of the streaming market share in China (Partis, 2021a, July 12). Financial analysts argue that the merger of DouYu, HuYa, and

⁹³ See <https://www.nasdaq.com/articles/tencent-gains-control-of-huya%3A-what-does-this-mean-for-joyy-2020-04-09> accessed July 22, 2021.

eGame⁹⁴ would create a \$10 billion live-streaming giant⁹⁵ and grant Tencent a dominant position in the gaming live-streaming and esports broadcasting scene in China. The new super-platform would strengthen Tencent's chances to compete globally with Twitch, following Nimo TV's (HuYa) success in Latin America (Smith, 2020, August 5).

Nonetheless, Tencent's plans were frustrated by the rejection and blockage of the deal by the anti-trust regulator agency in China. The State Administration of Market Regulation (SAMR) reported that Tencent failed to forsake its exclusive rights required by the agency. However, the SAMR did not provide details on what rights Tencent should renounce to grant the approval for the merger (Partis, 2021a, July 12).

Despite such issues with the Chinese government, Tencent has a productive relationship with the State administration and promptly responds to the administration's exigencies in order to avoid major interference in its business. As discussed in the previous section, the government also closely watches the live-streaming market, where streamer's content and performance must also follow government regulations. In 2019, the government updated its Internet governance, in which the new rules applied to all streaming platforms. A few days after the State regulation update, Tencent was already implementing its guideline in all of its streaming content that involved its products, as well as a few rules to protect its brands and copyrights. Among the things Tencent would be closely watching include:

- . Promoting or instigating bloody violence in the real world;
- . Promoting illegal information such as terrorism, cults, pornography, gambling, and more;
- . Violating other people's privacy or sharing their personal information without permission;
- . Breaking constitutional law or discussing sensitive topics such as national politics, nationalities, religions, and regions;

⁹⁴ Formerly Penguin eSports, eGame is Tencent's live-streaming platform.

⁹⁵ See <https://www.wsj.com/articles/tencent-powers-up-with-a-game-streaming-super-platform-11602586600> accessed July 22, 2021.

- . Infringing copyrights of game publishers and developers, or other streamers and content creators;
- . Pretending to represent Tencent officially and spread false information;
- . Sharing information about cheating, hacking, account boosting, or private servers;
- . Behaviour that damages the user experience for the Tencent users or damages Tencent's brand;
- . Creating content that causes any negative social influences. (Batchelor, 2019c, February 19)

Seeking an opportunity to expand its streaming business inside and outside of China, Tencent invested regionally by acquiring the Malaysian platform iflix, while also partnering and allocating money to streaming services such as the Chinese Bilibili and Versus Programming Network (VSPN) platforms (Vorhaus, 2020, June 26; Valentine, 2018c, October 3; Ashton, 2018, May 7). The company has also launched a beta version of trovo.live, a gaming live-streaming and esports broadcasting platform, in the U.S. to take a position in the territory fought over by YouTube Gaming and Twitch.

By seamlessly connecting its social network, live services, platforms, and games, Tencent is strengthening its game ecosystem. Its business move toward streaming platforms indicates the company is aggressively pursuing the domination of the Chinese gaming live-streaming landscape. Simultaneously, it is trying to enhance its position globally. The strategy of joining its entire game production chain, from developing and marketing to playing and broadcasting, under one umbrella has simplified the interaction and engagement among users and their friends' connections with Tencent's games, streamers, and services. It demonstrates the company is not just pursuing leadership in the gaming live-streaming market share; it is, in fact, connecting people with Tencent's culture, which can be more powerful and valuable in the long run than the immediate economic advantage or market share dominance the company is pursuing.

4.3.3 EA streaming business play

While Tencent sees live-streaming technology as a fundamental and strategic aspect of integration among its platforms, games, and services that works to enclose its game ecosystem, Electronic Arts uses streaming platforms in a sense described by Johnson and Woodcock

(2019b): that is, as a marketing and promotional tool rather than a service to be offered by the company. EA's strategy in regard to the gameplay broadcasting service venue was to partner with Twitch and integrate the broadcasting service into the company's online game service Origin. For EA, the addition of built-in broadcasting tools would allow its players to live-stream their gameplay (McWhertor, 2012b, November 7). Indeed, the company quickly took advantage of Twitch's API and SDK to connect the live broadcasting platform into its services. However, the move to use video streaming platforms as a tool for marketing and game promotion happened at a different pace.

Electronic Arts began to see the marketing potential of live-streaming after the number of hours of streamed gameplay for *Star Wars Battlefront* beta surpassed the millions on Twitch and YouTube. The company's executives believed that streaming the game's beta version in tandem to the global marketing campaign of the upcoming *Star Wars* movie *The Force Awakens* would help establish a solid number of pre-orders for the game (Electronic Arts, 2015b, Q2 2016, Earnings Call Transcript). The company then invested more in live-streaming as part of its marketing plan, broadcasting game events to feed the hype among fans. EA's CEO Andrew Wilson reported that the live-streamed event for the *Battlefield 1* announcement "was watched by more than 2 million people ... the trailer was viewed more than 21 million times in the first four days, a new record for EA" (Electronic Arts, 2016d, Q4 2016, Earnings Call Transcript, p. 4).

In 2019, the company made a bold marketing move in using the streamer Richard Tyler "Ninja" Blevins as a vessel to promote *Apex Legends*, a free-to-play battle royale-style game developed by EA's subsidiary Respawn Entertainment. Streaming to its 13 million followers on Twitch, Ninja helped the game amass 1 million unique players in less than 8 hours of the game's launch. The game reached 25 million players and 2 million concurrent players during its first week, beating the previous record established by *Fortnite* for a single-day number of viewers (Batchelor, 2019a, February 5; Valentine, 2019a, February 12; Batchelor, 2019b, February 15). The game did not have a conventional marketing campaign: no pre-announcement or pre-launch events fed the hype. EA declared at the time that the game's surprise release was to prevent a potential poor response to its status as a free-to-play attached to loot boxes microtransactions game. However, it was reported a month later that EA paid the streamer Ninja US\$ 1 million to promote and stream *Apex Legends* through its Twitch channel (Dring, 2019, February 5;

Valentine, 2019c, March 13). By April 2021, the game surpassed 100 million active users.⁹⁶ As part of its marketing strategy and campaign adjustments, EA also decided to step away from the Electronic Entertainment Expo (E3) and run its own live event (EA PLAY) that publicized its games, services, and publishing partnerships. The company has been hosting EA PLAY since 2016 via its official account on both Twitch and YouTube platforms. The company also manages YouTube accounts for its leading franchises to promote new instalments and connect with the fans' community.

Broadcasting network connections are also crucial for Electronic Arts in its promotion of its esports tournament. Curiously, the company chose television networks, such as ESPN Network, BT Sport, Univision, and CW Network, as its first partners in airing its games' championships live rather than establish a solid relationship with gaming live-streaming digital platforms.^{97 98} Though such a decision appeared conservative, considering the target audience for esports is easiest found on digital live-streaming platforms, EA's move may be read as an attempt to promote the esports modality to a broader sports audience. It was an attempt to attract people's attention to the new sport, and hopefully, lift its popularity among a more conservative audience. In 2019, the company announced EA Broadcast Center, a dedicated broadcast studio in Redwood City, California, EA's headquarters. The purpose of the studio is to host esports tournaments and related events. The studio space was designed to afford interviews with players, a space for analysts to offer commentary, a lounge for players, and seating space for media and audience. However, streaming broadcasting became more diversified through digital live-streaming platforms that included Twitch, YouTube, Facebook, and Mixer. At the same time, on the television network side, the ESPN channel was granted the right to air live EA's esports tournaments and events (Hayward, 2019, March 15).

As suggested by Taylor (2018), "game live-streaming is an assemblage of actors, technologies, and practices. It is a form that plays with the boundary lines between audience and producer" (p. 37). As main actors in this ecosystem, Electronic Arts and Tencent are both, in their particular

⁹⁶ <https://twitter.com/PlayApex/status/1382378457808699396> accessed June 12, 2021.

⁹⁷ Electronic Arts, 2017b, Q4 2017, Earnings Call Transcript.

⁹⁸ Electronic Arts, 2018c, Q3 2018, Earnings Call Transcript.

manner, investing and creating opportunities to capitalize on the potential live-streaming platforms offer. It is challenging to compare Electronic Arts and Tencent since the two companies are structurally different; they also differ with respect to the extent and coverage of and differ in their business operations. However, both companies have helped shape the game industry as it is today due to their strong interest and activity in the sector. EA has a more conservative strategy; it is more centred on taking advantage of live broadcasting to promote its games and esports tournaments. On the other hand, Tencent understands the importance of seamlessly merging live broadcasting into its already extensive ecosystem as the key to lock its users into the consumption of its products and services, reinforcing what some scholars call “the Tencent lifestyle” (Tang, 2020; Guo, 2020). The strategy enables an intertwined circle for Tencent’s production process in which all the points of the company’s production chain are used to improve Tencent’s performance in the Chinese gaming environment.

4.4 Summary

As chronicled in this chapter, the gaming sector has allied itself to platform technologies *modus operandis*, resulting in a redesign of the entire industry’s production process. Such partnership has influenced the industry’s development process, restructured the marketing sector, and imposed new ways for players to consume and play video games. Social network systems (SNS), mobile devices, and live-streaming platforms have had a tremendous impact on the gaming ecology, remodelling much of the landscape. The platform’s logic of production and its business model have driven veterans of the industry to adjust to the new techno-economic era while opening the gaming door to new players in the global market.

Facebook and QZone indeed helped to transform gaming into a popular activity, grooming an army of new gamers for the sector. More than popularizing the gaming activity, SNS has restructured logic of game production while attaching a questionable mechanic to their games that further engages the users and extracts the maximum from them. These tactics embedded in games function to foster and retain players’ attention, as well as manipulate players through behavioural conditioning, or what Finn characterizes as SNS’s “own forms of discipline and productivity” (Finn, 2017, p. 115). These features have prepared players for a complete transition and acceptance of the new logic of production, consumption, and monetization of games.

In regard to the mobile device, affordances such as a powerful computational capacity and locative features have lifted mobile games to a more personal and contextual level (Mayra & Alha, 2021) while also contributing to the popularization of gaming activity. The introduction of the App store was the key feature for the platform that led to the reshaping of the distribution and circulation of games. The opportunity to produce and circulate more games among a new audience proved to be another way to enclose the market, only further gatekeeping and centralizing power in the hands of few companies, such as Apple, Google, and Tencent. Recently, such a concentration of power led to an internal battle among developers and app stores over the store's service fees. The outcome of the lawsuit involving Epic Games and Apple fighting over the exclusive rights (or monopoly) of the app store to control the monetary transactions⁹⁹ inside third-party apps (e.g., *Fortnite*) might result in changing the app stores' internal rules and fee rates. A favourable decision for Epic, for instance, may force a better balance in the economic gains for small developers and publishers as well as concede advantages to powerhouses like Epic Games (and its major shareholder Tencent). However, it won't suppress the power of app stores in their dominance, curation, and control over the mobile market.

From the live-streaming perspective, it is undoubtable that the boost platforms gave the gaming audience in terms of the number of new gamers and the amplification of the gaming capital has been a spectacle. As Taylor (2018) suggests, game live-streaming resulted from the collision of a multitude of electronic media and their evolutionary path through time. Such encounters have resulted in a broad cultural, socio-technical shift, as seen in the introduction of the online video platforms YouTube, Twitch, DouYu, and HuYa. Like any platform, video streaming platforms provide technical and social affordances to their users in exchange for harnessing their productivity (Postigo, 2014). They harvest large sets of data to feed a market system anchored primarily in advertising (Van Dijck, 2013; Van Dijck, Poell & Waal, 2018). In fact, live-streaming platforms' users and viewers generate benefits for not only the platform metrics itself, but the game industry has also exploited its success into driving consumer choices and the

⁹⁹ See <https://www.bbc.com/news/technology-57232824> accessed July 31, 2021.

promotion of games. For developers and publishers, streamers have become a marketing asset to be used in their favour to induce purchases from their large fan base.

Regardless of the culture, places, countries, or regions, digital platforms are using games to extract (voluntarily or not) user's data and feedback to improve services and increase profits. This confirms Kerr's (2017) argument that platform logic, cultural products, and services are influenced by the implicit and explicit representation of audiences, and (even more) by the direct involvement of them as an essential part of the production process. Evoking Nieborg's (2021) argument that one must acknowledge and understand the "role, position, and business practices" (p. 181) of developers and publishers to comprehend the fundamental nature of producing a game, this chapter has offered an analysis of Tencent's and Electronic Arts' business strategies and moves to incorporate new technology into their ecosystem. As a mature and well-established game company, Electronic Arts used its financial resources to transform itself quickly, though not without struggle, as it sought a stable path forward in this new gaming landscaping. In contrast, Tencent, as a platform company, has been able to extract more from this changing environment through enclosing its infrastructure, including popular applications, SNS, and an app store, and becoming allied to key successful game franchises tailored for each of the different levels of Tencent's infrastructure and services.

While it is not the goal of this chapter to evaluate the right (or wrong) business decisions undertaken by the two companies in their pursuit of an adequate game production process in a transformative market, it is still essential to highlight some of these decisions, and how they have impacted the game industry more generally. For instance, Riccitiello's business decision to restructure and prepare EA for the platformization of gaming digital business may not have produced the expected financial performance for the company; indeed, it did cost him his position as CEO. However, these business moves toward social and mobile environments, and the acquisition investments attached to them, allowed the company to adapt to the emergent scenario and survive the platformization process of the game industry, thereby maintaining EA's position as an important global player. From the business perspective, Riccitiello's actions were in the right direction, but perhaps his error was to act too fast toward these new technologies, embracing them all almost simultaneously.

After assuming the role as the company's new CEO, Andrew Wilson prepared to make structural adjustments to the company to eliminate excess and inefficient products, while, at the same time, focusing the company on more significant opportunities. The new leadership at the company considered different platforms and business models as a distraction; for Andrew Wilson, the key was to focus on the best opportunities for the company to grow in the digital business sector (Electronic Arts, 2013a, Annual Technology Conference Credit Suisse Transcript). From this point on, EA used everything they had learned about games as service in terms of monetization, user engagement, and extra-content scheduling to improve the profitability of products like Ultimate Team mode, a live service system attached to *FIFA*, *Madden*, *NHL*, *NBA* and *UFC* products. In 2020, for instance, the Ultimate Team mode transactions made US\$ 1.62 billion in revenue alone, representing 29% of EA's business income for the year (Sinclair, 2021, May 27).

On the other side of the globe, Tencent flourished inside the platform logic of production. Moving toward the global market, the company invested high sums on mergers and acquisitions to support its services, platforms, and infrastructure. It continues to harvest gains from those decisions. Tencent's business strategy has also included partnering with essential players in the game industry to further grow demands for its online gaming services, thereby consolidating its strength in the Chinese platform market and its leadership in the global gaming market. In addition to its acquisitions, Tencent also benefits from the quality of its global and regional partnerships. Its high performance and huge user base inside China have made Tencent a key partnership company for foreign companies that want a slice of the Chinese gaming market.

Tencent's (and a significant part of the Chinese internet industry) success cannot be dissociated from the government's implicit support (Guo, 2021; Tang, 2020). However, such a relationship is not always beneficial, and maybe it doesn't have to be. On one hand, the Chinese government imposes heavy regulatory rules on foreign companies wishing to do business in China in order to protect local companies from competition. On the other hand, the same administration also imposes heavy policies and regulations on local Chinese companies, impacting their economic gains. For instance, the government recommends limiting gameplay time and closely controlling the number of games released in China as an effort to reduce the high rate of child myopia (Kerr, 2018d, August 31). Another example is the restructuring and reformulation of regulatory agencies in 2018 that delayed the bureaucratic process of game distribution approval in Chinese

territories for nine months. Both the limitations and freeze on approvals hit Tencent hard, resulting in a US\$ 200 billion loss of its market value at the time (Batchelor, 2018f, August 31; Valinsky, 2018, October 16). Despite these issues Tencent may have at home, the company's investments outside China have helped shelter it from financial damages stemming the Chinese administration's regulatory decisions. Less strict regulations in the West helped Tencent maintain its lead as the top global game company. These economic gains from investments in Western companies have demonstrated that Tencent's business strategy of investing large sums of money abroad was a good one.

Digital platforms are dominating the "socio-economic-cultural-technical" sphere of the global society through the imposition of data mining and automation, the promotion and dissemination of the sharing and attention economy, and the enclosing of digital environments, interactions and mediation. This articulation of a platform way of life, or as characterized by Van Dijck, Poell, and Waal (2018) "the platform society," appears technologically deterministic, but as Manuel Castells argues "the 'dilemma of technological determinism is probably a false problem, since technology is society, and society cannot be understood or represented without its technological tools" (Castells, 2000, cited in Silva & Frith, 2012, p. 5). This meticulous and multileveled process of platformization imposed on global societies is undeniable, impacting the current logic of cultural production, including the production of video games. In the next chapter, I will consider the new actors brought into play by the conjunction of SNS and Games, Mobile and Games, and Live-Streaming and Games. These include a considerable number of new gamers, gameplay streamers, and esports professionals. What role do these actors have in the game industry, how do they influence the circuit of culture, and how do we understand video games as a cultural product?

5. Circuit of Culture: The influence of new audiences and new gaming cultural practices on the video game industry.

As seen in the previous chapter, the platformization of the Internet encourages behaviours such as liking, sharing, collecting, competing, cooperating, and engaging with activities, people, things, institutions, organizations, and enterprises. This process of platformization shapes new interpretations and perceptions of how our daily activities taking place on different levels of society (friendship, work socialization, cultural exchanges, consumables, service providers, and so on) must be performed and regulated. This new socio-cultural phenomenon has imposed a need for a massive group of people to familiarize themselves with gaming languages through play activities, or gamification,¹⁰⁰ which in turn becomes embedded in our socio-digital daily activities that create a sense of the ludic in the everyday. The impact of these new technologies and online platforms on the organizational levels of global societies is immense. In fact, some scholars have argued that the video game best represents the digital (or post-Fordist) era, and even twenty-first century itself, as it encapsulates essential aspects of contemporary global societies, including a wide penetration, pervasive presence, participatory culture, while acting as inspiration for and reproduction of neoliberal political rationalities and a militarized hyper-capitalism (Dyer-Witthford & de Peuter, 2009; Muriel & Crawford, 2018).

In the last decades, digital play was normalized and incorporated into the current society's routine, helping the digital era to establish itself in an easy-ludic way; in turn, the digital era converted video games into an important manifestation of contemporary culture. In the current cycle of digital platforms, the video game's new cultural status become even more evident. In this chapter, I will examine how platform technologies aided the medium to prevail as a socio-cultural phenomenon by adding millions of new players and new game content audiences into the gaming sub-culture, a move reflected within industry itself through its new position as a powerful economic venue within late capitalism. While mobile technologies and its casual games helped multiply the number of global digital players, live-streaming channels and professional

¹⁰⁰ Gamification is the application of game design elements (or principles) to non-game-related activities to encourage engagement (see Deterding et. al., 2011).

video game competitions generated a massive new audience for gameplay watching around the world. The emergence of this new wave of diversified types of players (casual, streamers, and professional athletes) allied to the expansion of gaming audiences helped to naturalize digital play, create gaming habits, and elevate the video game culture to a central position within the culture. That is, this chapter proposes to explore how these new gaming cultural resources have helped to expand the relevance, influence, and capital power of the video game industry.

Technology industries took advantage of the video game's status as a socio-technical assemblage to embed gaming features into many aspects of contemporary life and within their current ubiquitous technical apparatuses. Such a move helped to foster a wave of new players and gaming audiences, as well as recovering long-lost players. The return to a more accessible form of video games through the so-called "casual games" has helped retrieve individuals that used to play games in the earlier days of the industry (Juul, 2010), reconnecting them to game culture. As noticed by Muriel and Crawford (2018), the rearrangement of social institutions in the twenty-first century around digital technology has played a fundamental role in the departure of the medium from that of a sub-cultural niche to its current position of hegemonic and cultural dominance:

We would like to suggest that video games and their culture are what is, de facto, pervading society, and therefore, we are mainly experiencing a specific process of video-ludification of society, rather than just a less specific process of ludification or gamification of the real. This development is undoubtedly about games and what is playful, but the translation of that gamified culture into our everyday practices comes primarily and essentially from video games; their logics, aesthetics, languages, practices and relations. (Muriel & Crawford, 2018, p. 22)

For Muriel and Crawford (2018), the ludo-colonization of all levels of contemporary societal organization, whether education or labour, business or politics, and even social relationships, demonstrates the pervasiveness of gaming culture in traditional social structures. The normalization of video games is the result of the expansion and growing economic importance of the game industry, one that is allied with an extensive and systematized merchandising project, as well as a vast number of game-related events like conferences, festivals, awards, and

expositions, all organized to disseminate and crystalize game culture. An essential social vector for such a phenomenon comes from a generation of people who grew up playing video games and who now encourage their children to play games instead of restricting their play time. Moreover, the fast pace at which game studies has established itself as an important field of knowledge in the academic world is quite remarkable. As underlined by Muriel and Crawford (2018), the institutionalization of video games and the recognition of the play practices has helped consolidate video game culture as an important element in the construction of our social imaginary.

Under the spotlight as a new economic power, video games have started to share attention with, and catch the interest of other cultural industries. Traditional cultural sectors, most notably art galleries and museums, have embraced video games as relevant cultural and artistic artefacts. Not only do renowned museums, such as The Museum of Modern Art (MoMA), have their own video game collection¹⁰¹ but many institutions have focused exclusively on preserving the medium's history. For instance, the Video Game Museum of Rome¹⁰² (Italy), the National Videogame Museum¹⁰³ (England), the National Videogame Museum¹⁰⁴ (Netherlands), The Finnish Museum of Games¹⁰⁵ (Finland), the Digital Game Museum¹⁰⁶ (California, US), the National Video Game Museum¹⁰⁷ (Texas, US), and Montreal Video Game Museum¹⁰⁸ (Canada), to name but a few. Undeniably, video games have become an inspirational source for audiovisual production in the last few years. It is common today to see video games referenced on television shows and movies; video game aesthetics, language, and narrative forms are also used to drive TV or film production. Furthermore, the medium has also carved out its own space within the traditional media landscape, alongside the specialized media outlets and internet forums. For

¹⁰¹ https://www.moma.org/explore/inside_out/2012/11/29/video-games-14-in-the-collection-for-starters/

¹⁰² <https://vigamus.com/en/>

¹⁰³ <https://thenvm.org/>

¹⁰⁴ <https://www.nationaalvideogamemuseum.nl/>

¹⁰⁵ <https://www.vapriikki.fi/en/pelimuseo/>

¹⁰⁶ <https://www.digitalgamemuseum.org/>

¹⁰⁷ <http://nvmusa.org/>

¹⁰⁸ <http://en.mvmtl.org/>

some time now, traditional media has covered video games in a similar manner to other cultural products like films, music, performing art, and television shows, which has assisted the building and diversification of the video game audience.

In education and labour sectors, as noted by Muriel and Crawford (2018), the approach to the medium has moved beyond the use of games as simply a learning tool, or as a means of providing the game industry with a qualified workforce trained in game design and game production skills. It now includes the transformation of the video game player into a new kind of professional who works to fulfill streaming broadcasting demands and esports tournament requirements. Growing incredibly fast, in 2020 gaming and esports content accounted for 54% of the live-streaming industry's total content across western platforms.¹⁰⁹ In terms of audience, live-streaming gaming is expected to reach an audience of 920.3 million viewers worldwide in 2024, and esports is projected to reach 577.2 million people (Newzoo Global Esports & Live Streaming Market Report, 2021).

This tendency is a global phenomenon. Despite its particularities, Chinese digital gaming culture has also achieved levels of influence never seen before, especially through the growing engagement with mobile gaming, streaming broadcasting, and e-sport tournaments. Similar to Western countries, China experienced a social moral panic in regard to digital games until reaching the current level of social acceptance and official tolerance, coupled with heavy regulatory policies, from the Chinese administration. While in the West, the main concerns were related to the negative influence of excessive violent content on young audiences; for China, the main concerns were (and still are) associated with youth addiction and the deleterious impact of foreign content on traditional Chinese culture and values (Cao & He, 2021; Szablewicz, 2020). Guided by Confucian philosophy, which understands games as a childish and an irrelevant activity not appropriate after a certain age, the Chinese society has long condemned gaming. However, the economic potential of the game industry and the successful performance of Chinese companies in the sector (locally and globally) have played an important role in

¹⁰⁹ <https://restream.io/blog/state-of-live-streaming-2020/> accessed December 2021.

promoting a gradual change in the Chinese socio-cultural behaviour toward digital games (Guo, 2021; Cao & He, 2021; Tang, 2020; Szablewicz, 2020; Cunningham et al., 2019).

In China, much of the public opinion about games and gamers is shaped by the traditional media narrative. As revealed by Cao and He (2021), the general discourse around games and gamers on the Chinese media has gone through many different phases. During the 1980s, games were seen as a tool for learning computer skills; by the 1990s and early 2000s, games navigated a long, dark period in which they were understood as a product of cultural imperialism intended to poison Chinese youth until they were reborn as a creative industry and new economy in the middle of the 2000s. Currently, games are part of the national pride, a new local cultural product, or entertainment ‘made in China.’ In the same fashion, players were depicted by the media first as the future of productive labor, then as victims of a kind of e-heroin, and then as middle-class teenagers seeking entertainment, until finally reaching the status of esports athletes and gaming streaming broadcasters. As noted by Szablewicz (2020), the trajectory and reputation of video games and gamers changes depending on what kind of games are being played, where they are played, and for how long a gaming session lasts. That is, in China, games walk a thin line between a healthy leisure activity and an unhealthy addiction, which implies an ambiguous connection to class and power issues in Chinese society. Szablewicz points out that even among young Chinese critics who responded to the government’s regulation of gaming practices, the underlying assumption was that gaming is inherently addictive, echoing mainstream Chinese discourse.

Nonetheless, economic opportunities attached to the gaming industry and local production has been changing games and the reputation of gamers. Digital gaming culture in China has also been elevated to the position of a cultural product, and gamers can now dream of pursuing a professional career through their gameplay, either as a streamer, or as an athlete in esports tournaments. In fact, China currently produces the best esports players in the world, leading the ranking of top esports’ countries by earnings in 2021 (Esports Earning, n.d.-b), and their top streamers can amass millions of viewers on a single live-stream. According to Niko Partners, the number of gamers in mainland China is expected to reach 781.7 million by 2025 (Takahashi, 2021a). Moreover, the Chinese giant tech Tencent has been in first place among the top 25 public

(open capital) game companies in regard to revenue since 2013 (Newzoo, n.d.).¹¹⁰ The Asian country also hosts game conference events, such as ChinaJoy and PAX China, and game studies have started to grow in importance across the Chinese academic ecosystem. Since 2014, Chinese game scholars have been exchanging knowledge about China's gaming culture and Chinese play practice through the Chinese division of DiGRA.¹¹¹ Like the West, China is gradually recognizing games as a significant cultural artefact, with its first Chinese video game archive, the Global Video Game Museum¹¹², opening its doors in 2019.¹¹³

Indeed, the video game is currently not only accepted as part of the broader culture but has also become intertwined with it at a certain level. Once considered a bad influence on young people and a distraction from studies, games have evolved from a niche subculture to having a popular status in mainstream culture; they now represent a cultural manifestation of contemporary society. The diversity among video game players is quite impressive today, with a multitude of cultural and social backgrounds, ages, and genders, with these players also demonstrating a wide range of interests that lead them to play video games. Players' reasons for playing range from pure leisure and entertainment purposes to the wish to harvest financial gains from the medium. Many players methodically schedule their real-time gameplay for streaming broadcasts. Others become video content creators, such as gaming commentators, or offer let's play walkthroughs. These involve time scheduled uploads on video platforms (e.g., YouTube) to better manage audience expectations and number of views. There are also the disciplined, athlete-like players who pursue opportunities presented by esports teams, tournaments, and championships. This new wave of players, as well as professionals, is bound to the new gaming elements of live-stream broadcasts and esports tournaments, which are undoubtedly impacting the gaming circuit of culture as defined by Kline, Dyer Witheford, and de Peuter (2003).

While Kline et al. (2003) focused on the gaming circuit of culture from an internal perspective (e.g., game design and storytelling, player embodiment, and the cultural meaning of a game text)

¹¹⁰ <https://newzoo.com/insights/rankings/top-25-companies-game-revenues/> accessed December 2021.

¹¹¹ The Digital Game Research Association is one of the most influential game scholars' clusters and one of the pioneers in promoting game studies conferences around the world.

¹¹² Virtual Tour <https://test.4dkankan.com/showProPC.html?m=t-f2lycRv>

¹¹³ https://twitter.com/global_museum

I advocate for a shift to investigate the circuit of culture from an external perspective. This will allow for better understanding the role of new players, skilled streamer players, and professional athletes in terms of their impact on contemporary gaming culture. As such, this chapter focuses on investigating how the emergence of these new gaming cultural resources has helped expand the relevance, influence, and capital power of the video game industry. The chapter is organized as follows: the first section examines the arrival of a new group of players through mobile and casual games; moreover, this section discusses the identification of a ‘player’, in contrast with the so-called ‘hardcore player’, and the impact the addition of these players has had on game culture. The analysis then shifts to the live-streaming scenario and gaming content creation via video-on-demand to understand how these players, through their content creation, are influencing and driving the culture of games, as well as some of the industry’s business decisions. The third and final section deals with esports tournaments. In this part, I will examine the current world of gaming competitive practices to grasp how it is impacting the game culture and the cultivation of expectations for a professional gaming career in younger generations. Similar to the previous chapter, each of the following sections uses Tencent’s and Electronic Arts’ business strategies to demonstrate how these companies have approached these new categories of players as new cultural and economic assets through which they can extract affect, engagement, and financial value.

5.1 The rise of video game players

The digital platformization of society, most remarkably through mobile devices, has helped the video game industry expand its sphere of influence through new forms of game production, distribution, and consumption. The pervasiveness and availability of mobile gaming relates to numerous social and cultural changes experienced in contemporary society (Mayra & Alha, 2021). Mobile technology and its specific attributes, including touch screen technology and API and SDK packages, has allowed game developers to invest in simple game mechanics that have changed gaming habits, and consequently, impacted gaming culture. This new arrangement of game production allied to the emergence of games that are relatively simple, but not necessarily easy to play (e.g., *Bejeweled*, *Candy Crush*, *Two Dots*, *Monument Valley*, *Clash of Clans*, etc.), has amplified gameplay consumption beyond the well-known and well-established category of hardcore (or expert) player consumers. The minimalism of mobile games is apparent not only in

their design and playability, but also in the way their marketing and consumption are enforced. Instead of physically going to a retail store or locally accessing the online stores (PC or console) from home, players can purchase a mobile game from anywhere with a “tap” on their smartphone. In fact, the entire mobile ecosystem —app stores’ curatorial processes, the in-game advertising of games, and in-game purchasing features— were carefully developed around facilitating purchases and attracting more players in order to generate engagement and more purchases.

Another relevant attribute of these games is their short and rather repetitive play sessions, allowing people to add brief gameplay sessions into their daily lives without changing their regular schedule. This apparently small feature has made a substantial difference in normalizing game activities, crystalizing gaming habits and broadly disseminating the game culture into different social spaces within society (Mayra et al., 2017, Juul, 2010). As a result, a new wave of game consumers has ‘invaded’ the industry, absorbing its games, as well as its forums, communities, and culture. The ubiquity of the smartphone has transformed everyone into a potential video game player regardless of their gender, age, ethnicity, religious beliefs, or other demographic layers. Quick play became the most common way to ‘kill time’ while in a waiting room, commuting, or in between tasks, and as a means of ‘modern’ procrastination. As noted by Jesper Juul (2010), the video games sector has indeed found a surge of new players, but more than that, the industry has also found a way to reconnect with its old audience through casual games.

5.1.1 Novice Players versus Expert Players

Different games ask different things from players, and different players are not equally willing to give a game what it asks. (Juul, 2010, p.10)

In their earlier days, video games were a simple form of family entertainment made to meet a broad and general audience; accordingly, there was no serious distinction between novice and expert players at that time. The development of the sector and maturity of the medium over the last decades has formed a vibrant culture surrounding play practices and its own particular habits. This has allowed for the development of an ecosystem that includes a set of design (Juul, 2010) and marketing conventions; these include the framing of difficulty of game modes,

minimal gaming length, and a build-in target consumer – namely, boys and male teenagers. It also allowed for the foment of specialized media outlets, virtual gaming communities, gaming-related award events, and a dedicated audience of game fans. Yet, such specialization has also worked to expunge many players from the game scene, such as girls and female teen players, occasional and less skilled players, and players who did not have the time and means available to spend 40+ hours playing one game, or to keep up with all the novelties within the gaming culture (Juul, 2010). It is important to point out that there are also a significant number of players who love games but have chosen to self-isolate from the game culture and its virtual communities due to its well-known hostile and toxic environments.¹¹⁴ In other words, the sedimentation of video games within cultural expression created an exciting cultural identity that is encompassed within a gaming practice. At the same time, it removed a range of players from the video game ethos, leaving it to a specific demographic. These players have nominated themselves as the owners of games as a cultural product and, consequently, of the industry that makes them. As a result, the game industry has redirected its production processes to fulfil the desire and expectations of a tiny (but loud) fraction of the gaming audience.

After a few decades of sticking to a very specific target audience—a brotherhood of young men between 18 to 34 years old—the casual video game phenomenon has opened up the scope of game design that, intentionally or not, once again includes a broader audience. As put by Juul (2010), the revolutionary contribution of casual games to the game culture was, in fact, to force game developers to rethink what games can be, and who is allowed to play them. Such a shift has, in fact, intensified the stratification of games and players, evoking questions and discussion about the merits and qualities that apply to both games and players and the classification of both. Over the years game scholars have engaged in a vigorous debate in an attempt to reach a consensus on not only about what a game is (Juul, 2005; Salen & Zimmerman, 2003), but also about the classification of players and their motivations to play. Within the vastness of player studies, are researchers studying gender (Paaben et al., 2017; Kondrat, 2015; Near, 2013; Jenson

¹¹⁴ There is an extended number of punctual aggressive incidents toward ethnic minorities or gender-based harassment through gaming virtual communities (See Gray, 2014). Some of them transcend the gaming bubble, becoming targets of other hate groups across the Internet. A notable example of this type of virtually coordinated hostile action is the Gamergate movement. (See Braithwaite, 2016).

& de Castell, 2011), ethnicity (Behm-Morawitz et al., 2016; Gray, 2014, 2020; Leonard, 2006), age (Toma, 2015; Rughinis et al., 2011), and sexuality (Shaw, 2014, 2012), each of them bringing awareness to the conversation about player legitimacy. More recent studies have worked to diminish the importance between distinctions like hardcore players and casual players (Consalvo & Paul, 2019; Muriel & Crawford, 2018; Juul, 2010).

Roughly speaking, the terms casual and hardcore are often used in a stereotypical manner to define two categories of gamers, one in contrast to the other; the former usually plays easy and quick games, while the latter is willing to invest time and money to play more difficult games. Games, on the other hand, are defined as rule-based systems “with a variable and quantifiable outcome, where different outcome are assigned different values, the player exerts effort in order to influence the outcome, the player feels emotionally attached to the outcome, and the consequences of the activity are negotiable” (Juul, 2005, p.36).

Such demarcations have been constantly challenged by game scholars who have pointed out that game definitions and player divisions present limitations or problematic conceptualizations. Mia Consalvo and Christopher Paul (2019), for instance, consider that many elements of the traditional game definition ignore how contexts surrounding the play practice influence what a game may be. They also challenge the idea of so-called ‘realness’ that figures in such phrases as ‘real games,’ ‘real developers’ and ‘real players’ by inquiring about the criteria that define ‘realness’ in the game industry. The video game cultural aura, cultivated and largely stimulated over the last several decades by specialized media, fan-based consumers, and also in part by the game studies field, has gravitated around the idea that established and mature game developers and publishers (e.g., Activision-Blizzard and Electronic Arts) are the ‘real’ ones, who make the ‘real games’ (e.g., *Call of Duty*) for the ‘real devices’ (e.g., PC and consoles), and ‘the real’ players are the ones who dedicate themselves to playing games with such pedigree. However, Consalvo and Paul easily demonstrates how superficial the argument can be by providing evidence of the high-quality game production and design offered by new companies that have emerged from the mobile games front, while, at the same time, anticipated games from established companies have been shipped with production flaws and a poor overall design. Moreover, considering revenue guides (the real engine that moves the market), popularity, and Monthly Active Users (MAU), Consalvo and Paul (2019) claim that casual games would easily

defeat the alleged hardcore games, hardcore developers, and hardcore gamers who attempt to establish themselves as the game industry arbitrators of ‘realness’. Not to mention that almost all the ‘real’ developers and publishers have heavily invested in mergers and acquisitions of the so-called ‘not real game companies’ in order to expand their market penetration and revenue.

Regardless of how games present themselves to the world in terms of rules, goals, and outcomes, or even how they engage players’ attachments and effort, games and players exist in the world, and have significant impact on our contemporary society. As put by Juul (2010), players may be flexible enough to transit between any level established by the game culture, despite their genre preferences, skill level, or life obstacles. In fact, the number of people willing to give games a bit of their time is exponentially growing. In 2021, the estimated number of active players worldwide was 3.25 billion (Clement, 2021b, September 07), reflecting a considerable portion of the global population.

5.1.2 Creating a Gaming Habit, Expanding Gaming Culture

The dissemination of gaming habits has contributed to the expansion of gaming culture. By creating a routine for playing games, players are offered the opportunity to learn a new set of conventions, refine their skills, and even become experts. Regardless of players’ willingness to invest a great deal of their time and money into games, playing games certainly brings them closer to the games’ principles and the game community, where they learn and absorb gaming literacy as they level up from rookies to regular players. This levelling up normally encompasses the expansion of players’ gaming knowledge, which can be defined as their familiarity with the gaming designs and the industry’s conventions, rules, dialects, references, and styles which, at the end, are all converted into gaming capital (Consalvo, 2007). Consalvo argues that gaming capital is a dynamic currency that changes according to the types of players, games, and how much time a player is willing to put in playing games and game-related paratexts.

[D]epending on a player’s knowledge of past games in that genre or series, including previewed information from magazines or Web sites, and marketing’s attempt at drawing attention to certain elements of the game. All that knowledge, experience, and positioning helps shape gaming capital for a particular player, and in turn that player helps shape the future of the industry (Consalvo, 2007, p. 4).

This cyclical process does not only involve the player/industry loop, it also works as a type of peer-to-peer review. That is, players are vectors that share gaming knowledge among themselves and through different players' groups, as well as through their participation in gaming virtual communities, diverse internet channels, and streaming platforms, which contributes to spread the gaming culture at large. The amplification of this knowledge among players has allowed developers to innovate and propose new design conventions that assume players are capable of figuring out new gaming tasks and goals. This consequently continues to push the industry engine. For Juul (2010), this process represents a co-evolution among players and developers.

The pervasiveness of mobile devices allied to the wide development of casual gaming has played an important role in making play culture more visible, while also consolidating video games as part of the mainstream in modern culture (Mayra & Alha, 2021). Accordingly, as pointed out by Muriel and Crawford (2018), the wide penetration of video game culture entails a process of naturalization of video game practices, and the addition of video game elements across different social instances within contemporary society, a phenomenon which some scholars refer to as 'Ludic Society' (Mayra, 2017) or 'Ludic Century' (Zimmerman, 2013). In his Manifesto for a Ludic Century, Zimmerman (2013) affirms that, as the dominant cultural form of the twenty-first century, games will require that people develop gaming literacy to keep up, understand, and adapt into the century. Thus, learning the languages, systems, procedures, logic, and aesthetics of games will be crucial to navigate and think about the social arrangements as instituted within this ludic era. For Zimmerman, "[t]he rise of games in our culture is both cause and effect of gaming literacy in the Ludic Century" (para. 18). Muriel and Crawford (2018) transcend Zimmerman's Ludic Century and defend the concept of the Videoludic Century. They argue that the videoludification of society has overcome a specific gamification of reality. Videoludification, they suggest, essentially emerges from video games based on the evidence of the penetration and consolidation of video game culture across multiple levels of society and culture at large. It encompasses the way video game culture has driven social changes and pervaded social spaces and demographics to become culturally hegemonic.

Indeed, video games have become a contemporary cultural phenomenon almost omnipresent in the lives of billions of people around the world. It is also evident that the possession of gaming capital and gaming literacy are import in the navigation of new socio-cultural-technological

trends in contemporary society. Nonetheless, an over-exposure to video game design elements and conventions may also give rise to concerns regarding social complications and nefarious effects such as compulsion, addiction, and gambling. This is particularly true when considering design practices that demand continuous engagement from players, and the privileging of predatory business models (e.g., loot boxes systems). As discussed above, such games and systems are designed for convenience, to induce habit, and to maximize players' engagement with the game, which is also, as shown in the previous chapter, amplified by the optimization and enclosed design of the platforms those games are harnessed to. These design patterns present some similarities to what Schull (2012) describes in her book *Addiction by Design* in which she explores the way addiction is circumscribed within the design pipeline of slot machines that in turn encourages the consumer to spend as much time as possible on the gambling machines. Schull describes the imposition of a "time-on-device" design that aims to satisfy users regardless of the machine outcome. That is, "their [users] payoff for skills is not to walk away with a jackpot, but to extend the play session" (p. 115). Such design control is also highlighted in Zanescu et al.'s (2021) analysis of players' consumption on the Steam platform as an enforced "participation-on-platform," which they say is "a distinct variation of TOD [time-on-device]" (p. 36). For them, their terminology choice translates better to their research object, since: a) internet platforms transcend the devices' physicality, and b) time is not always accurate to describe "the intensity or the outcome of platform usage" (p. 39).

Neither Schull nor Zanescu et al. aim to discuss or dissect the dynamic relation between video game addiction and video game design intentions, but it is hard not to find resemblances between these systems. In fact, game addiction is not an easy or undisputed topic in the West. Though some scholars have raised concerns about the socio-cultural impact of the systemic arrangements of platforms and algorithms (Dijck, 2013; Finn, 2017; Dijck et al., 2018; Zanescu et al., 2021), studies have shown that there is not enough evidence to link platform affordances and game design elements to mobile gaming addiction (Mayra & Alha, 2021). While there is not a consensus in academia about the topic, regulatory agencies, most notably from European countries, have been questioning the existence of potential harm from such systemic arrangements, a theme I will return to in the next chapter.

5.1.3 Chinese Digital Gaming Culture

Although the debate surrounding game addiction as a potential outcome from the dynamic relationship between game design elements and the platform enclosure design is still ongoing in the West, some Asian countries see the issue as a consummated fact. Nations like South Korea and China have positioned games as a constant subject of concern and scrutiny, and in some cases have become the target of regulatory policies. Over the years, China has been scrutinizing the play practices among Chinese youth and has constantly changed the country's video game regulatory policies to prevent youth addiction and curb physical health problems (Batchelor, 2018f, August 31; Kerr, 2018d, August 31; Xiao, 2020). Government interference in the sector has been so continuous over the years that the policy shifts may also be understood as part of the gaming culture in China.

In the last decade, the Chinese gaming industry has grown spectacularly not only in the number of players, but also in revenue. The number of Chinese players increased by 10 times, from 67 million in 2008 to 666 million players in 2021 (Thomala, 2022a, January 10). Although the number is impressive, Chinese digital gaming culture is not only made up of its players, game developers, and publishers; rather, the whole society and Chinese culture at large plays a role in the definition and building of the country's gaming culture. For Szablewics (2020), this scenario encompasses a "diversity of discourses, practices and meaning that shape general attitudes about games and the places where play takes place" (p. 07). However, public opinion is constantly influenced by what is reported by the media, and in China it is not different. A good part of Chinese public opinion about games and players is informed and framed by what traditional media, most of them aligned to the Chinese administration and government, believes games and players are or should be, depending on the context and the moment in time.

Cao and He (2021) reveal the active role of traditional media in influencing Chinese public opinion through an examination of the way news articles have shaped the narrative around games and players across the years. Investigating People's Daily news articles from 1981 to 2017, Cao and He found contextual temporal periods that accorded with media reactions (positive, neutral, negative) to digital games. In the 'age of innocence,' (1981-1988), electronic games emerged as a cultural leisure activity as well as a vessel for children to learn how to use computers. At the time, "[P]resident Deng Xiaoping claimed that 'the development of computer must start with

children,' which led to the boom in computer learning for young children" (p. 16). Next, the "flood and beast" (1989-2001) (p.16) time period which is characterized by a great deal of suspicion of games. At this time, the medium was mired in turmoil as connections were made between video games and gambling, prompting public calls for regulations and an official console ban. Cao and He's findings show that the years between 1996 and 2000 were the most negative of the period, with 92% of all news reports depicting games in a bad or depreciative way. The negative peak resulted in a heavy set of regulatory policies on gaming practices, including the banning of arcade machinery and game consoles inside Chinese territories. The state interference drastically reduced the number of Internet cafes in less than two years, shrinking from 106,000 in 2001 to only 23,000 by the end of 2002. The initial moral panic involving online game addiction across China started when cities like Shanghai noticed that the rate of teenagers skipping school began to increase at the same pace as youth addiction to arcade sites by the end of 1980s. This echoed a behaviour also seen in Taiwan few years earlier, which resulted in Taiwan temporarily banning electronic games from its territory (Cao & He, 2021; Szablewics, 2020).

Between 2002 and 2008 the emotional tone that gaming evoked was a mix of "love and hate" (Cao & He, 2021, p. 17). Negative reports delivered to the public were still the majority, but neutral and positive articles began to emerge. The change followed new governmental policies that focused on the development of China's cultural industries, and the promotion of a new economic mode. Aiming to exploit this new economic opportunity, the Chinese administration implied that games were not intrinsically harmful, they just needed to display 'good content,' a non-addictive design, and provide a toxicity-free environment. Hence, the government regulatory efforts included mechanisms to a) control and prevent game addiction, b) promote the purification of online games' environments, and c) promote initiatives on the creation of a 'green online games list' for general recommendation (Cao & He, 2021; Szablewics, 2020). Starting from 2009, an analysis of the Chinese media reveals a significant reduction in the amount of negative media related to games alongside the emergence of more positive reports, with the majority of articles taking a neutral position on games and players. At this point in time, esports and mobile games consolidated their space and the Chinese game industry started to shine. 'Chinese stories' embedded with 'cultural self-confidence' and 'socialistic core values' emerged

and were used to promote Chinese games (Cao & He, 2021, p.18). Chinese games, together with esports teams, can now be understood as vessels that promote the Chinese culture globally. In other words, games are currently part of China's national pride, a new local cultural product, and a new way of entertainment that is 'made in China.' Through the years, the portrayal of players has also evolved in a positive direction (Cao & He, 2021; Szablewics, 2020). Initially players were seen as the future of productive labourers, then labeled as victims of e-heroin, until gradually being viewed as middle-class teenagers looking for entertainment. Currently, players can dream about a successful professional career in which the possibilities include the navigation of influential gaming streaming broadcast environments or status as a superstar esports athlete.

Indeed, Chinese public opinion has been revising its judgement on games and players over the years to match the new economic potency, interests, and aspirations of the sector, and they are not alone in this ongoing reformulation of the Chinese social imaginary's depiction of games and play practices. The broader Chinese media culture also started to produce cultural products that relate to both games and players in a positive manner. It is not uncommon to see Chinese TV dramas develop a romance story arc that is anchored in modern technologies, often using video game culture as a motivating force in the narrative. Some of these shows present protagonists as good-looking, smart, and meticulous (or strategic) people that, at the same time, exhibit Confucian moral qualities like modesty and studiousness who also pursue a professional career as game designers (Szablewics, 2020). Such a plot arc is carefully developed to reinforce the idea that games are more than leisure activities; they can invoke productivity, allow for the development a range of skills, and create professional opportunities for (and outside) the game industry. The broad and wide-ranging reach of these shows has helped popularize game-related language even among people who do not play games, a potent demonstration of the penetration of gaming culture in the Chinese society.

Digital game culture has become a part of everyday life. But it has also been subject to intense rebranding efforts, as the government, the media, and game companies try to create distance between the so-called healthy digital gaming habits and those behaviors seen as harmful and addictive (Szablewics, 2020, p. 168).

Nonetheless, despite the cultural and economic force of the video game industry and gaming culture shows in China, digital games remain an object of concern, scrutiny, and regulatory actions by Chinese government. Since 2018, the country's administration has been reinforcing game regulation, resulting in actions like blocking youth from accessing games from mobile devices, restricting gameplay time based on user age, and even reducing the number of games approved for distribution in order to curb social and health issues, such as game addiction and myopia in children (Batchelor, 2018f, August 31; Kerr, 2018d, August 31; Xiao, 2020). More recently, in 2021, Chinese regulators cut even more of the gameplay time for players under 18 as an attempt to constrain gaming addiction. The decision generated a negative buzz in the esports world business, in which analysts argued that China was compromising not only the future of the country's modality, but also putting highly valuable market revenue at risk (Horwitz & Yu, 2021; Ye, 2021b, September 1). The esports business needs a more careful examination, which I will return to in a later section of this chapter. Indeed, the gaming industry, gaming culture, and the market that backs them up have their powerful peaks, but as we've seen, the Chinese government is willing to impose its governance on powerful game and tech companies, independent of the economic costs.

The game industry and the digital game culture is taking over the world. In the "ludic century" (Zimmerman, 2013), game literacy (Muriel & Crawford, 2018) and game capital (Consalvo, 2007) seem to be the currencies that move the new socio-cultural-technical trends and rearrange individual, collective, and institutional roles in our contemporary society. Accordingly, the number of new players familiar with game language, logic, and aesthetics has grown exponentially, reinforcing the power dynamic circumscribed in the game industry and the flow of game culture. In the following, I consider how EA and Tencent have managed to acquire a portion of these new players, and in turn, used them as a new economic and cultural resource to expand the industry. As new players are integrated into, and become part of gaming ecosystems, the corporations are able to turn these new players into distinct cultural, market, and financial advantages. In the EA section, I will be focusing on how the company used its already 'casual' hit *The Sims* to reach a new game market niche. In the Tencent section, I will approach the company's business strategy of acquiring SuperCell to expand its audience among the Western audience.

5.1.4 Electronic Arts' "old-gold casual" simulation

It comes as no surprise that Electronic Arts has helped to shape and lead the global gaming industry and its culture by disseminating their games worldwide and accumulating a significant number of players since its debut in 1982. Currently, the company holds more than 450 million registered players on its game services around the world.¹¹⁵ Through the years, well-known franchises like *Madden*, *FIFA*, *Battlefield*, *Need for Speed*, *The Sims*, *Titanfall*, and more recently *Apex Legends*, have helped the company achieve massive success. Although most of these listed games are considered by the gaming community and specialized media as hardcore or difficult, there is one known for its casual, accessible, and inclusive design features that aided EA to reach a much broader audience and diverse markets: *The Sims*.

The Sims, a famous series of games that simulates life, designed by Will Wright and developed by Maxis, an Electronics Arts studio, saw a steady climb to success after its first instalment. The series has become an object of scrutiny for many game scholars with a wide range of research interests: the socio-cultural construction of identity, gender, and sexuality (Wirman, 2014; Albrechtslund, 2007; Griebel, 2006; Beavis & Charles, 2005; Consalvo, 2003); the potential for narrative creation (Helio, 2005); the relationship between ideology and simulation of social systems (Sicart, 2003); and how games are used in learning process and literacy practices (Hayes & Gee, 2010; Gee & Hayes, 2009). These studies also helped to disseminate knowledge about the game and establish *The Sims* as an important cultural product, and this, in turn, has helped to recruit more players into its 'ordinary' world.

Since its first release in 2000, the game has sold nearly 200 million units¹¹⁶ across different platforms and surpasses US\$ 5 billion in lifetime revenue (Electronic Arts, 2019b, Q2 2020, Earning Call Transcript). Its last installment, *The Sims 4* (2014) listed more than 30 million unique players (Electronic Arts, 2020a, Q1 2021, Earning Call Transcript). In 2021 alone, *The Sims 4* recorded more than 1.2 billion hours played, having 529 million hours spent in Live mode

¹¹⁵ <https://www.ea.com/about> accessed January 12, 2022.

¹¹⁶ <https://web.archive.org/web/20170202010533/https://www.museumofplay.org/press/releases/2016/05/2688-2016-world-video-game-hall-fame-inductees-announced> accessed January 12, 2022.

and more than 376 million sims created.¹¹⁷ *The Sims Mobile*, launched in March 2018, was downloaded more than 40 million times on Android devices alone (58% of total downloads), and accumulated more than US\$ 25 million in revenue (Nelson, 2018b) for EA. Compared to other mobile games, *The Sims Mobile* was neither an ordinary kick-off, nor an impressive start. Nonetheless, as the company's executives acknowledge, *The Sims* community has a 'longer cadence of flow', in which the game's add-ons and expansion packs play a crucial role in recruiting more players to its community (Electronic Arts, 2019a, Q1 2020, Earning Call Transcript). *The Sims Mobile* is highly influenced by both the console and PC version, *The Sims 4*, as well as the previous free-to-play mobile *The Sims FreePlay* (2011). Although the obvious move from EA was to replace the FreePlay version with the brand new *The Sims Mobile* on the app stores, the company decided to operate both games concurrently (Nelson, 2018a) to preserve the already huge number of players and substantial earnings generated by the FreePlay title.¹¹⁸

5.1.4.1 *The Sims Social*

When Electronic Arts announced that *The Sims* was coming to Facebook during the press conference at Electronic Entertainment Expo 2011(E3), game news outlet like Gamasutra reacted to the news as it seemed that social games were about to be redeemed. Although *The Sims* franchise has social and casual elements at the core of its design, the games were respected and beloved by a wide audience, including people that considered themselves expert players. For Gamasutra critics, *The Sims* could raise the Facebook gaming bar (Alexander, 2011b, August 22) and maybe aid the reputation of social games in the game culture at large. However, subsequent events prevented this outcome.

The Sims Social (2011), developed by PlayFish, took Facebook by storm and managed to accumulate more than 66 million active players on its first two months (Schiesel, 2011, October 07). For comparison, the best-selling game launched in 2011, *Call of Duty Modern Warfare 3* (CoD: MW3), sold over 30 million units worldwide (Clement, 2021a, January 29). I must emphasize that CoD: MW3 is a AAA mainstream game sold at a full retailer price (US\$ 50 at the time), while Facebook and *The Sims Social* are both "freely" available. That said, regardless of

¹¹⁷ <https://www.ea.com/news/2021-year-in-gaming> accessed January 12, 2022.

¹¹⁸ *The Sims FreePlay* and *The Sims Mobile* were still available to download on all app stores by the time of this writing.

being free or paid, *The Sims* franchise aimed to recruit new players for the industry and engage them in a long-term game practice via a new platform. Indeed, its ‘social and mobile free-to-play’ versions are the most successful instalments of the game. Highly popular and respected, the franchise already exhibited elements that fit perfectly with Facebook game standards: individual identity expression, visiting and socializing with other characters, and earning rewards for attentive management of ordinary daily tasks.

It is interesting to notice that though *The Sims* presents social and casual components before these design elements took the game industry by storm, Electronic Arts failed to transform the franchise into a stable social or mobile mega success. To be more accurate, the company succeeded in attracting players for these installments; however, it failed to retain them and make them remain engaged with the games.

Despite its initial success, *The Sims Social* was gradually losing active players during its nearly two years on Facebook. The main reason for the decreasing numbers was the developer’s belief that, to succeed on Facebook, social games must use the same design guidelines applied by the number one publisher on social media at the time: Zynga. Indeed, *The Sims Social* could have helped EA to replace Zynga as the big publisher in social media, but it insisted in following Zynga’s approach: a game design that mandated engaging players’ connections to friends to advance the game. As discussed previously, this type of mechanic was not only a challenge for people who did not collect many friends in their social media circle, but also started to infuriate Facebook users with an unmanageable amount of game-initiated friend requests. In response to the outcry, Facebook reformulated its notification algorithm. The platform’s new policy negatively affected the core mechanic and business model of its game service, resulting in a huge drop in the general number of Facebook active players (Caoili, 2010a, May 7). Some companies, including EA, subsequently removed their games from the social platform. *The Sims Social* departed from the platform in June 2013 along with two other EA game simulators: SimCity Social and Pet Society.

EA also launched *The Sims* for mobile devices in 2011: *The Sims FreePlay* was well received by critics and the public, and in five years it managed to register 200 million installs (Electronic Arts, 2016d, Q4 2016 Earning Call Transcript), making it by far the most popular *The Sims*

installment. Despite the high number of installs, the game was not able to manage the engagement of all potential players. Out of 200 million mobile installs, *the Sims* community counted effectively 80 million active players, including PC and mobile players together (Electronic Arts, 2018d, Q4 2018, Earning Call Transcript). In many of its financial reports, Electronic Arts avoids providing specific numbers for *The Sims* mobile installments (FreePlay and Mobile). Rather, the company generically displays its mobile performance along with a list of few titles that helped to achieve those results or the company discusses *The Sims* performance across platforms in a general manner as an effort to hide poor performers. Although the Facebook and mobile installments of the game might not financially perform as well as Electronic Arts expected, the franchise—and most notably its free-to-play versions—helped attract millions of new players into EA’s player communities, as well as strengthen the game industry and gaming culture by generating and cultivating a continuous gaming habit.

The Sims franchise still brings millions of new players to the gaming ethos: people who are willing to learn its conventions, rules, language; interact with the game community and forums; join the game’s internet channels; and even share their knowledge by streaming their gameplay to whoever has the interest in watching it. Many of these millions of players not only acquired gaming capital by playing *The Sims*, but they also helped to disseminate it through their online activities. The game is one of the most popular PC games of all time (jkdmedia, 2012, May 04), and one of the most successful Electronic Arts’ franchises on all platforms. The company recognizes the importance of *The Sims* games in spreading and diversifying the play practice and strengthening the game culture around the world. For instance, Nancy Smith, head of *The Sims* division at EA, once declared: “We were one of the first games that started to attract a broad audience. We were one of the first games that brought in women . . . People want to create characters, tell stories and explore relationships that is maybe different from their real lives” (Ashcraft, 2008, May 08). Andrew Wilson, EA’s CEO, often emphasizes the game’s role in attracting and disseminating diversity to the game environment: “Our Sims franchise continues to expand, [it is] one of the broadest and most demographically diverse player bases in our portfolio” (Andrew Wilson, Electronic Arts, 2017b, Q4 2017, Earning Call Transcript).

In addition, even though the franchise’s social and mobile free-to-play version did not meet to the company’s financial expectations in the long term, *The Sims* undoubtedly aided EA in

building know-how and refining its strategies for designing free-to-play and mobile games. The company's ups and downs in the free-to-play and mobile terrain was not exclusive to *The Sims*, but the game's development and release helped to pave a path toward successful design developments in both arenas. One example of this is *Apex Legends*, a huge success and a game I will discuss in the context of the culture of video game streaming.

5.1.5 Tencent: a Sino-cultural gaming powerhouse

As chronicled in the previous chapter, Tencent's penetration into Chinese peoples' daily lives is very high. Counting more than 1.25 billion monthly active users (MAU) hooked on WeChat and retrieving more 591 million from its QQ application (Tencent, 2021b, Q2 2021, Earning Call Transcript), the company possesses the largest user base in China, and is gradually growing its number of users in other countries. Tencent's enormous user base is immersed every day in the company's techno-cultural, techno-social, and techno-financial ecosystem, including its games. Initially, Tencent's strategy to extend its market share was to acquire successful key companies overseas as a means of leveraging its user base and developing the game's know-how and expertise to create products suitable to a Western audience. Besides its acquisitions, the company also prevailed in the West through the adaption and localization of their games' to be launched to the rest of the world.

Unlike Electronic Arts, which had to adapt itself to a new production process that focused on new devices and technologies, casual and mobile games were not new to Tencent. Due to the nature of its internet business, the company flourished in the game sector, creating titles like the racing game *QQ Speed*, which has amassed millions of players daily since 2010. By 2019, the game reached 700 million registered players in its lifetime, and its mobile version, launched in 2017, accumulated an extra 200 million registered players into its community (Hangye, 2019). *QQ Speed* is just one of the many successful games from Tencent with a large base of Chinese players.

With a tight grip on the domestic market, the company started to expand its influence outside China. Already dominating a significant portion of the PC gaming market after taking full control of Riot Games, in 2015; Tencent's goal was to conquer the mobile landscape as well. Certainly, the company was looking at expanding its revenue outside Asia, but it also wanted to

increase its influence worldwide by growing its engagement with its user base and through that learning how to make suitable games for Western players. Tencent moved to find a studio that could help with these endeavours, and the Finnish mobile game company SuperCell seemed to perfectly fit Tencent's requirements. In 2016, Tencent strategically acquired major stakes in SuperCell in a deal worth US\$ 8.6 billion. The company was responsible for developing and publishing the already successful mobile hit *Clash of Clans* (2012).

Clash of Clans is a freemium, online multiplayer strategy game launched in 2012 on iOS, and on Android-powered devices in 2013. The game was already listed as the highest grossing game in the U.S. within three months of its release, becoming one of the most profitable game worldwide in 2013. The rapid success of the game can be attributed to the fact that *Clash of Clans* was the first strategy game imported into the mobile environment. At the time, most developers saw the genre as too complex for the restricted capability of mobile controls (Dhillon, 2022). In 2019, the game registered more than 620 million downloads, 500 million installs on Android devices alone (Latic, 2022). Despite the high number of installs, SuperCell has, curiously, not disclosed its official active player figures since 2016, the year it was absorbed by Tencent. The studio stopped the count at 55 million active players that year, suggesting that Tencent's 'hands-off' attitude may be more of a rhetorical device.

5.1.5.1 Clashing out the number of players

SuperCell's *Clash of Clans* took the mobile landscape by storm. The game demonstrated not only an impressive ability to recruit players, but also showed a huge capacity to adjust its quests for expanding villages, develop alliances, and acquire resources that suited different ranges and types of players. A Newzoo report¹¹⁹ on *Clash of Clans*' demography shows that it is predominantly played by males between 21 to 35 years of age. Indeed, the game is not as gender diverse as *The Sims*, but in terms of level of gameplay experience, *Clash of Clans* also appeals to a broader audience spectrum: 44% of its players consider themselves as midcore (or intermediate) players, 42% as expert (or hardcore) players, while the rest define themselves as casual (or Rookie) players. That is, the game is an important vessel for disseminating game

¹¹⁹ See <https://newzoo.com/resources/blog/supercell-vs-king-how-do-their-gamers-compare> accessed January 18, 2022.

literacy across numerous and diverse audiences across the globe. Some curious data on the Newzoo report pointed out that 16% of *Clash of Clans* players also play *Candy Crush*, while only 6% of *Candy Crush* players also play the SuperCell hit, meaning that part of the *Clash of Clans* player base is more inclined to dive into a more diversified range of games, consequently amplifying and solidifying their gaming habit and gaming capital.

While it seems a low rate, 16% of a supposed¹²⁰ hundreds of million may represent a great deal of people who are able to navigate across different video game genres and platforms. *Clash of Clans* groomed a multitude of people willing to master video game rules, learn their conventions, engage with the game community and forums, share their knowledge by streaming their gameplay, and even adventuring into game esports' tournaments. By engaging in any of these activities, each of these millions of players have served as ambassadors for SuperCell, and by extension, for the game industry itself. They have made it easy for the industry and developers to recruit many more players into their game community and strengthen the gaming culture. Such movement is part of a cyclical process that helps keep the game industry in a continuous movement.

In fact, the SuperCell acquisition not only offered Tencent more player capital, but it also pleased the global market. The mobile and game markets reacted positively to the company's new investment, in which analysts enthusiastically underlined Tencent's business advantages with the purchase. Horace Dediu, business analysts at Asymco and Relay Ventury, for instance, emphasized the quantity and quality of engagements *Clash of Clans* generated, as well other games from SuperCell. This would add to Tencent's already large number of users. Lewis Ward, research director for gaming at International Data Corporation (IDC), pointed out that the acquisition of SuperCell made sense since *Clash of Clans* and *Clash Royale* were growing strong in China, and thus it was a good fit for Tencent's portfolio. While Newzoo's CEO, Peter Warman, highlighted the move as a way to provide immediately additional revenue outside Asia into Tencent pockets. In contrast, most analysts centered their analysis on the revenue or the

¹²⁰ The assumption of hundreds of millions in this paragraph refers to a possible number of *Clash of Clans*' active players based on the number of times the game was downloaded (620 million installs by 2019). The uncertainty is the result of a lack of information regarding the official number of *Clash of Clans*' daily (or monthly) active users.

user-base advantages that came out of the deal; Thomas Bidaux, CEO of ICO Partners, emphasized, on the other hand, the technological assets Tencent acquired from SuperCell: “I am in awe of the *Clash Royale* matchmaking system ... I imagine Tencent has some concrete use for this kind of technical excellence as they also operate at humongous scales” (Baker, 2016).

Indeed, Tencent’s take over of SuperCell was a strategic and well-calculated business move that provided Tencent with a massive presence on the global mobile game market by acquiring the engagement of millions of new players and, in addition, a potent mobile esports venue to be explored. The Finnish studio, therefore, considerably increased Tencent’s revenue and influence, particularly in the North America and European markets. Furthermore, the purchase supplied Tencent with the tools for improving their production pipeline and technology assets, while also giving the company an opportunity to learn from the West’s building block way of making games so that it could soon hook its new global customers on a game made completely in China.

5.1.5.2 Tencent’s global domination

Six months before the announcement of the acquisition of SuperCell, Tencent launched a game that would become the highest-grossing mobile game of all times to date: *Honor of Kings* (2016). The game was in the Multiplayer Online Battle Arena (MOBA) genre and was created by TiMi Studio Group, a Tencent subsidiary, after a production conflict with Riot. The initial idea was to have Riot produce a version of the PC hit League of Legend (LoL) for mobile devices, which the company promptly declined. Riot cited technical difficulties in the transposition of League’s mechanics into mobile’s limited controls. As Riot’s parent company and owner of LoL Intellectual Property (IP), Tencent decided to ignore Riot’s warnings and build the mobile instalment in-house anyways. Proving Riot wrong, *Honor of Kings* has been very successful in China, as it has been estimated to have 200 million monthly active users and more than 100 million daily active players (Tencent, 2020d, Q3 2020, Earning Call Transcript). Tencent’s achievement with *Honor of Kings* made the company produce an international version named

Arena of Valor a year later, reaching 13 million daily active players outside China¹²¹ in 2018 (Tencent, 2018c, Q2 2018, Earning Call Transcript).

Although *Honor of Kings* focuses more on the internal market and *Arena of Valor* on the external market, the games are available in both Chinese and global markets. The long reach of *Honor of Kings/Arena of Valor* made the game an important portal for player recruitment for Tencent. As with *Clash of Clans* and *The Sims*, these games helped to attract millions of new players, cultivate a continuous gaming habit, and generate gaming literacy. Each of these aspects nourished the future of the industry and gaming culture as well. In fact, the Chinese giant is using all its entertainment branches to aid in the normalization of the gaming culture across China. One of its endeavours included the expansion of *Honor of Kings* IP into a drama series. *You Are My Glory*, a TV drama show set in the universe of *Honor of Kings*, quickly became the most-watched drama series on Tencent Video platform (Tencent, 2021b, Q2 2021, Earnings Call Transcript).¹²² *Honor of Kings* is also a huge title on Chinese live-streaming platforms and within the Chinese esports arena, attracting millions of viewers into its world.

While *Arena of Valor* seems to be far less successful than its Chinese sibling, the game is slowly making progress in the West. In the near future, it won't be a surprise to see Western players falling hard for a game made entirely in China. The *Honor of Kings* itself may be able to accomplish it, since Tencent recently announced it is working on *Honor of Kings: World*, a global release of a Triple-A, open-world, service-focused, and multi-platform version of the game, in which the story elements are based on Chinese mythology (Jiang, 2021).

Possessing not only the means, but also more knowledge, Tencent has quickly dominated the global gaming market, and is currently and successfully exporting games that are made in China to the rest of the world. This not merely brings money to the company, but it helps to disseminate China's soft power through Chinese cultural productions. As put by Purslow,

¹²¹ Tencent has not disclosed the game daily active users (DAUs) on the company's recent financial reports, at least until its Q3 2021 (Tencent, 2021c, Q3 2021, Earnings Call Transcript).

¹²² Riot is also involved in the development of an animated series set in the fictional world of *League of Legends*. *Arcane: League of Legends* debuted on Netflix world stream services in 2021.

Honor of Kings: World joins Black Myth: WuKong as one of the most interesting games being developed in China. The Country has made a huge impact in the gaming space recently with Genshin Impact, which has quickly risen to the status of one of the biggest games in the world. (Purslow, 2021)

5.2 Gameplay watch

Watching players' fast and precise skills in dodging enemies' attacks or defeating a final boss, paying attention to their meticulous ability to navigate the game environment and collect all the goods and treasures available in a game, or even having fun watching them intentionally screw up a neighbourhood in an open world game by engaging in a random and vicious rampage have always been part of gaming culture since the inception of video games. In video games, play and watching others play are intrinsic to each other regardless of how people wish to engage and relate to such activity. From the oldest gatherings around a coin-op machine in arcades that allowed just a handful of people to follow the player's moves, to the current Let's Play recording walkthroughs and the massive gaming live-streams seen by thousands of viewers, gaming viewership has moved from a locally-restricted, sub-cultural activity to a form of mass content production able to reach, amuse, connect, and entertain millions of people around the world.

The long history of scrutinizing play practice demonstrates it is essentially a cultural and social activity (Huizinga, 2009; Caillois, 2001) and its electronic version is not any different. Games have long presented social components that stimulate players to either compete or cooperate with one another. Playing together in a video game is not restricted to "co-op" couch games, or competing in a virtual arena of online games. Different genres of single-player games, including narrative-driven games, offer multiple ways to reach the game's objective. This encourages players to exchange game experiences and to share tips and tricks even when one is not holding the controller. Such collective engagement with a single gameplay event, known as tandem play (Consalvo, 2017), may be understood as an important part of the gaming culture at large. Across the years, such gaming practice became 'an informal' game convention until it was absorbed into the broader gaming culture. Currently, this activity transcended the small scale of a few players having fun together in someone's living room and expanded to one that reaches and engages millions of people worldwide through streaming platforms. With respect to its core concepts like playing-along and playing-for, tandem play practice in the context of live-streaming became a

“combination of playing for people as well as playing along with them” (Scully-Blaker et al., 2017, p. 2030).

The easy access and use of streaming platforms like Facebook Live, YouTube, Douyu, Twitch, and Huya have not only extended game culture exponentially by adding 24/7 gaming content into the media diet of a massive (and mostly young) audience, but it has also become an additional marketing and sales tool for the game industry to drive consumers' choice and promote games. While anyone can live-stream their gameplay or create Let's Play walkthrough videos, it is only those who possess gaming literacy and gaming capital that are likely to feel comfortable sharing their game screen, voice, and image in public. Though its most valuable asset is not necessarily the gamer's play skills, but rather the ability to entertain a public and reach a significant audience on a streaming channel (Taylor, 2018), and thereby get millions of views of their on-demand videos.

5.2.1 Delivering gaming content to a massive number of viewers

Game live-streaming has become a significant form of producing and distributing entertainment content on the internet. Through streaming platforms, it is possible to access live gaming content 24/7. That is, at any time and day, one can access these streaming platforms and there will be always players live-streaming gameplay for the thousands of people who are willing to watch them. The cultural impact of the format is enormous considering Western platforms have grown considerably in the number of concurrent viewers and also the hours watched in the last few years. According to a Stream Hatchet report, the number of hours of live-streaming content watched on of live game streaming content from TwitchTV, YouTube Live Gaming, and Facebook Live combined grew from 3.6 billion in Q1 2019 to 8.8 billion in Q1 2021, with Twitch delivering 6.3 billion hours of gaming content. Twitch, in fact, doubled its numbers in a year, from 3.2 billion hours in Q1 2020 to 6.3 billion hours in Q1 2021 (Stream Hatchet, 2021, April 07). In terms of concurrent viewers, YouTube Gaming experienced a peak of 871 thousand in Q4 2020, while Twitch experienced an average of 2.6 million concurrent viewers on Q3 2021 (Clement, 2021c, November 30; Clement, 2022a, February 11).

I am not a member of the usual gaming live-streaming audience, but for the sake of this investigation, I tried to get an idea of the colours and flavours of the activity by engaging for a

few weeks in an in-site exploration of streaming platforms, primarily Twitch, but I also made some incursions into YouTube and Douyu as well. My initial approach was to move between different channels and visit streamers that had both high and low live audience numbers and varying gameplay skill levels. I visited famous streaming channels, such as Ninja on Twitch (n.d.) and PDD (n.d.) on Douyu. I watched a few different game genres, including the last stand battles like *Fortnite* and *Apex Legends*, story-oriented action-adventure games, such as *Mass Effect Legendary Edition*, *Horizon: Forbidden West*, and *God of War*, souls' games, like *Elden Ring* and *Dark Souls*, massive multiplayer online role-player like *Lost Ark*, and fighting games like *Sifu*. Besides this casual tour of streaming channels, I visited a couple of channels on a daily basis to better understand the streamers' strategies while they play live for their audiences.¹²³

Through close observation of a few different streamers, I was able to discern a diversity of players that demonstrated different motivations for live-streaming, levels of gameplay skills, capacity to entertain, as well as use of visual languages, graphic designs skills, and different personalities, and character traits. It is interesting to notice that the streamers' behaviour toward their audience also varied according to the type of games they were streaming. For instance, in games that demand more attention to the battle ground like *Fortnite* and *Apex Legends*, players were usually more engaged with their audience during break rounds or when they were respawning, while narrative-oriented games, souls'-like games, and MMORPG games, such as *Horizon Forbidden West*, *Elden Ring*, and *Lost Ark* respectively, allowed for a higher quality of engagement and knowledge exchange between streamers and viewers. There were also streamers who did not care much about what they are playing, nor how many times they have died and respawned in a game; they were there to chat while performing singing and 'chair dancing' for their audience.

Watching these people play provides us with a sense that most of them possess some level of gaming literacy. They are skilled in particular game titles or in certain game genres, which also

¹²³ Currently there is a rich corpus of academic work that offers in-depth investigative analyses of gaming live-streaming practices. These studies tackle a myriad of technical, socio, cultural, and economic issues throughout a vast range of methods and methodologies to examine live-streaming platforms, streamers, and audiences. For a small example of such variety of topics and methods see Cullen, 2022; Ruberg, 2021; Consalvo et al., 2020; Abarbanel & Johnson, 2020; Partin, 2020; Wohn & Freeman, 2020; Partin, 2019; Cai & Wohn, 2019; Ruberg et al., 2019; Johnson & Woodcock, 2019a; Johnson et al., 2019; Taylor, 2018.

helps to attract viewers into their community. Streamers play an essential role in crystalizing the gaming culture within society by disseminating their gaming knowledge to thousands or millions of people each time they go online. Channels like Asmongold (n.d) and FextraLife (n.d)—a channel shared by a collective of streamers—can reach 110,000 people and 250,000 people, respectively, each time they go online on Twitch. Bang Sa (n.d.) and PDD (n.d.) are able to attract 2.8 million and 5.1 million people, respectively, to their *PlayersUnknown Battlegrounds (PUBG)* and *League of Legends* live-streaming every time they log into Douyu. It is true that part of a streamers' audience already has some gaming literacy themselves. Most are seeking relaxation, the opportunity to learn different approaches to a game, and to meet new people, as well as to have a chance to interact with their chosen community in the live-stream landscape, sometimes due a lack of social ties in real life (Hilvert-Bruce et al., 2018; Sjoblom & Hamari, 2017). Nonetheless, due to the dynamism of these platforms, it is important to emphasize that among these expert viewers many novice players are joining different live-streaming channels daily, seeking to find a community for themselves to socialize, as well as to learn more about games, how to beat them, or which one is worth buying.

5.2.2 Talking games

Game streamers impact game culture in a number of ways, including disseminating their gaming knowledge with a significant audience, offering game-related giveaways, building an engagement community that is connected to their channels, and serving as a role model to members of their communities. This last point can be seen as an implicit encouragement to their audience members to invest in their own streaming channel. All these serve to attract potential consumers to the gaming industry.

For example, a steamer like LobosJr (n.d.) shares his gaming capital with an average live audience of about 3,500 people by constantly thinking aloud his strategies for approaching a game's challenge. He also discusses his moves and tactics with his viewers to receive feedback and get a sense that the content he provides is being enjoyed by them. Similarly, LuluLuvly (n.d.) also shares the strategies she applies to the game she is streaming by discussing her approach with her 6,000 live-streaming average audience. She also offers her opinion about the games she plays, and her criticism of in-game monetization, most notably regarding the high

price of some of the games' cosmetics and skins. Though, she mostly makes these comments during break rounds or respawning moments in her *Apex Legends* performance.

BarbarousKing (n.d.), on the other hand, approaches his daily live audience of 3,500 people by exploring games' narratives and their environments. He frequently offers his opinion about the game, conjecturing about the story's plot and character motivations, updating his audience about the stage of the game's lore, and discussing the level of challenge in various fights with enemies, etc. In a tandem play style, BarbarousKing literally plays for and with his audience. Lemynaid (n.d.) approaches her viewers, ranging from 500 to 1000, by sharing her process of mastering the game through failing at a fighting game while playing it live. While discussing and exchanging tactics with viewers, she admits to also learning from them during play sessions. Nevertheless, not all streamers seem interested in nourishing game culture while streaming their gameplay, though they unintentionally do it anyway. Pokimane (n.d.), for instance, does not seem to care so much about the game she is playing for her daily live audience of over 20,000 people, or her gameplay skills for the matter. She entertains her live audience by chatting with them and singing along to background music while walking around the streets of *Grand Theft Auto V* or dying multiple times on the *Valorant* battle arena.

Considering the new formats of labour that have emerged in the digital era (Dyer-Witheford & de Peuter, 2009; Terranova, 2000), it is possible to say pokimane is not on the platform to celebrate or grow game culture, but instead to take advantage of it to get visibility and turn the cultural trend into potential business opportunities. Undoubtedly, a few gaming streamers like Ninja, PewDiePie, and PDD can make millions annually through their gameplay and in the merchandising of sponsors and themselves. Streaming entrepreneurship may include creating personal brands. This translates into selling apparel, goods, and many other products. After all, it is part of the business model to use their audience as a means of leverage for increased profits, as well as a way to keep working on their images to maintain their relevance in the gaming community. And pokimane indeed fits within this business system. In fact, streamers who reach a high number of followers and manage to maintain a stable daily live audience, become references and part of the game culture themselves. As warned by Muriel and Crawford (2018), the video game is currently pervading society a great deal, and live gaming content has become a

powerful tool in aiding in the inception and normalization of the medium's logics, aesthetics, languages, practices, and relations in our social stratus and everyday life tasks.

Although it is undeniable the influence streaming has had in spreading and cultivating gaming habits, it is also critical to underline its fleeting nature—a quality intrinsic to all kinds of live content. Unlike YouTube, which serves as a repository for video content, Twitch privileges the liveness of the content. By default, the content created will be gone once the streaming ends, unless the streamer manually changes the channel's settings to allow archiving (though, the videos cannot be stored for more than 60 days).¹²⁴ Such lack of care for retaining users' content creation has spurred many Twitch streamers to also keep a channel on YouTube where they can store their content after going live. It is curious to note that while mass media is freeing its viewership from imposed and locked in schedules, driven by the on-demand model of Netflix, Twitch has gone in the opposite direction. It privileges live content over archived. This bias toward live content leads to streamers spending an unhealthy number of hours on the platform; it also asks the same of audience members who want to keep up with their favourite games. This logic enforces what Schull (2012) refers to as “time-on-device” and Zanesco et al's. (2021) derivative term “participation-on-platform,” with both terms pointing to how digital platforms encourage addictive behaviour.

5.2.3 The large amount of gaming content available to consume

Besides the uninterrupted live gameplay performances available for viewing on streaming platforms, players also produce other forms of video content that disseminates gaming capital to their communities and peers. I have classified four activities players engage with to entertain their on-demand audience: commentator, reviewer, Let's Play walkthrough, and facilitator. In the commentator category, players use their channels to discuss games and the game industry in general. The content on the YouTube channel Gameranx (n.d.), for instance, ranges from discussions on the industry's moves in terms of acquisitions, in-game monetization, game productions and releases (or production delays), top 10 lists (e.g., top 10 best games of 2021, top 10 biggest video game bosses of all time, top 10 controversial things in open world gamers do),

¹²⁴ https://help.twitch.tv/s/article/video-on-demand?language=en_US accessed February 02, 2022.

and a ranking of the most anticipated games along with their reasons for the picks. They also present curiosities of game lore and easter eggs hidden in a game, discuss and feed the hype regarding game award nominees, or offer thoughts on a game for audience members that are intended to help with the decision to buy it or not. Gamebest's (n.d.) channel usually compares the mechanics, physics, or graphic qualities between two or three games in order to expose flaws or highlight the superiority of certain features in the games discussed. Speclizer's (n.d.) channel explores the details of games that are mostly hidden or easily missed by players while playing them, as well as mistakes in a game's performance, while using mods to address the audience's wishes to see some of the curiosities within a game through "Out of Bounds Requests" videos.

Reviewers are a well-known traditional category rooted in specialized media outlets and internet forums, but this category has grown beyond game journalists and expert players to incorporate a broader category of game enthusiasts who are excited to share their impressions of games with peers and gaming communities. Some reviewers are also content creators for Let's Play walkthroughs, in which after finishing a playthrough series for a game, they create a separate video in which they share their opinion about the ups and downs of the game in terms of mechanics, combat gameplay, aesthetics, animation, and storytelling.

The Let's Play walkthrough category may be seen as new way to guide players in overcoming the challenges of a game. Through the years, the activity has been adapted to new forms of video gaming play practice. The first generation of players usually found this kind of guidance in printed game magazines, calling game developer support, or buying game guidebooks, which are still available to players. After the internet, forums became popular for sharing and exchanging game walkthrough information. YouTube brought edited walkthrough videos, and finally, there is the live-streaming playthrough made popular by Twitch.

The Facilitator is a fascinating category. These players indeed not only play games for their audiences, but also take their time to give away their knowledge through step-by-step tutorials that instruct less-skilled players in a range of different functions that require some level of expertise, such as: how to install, use, manage, and troubleshoot game mods, or how to properly play a strategic game, among other tips. Not all genres of games allow for such a step-by-step approach, but it is interesting to see this happening for strategy games. The YouTube channel

YUMBLtv (n.d.) makes videos to help their audience improve their assets in the game *Cities Skyline*. For instance, the channel's host explains how to improve one's play by demonstrating why it is not a good idea to use roundabouts when creating roads in their cities. YUMBLtv also instructs its audience by providing a list of mods they can use and how to operate these mods to get a more functional and realistic city. Similarly, the channel City Planner Plays (n.d.) also uses the game *Cities Skyline* and instructs its audience on how to properly plan and build a city from a technical perspective. Hosted by a professional city planner, the channel offers the audience not only the host's gaming literacy acquired from many years of playing these types of games but also ideas and practices of the technicalities and real procedures of building a city.

Although facilitators are always serious about instructing their audiences, not all of them use their content seriously. Speclizer (n.d.), for instance, also shares their mods and teaches the audience how to operate them. But unlike the seriousness of *Cities Skyline* mods, Speclizer's mods tends to amuse their audience by 'breaking' the original game and blowing out its aesthetics. In one of their mods for *The Last of Us part II*, Speclizer made it possible to turn Ellie's weapons into a cute, stylized, purple octopus. It also allowed players to replace the original Ellie for an infected version of the character. Another Speclizer mod allows players to mess with the appearance of Kratos in the *God of War* PC version, and there is an easy-to-follow walkthrough video on how to do it.

Indeed, gaming content creators are in essence entertainers not only because games are entertainment products but because they need to attract and retain an audience's attention in order to convert them into subscribers and donors.¹²⁵ To succeed at this, these creators need to provide quality gaming content and cultivate a solid connection with an audience that possesses a similar taste for games, but with time these creators also need to extend beyond the type of games they typically play for their viewers. It requires developing conversation skills, creating challenges that get the audience involved, offering giveaways, and many other tactics to retain their live audience through the entire streaming segment. These content creators push the game

¹²⁵ It is crucial to point out that although a portion of live-streamers use the live-streaming platforms to seek profit, or at least make a living from the activity, it is not a goal for all streamers. Many just want to stream their hobbies and passions to small number of viewers with no (or little) financial gain (see Phelps et al., 2022; Phelps et al., 2021).

industry by promoting games and related products, cultivating gaming habits, and strengthening game culture by exposing game content on a daily basis to a massive audience composed of millions of people.

Regardless of whether the content is live or edited, gaming content production aids the cultivation and normalization of the game culture, including its conventions and logics, throughout the different levels of our society. Nonetheless, it is also crucial to emphasize that by disseminating gaming literacy and consolidating game culture, the modus operandis of platforms and content creators are also helping to spread and normalize the negative aspects embedded in game culture, such as the constant overtime work inherent to the game production industry being absorbed by a game's streamers' routines via the false symmetry of the play/work discourse, as well as the toxicity, hostility, and exclusionary behaviours that are exhibited and encouraged by some groups of players.

Although aggressive and toxic tonalities can be detected in a substantial number of gaming content channels across the internet, there is also a portion of gaming content creators engaged in improving the gaming culture at large through making their communities an inclusive and friendly environment for everyone (e.g., DynamicReactions and daydreamtv_ on Twitch). Even though these gaming content creators may not have the visibility they need or deserve, they are working to spread a better version of game culture by encouraging a more friendly and inclusive gaming habits. This work may reflect positively on game culture and its industry in the future. In regard to crunching culture, it is notable that streaming platforms are mimicking the culture of overtime hours found in most game development studios. They encourage their streamers to engage in exhausting and unhealthy live-streaming routines¹²⁶ to keep the audience on their platform for as long as possible, thus blurring the boundaries between work and play. In fact, by imprinting such a labour practice on our society, games and platforms are reinforcing and aiding the naturalization of the socio-technical and economic rearrangement imposed by the digital era onto our social form of organization (Dyer-Witheford and De Peuter, 2009). Within the context

¹²⁶ Live-streaming practices bring out many relevant socio-cultural and economic aspects to investigate. Though issues on labour relations inside digital platforms is a crucial discussion, it is out of the scope of this research. For those interested in such discussion, there is a valuable academic corpus dedicated to investigating the topic available. (See Johnson, 2021; Consalvo et al., 2020; Woodcock & Johnson, 2019; Zou, 2018)

of an intense neoliberal agenda and the digital era, the over exploitation of the work force is the only way both game companies and platform infrastructures can in fact flourish and succeed.

5.2.4 Chinese live-streaming: Watch me in simplified mandarin

As I examined in the previous chapter, the Chinese live-streaming ecosystem differs from its counterparts in the West, most notably in terms of monetization, content strategies, and the volume of viewership. While the primary income of streamers on Western platforms comes from the channels' subscriptions, Chinese streamers' revenue comes from different sources, most notably microtransactions, such as participation in virtual-item sales, percentage of audience donations, and a contractual base wage. Though, in recent years, Western platforms like Twitch and YouTube have started to imitate the microtransaction trend by incorporating donations, gifts, and membership options into their features as well. The gift economy, promoted by live-streaming platforms, is on a certain level historically rooted in Chinese culture. As claimed by Lin and Lu (2017), since the Han Dynasty (202 B.C. – 220 A.D.) most authors, performers, and artists in ancient China have received their main income from a reward system. Rewarding artists and performers indicates that people who donate belong to “a high societal position with prestige or wealth” (p. 635).

In regard to content strategies, the Chinese live-streaming ecosystem has in its arrangement an entity that does not exist on the Western platforms: streaming agencies.¹²⁷ These agencies are specialized in recruiting and training streamers, as well as managing and promoting content, and helping streamers to navigate China's content regulatory policies so that they can avoid airing sensitive content live. The live-streaming industry in China is significantly larger, having e-commerce and general entertainment as the most popular content,¹²⁸ while gaming plays an important, but not crucial role in it.

China is, in many senses, a massive country; thus, everything there is not just huge but, in fact, superlative. The number of online streaming users has almost doubled in five years, from 344

¹²⁷ Although there is not a similar structure as streaming agencies in the West, YouTube and Twitch offer guidance to streamers who are beginners through their Partners Programs.

¹²⁸ It is interesting to point out that Chinese live-streamers also create content focusing on knowledge sharing and cultural heritage preservation like Chinese Calligraphy on ink and dough figurines (Lu, 2020).

million users in 2016 to 703 million users in 2021 (Thomala, 2022e, March 14). The number of streaming platform providers is also high with more than 200 platforms, including Taobao Live, Inke, iQiyi, Douyin, Bilibili, Kuaishou, YY Live, Huya, Douyu, Yizhibo, Tencent Video, and YouKu (Lu et al., 2018). Although gaming is still a small fraction of the live-streaming industry in China, platforms like Huya and Douyu that specialize in gaming content can attract millions of users. Despite the fact that both platforms together dominate near 80% of the Chinese gaming live-streaming market (Variety, 2020), Huya and Douyu continue to work and put their streamers in the spotlight to expand engagement and the time their viewers spend on the platforms in order to expand and strengthen the gaming side of the Chinese live-streaming industry. To boost such an initiative, leading game developers and publishers in China are investing in their own streaming platforms; companies like Tencent and NetEase are using their streaming platforms (Egames and NetEase CC) to attracting gamers and esports enthusiasts, thus expanding their overall business ecosystem.

According to Niko Partners (2021, February 09), by January 2021 China counted 4.4 million streamers across Huya, Douyu, and Bilibili, with MOBA and battle royale genre on both PC and mobile dominating the scenario. In the same period, Chinese gaming live-streaming platforms delivered an average of 129.8 million viewer hours across all games and distributed US\$ 171 million in gifts and tips. Similar to Twitch's top channels which can reach a live audience of 250,000 people, top Chinese streamers on Douyu can amass over 5 million people in their live audience numbers during each gaming streaming session.

5.2.4.1 Chinese Gaming Culture through the live-streaming screens

Viewers' motivation to engage with live-streaming sessions in China is not that different from the reasons why people watch live-streaming in the West. Most of the Chinese spectatorship is looking to acquire game literacy and socialize with other people. According to Lu et al. (2018), the gaming live-streaming audience in China engages with the practice

to learn game play skills and strategies, to meet other gamers, and to enjoy the game without investing too much time playing and mastering it [...] The characteristics of such streamers that made them engaging related to the impressive skills and strategies of the

gamer, the humorous way they interact with viewers, and their temperament and positive attitude. (Lu et al., 2018, p. 06)

However, there are some social and technical dissimilarities between the two groups, including the availability and preferences regarding the device used for the streaming, the way streamers engage with the viewership through the interface, and the general behaviour toward female gaming streamers.

The majority of streamers on Twitch use desktop PC or game consoles for their live-streaming sessions, whereas most Chinese streamers prefer their mobile devices as a live-streaming tool (Newzoo, The Streaming Market in China, 2019). The device used to stream reflects the type of game these streamers choose to play, making mobile titles dominate the top 10 games most streamed in Chinese territories. In fact, the live-streaming practice as a cultural phenomenon in China cannot be disconnected from the rapid proliferation of mobile devices across the entire country (Lu et al., 2018). About 70% of the online population plays mobile games in China; Six of the top 10 games across Chinese streaming platforms were mobile games. China's top game streamed in 2018 was *Honor of Kings*, with 42 million streams across the country (Newzoo, The Streaming Market in China, 2019).

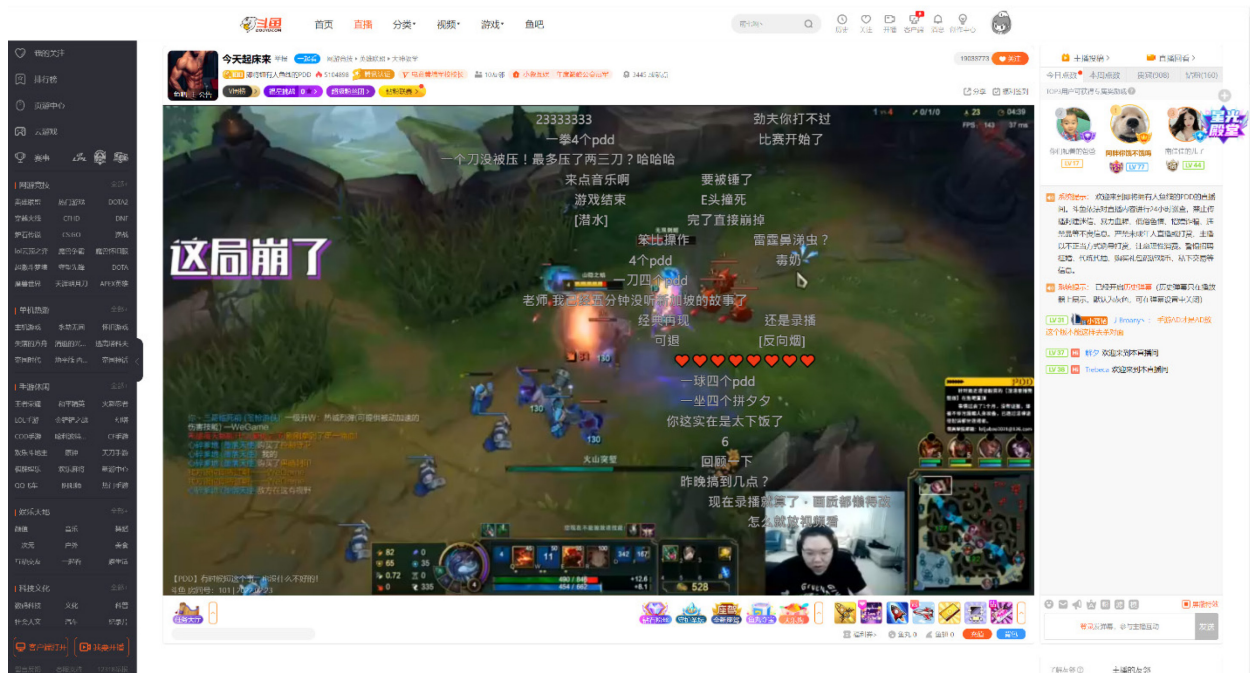


Figure 5-1: Bullet Chat Feature. PDD's Douyu channel. Screenshot by S. Pedraça.

When it comes to interacting with their viewership, the platforms that Chinese streamers are on make heavy usage of a feature called bullet barrage, or bullet chats to promote socio-cultural behaviour among viewers and streamers. This mechanism is present on the major streaming platforms and shows chat messages floating on top of the gameplay screen which gives the viewer a sense of being overwhelmed by the information overflow (Figure 5-1). Besides adding another level of interaction for the channel's users and strengthening the social bonds between viewers and streamers, this feature also serves to reinforce the monetization of live-streaming platforms, since the bullets can be customized by purchasing additional features (e.g., different text colours, emoji, etc.) (Newzoo, 2019; Recktenwald & Yiwei, 2016). A similar feature has also gradually been added to live-streaming platforms in the West. Apparently, its purposes are purely transactional, and act as a way to acknowledge viewers' economic contributions and to stimulate others to do the same. Some streamers at Twitch are already using this feature during their gameplay to recognize viewers subscriptions and donations, but in a much more discreet fashion than their Chinese counterparts (Figure 5-2).

When reinforcing gaming culture to their live audience, Chinese streamers are generally less hostile to women, reflecting the importance of gender balance in the Chinese culture (Newzoo, The Streaming Market in China, 2019). According to a Newzoo report, there are also two other

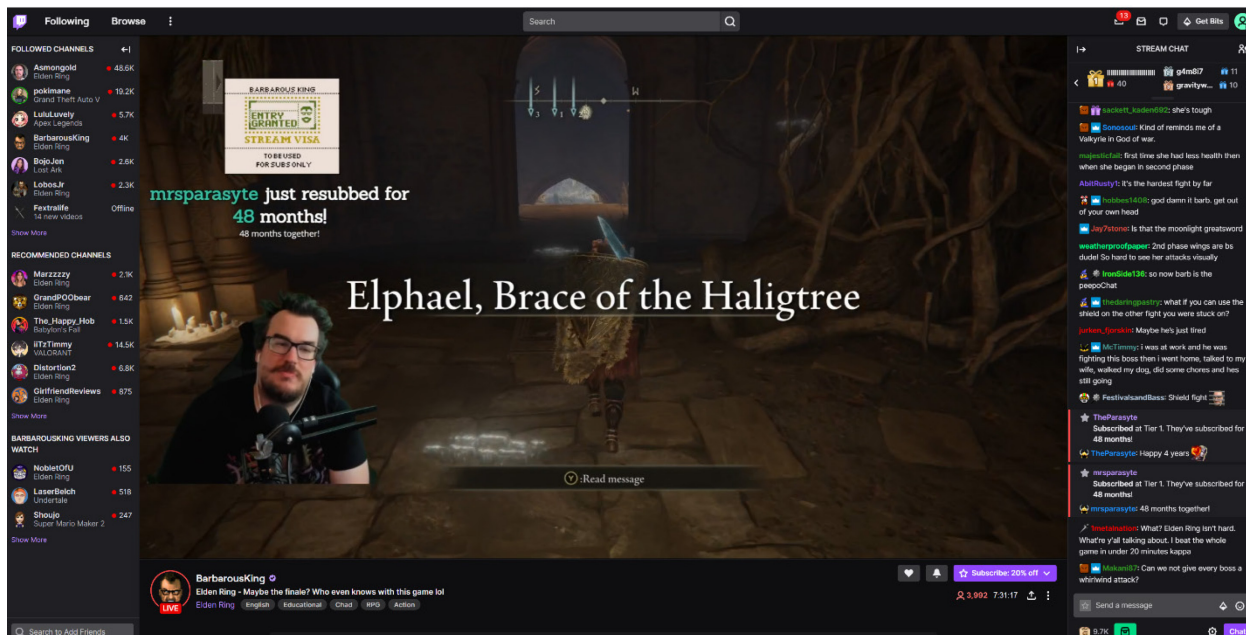


Figure 5-2: Similar feature as the Chinese bullet chat on Twitch. Barbarousking's Twitch channel. Screenshot by S. Pedraça.

reasons for the less toxic behaviour toward women on Chinese live-streaming platforms: first, gaming and streaming are considered social activities in China, meaning it is open to everyone; second, the streaming business in China focuses more on entertainment, which works to shape viewers' general engagement that can be characterized as less outspoken and more inclusive. Such a safe environment encourages women to live-stream their gameplay and compete equally with men to reach streaming popularity. Half of the top 10 streamers measured by user donations of *League of Legends*, one of the most popular games streamed in China in 2018, were women. These five streamers collected 71% of the total share donations (~US\$ 2.1 million), while their male counterparts split the remaining 29% (~US\$ 0.9 million). Even though there are fewer female streamers playing *PUBG* and *PUBG Mobile*, they still received more donations than male streamers in the same period of time (Newzoo, The Streaming Market in China, 2019). Compared to the game live-streaming scenario in the West, female game streamers seem to be far more popular in mainland China.

5.2.4.2 The work of play: Gaming screen time

Similar to Western platforms, Chinese adult streamers perform their gameplay live over a period of many hours continuously each day. While visiting different channels on Douyu, it is possible to perceive that although the platform seems to impose a 2-hour limit per live-streaming session, players do not stop their streaming after two hours. It is quite common to see a list of multiple live-streamed videos in a single day indexed on the streamer's page. Like on Twitch, streamers on Douyu sometimes may also go to an extreme in regard to their timestamps. Bang Sa (n.d.), for instance, listed twelve 2-hour videos in a single day, suggesting he live-streamed for 24 hours straight on February 28, 2022. Although Douyu acknowledges that by contract their streamers have to deliver a minimum number of streaming hours daily to their live audience, the streaming company does not disclose how many hours that minimum is (Douyu, 2020, Annual Report).

According to the anti-fatigue compliance policy — a Chinese government policy designed to protect minors established on June 1, 2021 — adults can live-stream for as long as they wish, while streamers under 18 years old cannot game or stream for more than 90 minutes per day, with 3-hour limits on statutory holidays. Besides limiting how many hours per day minors are allowed to play, the anti-fatigue compliance policy also limits minors' gameplay to the daytime period, impeding online game companies and streaming platforms from providing nighttime game

services between the hours of 10pm to 8am. To identify whether a player is a minor, games and streaming companies must enforce a real-name registration system for their customers before allowing them to play online or to live-stream their gameplay (Douyu, 2020, Annual Report).

The following offers an account of my investigation into how Electronic Arts and Tencent have used the cultural appeal of live-streaming to nourish their industry as well as converting live-streaming practices into another means of adding to their business advantage. In the EA section, I will be focusing on the hit *Apex Legends* and how the company managed to make the game relevant among players and generate viewership. In the Tencent section, I will approach not only how the company leverages its hit *Honor of Kings*, but also how it manages to incorporate the game's live-streaming platform into its vertical business and platform ecosystem.

5.2.5 EA's live-streaming world

As the live-streaming gaming practice has become a crucial venue for engaging players and communities around certain game trends, EA is making its presence known on live-streaming platforms. The gaming company seems to be betting on their franchises' capacities to connect communities of players through their most-beloved games. Officially, the company's relationship to live-streaming practice is primarily passive and indirect rather than active. Although the company keeps official channels on both YouTube and Twitch¹²⁹ to promote its games and live game-related events, it seems the company uses these platforms as mass media channels as if it were advertising on TV for a passive audience as interactions don't happen very often. Overall, the company benefits more from the practice through leveraging the games of players who live-stream EA's games. According to TwitchMetrics, Electronic Arts had eight games of the 250 games listed as the most watched and the most streamed on Twitch, while six of them placed on both lists: *Apex Legends*, *FIFA 22*, *F1 2021*, *The Sims 4*, *It Takes Two*, and *NHL 22* (TwitchMetrics, 2022, March 02). Combined, these games engage thousands of people daily between streamers and live viewers, accumulating hundreds of millions of viewer hours. To get a better sense of the impact Electronic Arts has created through its games in the live-streaming scenario, I examined *Apex Legends*, the company's most watched (#7) and most streamed (#6)

¹²⁹ The company also keeps an official channel on Twitch dedicated to broadcast EA *FIFA* esports events.

game on Twitch, to evaluate how the game is contributing to the cultivation and normalization of gaming habits in our society, as well as how EA is benefiting from the game's success on the live-streaming platform.

5.2.5.1 *Apex*: The use of cultural trends to flourish in the market

After witnessing the tremendous success of the battle royale genre in *PUBG* and *Fortnite*, including the significant income these games provided to their developers and publishers, EA decided to follow the trend. *Apex Legends* is the company's bet in its effort to expand its players' communities and help Electronic Arts' live service revenue grow.

Apex Legends is a free-to-play online multiplayer battle royale game developed by Respawn Entertainment, an Electronic Arts studio. The game offers two gameplay modes: Battle Royale and Arena. In the Battle Royale mode, players form a two- or three-person squad, land on an island, search for supplies and weapons before attempting to defeat all other players in combat. In this mode, the map area on the island shrinks over time to intentionally move players towards the battle area, killing the players outside of the play area in a few seconds. The Arena mode offers players the option to form a three-person squad to fight one another in three versus three death matches over a series of rounds before the winner is declared. As a free-to-play game, *Apex Legends* is monetized through microtransactions, where players are encouraged to spend both real money and in-game currency on cosmetic items. Its live service model means new game seasons are released for players every three to four months and typically includes a new playable character, new weapons, and a new collection of cosmetic items that can be purchased. Besides the seasonal content, *Apex Legends* features limited-time events that offer uniquely-themed cosmetics related to the event (e.g., Christmas-themed outfits) that can be earned in-game or purchased by players. Events may also provide a limited-time game mode (e.g., snipers use only), or introduce a new point of interest on the map, usually inspired by one of the character legends.

The game launched on February 4, 2019, for Windows, PlayStation 4, and Xbox One, and came as a surprise for players and the specialized media, since Electronic Arts never publicly announced its production even though it had been under development since 2017. The game communities assumed Respawn was working on the third instalment of the *Titanfall* franchise

instead of creating a battle royale game for EA. Executives noted the outcry from *Titanfall* fans due to the non-release of the third instalment of the franchise, especially after the studio was acquired by Electronic Arts. The executives alleged that the cautious publicity was to prevent *Apex* from being “framed as the evil acquiring publisher forcing its new studio to make a battle royale because that was the trend” (Sinclair, 2019, November 20, para. 24). Officially, Respawn’s executives explained the lack of marketing and publicity as a way to avoid some of the game’s innovations, like the ping system (a non-verbal communication system), from being copied by competitors.¹³⁰

Despite Respawn executives’ legitimate concerns about deploying a large-scale marketing strategy for *Apex Legends*, it is not correct to assert that the game did not receive any marketing or promotional boosts before its launch. Aware of the massive reach of the live-streaming gaming platforms, and the significance of the practice within game culture and its communities, Electronic Arts had to adapt its marketing strategy to respond to this cultural trend to bring visibility to the game. It needed a successful launch. Respawn took inspiration from other entertainment industries’ marketing strategies, like the music industry, which has successfully surprised fans by dropping new albums overnight. Fanning fan curiosity, creating buzz around the product, and harvesting fast records of sales (Sinclair, 2019, November 20), this strategy relies less on traditional media channels, and more on digital tools such as social media influencers and live streamers. Their position within the gaming ecology allowed them to quickly broadcast new products to the public. Thus, it was not a surprise that after a month of release, it became public that Electronic Arts paid US\$ 1 million to Tyler Blevins, known as Ninja on Twitch, to play the game to his 13 million¹³¹ followers on the live-streaming platform (Valentine, 2019c, March 13).

Ninja’s playthrough was more likely the real reason the numbers of players engaging with *Apex Legends* skyrocketed. His playthrough was broadcast to millions of players in a very short span

¹³⁰ Although *Apex Legends* is not a novelty or a leading product, the game presented some unique touches that helped to improve the genre. Features like the ping system were indeed copied after the game launch by some of *Apex* competitors. (Sinclair, 2019, November 20)

¹³¹ Ninja had 13 million followers at the time of the game release, by the time of this writing the steamer has already amassed 17.5 million followers.

of time, pushing *Apex Legends*' download numbers up immediately, and, as part of a chain reaction, this increased the exposure of the game through different live-streaming clusters. *Apex Legends* quickly became not only one of the most-played battle royale games — posing a potential threat to the giant *Fortnite* — but also one of the most live-streamed games right after its launch (Batchelor, 2019b, February 15).

Despite the lack of conventional marketing and promotion that hypes up and pushes a game into consumers' hands, *Apex Legends* amassed one million players just eight hours after its launch, surpassing 25 million players by the end of its first week, and reaching 50 million players in its first month (Batchelor, 2019a, February 05; Valentine, 2019a, February 12; Robinson, 2019, March 4). In February 2022, the game had more than 128 million players (Electronic Arts, 2022b, Q3 2022, Earnings Call Transcript), but that number was still far behind the 350 million players of Epic's *Fortnite* on May 2020 (Clement, 2022b, February 21). Currently the game is maintaining its position among the top 10 most-watched and most-streamed games on Twitch. TwitchMetrics (2022, March 02)¹³² points out that within the past 30 days, the game has around 79,784 concurrent viewers, 494 live channels, and peak viewers come in around 249,890. *Apex Legends* has been broadcast in many different languages and regions around the world, though the top broadcasting language is English, with 62% of the total broadcasts. The top six *Apex Legends* most-watched streamers in this period had a combined 23.4 million followers and delivered an average of 17 million viewed hours of gaming content. Among these top six streamers, three also figured on the fastest-growing channels at the time observed.

5.2.5.2 Live-streaming broadcast: the good versus the bad

The exposure of games to thousands of people through live-streaming practices is a de facto demonstration of the games' qualities, such as: playability, aesthetics, balance, quests, and combat systems. It is often the case that this type of export is the decisive factor for determining whether a customer buys the game or not. It may also serve as an invitation to people who enjoy the same genre of games to join the gaming community regardless of their previous relation with

¹³² I am focusing only on TwitchMetric to describe the impact of *Apex Legends* in the live-streaming landscape for two reasons: a) Twitch is more relevant in terms of viewers hours watched for gaming live-streaming content, and b) I was not able to find substantial data related on YouTube most-streamed or watched game live-streaming.

games. As I have emphasized, the gameplay approach used by streamers serves to nourish the game culture, cultivate gaming habits, and normalize the activity within the social fabric. Nonetheless, it is also important to underline that nothing is that straightforward regarding culture, especially game culture. The game culture is well known as being an intensely committed audience, in which such commitments may quickly turn hostile, even violent. It is always a bit shocking to see how love can be instantly replaced by hate in a game community depending on how the industry operates its decision-making processes.

Electronic Arts is often a target of fan backlashes, complaints, and protests. The company has been awarded the title of the worst American company a couple of times through popular vote (Schreier, 2014b, March 18). However, it seems reasonable to emphasize that the company has its responsibilities to account for in terms of its troubled relationship with consumers. EA has earned its title through a number of controversies that stemmed from delivering broken games or unsatisfying game experiences, and also when it has tried to develop new modes of monetization. All levels of EA game production from mobile to console/PC products have been impacted by its monetization style, and therefore subject to criticism by both players and game critics. The company has been accused of purposely unbalancing the microtransaction economy in many of its games, such as *Real Racing 3*, *Star Wars Battlefront 2*, and more recently *Apex Legends* (Rose, 2013b, February 15; Batchelor, 2017a, November 1; Batchelor, 2017d, November 16; Sinclair, 2018c, March 16).

The news of the cost of cosmetic items can now transcend the limited domain of specialized game news outlets and game communities' forums; news of this type can now get amplified when circulated on live-streaming sessions or recorded in an on-demand YouTube video format. While the controversy of an *Apex Legends* axe skin that costs US\$ 170 was primarily centred in the specialized media outlets and reddit threads (Grayson, 2019b, August 14), other *Apex Legends* items have been criticized almost simultaneously with their release. While I was watching LuluLuvly live-streaming *Apex Legends* during one afternoon of February 2022, a brief conversation between the streamer and her squad about the outrageous value of a legend skin that was priced at US\$160 prompted part of her audience of six thousand viewers to engage in a discussion over the monetization model used by the industry. In the chat, people were divided between making jokes about the item's cost and blaming EA for its abusive use of the

business model. In this way, live-streaming may aid games' visibility while also subverting the promotion rationale, flipping the newest release into a developer/publisher's nightmare of bad publicity.

Despite the risk of streamers complaining about their games, which impacts the company in both ways — both as an actor of the game industry and member of the gaming culture — it is undeniable that EA gains more than it loses when their games are featured on live-streaming platforms. The Ninja effect demonstrates how Electronic Arts was able to flourish in the market by leveraging a cultural trend. Benefitting from a butterfly effect and the resonance it had within the culture of the platform, EA was able to quickly multiply the number of live streamers playing *Apex Legends* for their viewers. *Apex Legends* is still among the most-watched and most-streamed games on Twitch and carries Electronic Arts' brand to every screen on which it is viewed. The game also provided EA with the buoyancy to address the rearrangement of the sector in the last years, and part of this resilience emerged from the community built around live-streaming practices.

5.2.6 Tencent's live-streaming dominance

As the live-streaming of games has become a crucial venue for engaging players and gathering communities around certain games, Tencent has invested in live-streaming in order to capture a broader spectrum, not only in China but worldwide, of this cultural practice trend. The Chinese juggernaut owns not one but two live-streaming platforms: Egames, focused on China, and Trovo, serving overseas content. It also has significant stakes in Huya and Douyu, the two biggest Chinese live-streaming platforms focused on gaming. Besides investing in the platforms' live-streaming technology in order to expand its service ecosystem, Tencent is also leveraging the popularity of their games and their position within live-streaming landscapes. Essentially, the company has taken advantage of the strong bond streamers and viewers create with their games, as well as how such relationships impact the Chinese gaming culture at large. Similar to Electronic Arts, Tencent does not seem to be very active in the live-streaming environment,¹³³

¹³³ I did search Tencent on Douyu, Huya, Twitch, YouTube, and Trovo to find official channels of the company. Only YouTube returned a reliable result for my query; however, Tencent's YouTube channel seems to be a mirror of the Chinese Tencent Videos, but for a Western audience. I did not try to search the company on its Egames, because I was not able to access the platform. Riot

but rather leverages the benefits generated by players who disseminate the company's games on different streaming platforms. Because its strategy is to position itself as an infrastructure of platforms, Tencent is better positioned than EA to extract more from this gaming culture trend. It has placed itself globally in a crucial and dominant position of the live-streaming sector through the number of hours streamed and watched as well as through the control of the live-streaming platforms themselves. In 2018, nine out of ten of the most live-streamed games in China belonged to Tencent (Newzoo, 2019). By March 2020, ten out of twenty top games streamed on Douyu were either operated or developed by Tencent (Niko Partners, 2020, April 06). In January 2021, Tencent had six games among the top 10 most live-streamed on mainland China (Niko Partners, 2021, February 09). It is interesting to underline here that in the last four years, Tencent games have always placed in the top positions of rankings. The games, *Honor of Kings*, *League of Legends*, and *PUBG*, were continually jostling around on the top three positions of the list.

Tencent's dominance is not only perceived in China. On Twitch, their games also place high in the ranking of the most-watched games on the live-streaming platform. Tencent had five out of fifty of the most-watched games: *League of Legends*, *Valorant*, *Path of Exile*, *PUBG* and *Clash of Clans* (TwitchMetrics, 2022). Combined, these games engage millions of people daily between streamers and live viewers, as well as accumulating hundreds of millions of viewer hours of Tencent's products. Though Tencent is the largest game company in the world, players in Western countries still do not recognize the company even if they play many of its games. Tencent, however, has been gradually expanding the reach and recognition of its brand in the Western gaming culture, and undoubtedly live-streaming platforms have played an important role in giving visibility to the company's brand, regardless of whether they are on Twitch, YouTube, or more recently Trovo.

Nonetheless, Tencent's ascendancy on Twitch reflects the inexorable way the company has approached the gaming industry globally, rather than demonstrating the company's ability in designing games. Though Tencent's supremacy in Chinese territories presents a slight difference in terms of game production authorship, the five games listed on Twitch are the result of the

Games, on the other hand, has an official channel on Twitch to broadcast LoL esports events and other company-related events. Riots' *Valorant* also has an official channel on Twitch.

company buying out their original developers. *League of Legends* and *Valorant*, for instance, are both Riot's creations. Even though *Valorant* was created under Tencent's ownership, it is difficult to say how much input the Chinese company provided to Riot during the development of the game. Similar to other industries, the production practices of the gaming industry are usually hidden from the general public under the guise of protecting their creative processes and innovations. To have a grasp of Tencent's penetration of Western platforms, I looked at the performance of *League of Legends* on Twitch. TwitchMetrics points out that in the last 30 days, *League of Legends* presented 184,449 concurrent viewers, 568 live channels, and peak viewers of 630,970. The game has been broadcast in different regions of the world and in many different languages, including English (27%), Spanish (18%), and Portuguese (13%). The top six *League of Legends* most-watched streamers in the period have a combined 11.2 million followers and a delivery of an average of 33.4 million gaming content viewer hours (TwitchMetric, 2022, March 03). It is curious to note that among these six streamers, five are esports league channels. Curious indeed, but not actually that surprising when one considers the success of *League of Legends* on gaming tournaments around the world. In the next section, I will examine the *Honor of Kings*, one of the company's most-watched and most live-streamed games in China, to evaluate how the game has contributed to the cultivation and normalization of gaming habits among the Chinese population.

5.2.6.1 The King has Honour.

Honor of Kings is Tencent's most successful game in China. It is a quick match MOBA-type game developed by TiMi Studios, a Tencent subsidiary. Highly inspired by *League of Legends*, the game was tailored for the Chinese public; Chinese lore featuring Chinese heroes works to reinforce the local cultural bond. The game was released in 2016 and has been the most popular game in China ever since. *Honor of Kings* displays a variety of gameplay modes with most of them focusing on five versus five competitive matches. As a free-to-play game, *Honor of Kings* monetizes itself through microtransactions where players can spend both real money and in-game currency on cosmetic items and seasonal pass purchases.¹³⁴ The game is the highest-

¹³⁴ The season pass initiative for *Honor of Kings* was mentioned for the first time in Tencent, 2019c, Q2 2019, Earnings Call Transcript.

grossing mobile game since 2017, and the first mobile title to reach the milestone of breaking US\$ 10 billion in lifetime revenue (Partis, 2021b, October 01).

An immediate success with Chinese players, *Honor of Kings* counted over 30 million daily active users (DAUs) shortly after its launch (Tencent, 2016c, Q2 2016, Earnings Call Transcript). Although the game genre is most often dominated by male players, in 2017 the majority of the game's players were females, who composed 54% of the total active players (Bloomberg, 2017, August 02). The game's popularity continued to increase substantially over time, reaching 100 million DAUs, and an estimated 200 million MAU in 2020 (Tencent, 2020d, Q3 2020, Earnings Call Transcript). The game is also one of the most streamed in the country. In 2018 *Honor of Kings* was streamed by 42 million channels across all Chinese live-streaming platforms (Newzoo, 2019). During the 2022 Lunar Year period (Jan 31 – Feb 06) — a period when China experiences a surge in demand for gaming — *Honor of Kings* was the most-watched game on Chinese live-streaming platforms, with an average of 23 million daily viewers, followed by *League of Legends* with 21 million daily viewers the same week. According to Niko Partner, the year of the Tiger surpassed the year of the Ox by 24% in terms of total viewers across Douyu, Huya, and Bilibili (Niko Partners, 2022, February 16). These numbers demonstrate the effectiveness of live-streaming platforms in the promotion of the gaming culture and in particular on Tencent's gaming business. Live-streaming has allowed the company to disseminate its gaming content to a massive global audience and market. This broad reach has greatly enhanced not just the company's power to influence and shape Chinese gaming culture, but gaming culture worldwide as well.

Tencent is well aware of the benefits that live-streaming and esports offer, such as expanding and solidifying its user base and increasing user engagement. The company's earnings calls transcripts mention strategies to more fully fold consumers into its games and services ecosystem through the use of live-streaming, as well as developing deeper partnerships with leading platforms (e.g., Tencent, 2018d, Q4 2017; Tencent, 2018b, Q1 2018; Tencent, 2021b, Q2 2021). By investing in live-streaming platforms, the company has been able to develop its vertical structure and provide seamless high-quality services to users that work to prevent them from going elsewhere for games or for broadcasting their playthroughs. In a sense, the company's verticalization strategy can be grasped through the words of Tencent's president Martin Lau,

I think what we try to do is actually to be the best-in-class player in each one of these verticals. So, I would take games as an example, right? So games, it has always been a market with many, many different players and Tencent actually came from the very behind and step-by-step now became the leader in the market in China and now expanding our presence all around the world. And I would say there are a number of things we have to do right. We have done right in the past and we will continue to do and invest in those areas in the future [...] If you look at mobile as an example, if you look at tactical tournaments as an example, these are game genres in which we have an absolute leadership position in and they have essentially become both genre-defining as well as smart social networks for such type of gamers, right? [...] Secondly, I would say the game industry is about development capability. And development capability rests both within creativity as well as technical knowhow. And I think we have gone pretty deep into describing what are the technical knowhow that we have. And over the years being successful in different genre, I think we have demonstrated our creativity [...] And thirdly I would say is the relationship that we have with game, IP, and game companies around the world. And a lot of the leading game companies are our partners or our investee companies. And these are built over a very, very long-term. And as a result, we can actually work with the other game companies and bring exciting new games in different formats to the market. And I would say we also have a very strong presence on social network and that has a strong synergy with our game business because by nature – especially online games, and mobile online games by nature are social networks [...] we actually have a very strong ancillary ecosystem around games. If you look at eSports, if you look at streaming platforms, all these are places where people discover games and engage with KOLs on games, as well as with their friends. So I would say these are all the advantages that we have and we have invested for a long time in this vertical to be the leader and we'll continue to do better. If we have new comers into the market, it will actually incentivize us to do even better. (Tencent, 2020e, Q4 2019, Earnings Call Transcript, n.p.)

5.3 The Era of Pro Gaming and Esports Tournaments

Indeed, mobile and live-streaming platforms have helped spread game culture beyond the usual subcultural niches that video games were originally framed in, but they also helped shed light on another type of video gaming practice and elevate it to a cultural trend: esports.¹³⁵ Gaming contests, of course, are not novel, as game competition has been the very essence of digital games since their early days in universities labs, local arcades, and the time of the 1980s home console. It is undeniable that the practice of game competition is currently a global cultural and economic phenomenon. Rebranded as esports, the activity achieved the status of a professional sports, with its players now being recognized as professional athletes. According to Taylor (2012), esports professionalization took place within an institutionalized format; Taylor states that professionalization was positioned “within broader structural, institutional, and social contexts, and includes tournaments organizers, broadcasters, owners, referees, coaches, sponsors and fans” (p. 17). The players’ career paths from amateurs to professionals, on the other hand, have been characterized by uncertainty, relentless competition, and intense training routines.

The institutional and professional aspects of esports demand an expert level of playing skills. These levels of expertise are, in a sense, a watershed point between these new kinds of players I have been discussing throughout the chapter: that is, ‘novice’, streamers, and eathletes. These players are leveraged by the gaming industry as new cultural and economic assets, since the variation of gaming skillsets raises expectations, foments levels of separation, and accommodates players within different functions and roles that in turn spreads gaming culture and strengthens the game industry’s influence within society. As a horde of new players discover

¹³⁵ Short for “electronic sport.” Taylor (2012) and Karhulahti (2017) reminds us that during 1990s cybersport and cyberathletes were the popular terms when to referring to the video gaming competition practice until it was ‘rebranded’ as esports in the mid-2000s. Many scholars from different areas like sport studies, sport management, game studies, media studies, and computer science field among others have tried to define esports practice over the last few decades. One of the earliest esports concept formulations comes from Michael Wagner’s 2006 article in which he defines the modality as “an area of sport activities in which people develop and train mental or physical abilities in the use of information and communication technologies” (Wagner cited in Karhulahti, 2017, p. 44). Though Wagner’s definition seems to be rooted in the information and communication technologies, instead of anchoring it to a specific medium—this approach leaves room for possible transformations that the practice may suffer in the future— following attempts seem to link the video gaming territory to the practice. For instance, Dal Yong Jin (2010) frames esports as “electronic sport and the leagues that compete through networked games and related activities” (p. 59), while Nick Taylor (2012) outlines esports as “the world of professional video game play” (Taylor cited in Karhulahti, 2017, p. 44), Marcella Szablewicz (2020) claims esports is “a form of professional competitive digital game play” (p. 24) until Hamari & Sjoblom (2017) defined it as “a form of sports where the primary aspects of the sport are facilitated by electronic systems; the input of players and teams as well as the output of the eSport system are mediated by human-computer interfaces” (p. 213) returning the term to the broader socio-technological aspects of the practice.

games and have fun, they are filling the industry's pockets during their casual playthrough, but this kind of occasional activity does not prevent these novice players from moving into the live-streaming ecology once the ability to entertain is added to their gameplay skills. Though, it is important to emphasize that most-skilled players feel more comfortable than novices in sharing their voice, image, and game screen while live-streaming, and especially when streaming to a sizeable audience, a feat that has its challenges when one considers how judgmental and critical the streaming environment can be for streamers (Consalvo & Sugiarto, 2016). Although many live streamers are skilled players, they may not be good enough to make their way into esports tournaments and become professional players. Nonetheless, pro players can and do live-stream their gameplay after their career as a game athlete ends. In fact, the most famous among professional players are offered exclusive contracts worth millions with big gaming live-streaming platforms (e.g., PDD, see Bloomberg, 2019). The mutually beneficial arrangement between pro players and game live-streaming platforms secures an enormous flow of engagement, cash, subscriptions, and donations from millions of esports enthusiasts.

Although the activity continues to evolve into a major global industry, esports practice is not free of contradictions and unresolved issues. This includes the debate on whether esports is a sport; that is, if the practice fulfils the criteria that defines sports in general. There are also a number of controversies including the lack of gender equity, ownership issues, and the excessive commercial and economic focus that drives esports activities (Taylor, 2012; Holden et al., 2017; Karhulahti, 2017; Funk et al., 2018; Hayday & Collison, 2020; Newman et al., 2022). While esports competitions have been legally recognized and regulated as sports in many countries, it is still under review in many other nations. In the U.S., for instance, the status of esports is unresolved, particularly at the federal level, which may open multiple venues for litigation involving the practice, which means that “the industry faces potential challenges in the areas of consumer protection statutes, intellectual property rights, and antitrust laws” (Holden et al., 2017, p.59).

From an ownership perspective, Karhulahti (2017) underlines esports' unique feature as “a cultural practice of exercise and contest on commercial play products that are governed by executive owners” (p. 47). Rooted in a system designed as a commercial and profit-making product, the scholar calls attention to how esports grant game developers absolute and

unbalanced power over leagues, teams, and tournaments. Analyzing the circumstances of Riot's permanent ban of the Renegades team owner, Karhulahti demonstrates how the uniqueness of esports' executive ownership may be problematic: "When Riot Games operates as investigator, prosecutor, and judge, there is little room for external examination or influence when it comes to the unavoidable complications that follow in all sports" (Karhulahti, 2017, p. 48).

The excessive commercial and economic focus is another important issue to be addressed. Analysis by Newman et al. (2022) examines the use of viral techniques to spread popular narratives to drive economic behaviour. The scholars argue that the extreme exposure and optimistic tone that characterized related reports published in digital newspapers, trade publications, magazines, scholarly journals, and specialized financial articles between 2003 and 2019 granted the sector investments that were a great deal higher than the actual revenue generated by the industry. The clear implications are that the within the world of esports, the prospect of reality is more tangible than reality itself.

Accordingly, it is possible to say that beyond driving record economic gains and investments in the sector, the esports ecosystem narrative is also shaping, impregnating, and fruitfully entangling with socio-cultural instances of our society to influence behaviours. Despite of all the flaws and disputes surrounding esports, it is a fact that competitive video gaming continues to grow rapidly and integrate into popular culture, attracting players, massive audiences, investors, brands, and media outlets around the globe. In this section, I focus on the role of professional players, also called eathletes who assist in the cultivation of gaming culture and strengthen the game industry's influence.

5.3.1 Eathletes: When "work hard, play hard" means exactly the same thing

The current socio-technical assemblages of esports tournaments, organizations, marketing, and broadcasting rights are quite similar to those of traditional sports events. The last decade has seen an explosion of competitive video game events, and these events have become a cultural phenomenon, particularly among young people. According to Banyai et al. (2020), young players seeking a career in esports are driven by the opportunity to not only improve their gameplay skills, but also because of "the high earning potential and the respect and fame given toward the top esports players" (p. 02). Indeed, both the visibility of the events and the size of the prizes has

grown considerably in the last years. Newzoo Global Esports and Streaming Report (2021) reveals the global audience grew from 397.8 million in 2019 to 474 million in 2021 and it is expected to reach 577.2 million by 2024 among esports enthusiasts and occasional viewers.

The annual combined prize pools have increased from US\$ 246.5 million in 2019 to US\$ 406.7 million in 2021, and are expected to reach US\$ 543.7 million by 2023 (Gough, 2020, June 30). The esports game with the highest prize pools for tournaments in 2021 was *Dota 2*, a game developed by Valve. The game distributed a cumulative prize pool valued at US\$ 47.7 million through its tournaments, and was followed by another one of Valve's games, *Counter-Strike: Global Offensive*, that had a cumulative prize pool of US\$ 21.1 million. Tencent's *PUBG Mobile* and *PUBG* came in with respectively US\$ 17.1 million and US\$ 16 million in prizes, and Tencent's *Arena of Valor* offered a cumulative prize pool of US\$ 13.3 million (Gough, 2022a, February 03). The amount of award money suggests a validation of the professionalization of esports, as well as the idea of esports being a viable career choice for talented players. Lucrative sponsorship deals and the chance to earn millions also encourages millions of aspiring players to train hard and dream about an esports athletic career.

Similar to traditional sports, esports teams that accomplish a great deal in tournaments attract more amateur players, athletes, and fans into its loyal audience. In 2021, for instance, Team Spirit from Russia accumulated US\$ 18.8 million, with its earnings leading the team rankings. The Russians were followed by Paris Saint-Germain Esports with US\$ 5.9 million, the Ukrainian team Natus Vincere which earned US\$ 5.3 million, the European Team Secret with US\$ 4 million, and the Chinese Qiao Gu Reapers which accumulated US\$ 3.4 million (Gough, 2022c, February 14). On the professional player side, Johan Sundstein from Denmark, known as N0tail, has so far amassed US\$ 7.2 million throughout his esports career. N0tail was followed by JerAx, Jesse Vainikka, with US\$ 6.5 million; ana, Anathan Pham, earned US\$ 6 million; Ceb, Sebastian Debs, earned US\$ 5.8 million, and Topson, Topias Taavitsainen, accumulated US\$ 5.7 million throughout his esports career (Gough, 2022b, February 14). As put by Jin (2010), esports capitalize on the convergence of culture and business to "attract young people, who are their major customers," (p. 79) and there is nothing more attractive in our capitalist society than wealth and a successful career.

The study conducted by Banyai et al. (2020) confirms previous findings that motivation to become an esports professional is generated through player satisfaction combined with the competition aspect of the practice. It also includes personal skills development attained through mastering game mechanics, improvement of strategic thinking and quick decision-making, as well as soft skills, such as maintaining good interpersonal skills with other players, team members, esports event organizers, and with the gaming community at large. However, it also shows that the considerable visibility and economic growth of the practice in recent years has also become an important motivator for young players pursuing a career in esports. In the end, as noted by Taylor (2012), professional players are created through individual efforts within a broader social, cultural, technological, and economic process.

As the most visible member of the esports modality, a successful esports athlete is a primary part of the chain that serves as inspiration for many amateur players. They fuel the dreams of the younger generation, encouraging them to follow in their footsteps, as well as dragging millions of people into competition arenas, live-streaming platforms, and traditional sports media channels. By doing so, professional players help feed the buzz and disseminate the culture of the modality. They also help spread gaming knowledge among a broad and general audience through different broadcasting channels. Professional players often nourish a fan base that surrounds them, a specific game, and the competitive practice itself.

Nonetheless, the esports modality is not just made up of high-talented players and teams. In the video gaming competition era, new professions have emerged, including esports management, coaches, referees, psychologists, commentators, narrators, tournaments organizers, and sponsors (Taylor, 2012; Banyai et al., 2020). It is worth emphasizing that these new professionals, most notably esports' match narrators and commentators, are composed of gaming enthusiasts and dedicated video game players who spend hours examining esports' athletes' gaming strategies and tactics, as well as deeply considering game rules. These figures supply the audience with gaming information while tournaments are being broadcasted. In fact, these esports entertainers also help to build an optimal environment for the naturalization and consolidation of the esports modality, and by extension, they crystallize the influence and power of the gaming industry in a platform society era.

5.3.2 The gaming publishers' role in establishing the esports' business and culture

The esports ecosystem encompasses different stakeholders and each of them play a unique part in it. This ecosystem includes broadcasting platforms, game publishers, sponsors and advertisers, organizers, teams, pro-players, and consumers. Although the ecosystem benefits from the cultivation and growth of the modality, the position that video game publishers occupy offers additional advantages, since they maintain disproportional control over the tournament proceedings (Karhulahti, 2017). The role of video game publishers in the esports ecosystem includes licensing their IPs for the tournaments, which are organized by third-parties, or organizing the tournaments themselves, which includes selecting teams, managing third-party sponsorship, media broadcasting, in-loco ticket sales, and offering money prizes. Companies like Riot Games, Blizzard Entertainment, Tencent, Garena, SuperCell, Epic Games, and NetEase are a few among the hundreds of general tournaments organizers, which also encompasses private corporations and traditional sports business.¹³⁶

Game publishers tackle the esports business in a variety of ways that accord with their business strategies. While a few companies might decide to invest in creating their own leagues and tournament events, others prefer to outsource those tasks by partnering with renowned third-party organizers such as ESE, ESL, Eleague, and DreamHack, to name but a few. In the first option, companies create their own teams, provide funding for large infrastructure required for events, and promote their main esports game franchises, which includes investments in digital and server technologies, specialized management personnel, and arenas able to accommodate thousands of esports enthusiasts. In 2016, for instance, Blizzard announced the creation of infrastructure that was able to back up their recently launched *Overwatch* game. The company's strategy included a number of components including the creation of a League of *Overwatch* teams, investment in locally-based teams, events modelled on the traditional sports model in which a team's identity is connected to the host city (e.g., Chicago Bulls), contracts that specify wages for players, and developing a career path for competitive players. Mike Morhaime, Blizzard CEO and co-founder, declared at the time

¹³⁶ <https://escharts.com/organizers> accessed March 18, 2022.

The Overwatch League represents not only the pinnacle of Overwatch competition, but also a genuine career opportunity for the most skilled Overwatch players. We're building a league that's accessible to players and fans, sustainable, and exciting for everyone involved (Wood, 2016, November 10, para. 03).

Whether partnering with third-party organizers or investing in their own teams and infrastructure, game publishers seem to reap the greatest benefits out of all the other stakeholders in the esports ecosystem. Game publishers not only benefit from their executive ownership (Karhulahti, 2017) over the various components of the esports ecosystem, but they have also been able to crystallize their industry power and influence by using esports actors, particularly the visibility of athletes to cultivate, disseminate, and naturalize the practice in society.

5.3.3 The esports scenario in China

China has been actively participating in international esports tournaments since 2001. Since 2003, the Chinese government recognizes the modality as China's 99th professional competitive sport, a recognition that was motivated by domestic and global economic potential of the digital gaming market. It also acknowledges the potential of the video game competition to drive the development of the country's science initiatives, spread Chinese culture globally, and stimulate technological innovations that are 'made in China' (Szablewicz, 2016, 2020; Cunningham et al., 2019). In 2019, China's Ministry of Human Resources and Social Security announced that esports operators (those who organize or produce esports events) and esports professionals (those who compete, perform, or train other professionals to compete in tournaments) would be formally recognized as professionals across the country (Valentine, 2019b, February 13). However, while esports are growing at a fast pace in China, the number of active esports Chinese players is still relatively low. Despite China placing second in the number of active esports players (~1k players), it has less than a third of the total number of active esports players of the U.S (~3.7k players), which ranks first place (Gough, 2022d, February 15).

According to Statista, the Asian country is quickly expanding its participation in the global esports market, reaching a value of Y\$ 147 billion in 2020, and projecting an estimate that will reach Y\$ 215 billion by the end of 2022 (Thomala, 2022b, January 19). China is also taking the lead in the mobile esports market, reaching a value of around Y\$ 76 billion and estimated to

reach Y\$ 103.8 billion by 2022 (Thomala, 2022c, January 19). However, the relationship between Chinese authorities and the promotion of esports tournaments, and the video game industry in general, has not always been smooth. It is not rare to see conflicts erupt between the China government and esports industries, such as when they jostle over control of the administrative regulation of the sector. The 2021 regulatory act that limits the play time of individuals under 18 years to a maximum of one hour of gameplay between 8pm - 9pm on weekends and statutory holidays spread panic among global esports businesses. Some news reports declared that Chinese esports industry would suffer severe consequences under such state regulatory acts and cited a lack of players for the composition of Chinese teams (Chen & Zhang, 2021, October 8; Dan & Mingyang, 2021, September 02; Horwitz & Yu, 2021, September 07).

Esports has become a cultural phenomenon in China due to the sector's impressive economic growth. This trend has also been nourished by Chinese teams' wins and other positive results in major tournaments, which, in turn, have attracted more enthusiasts to compete in the modality, further increasing the already impressive numbers of the Chinese esports' audience. For instance, the Chinese professional esports team Edward Gaming (EDG), based in Shanghai, claimed victory at the 2021 *League of Legends* World Championship, fanning Chinese esports fans' enthusiasm. The esports victory became a national event across the country's social media ecology, celebrating with expressions of national pride (Ye, 2021c, November 08).

It is exciting to note that the modality is engaging more of the Chinese population than its usual audience of young males. Indeed, China is witnessing a growth of female interest in esports, not only as fans but also as professional players. Statista reported in the mid-2020s, the country counted 400 million esports fans, with 120 million of those being female (Thomala, 2021, March 19). In the same fashion, Chen (2020, December 31) stated that in the last couple of years, the number of women competing in esports has been rising, with some becoming champions in their games of choice. In 2019, for instance, Li Xiaomeng (also known as VKLiooon) became the first female player to win Blizzard's *Hearthstone* world championship in the history of game tournaments, while in February 2020 Xia Bi, known as Axx, became the first female player in the world to compete for a major qualifier in the *Dota 2* pro circuit. Such achievements are undoubtedly fuelling even more attention to the culture of the Chinese esports industry. However, the highest paid professional Chinese players are male, and most of them are

specialized in *Dota 2*. Wang Chunyu (known as Ame), for instance, leads the Chinese ranking with an accumulation of US\$ 3.44 million over his gaming career. This player is followed by Zhang Yiping (known as y`) with US\$ 3.29 million, and Zhang Ruida (known as Faith_bian) who has accumulated US\$ 3.27 million through tournaments (Thomala, 2022d, March 04).

It seems that the combination of China's latest achievements in esports tournaments, and the potential for high earnings for esports players, has inspired young players to engage in serious play with the modality, thereby culturally strengthening the sector. Nonetheless, as in traditional sports, building a successful career path in esports is not an easy task. According to Yue (2018), professional esports athletes in China are submitted to a training routine that may exceed 50 hours a week. This high intensity training routine can lead to "physical exhaustion, nervous fatigue, and even the use of stimulants, resulting in bad social influence" (p. 04). Yue's study also points out other problems in the Chinese esports industry such as the country's insufficient reserve of talented players, and the intensification of esports ownership concentration in a few hands, which raises "concern about the possible oligopoly structure in the future of esports industry" (p. 18).

5.3.3.1 Is China killing its esports industry?

The potential and growing popularity of the esports industry has encouraged the Chinese administration to support and develop the modality across the country. According to Zhao and Lin (2021), Chinese authorities are implementing a number of policies to stimulate the esports sector, such as improving digital infrastructure to cover all Chinese provinces, incentivizing the local development of mobile gaming and live-streaming services, fomenting national and international professional esports tournaments, and encouraging the adoption of esports management courses across Chinese colleges and universities. On the other hand, the same authorities are tightening the regulations related to game licensing, distribution, and circulation across Chinese territories. Indeed, it seems that the relationship between the government of China and the video games industry is never free of contradictions. The country's policies and regulations seem to divide the gaming practice between healthy competitive games and harmful and unhealthy online games (Szablewicz, 2016, 2020; Zhao & Lin, 2021; Cao and He, 2021) as a way of addressing social demands and concerns about the health of young people and potential video game addiction.

Chinese government regulations that constrain access to video games for minors emerged from concerns for the younger generations' health. This seems to clash with the Chinese government's own interests in fostering its economy and fomenting local industrial zones, such as the strategic development of the tech sectors. Despite the policy for fomentation of local industrial and technological zones raising concerns from some members of the esports ecosystem (Zhao & Lin, 2021), eight Chinese cities were chosen to take the lead in driving the economic and cultural development of China's esports industry: Shanghai, Beijing, Chengdu, Chongqing, Guangzhou, Hangzhou, Shenzhen, and Wuhan. These cities are the current Chinese esports powerhouses, not only in terms of hosting important national and international competitions, but also in terms of the number and relevance of professional esports teams. Besides being home to 23 esports professional teams and hosting the most important events of the modality, the 'club of eight' is helping drive the expansion of esports culture across all Chinese territories (Elsden, 2021, May 26).

The outcry over Chinese regulatory actions, especially the one that limits underage players' gameplay time, by members of the international media points to an important concern. Similar to most traditional sports, esports athletes' careers are typically quite short in contrast to standard career trajectories; it is, however, too early to know the true impact of such policies on the future of video games and the Chinese esports industry. It is important to underline, though, that despite the potential impact that Chinese government regulations may have on the esports industry, the country also seems aware enough to know how to mitigate the cultural and economic impacts of those same regulatory acts. It seems Chinese authorities are trying to find a balance between their interest in the cultural and economic growth of a competitive Chinese esports industry, while also working to protect their minors from gaming addiction and other potential health issues. Although it sounds like a contradictory task at a first glance, it may be possible to accommodate both interests in the long run. Maybe China regulatory efforts are not killing the esports industry as many are trying to believe, but are instead protecting the country's youngest athletes from being exposed to (and exploited by) severe training routines in the service of corporate gains.

In the following, I will investigate how Electronic Arts and Tencent have used the cultural appeal of esports tournaments to nurture their industry while also using the competitive practice to their business advantage. In the EA section, I will be focusing on the popular *FIFAe* tournaments and

how the company has managed to prepare and introduce tournament ready game routines to players, while in the Tencent section I will approach how the company is converting its user base into enthusiasts of esports, while also managing to incorporate and control the culture of the esports ecosystem into its vertical business model.

5.3.4 Electronic Arts' Competitive Gaming Division

Electronic Arts took its time entering the esports industry. It finally joined the competitive scene near the end of 2015, when the company announced its new Competitive Gaming Division (Electronic Arts, 2016c, Q3 2016, Earnings Call Transcript). For company executives, investing in esports was a means of keeping EA up to date with the gaming sector's rapid transformations, as well as maintain the company's competitiveness in regard to technological infrastructure (Electronic Arts, 2016a, Annual Report). The new division's initial strategy for tackling the esports business followed two tactics: one external to its franchises, and the other internal. In the external venue, EA decided to outsource its esports business by partnering with third party organizers, such as Eleague and ESE, who would produce tournaments based on the company's games. The publisher also looked for external sponsorship and media broadcast partnerships to help with developing and publicizing their competitive tournaments. Internally, EA's strategy was also taking a bifurcated approach: a) leveraging the popularity of its well-known sports franchises, especially those games connected to traditional sports (e.g., *Madden NFL*, *FIFA*, *NHL*) to enlarge their esports audience, and b) working at the level of game design to create an optimal environment for players to improve their competitive skills. That is, EA has relied on the already massive cultural penetration of sports like soccer and American football to make its esports entry while, at the same time, redesigning some of its core sports franchises to implement game modes aimed at engaging players in competitive tournaments. These redesigned improvements included features such as upgrading its platform's structural ability to easily facilitate matchmaking and building anti-cheating systems to provide a fair-play experience to all players, regardless of their skill levels (Takahashi, 2016, June 12; Electronic Arts, 2016b, Q1 2017, Earnings Call Transcript).

Peter Moore, head of EA's Competitive Gaming Division at the time, described the company's approach to esports as unique. Instead of focusing only on well-established professional players, the idea was to give opportunities to all of EA's players to shine: "We'll introduce three new

ways for players to compete ... we'll have challenge events, premier events, and EA's majors. That's from the bottom to the top" (Takahashi, 2016, June 12, What news do you have for us?, para. 03). In *FIFA*, for instance, the implementation of the Champions mode within *FIFA 17* edition had a considerable impact in the selection of the best *FIFA* players worldwide. The mode was designed to facilitate, organize, and put forward an efficient tracking system of player performance, mostly during the qualification matches of tournaments (Zagala & Strzelecki, 2019; Usry, 2016, November 28). Before the FUT Champions mode, tournaments were usually local and small; after FUT Champions, tournaments became global live events changing *FIFA*'s tournaments in terms of both scale and player diversity. According to Moore, by adding such a tournament mode, the publisher facilitated the creation of a competitive structure in which all players can compete, which would also assist those players in climbing from the online challenge mode to higher positions in official tournament rankings.

By fostering a tournament mode at the design level, EA's approach to competitive gaming further encouraged the culture of video game competition and worked to normalize the esports tournament model among their considerable base of players. The company has also gradually (and considerably) increased their esports viewership not only during live-streaming events, but also on traditional sports broadcasting channels (Electronic Arts, 2018a, Q1 2019, Earnings Call Transcript; Electronic Arts, 2018b, Q2 2019, Earnings Call Transcript; Electronic Arts, 2019d, Q4 2019, Earnings Call Transcript; Electronic Arts, 2019a, Q1 2020, Earnings Call Transcript).

Currently, EA tournament events are centred on three franchises: *FIFA*, *Madden NFL*, and *Apex Legends*.¹³⁷ In the next section, I will be looking closer at *FIFA* esports competition and how it has helped EA strengthen its brand in the esports ecosystem, as well as promote its franchises' live services.

5.3.4.1 *FIFAe* Tournaments

In terms of esports tournaments, Electronic Arts can (and does) take advantage of its long-time partnerships with big sports organizations, such as *Fédération Internationale de Football Association* (FIFA), to disseminate its competitive events. The competitive *FIFA 19*, for instance,

¹³⁷ <https://www.ea.com/compete> accessed March 22, 2022.

had more than 20 million players participating in 60 different countries (Electronic Arts, 2018a, Q1 2019, Earnings Call Transcript). In 2021, the company's biggest esports event got even bigger: EA and FIFA announced that the *FIFA* Esports Programme would expand to *FIFA 22* tournaments. This expansion brought more countries, soccer leagues, and players into their competitive events, making *FIFAE* the world's largest competitive gaming ecosystem (BusinessWire, 2021, September 29). With this new arrangement, players in more than 70 countries can make their way through the *FIFA 22* Global Series, *FIFA 22* Nation Series, and compete for a spot in the *FIFAE* World Cup and *FIFAE* Nation Cup, respectively. The expansion also added more leagues as official partners into the events. This opens more opportunities for fans to represent their regional real-world clubs in the *FIFA 22* Club Series (Koutsafiti, 2021, September 29). The 30 football leagues EA currently has as partners includes: Premier League, Bundesliga, La Liga, Ligue 1, MLS, Conmebol Libertadores, and UEFA Champions League to name but a few.¹³⁸

The new *FIFA* esports programme features both 1v1 and 2v2 competitions, where players can represent themselves, esports organizations, real-world football clubs, or their nations. Players' path in the competition involves registering and playing the *FIFA* Ultimate Team (FUT) Division Rivals, which is the primary game mode for players to showcase their skills and to reach the Elite Division, which qualifies the player for competitions in the *FIFA* Global Series. EA's *FIFA* esports schedule takes place over the fall and summer seasons, and follows a similar structure to traditional *FIFA* competitions. Players play their way across the Duo or Solo global series ecosystem through the open tournament qualifiers and then, if successful, advance into the playoffs to earn their spots on the *FIFAE* World Cup, *FIFAE* Club World Cup, and *FIFAE* Nations Cup. In 2019, *FIFAE* awarded US\$ 3.2 million in prizes across 48 tournaments. 299 players participated in the contests, in which the top five players earned between US\$ 288K to US\$ 119K (Esports Earnings, n.d.-a).

EA uses its partnerships with big sports organizations to leverage their cultural penetration and knowledge of sports event organization to add value to the company's competitive video games.

¹³⁸ <https://www.ea.com/games/fifa/compete/fgs-22/partner-leagues> accessed March 22, 2022.

This move has allowed EA to develop and disseminate a new model of competitive video gaming on a global level. For instance, it is undeniable that the massive penetration of football in the global culture, as well as the fame of regional football sports leagues, drives even more audiences and players to EA's tournaments. The changes EA made at the game development level allowed for a core design that works well for tournaments, and which has ultimately led to the dissemination and normalization of competitive esports. The company has also invested heavily in their own media apparatuses to facilitate the live-streaming of its events, offering to audiences quality content and analyses of esports game strategies and players' tactics (Hayward, 2019, March 15).

In order to boost its esports viewership, EA has also implemented a live viewership reward program, in which the company offers their FUT players a range of FGS token packages and cosmetic skins as rewards for their engagement with the live-streaming of eligible events. The token packages vary according to the quality of the individual's engagement with the events broadcast,¹³⁹ in which players can exchange tokens for different tiers of packages. The company also stresses the rule in which players are not allowed to trade their rewards in the FUT marketplace. To be able to earn the FGS tokens, players must have Twitch and EA accounts, and have both linked together; rewards are redeemed through the Twitch platform (Jimoh, 2021, October 21).

Indeed, EA's strategy to jumpstart their esports business has helped make the overall esports industry itself more powerful, but these tweaks were also made to engage even a larger contingent of competitive players for Electronic Art's games and services. As Moore admitted, "From a business model perspective, the longer and more often our players play, the more engaged they get and the better chance we have monetizing even further than we currently do" (Takahashi, 2016, June 12, What else is on the list of things that have to happen to make this successful for you?, para, 03). The implementation of tournament modes such as FUT Champions has helped make video game competitions accessible to all of EA's *FIFA* players, and has been crucial in strengthening the company's esports practices. It clear that the company's

¹³⁹ <https://www.ea.com/games/fifa/fifa-22/news/pitch-notes-fifa-22-global-series> accessed March 22, 2022

primary objective was to, first and foremost, increase its microtransactional systems and live services business.

5.3.5 Tencent's Esports Business

Tencent and Electronic Arts started to pursue the potential of competitive gaming in the same period of time, though their approaches to esports differ considerably. Tencent perceived the potential to have broader user engagement with its games via esports tournaments in 2016. A year later the company was organizing esports tournaments and live-streaming activities, while nourishing and strengthening player engagement (Tencent, 2016a, Annual Report; Tencent, 2017a, Annual Report). Beyond leveraging its gaming development knowledge, Tencent also organized its competitive gaming structure by consolidating the esports industry and its key roles under one umbrella. The company deployed their most-played games onto the esports landscape, such as *League of Legends*, *Honor of Kings*, *Arena of Valor*, *PUBG*, and *Valorant*, in order to increase their appeal and penetration among players through teams and leagues. Accordingly, Tencent has become a major executive owner of gaming leagues and runs the most relevant esports tournaments in China. It has also worked to promote competitive events for their games around the world. Nonetheless, Tencent's endeavour has transcended the sphere of game development rights as well as the ownership of esports teams and leagues. The company owns a live-streaming platform (eGames) and is focused on broadcasting its tournaments and promoting its games. It also has stakes in Douyu (38%) and Huya (37%), the biggest gaming live-streaming platforms in China. As discussed in the previous chapter, Tencent even attempted to merge both platforms to take control over the new merged corporation, but Chinese antitrust regulators blocked the company's initiative (Deng, 2021, July 10; Partis, 2021a, July 12). Furthermore, Tencent launched a mobile esports brand, Penguin eSports, that focused on expanding the mobile sector of the competitive gaming industry beyond Asian territories (Zhao & Lin, 2021).

Tencent's strategy is to use its techno-cultural apparatuses to support its esports endeavours and grassroots video gaming competitive practices in China. To popularize mobile esports, the company has promoted game competitions across QQ's game platform. Tencent reported that its first attempt was quite successful since it mobilized nearly two million players across the matches and over 30 million QQ users watched the event live (Tencent, 2016b, Q1 2016, Earnings Call Transcript). In fact, the reach of Tencent's games and tournaments in terms of

viewership has gradually increased over the years and is currently very large. For instance, the 2018 *Honor of Kings* tournament finals attracted over 75 million unique viewers through live-streaming broadcasts (Tencent, 2018a, Annual Report).

Tencent's earnings calls reveals the company's intention to use its digital infrastructure and other apparatuses to broadly disseminate, develop, and reinforce the esports culture in China and overseas. Moreover, the company uses its esports structure to cultivate new players for their games, as well as extend their audience and fan base in order to harvest gains made by monetizing the entire ecosystem, including the popular esports-themed skins (Tencent, 2016b, Q1 2016, Earnings Call Transcript; Tencent, 2017c, Q2 2017, Earnings Call Transcript; Tencent, 2017d, Q3 2017, Earnings Call Transcript; Tencent, 2018d, Q4 2017, Earnings Call Transcript; Tencent, 2018b, Q1 2018, Earnings Call Transcript; Tencent, 2019c, Q2 2019, Earnings Call Transcript). Tencent's effort to construct a strong esports culture in China is anchored in the spreading, strengthening, and normalizing of gaming culture at large.

5.3.5.1 Legends, Kings, and Battlegrounds in numbers

Although there are quite a few Tencent titles in esports tournaments, the company has four titles in the top 10 games with the highest prize money awarded: *League of Legends* (4^o), *Arena of Valor* (5^o), *PUBG* (6^o), and *PUBG Mobile* (9^o). Combined, the four games distributed around US\$ 212 million, and mobilized 14K players across 3,262 tournaments registered until early April 2022 (Esports Earnings, n.d.-c). Breaking down these numbers, one can see that *League of Legends* awarded more than US\$ 90.9 million through 2,681 tournaments, in which its top five players accumulated between US\$ 800K and US\$ 1.3 million across multiple competitions. *Arena of Valor* has distributed around US\$ 45.1 million in prize money across 99 tournaments, the five best players earning between US\$ 700K and US\$ 1 million. *PUBG* awarded US\$ 43.1 million through 395 tournaments, in which the top five players amassed US\$ 450K to US\$ 960k through multiple contests. Finally, *PUBG Mobile*, offered US\$ 32.9 million across 87 tournaments, with top players amassing US\$ 800K to US\$ 1.1 million across tournaments (Table 5-1).

In terms of viewership, the *League of Legends* World Championship finals' audience rose from 20 million in 2018 to 30 million in 2021, and the peak views increased from 44 million to 74

Game	Total Prizes	Tournaments total	Players total	Top 5 players awards
Dota 2	\$280.8M	1,621	4,274	\$5.6M – 7.1M
CS:GO	\$131.6M	6,130	14,755	\$1.5M - 1.9M
Fortnite	\$111.3M	750	4,931	\$1.3M – 3.1M
League of	\$90.9M	2,681	8,084	\$800k - 1.3M
Arena of Valor	\$45.1M	99	990	\$700k – 1M
PUBG	\$43.1M	395	3,060	\$450k – 960k
StarCraft II	\$36.8M	6,403	2,119	\$790K – 1.1M
Overwatch	\$33.3M	780	3,683	\$344K – 355K
PUBG Mobile	\$32.9M	87	1,905	\$800k – 1.1M
Hearthstone	\$27.7M	980	2,779	\$345K – 500K

Table 5-1: Top Games Awarding by Prize Money. Retrieved by esportsearning.com/games on 2022, April 05. million in the same period (Gough, 2022e, March 18). In 2019, the North American *League of Legends* Regional Series final attracted more viewers than the Super Bowl (Pei, 2019, April 14). The *League of Legends* Spanish Superliga hit a record in viewership in 2021 with 69.8 million cumulative viewers, 24% more than the previous year (Sacco, 2022, January 04). While *League of Legends* is a global success in terms of the audience numbers watching its tournaments, *Arena of Valor* and *PUBG Mobile* are still struggling to expand their Western audience.

Although the mobile esports market is already a success across Asia, it is not the case in the West. But Tencent is committed to advancing the trend across the North American and European markets. For instance, the 2021 *PUBG Mobile* Pro League North American event has 20 teams competing for a US\$ 6 million prize pool, a prize pool three times bigger than the amount offered across the 2020 tournaments (Takahashi, 2021b, October 31). There is still much potential growth in the mobile esports Western markets, and Tencent seems to be willing to pay the price to advance and popularize mobile gaming competition in the West while also continuing to transform it into a cultural phenomenon across Asia.

5.4 Summary

When defining the game as a social construct, Kirkpatrick (2012) argues that games “exist as such because we identify them, play with them and discuss them in the ways that we do. Our activity makes them what they are” (Bourdieu and the idea of field, para. 02). If games are what we do with them, then the current status of video games with their own particular logics, practices, and aesthetics that have seeped into daily social, cultural and institutional activities, might suggest that they are more than just games, but a contemporary cultural phenomenon. We live in a distinctly ludic century.

In the context of a highly intense neoliberal agenda, the game industry has used its techno-cultural apparatuses to reinforce and normalize the socio-technical and economic rearrangement imposed by the digital era onto our social organizations (Dyer-Witheford & Peuter, 2009). Moreover, video games have been brought into the spotlight over the last decade as a potent new economic engine, granting considerable power to the industry that creates and regulates game logic and practices. Such a status has conferred on the sector the means to saturate our contemporary social tissue (Muriel & Crawford, 2018) and convert social actors into cultural and economic assets. New techno-cultural trends such as mobile and casual play, live-streaming playthroughs, and esports tournaments are transforming a new wave of players and gaming audiences into a horde of consumers-fans for the gaming market. Furthermore, video game developers and publishers are working toward making their fantasies for control, rule, and enormous techno-profits into reality.

When casual and mobile gaming took the market by storm, companies like Tencent and Electronic Arts used their techno-cultural affordances to expand the game industry by grooming and recruiting players, intensifying play practice, and promoting gaming habits. Indeed, through their game titles both companies have created and disseminated game literacy and expanded gaming capital within society. The casual features of *The Sims*, particularly its free versions, have introduced games and the EA brand to millions of people. The development of *QQ Speed* and its integration into its QQ platform in China, along with the acquisition of popular mobile developers worldwide, was Tencent’s move to consolidate its market power and market its brand beyond China. However, such accomplishments cannot be taken for granted. Making games is not easy. Games and their communities are diverse, which implies that learning and modifying

new and existing processes are always at play. The fast pace of digital technologies' evolution has also influenced the regulation of socio-cultural relations. Thus, the constant and cyclical interaction between players, developers, and the industry at large becomes even more fundamental in helping game communities and gaming culture to continue evolving and growing.

Independently of these differences and similarities, Chinese and Western live-streaming platforms serve the purpose of disseminating gaming culture worldwide. By adding 24/7 gaming content into the media diet of a massive audience, live-streaming platforms help support and expand a particular form of game culture. This influence of live-streaming tools has allowed for the accommodation of gaming logic and aesthetics into people's everyday lives, and ultimately worked the interests of algorithms and platforms into our social fabric. While Electronic Arts has primarily leveraged streamers as a means of disseminating their brand and franchises, as well as expanding its player community, Tencent went beyond this by embedding the practice into its vertical business model and improving its platform structure.

Game live-streaming has become a crucial venue for engaging players and communities around specific gaming cultural trends. The Ninja effect of Electronic Arts' *Apex Legends* launch is evidence of the power and reach of the live-streaming platforms as a new form of cultural mass media. On the other hand, Tencent is taking advantage of the entire live-streaming ecosystem to promote its game productions, publicize its game tournaments, and increase its user base and player engagement with its services. Integrating live-streaming into its platform ecosystem, Tencent offers seamless services and locks its users into the company's virtual environment. Indeed, both companies benefit from streamers communities' cultural practices of exchanging their game experiences, and promoting gaming habits that centre their products and services. Nonetheless, Electronic Arts' structures are still partially rooted in the publishing logic and intellectual property, which restricts the company's actions and gains. In contrast, Tencent as a platform company has focused on improving its enclosed infrastructure and strengthening its vertical business; it has been able to extract more from live-streaming as cultural practice and platform economy, and convert it into a broad market advantage.

The game industry's evolution has also opened opportunities for a new genre of sport and the professionalization of players while creating a new profession. Despite all the flaws and disputes around esports as a practice and as a concept, it is undeniable that competitive video gaming has become a global cultural phenomenon. The trend for the modality is to keep growing strong, even in China, regardless of the country's regulatory actions that focus on protecting minors from addiction or other related health problems. Game companies have effectively been acting worldwide to promote the new sport modality by partnering with traditional media and brands to sponsor events for their competitive games. In comparison, Tencent invests large sums of money to promote and create appeal for their competitive events, especially mobile titles. Electronic Arts, on other hand, is taking advantage of long-term partnerships with big sports organizations to leverage their name and expertise in competition, and to legitimate their tournaments. However, the most innovative approach by EA in regard to esports was the promotion of a core design that is palatable to tournaments. This was important in the dissemination and normalization of the competitive practice as molded in the current esports tournament arrangements.

Besides leveraging its massive Chinese user base, Tencent's move to build its esports products and services takes advantage of its robust and dominant digital and market structures. The company's esports business is one of the biggest in the industry, and as a platform corporation, Tencent's strategies involve consolidating services around and inside its ecosystem. Its business moves that led to occupying key positions in the esports stakes has increased its executive ownership power (Karhulahti, 2017). Once again, the difference in business structures explain how EA and Tencent exploit the esports modality.

Nonetheless, the sheer size of Tencent's esports structure yields a locked-in environment for esports professionals, making it quite difficult for them to participate outside of the company's reach (Zhao & Lin, 2021). Like its other products and services ventures, Tencent's investments in the esports industry have facilitated its business infrastructure and reinforced its platform's ecosystem. That is, it has worked on improving its multisided markets (Nieborg, 2015) to increase its value-added services. As noted by Zhao and Lin (2021), "Tencent values organized competitive gaming and has radically expanded its platformalized infrastructures to capitalize on organized gaming's potential profitability" (p. 18).

The new technological apparatuses like mobile devices and live-streaming platforms have provided the game industry with the means to grow and increase its markets and reach consumers globally. They have helped to cultivate play practices and nourish a new and deeper level of gaming culture across multiple social groups, and served as an additional marketing and sales tools for the game industry to drive consumers' choices and promote video game trends. In the next chapter, I will investigate how the transition of the video game from product to service, from full price tag games to free-to-play games, has led to them being attached to microtransactions and subscription plans that have replaced game ownership, a trend which is currently driving the marketing circuit.

6. Circuit of Marketing: From one-off product to fragmented monetization and ownership replacement.

In the previous chapter, I discussed how the game industry took advantage of new techno-cultural platforms and trends such as mobile and casual play, live-streaming playthroughs, and esports tournaments to elevate the status of video games from a sub-cultural niche into an important manifestation of contemporary culture. The addition of new video game players and gameplay audiences into the gaming market, as well as the emergence of professional careers as video game players, has undeniably aided in the naturalization of digital play by creating gaming habits and strengthening the culture of games worldwide. Such processes of expansion and the diversification of players and gaming audiences has converted these social actors into cultural and economic resources to be exploited by the game industry. Furthermore, by cultivating play practices and nourishing a deeper level of gaming culture across multiple social groups, these techno-cultural apparatuses have also served as marketing and sales tools for the game industry, thereby driving consumer choices, disseminating gaming practices, and promoting video game trends.

Developed and improved during the last decade, this new set of techno-cultural tools has impacted the business model of the video game industry, which in consequence, has transformed the essence of its product. Following the inner changes of its commercial logic, video games have transmuted from a one-off commodity derived from a closed cycle of production that ends in itself (e.g., cartridges and software discs) to one with a permanent cycle of production and income flow (e.g., live service). As noted by Kerr (2017), the platform logic of production is allied to its own patterns of monetization, circulation, and consumption, and this logic has dominated the video game environment in terms of profit generation, as well as established itself as a current socio-cultural phenomenon. But how exactly have video games begun to be associated with services?

Stenros and Sotamaa began questioning the many interpretations of the term "service" and its relationship to games in 2009. They argue that "service" is an intangible and perishable commodity, and for games to be connected to the idea of "service," game companies needed to shift the identification of games from fixed items to flexible and mutable platforms. Meaning

that the downloadable contents and new features of games would increase the games' appeal among consumers, and ultimately generate value-added service into the sphere of digital game commodities. Similarly, Huotari and Hamari (2016) look at the reasoning behind acknowledging games as service systems through the lenses of the service marketing literature. Anchored in 2004's Vargo and Lusch theory of service-dominant logic, Huotari and Hamari assert that service marketing theory allowed for the understanding that customers are essential co-producers of services; that is, the service value is created when customers use the service (or buy a good). This is a feature that resonates a great deal with players' common gaming behaviour. That is, from the service marketing literature perspective, games are, and always were, a co-production between developers and players: the players' interaction with the game completes the service production, and, at the same time, players' level of enjoyment — gamefulness— generates the game service value.

Nonetheless, depending on the path developers decide to walk in terms of offering services, the understanding of games as a service can easily flip to what Lehtonen et al. (2022) call “games as a disservice.” In opposition to Vargo and Lusch's idea of value in co-creation, Lehtonen and colleagues put forward the concept of value in co-destruction. Value co-destruction is not determined by, or inherent to a service, but occurs through inconsistencies found in the nature of the service. That is, value co-destruction may happen at any point of the digital interaction between customers and service providers, or between customers and other customers, though it is more often perceived after the service delivery. For now, it might be enough to say that digital distribution and circulation has enabled the proliferation of games as a service, which in turn has entailed new business opportunities and value propositions for game studios and game publishers.

As such, this chapter investigates the marketing strategies of game-as-a-service and how game companies and publishers have navigated through the changes that have occurred in the commercial logic of game production, while transitioning from publishing (one-off product) to a platform (live service) logic. More specifically, I intend to draw attention to the relationship between the models of monetization and advertising strategies applied by the game industry that are used to engage and hook consumers to their continuous offering of services. Nonetheless, the service economy phenomenon is not exclusive to the game industry, its roots are intertwined

with the widespread tendrils of the virtual economy that run across different commercial segments, available throughout the Internet. Before discussing how games have become a service, we must first understand how the transition between the material to the immaterial economy took place, and how this movement changed worldwide operational marketing.

In their discussion on the material and immaterial economy, Lehdonvirta and Castronova (2014) emphasize the value of scarcity in the real-world economy and contrast it to the sense of abundance the virtual world economy offers through its reproductivity affordances. In order to solve this incongruity (or axiom), the virtual economy needed to mimic the real-world economy by adding value to digital goods. To achieve this, developers and designers would need to artificially produce scarcity within the digital environment. The virtual economy is largely managed by companies who publish digital content and services for profit; their business plans depend on (a) creating content, (b) attracting users, and (c) monetizing the content created. Content, as Lehdonvirta and Castronova recognize, is not only producing a consumable good, but it is also one of the few scarce resources in a virtual economy. Thus, digital companies must constantly provide new content for their users to keep them coming back to the platform. They do this either by creating content themselves, or by facilitating the creation of content by other parties and users' communities. To attract customers, companies may give away some content for free, while locking the most relevant content through a paywall. To facilitate the commercial process that involves both free and paid content, a system may add two types of currencies into its service: one that is earned simply by using or progressing in the system, while the other must be acquired or purchased through a real-world money transaction.

As for-profit firms, digital game publishers must generate revenue by engaging players in their system and turning them into payers. Because these companies give away some content, they need to monetize their products, positioning them as services through other stream venues such as extra content, virtual goods, and currencies – all purchased with real money. The introduction of this purchasing model is commonly referred to as a microtransaction. This business model allows for companies to adjust their pricing to the identified spending capacity of users, effectively and efficiently extending their potential profitability. This practice was paramount in the rise of free-to-play games beginning in late 2000s, which I will discuss further in the following sections. Moreover, Lehdonvirta and Castronova (2014) bring attention to the

importance (and challenges) of delivering a well balanced rate of content to consumers as a strategy for retaining users. As a consumable good, content should not be too quickly consumed, nor should it take too long to consume. If too short, they argue, users will feel they paid an unfair price for the content provided and will possibly leave the service, but if too long, companies may not make enough money to cover their initial investment in the content production, making the business unviable. For Lehdonvirta and Castronova, finding the right balance for content delivery must go beyond maximizing publishers' revenue. As they note, "a good game designer will therefore always put some speed bumps on the players' path, regardless of the revenue model" (p.17).

Nonetheless, as I will demonstrate in this chapter, the virtual economies designed and implemented by some game publishers are not concerned about how to achieve a balance between the in-game content and the in-game economy. On the contrary, the main goal for these publishers is to maximize their profits at the expense of players' enjoyment by investing in mandatory tedious quests designed to convince players to pay and skip such laborious activities (Lehtonen *et. al.*, 2022; Petrovskaya & Zendle, 2021).

6.1 From one-off physical product to a continuous cycle of commodification: a global experience

The consolidation of the market platformization has encouraged the emergence of games as a service, and, consequently, instituted a permanent ongoing development stage of production. Although the platform logic is now quite settled in the global gaming market (Poell *et al.*, 2022; Nieborg & Poell, 2018; Kerr, 2017), such a commercial transition between a one-off product cycle to a live-service cycle did not happen overnight. The process took time to mature and establish itself as a new norm for the industry. For instance, microtransactions were the core business model for arcade games, and purchasable additional content has been around since the 1990s, with the so-called expansion packs and downloadable content (DLCs). Expansion packs and DLCs commonly offer players complementary content like extra play hours of narrative quests, abstract puzzles to solve, sets of new weapons for warfare, characters outfits, and maps for adventures, among other consumable items to continue game sagas (Lizardi, 2012; Stenros & Sotamaa, 2009).

While the inception of changing the purchasing pattern of gaming consumers can be traced back to the 1990s, Nieborg (2014) highlights the role of the seventh cycle of consoles (e.g., Xbox 360, 2005; PlayStation 3, 2006) as being in a better position within the industry to harvest the most from additional revenue; that is, revenue generated beyond the commercialization of packaged goods. Nieborg argues that the technologies present in this generation of consoles were of such a variety that they allowed the industry to use the expansion of the distribution of digital content as a way of continuing to generate revenue from the original stand-alone hard copy of the game. “In this sense,” he continues, “the seventh-generation blockbuster game is a hybrid product, signalling the mixture of physical and digital circulation mechanism” (p. 48). That is, during the mid-2000s it became commonplace for players to anticipate additional content for most games released in the market. These expansion packs and downloadable contents were part of the initial phase of what would be named as the perpetual cycle of video game commodification, which not only extended a game’s life but also locked players into a game at the same time.

In fact, the game industry has harvested considerable financial gains from DLCs and expansion packs, as they: a) prolong players’ engagement with a game after its initial purchase; b) prevent traditional forms of piracy; and c) limit second-hand markets since players must have the original physical disc to play additional content. In addition, this extra content would help hold the price at the initial retail suggested price for longer periods of time, preventing the usual price drop as the game loses its sense of novelty (Nieborg, 2014; Lizardi, 2012; Stenros & Sotamma, 2009). While PCs and the seventh cycle of console generation offered a sort of hybrid product, the combination of Internet connection improvement, the introduction of mobile devices and social networks (SNS), and the newest cycles of PCs and consoles generations consolidated the commodification processes.

In a highly globalized market, this commercial movement has impacted the game industry in different regions of the world almost simultaneously. Asian markets, especially South Korean and Chinese markets, also experienced a transitioning period. Nevertheless, it is important to take into consideration the economic context of the Asian countries. In China, for instance, the engagement of Chinese players with “real money trading” (RMT) activities was different from the players from North America, Europe, or even other Asian countries such as Japan and South Korea. Chinese players who earn low wages compared to their Western counterparts,

demonstrate different playing behaviours. Instead of engaging in massive multiplayer online games (MMOGs) like many players around the world do (e.g., by joining guilds to slay dragon bosses, collect rewards, and have fun), Chinese players entered these games with the intention of farming in-game items for potential RMT profits. That is, in games like *World of Warcraft* (Blizzard Entertainment, 2004), for instance, Chinese players would commonly join grinding groups, also known as “gold run groups,” a group of players whose main goal consisted of harvesting available in-game goods, and then offer them to other players in online marketplaces in exchange for real money (Chew, 2019; Dyer-Witthford & de Peuter, 2009).

Such a precarious economic context led to the development and popularization of a distinctive business model, which introduced new payment methods and a particular game design approach that noticeably transformed the Chinese game industry. Even though the service business model approach was not created in China, some scholars hold the hypothesis that the way the Chinese game industry dealt with the virtual goods and service model, that is, the way they approached free-to-play games and attached them to microtransactions along with the implementation of the pay-to-win design, has negatively influenced the game production logic in the West (Chew, 2019). In his investigation of the cultural history of online games in China, Chew argues that in 2006 the Chinese MMO game *Zhengtu Online* (ZTO) pushed the pay-to-win mechanics to another level by introducing purchasable in-game elements such as the “treasure chest.” At the time, ZTO developers reported that it was the treasure chest feature alone that meaningfully maximized the game’s revenue, proving the high profitability of such a design approach. As Chew describes, after this positive financial result, “[n]umerous Chinese game developers researched the game content of ZTO and imitated its lucrative design features,” (p.205) which helped to consolidate the business model across China, and other Asian countries. In fact, the Chinese economic context, in particular the average purchasing power of consumers in China, not only drove the industry to consolidate free-to-play games with the microtransaction model, but had an impact on the quality of the games as well. For a period of time, the significant contingent of old computers and the low computational capacity of mobile devices of Chinese consumers posed serious limitations for creatives in the industry (Chew, 2019). Although there is still some resistance from Western players, console players in particular, to fully accepting the

new business model, especially the pay-to-win mechanics, it is undeniable that the model has successfully spread worldwide, especially in mobile gaming.

During this transitory period, the global game industry introduced a variety of models that expanded the possibilities of gaming commercialization and monetization, such as digital distribution, season passes, subscription plans, in-game advertising, in-game purchases (microtransactions), and so on. Even though these models are still in use today, including the commercialization of physical copies, the reach and popularity of freemium (or free-to-play) games that use a range of monetization tools including in-game advertising and new forms of subscriptions is remarkable. These new forms of monetization based on a new business logic are reshaping the circuit of marketing in the gaming sector as discussed by Kline et al. (2003).

In their work, Kline, Dyer-Witthford, and de Peuter (2003) investigate and analyze the marketing circuit from the advertising strategy perspective; that is, they dissect how game companies have applied their marketing and advertising tactics to commercialize a one-off commodity within the context of the publishing logic of production and promotion. Considering the techno-social and cultural transformations of the sector during the last decade, the present analysis requires an update to investigate the new norms for promoting and circulating games within the platform logic of production, commodity fragmentation, and the continuous flow of user data. As such, this chapter sheds light on the marketing of gaming as a service by investigating the relationship between models of monetization and the advertising strategies applied by the game industry in the current logic of production, circulation, and consumption of video games. More precisely, this chapter examines how the industry is using players' discrete data that is allied to new forms of monetization to effectively cross-promote and advertise games and live services.

The first section of the chapter will be focusing on the 'purely' free-to-play model and the digital advertising structure behind it, such as the collection and exploitation of user data and the adoption of in-game advertising. The revenue stream of ad-supported games is based on players' time rather than their wallet. In fact, the successful dissemination of the free-to-play model helped to lift the 'freemium' model and popularize the in-game purchases monetization design. Next, I turn my attention to different styles of microtransactions (cosmetics, extra contents,

season passes, and pay-to-win) to discuss how they have been used as direct marketing and cross-promoting tools, tailored to not only encourage excessive consumption, but also shape new behaviour patterns across the gaming culture. Finally, the third section considers the role of subscription models in video games. From the primary forms of online service (e.g., server access plan) to the current variety of subscription plans inspired by television streaming platforms and cloud gaming services, this section investigates how these new models are used as a way to promote video game publishers' services anchored in selected, exclusive, or premiere availability of their games' catalogue. Once more, each section dissects Tencent's and Electronic Arts' business strategies regarding monetization styles, marketing, and service promotion in order to generate hype, engage players, and lead them to consume not only the game itself, but also the constant flow of in-game virtual goods.

6.1.1 The advertising of free-to-play games

A lot of ink has been spilled in attempts to describe and examine free-to-play games. Part of this scholarship is dedicated to understanding how these games became so popular in the last decade (Mayra & Alha, 2021; Finn, 2017; Mayra *et. al*, 2017), while other scholars have been digging into the economic models of free games in an attempt make sense of what kind of commodity digital games were transmuting into, and how the game industry is optimizing its monetization designs in order to turn them into an effective and continuous source of income (O'Donnell, 2017; Hart, 2017; Evans, 2016; Nieborg, 2015; Lizardi, 2012). As mentioned in previous chapters, the easy access to app development tools combined with the reduction of production costs, and the straightforward accessibility to app stores opened the mobile market to innumerable developers. The high number of daily apps being added to the app stores triggered a problem for the discoverability of apps, and fueled fierce competition for user attention (Kerr, 2017; Nieborg, 2016). To make things even more difficult, the mobile market was boosted by the possibility of downloading apps free of charge.

Free-to-play refers to an online game business model that offers a significant portion of the game content for free, and revenue is expected to be generated via app-advertisement strategies, mass-scale user aggregation, and in-app purchases. That is, instead of requiring, and relying on, up-front payment to access the game software, game companies adopted the platform economy model into the games themselves. Platform economy model may deploy different marketing and

monetization approaches to better fit developers' necessities like commodification of user data, user-acquisition, in-game advertising, sales of premium content and game updates, as well as in-game item purchases. These strategic activities occur in an ecosystem where every step is tracked, measured, and analyzed, which, in turn allows for a constant update or modification of the system to improve the app performance according to user/players' behaviours.

As pointed out by Nieborg (2016), the free-to-play economic model is intrinsically connected to digital advertising strategies, the ubiquity of mobile devices, and the advertising methodology applied to social media platforms. Offering a valuable overview of the evolution of digital advertising, Nieborg (2016) underlines "the browser-based cookie technology and the click as a mechanism to measure individual ad interaction" (p. 30) as the two most significant innovations that emerged from web-advertising. He argues that these innovations served as the inception of what was to become the current sophisticated targeting and tracking tools that companies use to collect user data. Although the 1990s online advertising context was comprised of a straightforward two-sided market connecting the two actors, namely ad publishers with ad buyers, the last decade witnessed not only the development of a wider capacity to track, store, analyze, sell, and auction users' data, but also the inclusion of new intermediaries to carry out those specific aggregating data tasks, resulting in a grey, multi-sided market structure. Mobile devices and social media platforms, Nieborg suggests, not only expanded the forms to collect, store, and analyze data, but surpassed the dated cookies technologies to implement more accurate technologies such as device IDs and IP addresses to track users' behaviour. As these new methods allowed companies to watch and track user activity within individual apps, behavioural targeting on mobile devices has become exponentially more effective in creating user profiling.

Using players' aggregated data and the metrics generated from it, the service of demand-side advertising platforms provides developers with enough information to produce granular ad campaigns able to target a significant and diverse range of audience clusters. As Nieborg (2016) explains, the rationale for free-to-play advertising campaigns focuses on acquiring, retaining, and re-engaging players. The reasoning behind the user acquisition process is described by the formula $R = LTV > CPA$, in which Life-Time Value (LTV) must be larger than the Cost Per Acquisition (CPA) to generate Revenue (R). Cost per acquisition is the value paid to access a cluster of players with a high inclination for downloading and installing games, while the life-

time value is comprised of the players' spending capacity during the time they are engaged with the game app (Nieborg, 2016). Strategies for player acquisition begin with various in-game advertising campaigns. As soon as a player interacts with an advertising banner and installs the advertised app, marketing intermediaries initiate data operations that develop a ranking system in which the player's value is evaluated according to the type of action performed. Players that install an app are ranked and evaluated along with players that installed and engaged with an app for short or long period of times, as well as those who bought in-app items, etc. Thus, the accuracy of the spending capacity forecast of a player is intrinsically connected to the tracing capacity of an app; such tracking must be tested over multiple interactions, working as checkpoints, to determine users' engagement patterns. The approach for retaining and re-engaging players is similar to the process described above, but in this case, directional and personalized advertising campaigns are deployed on users' favourite apps. In addition, tailored and specialized campaign messages (e.g., time-limited items sales, special discounts on the next purchase, giveaways and discounts linked to friends' referrals, etc.) are delivered through players' email addresses and device IDs in order to convince players to revisit the app during the game's loop of events.

Though the aggregation of data processes continues, a number of factors have pushed the digital-ad intermediaries into developing more specialized advertising solutions. These factors include the rapid mutation of (cross)platform technologies and services that have impact on the users' engagement with the platform, regulatory effort to protect users' private data, along with conflicting policies among different platforms in the market. The technologies developed to gather users' data and perform analytics are becoming more sophisticated, discrete, and efficient, in part to continue improving their ability to influence and harness users' behaviours through marketing services, but also as an effort to evade public regulation or any other attempts by the public governance to implement bylaws. Today, digital advertising companies offer programmatic advertising strategies that not only offer the efficient targeting of audience clusters that include: geofencing, IP addresses, behaviour, demographics, types of devices, and the time/day users most often engage with their applications and devices to generate more accurate profiling; furthermore, these strategies also target a range of platforms, devices, and media

formats including mobile, desktops, video streaming, connected television, digital audio, native content, among others that would best service the companies' goals (BidMind, 2022).¹⁴⁰

In-app advertising, for instance, is a digital marketing tactic widely used by developers to monetize user traffic. It means that game developers sell advertising spots in their apps, offering visibility sometimes to their own competitors as a way to monetize their free apps. According to BidMind (2022), the former digital advertising company Fiksu, the most popular advertising format for free-to-play games, particularly on mobiles, is still in-app ad banners due to “its cost-effectiveness, simplicity, and effortless launch” (n.p). Ad banners are usually static text/images displayed at the top or bottom of the screen; however, there is also the possibility to create ad banners that occupy the user's entire screen, requiring them to interact with the banners, even if to just close it. Currently, there are also other formats of ads that are inserted into free mobile applications such as playable ads, interstitial ads, rewarded videos, and mobile native ads. A playable ad is considered the most effective advertising for the mobile game sector since it takes the form of interactive advertising that offers the opportunity to try a new game for 15 seconds to a minute. An interstitial ad is a full-screen unity ad piece inserted in-between levels of a game while the game app takes place during the loading process. Rewarded videos compensate users for their time, exchanging time spent watching 15 seconds or more for in-game rewards that enhance players' experience with the game. Finally, a mobile native advertising ad is an ad piece that blends with the app's or the webpage's visual identity that subtly passes as content instead of a direct promotion (BidMind, 2022).

Despite the high accuracy and finer granular level of target audiences offered by digital advertising agencies, their methodology and apparatuses expose two important issues: (1) the problem of transforming users into commodities, and (2) the scandalous inequality regarding marketing opportunities, competitiveness, and diversity. On the one hand, as pointed out by Nieborg, the performance of the marketing instruments described in this section reveals that app advertising and tracking user data – interrelated with free apps – transforms the app's users into commodities.

¹⁴⁰ <https://www.bidmind.com/> accessed August 17, 2022.

Developers of f2p [free-to-play] apps want players; app developers capture players; ad intermediaries and social media platforms measure (i.e., track and target) players, and demand-side platforms “deliver” installs or engagements for app developers. Seen in this way, player along with their data and their in-app actions constitutes the player commodity. (Nieborg, 2016, p. 36)

To complicate the situation, unlike cookie-based tracking which can be disabled at any time by users, mobile app tracking systems seem a bit more complex to get rid of, even after Apple’s ad-blocking system and app labelling policy. Apple, for instance, informs iOS users about apps that use track systems but does not give much knowledge on how users can prevent the app from tracking them. Although new installs may ask users if they want to disable the app’s tracking tools, many apps, especially those installed long ago, keep their tracking ability. Indeed, the market for digital platform users’ commodification will keep growing and becoming more sophisticated and precise as tracking tools improve and cross-device structures are designed to continually supply new digital services. On the other hand, the massive and competitive mobile environment exposes the highly concentrated political economy of the free-to-play business model, one in which such precarious circumstances are amplified by the app advertising ecosystem.

As put by Nieborg (2016), free-to-play developers can be divided into two categories: the ad publishers and the deep pockets advertisers. Working merely as ad publishers, most developers have little financial means for investing in the expensive marketing campaign to acquire high-profile users. These publishers rely solely on advertising as a source of income. The deep pockets developers are a select group (the 1%) that have the financial means to invest deeply in programmatic advertising and acquire high-profile players on a mass scale. For these developers, in-app purchases are the primary, but not exclusive, source of income. This inequality in marketing opportunity and app discoverability has been crushing the mobile market for quite a long time now. A recent report from Sensor Tower reveals the mobile market situation has not changed in the last seven years: the top 1% of publishers have generated almost all of the top app

revenue in the first half of 2022¹⁴¹ (Cetin, 2022, September 9). A situation that, in essence, divides the mobile market among the few developers who dominate 91% of the app revenue and the rest of the developers (the majority) who often serve just to showcase the live service games from the developers with the deepest pockets. Representing the 1% of developers, Electronic Arts and Tencent are corporations with profound financial means to deploy highly intricate metrics to better design their advertising campaigns and stand out in their free-to-play production endeavours. Thus, in the next sections, I will investigate how these companies plan their digital marketing strategies to engage users in their entertainment live service infrastructure.

6.1.2 Electronic Arts marketing strategies to tackle the world of freebies

Electronic Arts' marketing transition began in 2010, and involved a commercial strategy that simultaneously introduced their customers to the digital game market and the free-to-play model. Aiming to change players' consumption habits, EA needed to address and attract retail (disc-driven) customers into their digital business and distribution platform.

As an incentive to get players involved in the emerging hybrid games commodity, the company attached a coupon with a one-time-use code to their products, allowing players who bought the physical copy of the game to download extra digital content for “free.” The strategy also served as an advertising tool, since the downloads section on the game website helped to create awareness about additional content available (or scheduled) for download and purchase. According to John Schappert, EA's executive Chief of Operating Officer, 70% of their first-time purchasers used the code and redeemed digital content: “By giving people this access code, we got them into the online world” (Electronic Arts, 2010d, Q4 2010, Earning Call Transcript, p. 19). In fact, they accomplished more than converting players who were accustomed to buying the physical copies through retail into digital spenders; EA's code strategy also helped the company build a solid player database capable of displaying individual gamer's preferences —that is, a primitive player's profile. In order to access the free content, players had to redeem their coupon and create a registered account on the company's website, giving EA their personal information.

¹⁴¹ <https://mobilemarketingreads.com/the-top-1-of-publishers-generated-91-of-all-app-revenue-in-h1-2022/> accessed October 04, 2022.

This information would be connected to data about content downloaded and linked to each player's gaming routine information, such as preferences for in-game genres and play modes.

Motivated by the potential of free-to-play games, the company announced a long-term strategy for expanding its digital revenue streams, including investments in digital infrastructure and digital advertising through 'smart' merging, acquisitions, and partnerships (Electronic Arts, 2008d, F4Q08, Earning Call Transcript). EA made clear to investors that the company would be making changes to its marketing investments, suggesting the company could reduce the intensity of TV advertising, and redirect its ad campaigns toward a broader marketing mix, focusing on non-traditional and more efficient media vehicles (Electronic Arts, 2008b, F1Q09, Earning Call Transcript). This signaled that the company was prepared to gradually move away from the publishing model to a platform logic not only in its production process, but also in regard to its marketing strategies. John Pleasant, President of EA's Publishing at the time, emphasized the importance of non-traditional forms of marketing as a segmented tool able to effectively drive down the company's costs in terms of customer acquisition (Electronic Arts, 2008c, F2Q09, Earning Call Transcription). Focusing on what they called "pure" digital businesses, which included the web-browser platform Pogo, and its mobile and free-to-play titles, EA announced its openness to adopt microtransactions and in-game advertising as part of its efforts to grow its business. The publisher contracted Element, an online monetization platform, to accelerate its online gaming marketing strategy, resources, and tools. Through Element's services, EA would improve its access to payment gateways, virtual item gifting, and virtual goods merchandising functionality. It would also diversify the company's analytics capabilities, enhance support for in-game currencies and item storefront transactions, as well as catalogue management (Caoili, 2010b, July 26).

Electronic Arts was keen to pursue a more performance-based marketing strategy. Yet, its marketing transition followed a cautious path regarding the emerging non-traditional marketing strategies. EA also managed to take advantage of its well-known brand as a strategic marketing tool. Indeed, the company is renowned in the global game industry with a portfolio composed of many of the most recognizable game titles in the world, particularly in the sports realm.

Undoubtedly, EA's games are well-known to the larger public, even among those who are not passionate gamers. At the beginning of its free-to-play endeavours, EA used the strength of its

brand and game portfolio by porting some of its most recognizable games to Facebook and mobile devices. Electronic Arts also used its partners' scheduled events —sports championships (*FIFA*, *NHL*) and movie release promotion (Disney)— to launch and advertise their games accordingly.

EA's initial investment in performance-based marketing allowed the company to combine the aggregated user data (provided by its digital marketing platform partners) with its own user aggregation data to identify where best to allocate investments in segmented media for a better financial return. The company's executives admitted, though, that budgeting a marketing campaign in a fragmented scenario entails numerous challenges, as opposed to retail (publishing vs. platform), due to the remarkable differences within their market dynamics:

If we buy an ad on a gamer site and the click-through is such that it's a positive return on investment, we do it again and then we do it again until it stops being a positive return on investments. So in general, spending is moving. (John Riccitiello, Electronic Arts, 2011b, Q1 2012, Earnings Call Transcript)

EA executives also emphasized difficulties related to planning for marketing release dates for free-to-play games compared to packaged games. In the publishing world, the marketing strategy must be designed beforehand to generate buzz and hype around the release date, but the free-to-play (mobile/social) games have a shorter planning window because of the threat of competitors ruining the game launch. "It's relatively easy for a competitor to buy all the relevant advertising say, 24 to 36, 48 hours prior to a release" (John Riccitiello, Electronic Arts, 2011b, Q1 2012, Earnings Call Transcript).

Despite the initial challenges, EA eventually took advantage of digital marketing techniques and cross-user data to bump up its marketing strategies into more efficient and less costly advertising campaigns. As put by Frank Gibeau while describing EA's performance-based marketing service applied to its mobile businesses,

It allows us to cross-promote and understand based on telemetry and data what our gamers are doing at any given time, and what's the right message at the right time, and what are the right games that we can put in front of them that might interest them. So, the

combination of a profound organic acquisition advantage coming from brand power and a network effect we believe will allow us from a long-term standpoint keep marketing and sales as a percentage of revenue very low, very low certainly relative to other mobile game companies. And as we look to grow the business, we'll continue to harness those advantages. (Electronic Arts, 2015c, Q4 2015, Earnings Call Transcript)

Besides deploying user data analytics to create cluster profiling to better apply their game ad campaigns, Electronic Arts also uses its own social network accounts as an efficient vehicle to promote its games and generate buzz around players. Moreover, each game has its own social media account, mainly on Twitter and other popular platforms, such as YouTube and Twitch, in which community managers promote specific game elements and events leading up the title's release to feed the hype. Investments in digital marketing tools grew substantially in the last decade, consuming a large part of the company's marketing and advertising budget in its effort to improve its media advertising mix. Despite this, EA never stopped using conventional marketing media strategies, such as large-scale billboards and expensive TV placements, as part of the company's primary ad campaign cycles when deemed necessary.

6.1.2.1 In-game advertising: revenue or expense?

It is interesting to note that, for Electronic Arts, in-game advertising is not a novelty that appeared at the tail-end of free-to-play games, as was the case with most freemium developers and publishers. The company has a history of creating revenue through in-game advertising, mostly through its sports franchises. As a virtual version of the real and live sport match events is broadcast on TV, advertisements pop up across video games screens featuring *FIFA*, *NHL*, and *Madden NFL* in the same fashion as they would appear in real arenas' and stadiums' spots, or during game intervals. It is not uncommon to see advertisements of male-oriented and sports-related brands like Gatorade, Gillette, and insurance companies lining a soccer field mimicking real world soccer stadiums. Following a similar logic, the *Need for Speed* franchise used to promote brands connected to tech and telecommunication companies, such as models of mobile devices and mobile Internet services, among others, in the context of the game.

Furthermore, EA expanded the model used on some of its consoles and PC games into its free-to-play games, primarily mobile games. In fact, a section on the company website titled "Advertise

with Electronic Arts” is dedicated exclusively to advertising opportunities. In this section, the company lists the 205 million global monthly active players throughout its “world-class IPs across all platforms”¹⁴² as a resource for targeted marketing. The company offer three types of marketing arrangements focused on sustaining media (mobile games), sponsorship and takeovers (mobile and console games), and esports partnerships. EA also offers the gender metric as an initial breakdown (40% female, 60% male), as one of the many services its digital marketing tools are capable of delivering (Figure 6-1). Among the franchises listed as options for companies promoting their brands are *FIFA*, *Madden*, *Apex Legends*, *Battlefield*, *The Sims*, *Need for Speed*, and *Plants vs Zombies*.

Analyzing EA’s core executives’ statements, one grasps the intricacies of the company's relationship to marketing and advertising. In responding to an investor’s inquiry about EA’s plans for targeted advertising in their 2017 financial guidance, Andrew Wilson, the company’s CEO, stated that:

We have had ads in both our console games and our mobile games for some years, and that business has continued to grow. We often walk the fine line between maintaining the integrity of the entertainment experience with the provision of advertising inside those experiences. Right now, we have ad technology that we are implementing in some of our key mobile titles that is very targeted in nature, and we believe is additive to the overall experience in the long term, and players have been responding positively to that. So there is some advertising in our FY 2017 number. I would expect that as our network continues to grow beyond the hundreds of millions that we have today that it will become a more meaningful part of our business in the future. (Electronic Arts, 2016d, Q4 2016, Earnings Call Transcript)

To which Blake Jorgensen, EA’s CFO, comments complement:

¹⁴² <https://www.ea.com/brand-partnerships> accessed August 24, 2022.

Electronic Arts Games More Experiences About Commitments Resources

Advertise with Electronic Arts

Break through the distractions and discover an engaged audience of passionate players.

205,000,000
Monthly Active Gamers Worldwide

40% Female 60% Male

Get in touch

Advertising opportunities

Drive positive brand results through premium gaming experiences

<p>Direct and Programmatic Sustaining Media</p> <p>Video and display media offerings in premium mobile games.</p>	<p>Dynamic and Integrations Sponsorships & Takeovers</p> <p>Custom in-game activations within select mobile and console games.</p>	<p>Competitive Gaming Partnerships eSports</p> <p>FIFA, Madden NFL and APEX Legends bespoke sponsorships.</p>
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World-Class IP across all platforms

Get in touch

Figure 6-1: EA's Advertising Services. Screenshot by S. Pedraça

One thing to remember there, particularly for us, is that there's both the ability to sell advertising but maybe equally or more important is the ability to cross-promote to players to keep them in your network. And as we have a broader and broader portfolio of games, particularly in mobile, that cross-promotion advertising is very valuable to us. Holding on

to a player in your network is very powerful, and so you'll see that type of advertising, which may be less obvious to the average user than a traditional advert that you might see in a game. (Electronic Arts, 2016d, Q4 2016, Earnings Call Transcript)

Freemium monetization for EA seems to be focus-driven on microtransactions, rather than in-game advertising. Unlike other mobile game publishers, the company has an in-game marketing conduct that does not include advertising in mobile games other than its own. This approach serves not only to reduce the company's mobile marketing costs, but also to strengthen the company's player network. That is, the in-game advertising strategy to promote EA's games is typically deployed in its own games to keep players within an EA's games network according to players' specific gaming patterns, which adds significant value to EA's business ecosystem. Electronic Arts also promotes third-party in-game advertising in its mobile games to monetize a game when its players do not engage with any other sort of in-game purchases available in the app.¹⁴³

6.1.3 Tencent's Digital Marketing Ecosystem

Unlike Electronic Arts which had to transition from publishing logic into a hybrid and later into a digital platform, Tencent was born in a digital environment. In fact, as a highly popular digital platform ecosystem, Tencent also became an advertising powerhouse for any corporation interested in reaching a wide range of potential consumers in China. The tech giant owns some of the most popular apps, including social networking, ecommerce, entertainment content, live-streaming content, and games that connect over a billion Chinese users. Mobile QQ, Tencent News, Tencent videos, Tencent Music, and WeChat are the top apps for making any brand spread organically (and quickly) across hundreds of millions of feeds at a time. According to AdChina.io,¹⁴⁴ in the first two quarters of 2019, Chinese companies spent 21.7% of their online advertising budget on WeChat alone. Tencent offers different types of ad networks across its menu of apps and services such as native advertising, banner advertising, interstitial advertising, open advertising, and incentive video advertising. The company also leverages all these advertising tools to disseminate awareness about its own products and services. Moreover,

¹⁴³ See Electronic Arts, 2016b, Q1 2017, Earnings Call Transcript and Electronic Arts, 2017a, Q2 2018, Earnings Call Transcript.

¹⁴⁴ See <https://www.adchina.io/advertising-on-tencent-guide/> accessed September 13, 2022.

Tencent also has a popular app store for Android-powered devices, myapp (Ying Yong Bao), adding more resources for the company in terms of internal services and product promotion. As described by Martin Lau, Tencent's president,

It [Ying Yong Bao] can generate revenue through revenue sharing with games that would distribute within the platform. It can also generate advertising on top of its own traffic, as well as promoting our app network to apps that it distributes [...] Overall, we believe Ying Yong Bao will continue to extend our ecosystem over the mobile internet (Tencent, 2014b, Q3 2014, Earnings Call Transcript, p. 5)

Designed to respond to the diverse needs of its users, Tencent's platform and apps ecosystem integrate a range of daily-basis services to create what Tencent's executives called "higher user stickiness." As discussed in the technology chapter, the company achieves such user adherence by facilitating access and connections among its ecosystem of apps to retain and lock a considerably large user base into its infrastructure. Though Tencent does not disclose the marketing strategies it uses to promote its own products and services in detail, the company uses to discuss the efficiency of (and strategies to improve) its performance advertising system services, while revealing the advertising revenue numbers on the company's fiscal quarter reports. Such information can be used to grasp how Tencent may use its own tech resources, advertising tools, and its most popular apps to promote its games across hundreds of millions of clustered users' feeds. Again, Martin Lau gives a glimpse of the dynamic involving users, partners, and the own company inside Tencent's interconnected products:

We believe this connection strategy [involving apps like WeChat and mobile QQ] would benefit users, our partners and Tencent. Users can benefit because they can access a rich mix of content, services, and transactions with a unified login and integrated payment solution. Our partners can benefit from connecting to our users through our platform targeting capabilities and benefit again, from users recommending their products and services virally to each other, and Tencent benefits from deeper user stickiness, as well as expanded advertising and payments opportunities (Tencent, 2014b, Q3 2014, Earnings Call Transcript, p. 4)

To offer a better advertising system, the company combines trends from its different products like WeChat and social networks (e.g., Mobile QQ and Mobile QQZone), audience targeting mechanisms, and ad format types into a single marketing operation. For Tencent executives, such an integrated strategy enables the company to offer a smart, transversal, and precise ad mix within its products. As underlined by James Mitchell, Tencent's Chief Strategy Officer, this marketing strategy does well to serve "advertisers across our different properties and better target ads to consumers across our different properties using the [indiscernible] targeting engine" (Tencent, 2015a, Q1 2015, Earnings Call Transcript, p. 6). In essence, Tencent is combining the promotional power of its platforms (they are one big performance-based platform) to allow advertisers to allocate their marketing budget in one place. Internally, Tencent distributes these ad campaigns across its diverse ecosystem of media, entertainment, and services according to traffic traction and what tracking users' social and consumption behaviour tells them. Indeed, not only has Tencent built a robust service of marketing intelligence for any company to leverage, but it also managed to retain over a billion Chinese users who are engaged daily in its digital ecosystem. It seems logical that the company itself also leverages such a solid advertising mechanism to promote and lock even more of its users into Tencent's ecosystem of products and services.

It is interesting to note that for Tencent, advertising quality parameters include lots of play with data and testing according to different user metrics, as well as imposing limits for ad loads on Tencent users' feeds. For the company, the testing and tweaking process according to user metrics helps to define what types of ad formats are better suited to each different user cluster, while the strategy of limiting ad overload aids in increasing immersion and improving the user experience. Concerns, such as keeping the user immersion intact or enhancing the user experience even during the interaction or watching of an ad piece, can be found in many of the company's financial reports (e.g., Tencent, 2014c, Q4 2013; Tencent, 2014b, Q3 2014; Tencent, 2015c, Q4 2014; Tencent, 2015a, Q1 2015; Tencent, 2015b, Q3 2015; Tencent, 2016b, Q1 2016; Tencent, 2017e, Q4 2016). Tencent executives believe that the efficiency of its advertising tools is demonstrated when ad content becomes viral, or when users engage with an ad and feel joy instead of rage or irritation over exposure to an ad. To reach the sweet spot, the company's executives acknowledge that its technology as well as the ad content must be sharp enough:

We want to make sure that we can get the content right. We can get the technology right. We can sort of understand the user behavior in relation to advertising and we want to invent certain mechanism so that we can add the fund component and add the social component around advertising (Pony Ma, Tencent, 2015b, Q3 2015, Earnings Call Transcript, p. 19)

Tencent's strategy to work its advertising across its ecosystem can be described in four steps: calibrate the audience; create ad content; solve specific needs; and balance user experience. The first step is related to calibrating its user data-mining technology to support enhanced audience profiling, and improve targeting capabilities to encourage ad engagement between users. The second step provides advertisers with new ad formats able to support ad impressions while cleverly echoing brand storytelling. The third step involves the development of specific and localized target solutions for the specificities of each industry and brand necessity. Finally, the fourth step includes balancing user experience and ad load performance (Tencent, 2016e, Q4 2015, Earnings Call Transcript). The company's executives demonstrate extra care while touching its advertising services, especially anything involving ad overload limits on the users' feeds, regardless of the pressure of some investors to extract all the potential for ad revenue in Tencent's products and services. For them, social or performance-based advertising is a long-term opportunity for Tencent and must be built with patience to ensure it will be executed correctly. Drawing from such carefulness and concern in regard to users' reactions and advertisers' satisfaction with Tencent ad solutions, it is possible to assume that the company applies such ad procedures and carefulness to promotion of its games, products, and services. The data accumulated through the company's learning process of testing and tweaking user-data, as well as its ad load balance experimentations, must also be used with equal, or even more care. In its efforts to improve its advertising services, the company's internal promotion process is used to conserve, protect, and to strengthen its own brand among its digital users.

Tencent's infrastructural ecosystem provides an unparalleled range of online advertising venues in China. It is indeed an advertising powerhouse, strengthened by the capillarity of its mobile, video, and social network systems, which are cleverly used to promote and disseminate the company's products and services to hundreds of millions of users across China. Nonetheless, it does not mean the company restricts itself to using only its own advertising ecosystem. As a big

corporation, Tencent aims to make its products and services present wherever they may fit in order to improve business. Similar to EA, the company also invests in third-party advertising channels such as TV insertion and cross-advertising to promote sports games like *FIFA Online* and *NBA Online* that run alongside real-world sports events. For a while now, Tencent has kept a partnership deal with the American companies Electronic Arts and Take Two Interactive to operate and localize these games in Chinese territories.

Tencent also leverages successful rival third-party digital applications. In 2021, the company surprised many Chinese users by creating an advertising campaign that appeared on the splash screen of the highly popular short video app Douyin (the Chinese version of TikTok). The marketing move was part of an ambitious campaign focused on rebranding of Tencent Games in order to build the company's player base overseas. Adopting a new design for the logo and a new slogan "Spark More," the company intended to expand the visibility of Tencent Games across the globe and highlight its position as the world's leading games company (DesignStudio, 2020; Ye, 2019, November 27; Ye, 2021a, January 21; Yunfan, 2019, November 26). After investing in several major Western game companies like Riot Games, SuperCell, Activision Blizzard, Epic Games, and Grinding Gear Games—and, as result, becoming the owner of many of the most popular games in the globe—it seems that the company's next marketing effort has been to create awareness of its brand and game franchises among Western players.

Tencent and Electronic Arts are heavily investing in performance-based advertising to promote their products and services. Although comparing them in terms of techno-resources seems unfair given their respective scales, but both companies do use their products, services, and capacity to reach new players to promote themselves, as well as to sell advertising space for third-party companies, including their main rivals or competitors. Such advertising infrastructure is widely used by many game corporations to promote and sell their services, regardless of their form, application, or monetization. Each of them is calibrated through data mining, user profiling, and app trending to reach its niche, 'virilize', and create engagement, conversation, and consumption. In fact, this audience targeting process is also being converted into promotion material. For instance, the processes of targeting and attracting players to engage with monetization practices like microtransactions and subscription plans are in themselves simultaneously a form of monetization and advertising that works to claim players' attention in an overwhelmingly

competitive market. The next section, then, contemplates monetization features, including microtransactions and how this new transaction model operates as the new norm for consuming and experiencing a game, and considers how they have become intrinsic to the core of the game design. The segment will also examine how microtransactions can exceed its monetization functionality and serve as a vessel to promote and refresh a game.

6.2 Microtransactions: A fine line between fair revenue stream, game advertising, and monetary scams

Everyone familiar with video games, either through designing, playing, or studying them, has noticed a plethora of different modes of monetization. One of the most controversial modes is the microtransaction, a game mechanism in which players use real-world currency to purchase virtual goods like digital assets and in-game currency, unlock extra game content, gain extra lives, and speed up the gaming process (Mistry, 2018). As purchasable goods, microtransactions must be designed in a way that persuades players to buy them. That is, to be effective, the systems that allow items' transactions must "please players, inspire players to engage with them repeatedly and then increase the quality of [the] game as a whole" (Cox, GDC, 2018, 1:17).¹⁴⁵

Looking at video game history, one could claim that the microtransactions practice can be traced back to the coin-operated arcade machines, considering that the arcades' business model was, basically, designed to allow players to rent playtime for a quarter of a dollar (Hart, 2017). Or perhaps, the first rehearsal of microtransactions as a revenue stream within a game took place in 1997, when Matt Mihaly designed the Multi-User Dungeons (MUD) game *Achaea: Dreams of Divine Lands* (Iron Realms Entertainment). *Achaea* was free to access and play, and its business model was based on selling credits that could be exchanged for in-game items (e.g., weapons) or in-game currency used to improve the game's character skills (Hrodey, 2020). With *Achaea*, Mihaly was not only one of the first to introduce the free-to-play model in video games but also implemented microtransactions as a system of monetization years before the practice became widely spread across the globe and the new norm for a significant part of the game business. In practice, microtransactions only became popular among developers in 2009 when Apple released

¹⁴⁵ <https://www.youtube.com/watch?v=f4Hdy10avz8> accessed September 22, 2022.

the in-app purchase (IAP) feature on its app store. The IAP provided developers the ability to generate continuous income streams for their free downloadable applications. Thus, although there is a conceptual relationship with the roots of the commercial arcade games and early PC game genres, the term microtransaction, as we currently understand it, gained traction only in the platform/game-as-a-service context.

Considering the costs to develop and promote a game, it is expected that game studios create strategies to finance and compensate for the arduous work. Over time, such financial forms have been changing (e.g., from premium to freemium), recycled and reused (e.g., subscription plans), and frequently taking the form of a confusing compound (e.g., premium + microtransaction + subscription plan). Many game companies charge a high upfront fee to play a game that offers an in-game purchase system which is distributed across different phases of the game, and may or may not require a subscription membership to enhance the so-called ‘game experience.’

Microtransaction as a mode of monetization has many different shapes and forms, such as extra content, cosmetic virtual goods, advantageous items, random boxes, and in-game currency bundles, to name but a few. Extra content is commonly commercialized as additional game levels, expansion packs, season passes, soundtracks, and virtual collectibles. Cosmetic virtual goods allow players to customize their characters’ appearances with things like clothes, hats, accessories, sets of armour, weapons, etc. As cosmetic goods, these items add an aesthetic layer that personalizes and enhances the player’s experience and does not influence the character’s skill level. Unlike cosmetics goods, the advantageous items provide players with powerful weapons, armour, or a set of power-ups that enhance their character’s skills. These items usually give advantages to the players willing to spend a lot of money, creating imbalances in the game. Random boxes provide a set of unknown items that would otherwise be too costly or too laborious to get. There are two main types of random boxes: Jackpots, which contain small incremental consumable rewards and a rare (or expensive) item players can get for cheap, and Grab bags, which include a set of items similar in value, but that may please players who do not have strong preferences for any particular items (Cox, GDC, 2018). Finally, in-game currency is a game’s money-alike object (e.g., coins, crystals, gems, donuts, etc.) that can be used to trade for the game’s virtual goods players want, or which they need to progress in the game.

Microtransactions have become an inherent part of game design in the platform/game-as-a-service context. Some developers uphold that microtransactions are, in fact, the game design itself and are therefore considered essential, but with a specialized role in contemporary games (Cox, 2018). Combining game design and monetization leads game development to reach a potentially dangerous level where microtransactions become the game, and the game is, in part, its monetization features. In this sense, the process of play and pay is diffuse; players are playing the game while purchasing virtual items, and they are purchasing virtual items while playing the game. In such a process, players evaluate microtransactions' value (e.g., the value of an item for the in-game purpose, or its rarity) and the value of microtransactions (e.g., how much it costs in real money) at every turn. The dual process of value evaluation, therefore, requires careful monetization design from game developers.

From the game design perspective, microtransactions must trigger purchasing repetition. To do so, players need to evaluate the microtransaction system as positive. As revealed by Cox¹⁴⁶ (2018), players provide distinctive value evaluations at two different moments: before and after the microtransaction occurs. Prior to buying anything, players' assessments are connected to the microtransaction marketing campaign; that is, when players become aware of an item offered and what this item can add to their game experience if purchased. From the first moment of engagement, players rely on the developers' promise about the microtransaction, its in-game value, and the fairness of the pricing attached to it in relation to its in-game value. After the purchase, players' evaluations depend on the gap between what the marketing promised and how fair players feel the exchange was after receiving the item. Success at this second evaluation—that is, narrowing the gap—is key to establishing a recurring purchasing behaviour (Cox, 2018). In this case, the quality of the advertising campaign is irrelevant if the value implied by marketing is not fulfilled. The failure to deliver on promises may cause erosion in players' trust. Ultimately, this friction could ruin the game's business model and even the game itself.

¹⁴⁶ Crystin Cox was game director at ArenaNet. She led the microtransaction design team for games like Guild Wars 2 and MapleStory. At the time of this writing, Cox is acting as director of business strategy at Xbox Game Studios Publishing.

6.2.1 Advertising strategies applied to microtransaction

The fine line between players' trust and game profit has been dissected by Cox, who implies that developers must act with caution when designing game monetization. Microtransactions require a great deal of care when designing and pricing items. This caution also needs to be extended to its advertising campaign to avoid miscommunication and potential backlash from players. As discussed in the previous section, deep-pocketed publishers deploy all the available digital marketing apparatuses to promote their monetization systems. They also use tracking tools to identify and attract high-financial performance players to their games and live services. Such granular data is used by the game industry to classify users based on their spending capacity. These players are allocated into four categories: a) Whales, who demonstrate a high capacity of spending across digital services; b) Dolphins, who show an intermediary capacity of engagement and spending across digital services; c) Minnows, players who present a low capacity, or willingness to spend across digital services, and d) Freeloaders, who does not spend any money across digital services (Dreier et al., 2017).

Drawing specifically from “whale” users' data, developers align their designs to “tempt impulsive tendencies, and hide premium items and experiences behind paywalls while repeatedly enticing players to spend money” (Hart, 2017, p.65). Such design intention is well described in King et al.'s (2019) analysis of monetization design patents that capitalize on information advantages and pricing manipulation to optimize engagement and the selling process. Game designers and marketers have at their disposal an enormous quantity of real-time user tracking information and a large corpus of studies on players' behaviours and what motivates them to spend in a game. For example, items that enhance players' senses of the game or extend their gameplay and/or social experiences are among the most popular purchases, and for marketers, exploiting the sense of urgency generated in players by the game is one of the most effective sales tactics (Gainsburg et al., 2016; Close & Lloyd, 2021).

Since the nature of microtransaction design is inherent to the game design itself, it is not surprising that motivation for in-game purchasing via microtransactions blends the enhancement of gameplay and social experiences (design practice) with selling tactics (advertising strategy) in

a diffuse and interactive way. Close and Lloyd's¹⁴⁷ (2021) report, for instance, enumerates seven purchasing motivators explored in games that reveal their entangled conditions: game-related; value of content; opening experience; emotive/impulsive; social influences; fear of missing out (FOMO); and triggers/facilitators. The motivator they titled 'game-related' is literally connected to the gameplay experience and are used to optimize the game's progression by giving players the option of skipping laborious activities: a 'pay to play' if the item is essential to the progress of play, or a 'pay to win' in competitive games. The 'value of content' draws a direct correlation between an item's financial, functional, or aesthetic value and how it correlates with players' desires (aesthetic/financial) or needs (functional). The 'opening experience' is usually exploited through use of random boxes and operates through generating feelings of excitement and surprise that are allied to the expectation or desire for a specific reward. 'Impulsive motivator'

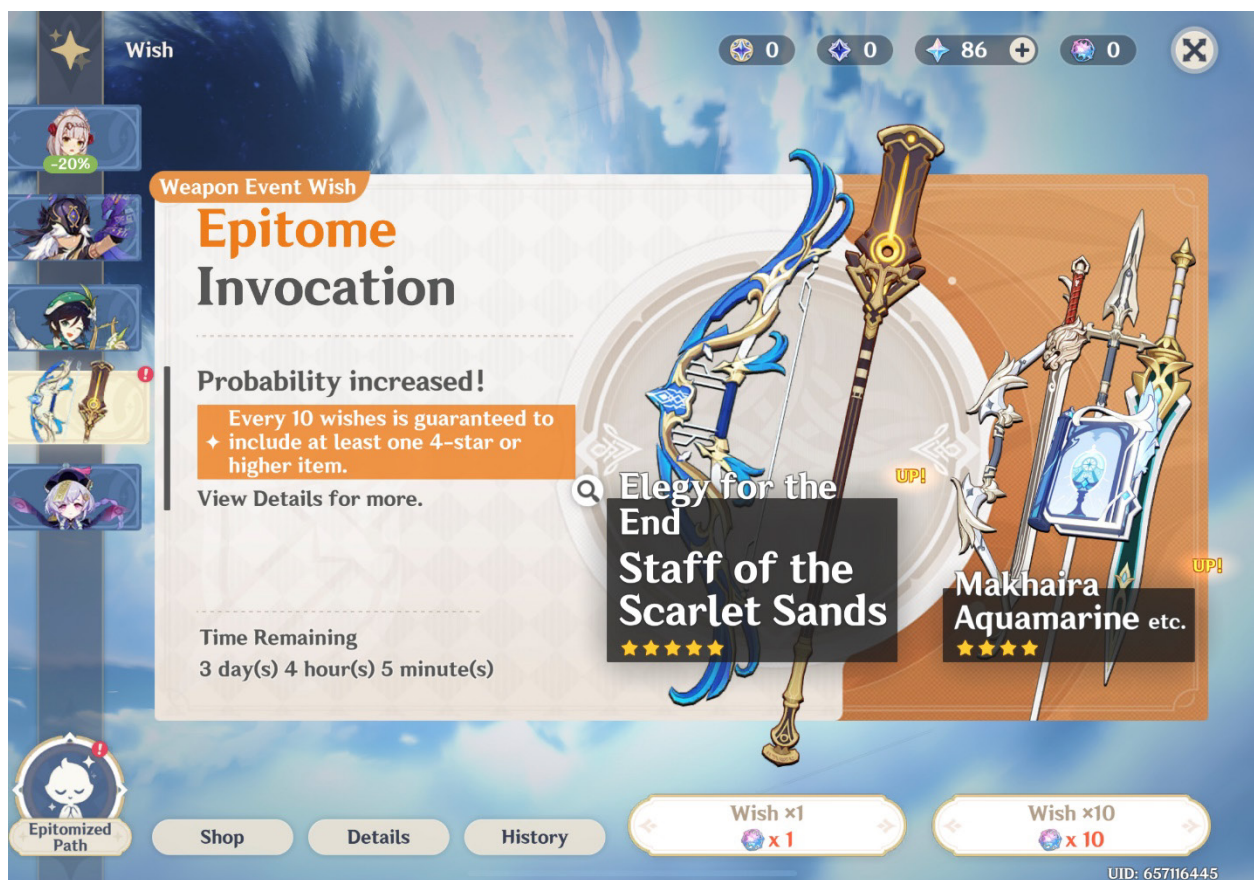


Figure 6-2: Genshin Impact time-limited deal. Screenshot by S. Pedraça.

¹⁴⁷ https://www.begambleaware.org/sites/default/files/2021-03/Gaming_and_Gambling_Report_Final.pdf accessed October 09, 2022.

addresses the players' lack of control and aims to keep players consuming within the game world. 'Social influences' exploit status comparisons by taking advantage of players' personal data (e.g., list of friends, favourite live streamers, and professional esports players) in an effort to persuade players to engage in specific consuming habits. Finally, 'FOMO and triggers/facilitators' act on players' anxiety about missing a promotion, a special time-limited sale, or event.

Though the seven motivators mentioned above influence purchasing to some degree, the last three — social influences, FOMO, and triggers/facilitators — are essentially selling tactics, rather than design driven, and are used intensely by game marketers. Promotion packs, time-limited deals, and social influencing are key advertising pieces to keep players engaging in microtransactions, regardless of whether they are playing freemium or premium games. For instance, the games *Genshin Impact* (freemium) and *Assassins Creed Valhalla* (premium) constantly offer time-limited deals that urge players to purchase in-game items as quickly as possible (Figures 6-2 and 6-3). Pop culture synergy is also widely exploited in microtransactions as a promotion tactic to trigger players into spending money. For example, each new season's chapter of the free-to-play *Fortnite* offers players new characters based on mainstream games,

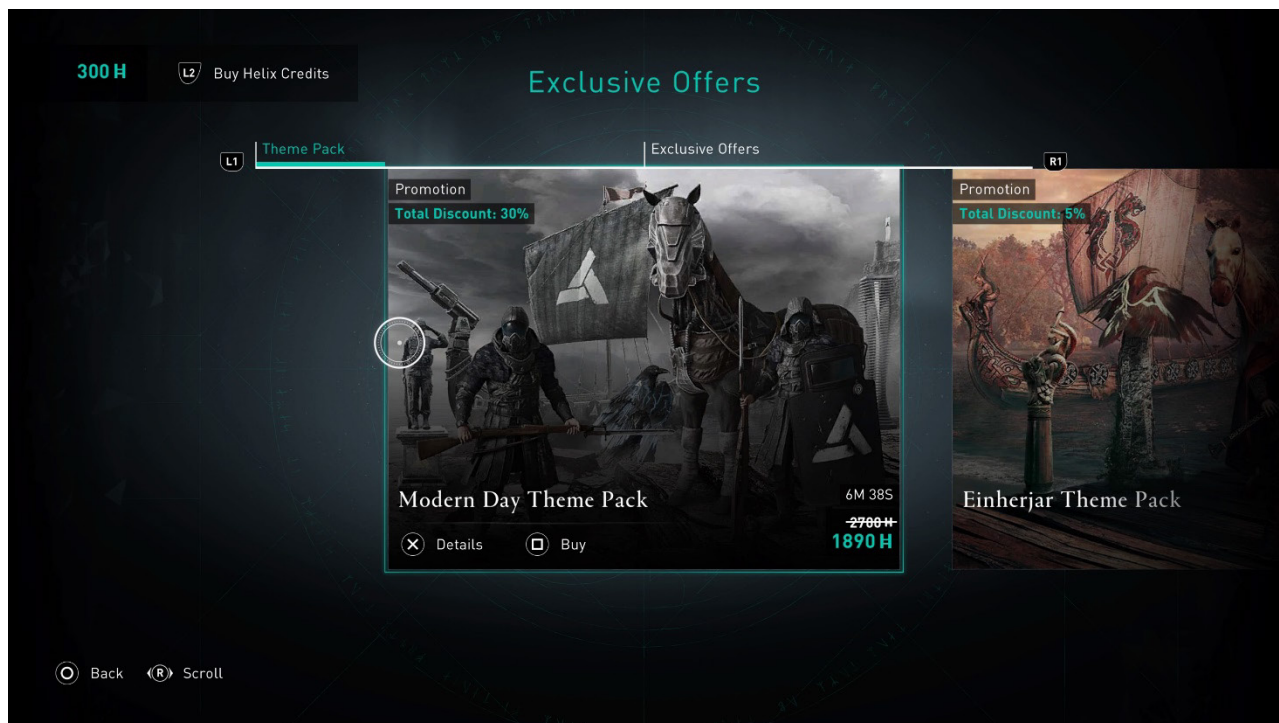


Figure 6-3: AC Valhalla time-limited sale. Screenshot by S. Pedraça.

movies, and TV shows that blend in with the game's staple inhabitants, fueling players' consuming impulses. To unlock these characters, though, players must buy the game's battle pass for each season's chapter launched. The premium game Marvel Avenger appeals to the Marvel Cinematic Universe to engage players with the game marketplace beyond the already upfront charges (Figures 6-4 and 6-5).

6.2.2 Microtransaction as a game promotion strategy

These selling tactic motivators (social influence, FOMO, triggers/facilitators) are commonly, though not exclusively, engaged with within the game itself. They operate primarily through in-game messages, constantly nudging players to visit the in-game store, or updating them on their friends' consumption, for instance. In that sense, microtransactions can be understood as a constant reminder that the game exists and needs players' attention. Digital marketing infrastructure focused on promoting microtransactions includes: in-game notifications; in-app messages; targeted email newsletters; video advertising on key Internet channels; official Internet social media accounts (e.g., Twitter, Discord, Twitch, YouTube). They also do live-streaming events with game community members, which are instrumental as a means for marketers to spread the word about new game seasons, new characters and weapons available, as well as



Figure 6-4: Fortnite Pop Culture synergy. Screenshot by S. Pedraça.

maps and apparel items. These strategies are carefully planned to be deployed either simultaneously, or in different phases of a marketing campaign to motivate the purchasing impulse in their general player base.

The highly competitive game market is in alliance with the perpetual cycle of the desire for novelty, expressed, disseminated, and encouraged by Internet platforms. This has forced games to continually refresh and pop up on players' screens, as if to say "hi, do you remember me?" Otherwise, these games would be drowning in such an environment, submerged, obscured from players' eyes overnight, regardless of their previous virality, power, or relevance. Within the publishing logic, the game industry had an annual cycle of releasing games and a strict schedule for launching expansion packs and dlc's (Nieborg, 2021). In an overcrowded environment where brand new games are being introduced daily, adherence to a long release schedule could be fatal for a game. Many players are no longer willing to wait a year for an update. In this circumstance, microtransactions can double as a refresh for the game by opening new game events, while also applying new meaning to them. Moreover, microtransactions essentially serve as continuous promotional pieces that not only nudge players, reminding them of the game world and its many

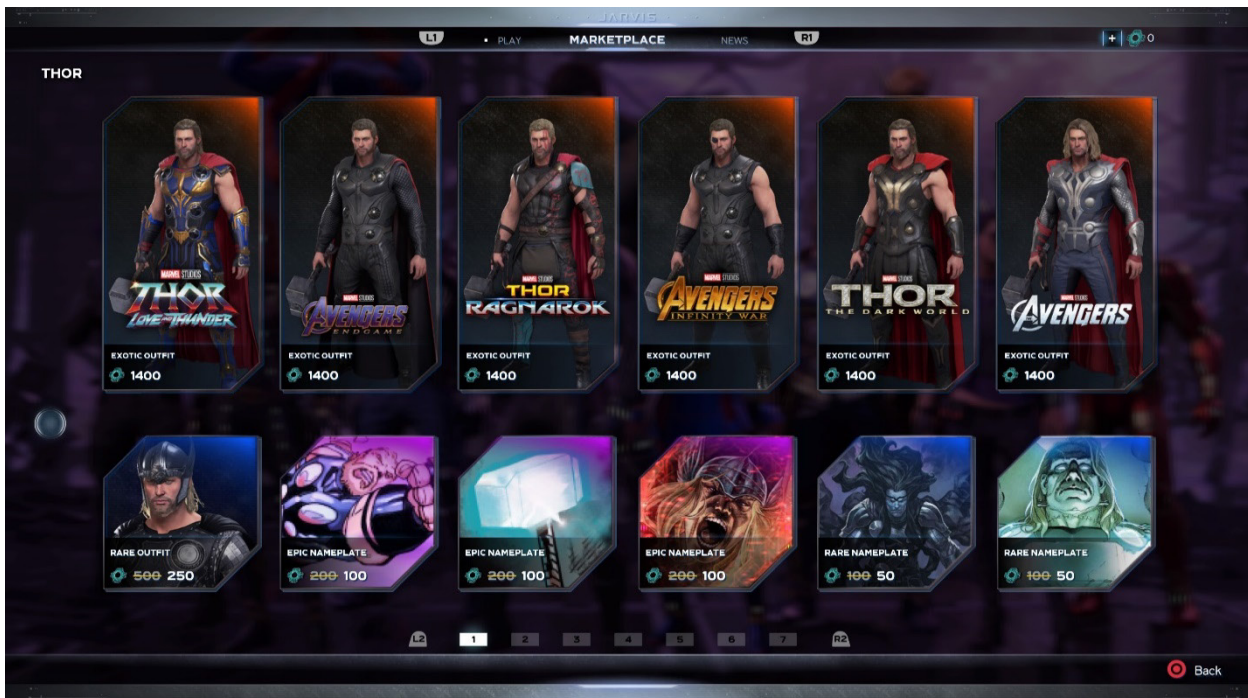


Figure 6-5: Marvel's Avengers leveraging the MCU productions. Screenshot by S. Pedraça.

attractions, but they also appeal to players' affections. They reengage players with that world by reminding them why they entered that world in the first place.

6.2.3 Bad microtransaction design as financial scams

The abusive use of microtransaction has been a constant target of criticism for being intentionally designed to be addictive, inherently ambiguous, confusing in their purposes, and abusive of players' trust. Petrovskaya and Zendle's (2021) study, for example, categorizes unfair, misleading, and aggressive monetization in video games from the player's perspective. They identified 35 monetization systems that players find problematic, revealing deliberate exploitative practices employed by game publishers and developers. Often, these monetization styles encompass systems intentionally designed to manipulate players into impulsive actions they may regret, causing frustration, or even leading to addictive behaviours. It became commonplace for players to experience game design that settled around the 'over-waiting' or 'over-grinding' systems used to stimulate payment to 'skip' boring tasks, and the over-exploitation of random boxes embedded with gambling mechanics. Players have a range of complaints that include rigged matchups that regularly put players at a disadvantage through pairing with experts or better-equipped players, as well as downgrading an item's power after purchase. Random boxes and grab bags are also exploited by putting duplicate or useless items in them; other complaints include that the purchase of desirable items are conditional on the purchase of less desirable items; inventory capacities that are conditioned to recurring payments; mismatches between advertising text and the purchased item's performance; multiple (and confusing) in-game currencies; obscured relationships between in-game currencies and real-money costs, to name a few.

As mentioned above, such monetization design endangers players' relationships with a game, encouraging them to leave if they do not perceive improvements over a certain period of time. They can also push players to get involved in boycotts and backlashes toward specific gaming brands. Such negative engagement can also deeply tarnish brands, reinforcing customer distrust, and disrupting their relationship for a long time afterward. Furthermore, as discussed in the previous chapter, such design encourages addictive behaviours since it borrows design tactics from gambling machinery (Schull, 2012). The intentionally designed gambling mechanics that characterize these games' microtransactions collide with different national laws from countries

around the globe, turning developers and publishers into the subject of investigation and prosecution by regulatory agencies. In fact, microtransactions and random boxes in particular, have enticed calls for strong regulations under the penalty of being banned in many countries. Though controversial and problematic, the topic has not been settled among game scholars. While few scholars are sympathetic to the idea of self-regulation based on previous self-regulatory actions taken by the industry's entities like the ESRB rating system (Mistry, 2018; Petrovskaya & Zendle, 2021), others argue for government regulation measurements inspired, for instance, by the recent Chinese regulatory acts (Xiao, 2022).

Indeed, microtransaction systems are not only complex and controversial but also a massive topic to address. Although I have tried to touch on the fair (reasonable charges for the free services provided), the advantages (double as ad promotions beside a revenue stream), and the obnoxious (abuse of addictive mechanics to hook players into the game state) aspects of the topic, this study is focused on investigating how this monetization scheme has helped the marketing circuit promote games. As such, the following sections will look closely at Tencent's and Electronic Arts' strategies while addressing the microtransactions in their games and how these monetization systems help keep games fresh and relevant for players. Nonetheless, this work will not refuse the task of pointing out problematic applications of such in-game economic systems by both game publishers.

6.2.4 The Microtransaction in two acts: Inside and outside China

As discussed previously, Tencent is a techno-powerhouse and uses its vast digital infrastructure, vertical businesses, and its entire process of production, promotion, and consumption to commercially project its services into the marketplace and lock users into its ecosystem. Although the company does not disclose its advertising strategies in detail, examining the way the company's digital marketing structure serves its commercial partners and user base may reveal how Tencent promotes its services and monetization styles. Tencent's president, Martin Lau, offered some words about the company's vertical services that offer a glimpse of how the company's infrastructure works:

For us Tencent's, we act as a driving force for industry change, and we also are a major beneficiary of an industry change. We can satisfy the growing appetite of our large user

base with diversified quality content. Secondly, we serve as a strong distribution to content creators as well as publishers, leveraging our extensive user reach and social graph. Thirdly, we facilitate digital content purchases via Weixin [WeChat] payment and QQ wallet. Fourthly, we recommend content and display ads to users based on our proprietary targeting technology. And fifthly, we own multiple media platforms and that can unlock the existing potential of well-known IT across gains literature, games, video and music platforms. (Tencent, 2016c, Q2 2016, Earning Call Transcript, p. 03-04)

Despite the immense cultural, social, and economic differences between Western countries and China, the rules of the global market tend to balance out the manner by which both regions commercialize and promote their video game monetization systems. Tencent admits that it has learnt from its investee companies, like Supercell and Epic Games, on how to better monetize its games (Tencent, 2016d, Q3 2016; Tencent, 2018d, Q4 2017; Tencent, 2018b, Q1 2018). Most games developed by Tencent's studios are free; their method of revenue is attached to microtransaction structures like extension packs, season and battle passes, virtual items, in-game currencies, and cosmetic skins, to name but a few. Depending on the type of microtransaction, the company may deploy traditional campaigns, or use its ad technology to target (and intimately nudge) members of its game communities, as well as its social user base, or even apply both methods at once.

Tencent takes advantage of many instruments to enhance its promotional, engagement, and sticky capacities, including IP crossover, brand investees, special events, and national holidays to create marketing campaigns around its in-game virtual items. For instance, the company exploited the *League of Legends* (LoL) global e-sport championship event to retain as many users as possible and boost the game's monetization rate. After the competition event, Tencent unlocked the heroes' skins used by the winning team and allowed for them to be purchased at a virtual LoL in-game store where promotional material reflected the atmosphere of real-world championships. At the time, the company called that a "sort of happy by-product" (Tencent, 2016b, Q1 2016, Earning Call Transcript, p. 18) resulting from its investments in esports. In another marketing campaign, Tencent used its assets in the electric car company, Tesla, to urge *Peacekeeper Elite's* players to show off their style by customizing their virtual cars into different Tesla models. The set of Tesla's skins was available, along with new game content and special

game modes, that were launched in celebration of the game's first anniversary (Tencent, 2020c, Q2 2020, Earnings Call Transcript).

Tencent is also keen to invest in transmedia content and deploy IP crossover using its games. In the circuit of culture chapter, I discussed the forms in which the company converted the *Honor of Kings* IP into different products; similarly it adapted the game *CrossFire* into a drama series and used its release to promote the game's brand, sell new skins, and game modes. All of this revived the games' popularity, and gave an extra boost to its monetization and profit margins (Tencent, 2020d, Q3 2020, Earnings Call Transcript). National events such as Chinese New Year and Chinese Valentine's Day are also used as promotional seasons to improve the monetization of virtual items. Commenting on *Honor of Kings* updates that would enhance graphics and game experience, James Mitchell, Tencent's Chief Strategy Officer, revealed that the company invested in "an appealing marketing campaign with top-tier skins during the Chinese New Year" (Tencent, 2021a, Q1 2021, Earnings Call Transcript, p. 06), which helped to augment the game's numbers in the period.

As officially reported in a few of its investor calls, Tencent seems to have a long-term approach in regard to monetizing its content IPs and services in general. The company primarily focuses on expanding its user base in substantial terms, retaining these users within its ecosystem, and then deploying its tools to monetize games and services (Tencent, 2018d, Q4 2017, Earnings Call Transcript). Combined with the slow and careful implementation of its monetization systems, Tencent also has been developing and improving artificial intelligence-powered tools to control and curb the use of monetization for a segment of its users, especially children under 12 years of age, in response to heavy regulatory acts imposed by Chinese public policies.

In 2017 we pioneered a system helping parents manage minors' game activity. In 2018 we introduced the strictest in-game measures in the China industry, with mandatory real name verification and stringent game time and spending limits. Earlier this month, we further tightened our game time spending limits beyond regulatory requirements, initially for *Honor of Kings* and *Peacekeeper Elite* and in future for our other games. We reduced the time limit for minors to 1 hour per day on non-statutory holidays, and 2 hours per day on statutory holidays. And we prevented in-game spending by players aged under 12.

We're also cracking down on minors misusing adult accounts and transactions of adult accounts and third-party platforms. To fully implement a healthy game environment in China, we've advocated industry-wide coordinated discussion around regulating minors' total time spend across game, further researching age-based game classification systems and/or potentially restricting under 12-year old from playing games altogether. (James Mitchell, Tencent, 2021b, Q2 2021, Earnings Call Transcript, p. 09)

However, the company's caution seems to be more of a regional concern rather than an internal policy applied to all its subsidiaries across the globe, such as the case of the New Zealand-based studio Grinding Gear Games, acquired in May 2018 by Tencent. The following section discusses the marketing strategies applied by Grinding Gear Games (GGG) to boost the microtransaction systems for *Path of Exile* and to promote the freshness and relevance of the game among its players.

6.2.4.1 *Path of Exile*: Supporting an 'indie production' of the world's largest game company

Path of Exile (PoE) was released in 2013 after seven years of production. The game was launched as live-service free-to-play game in which its business model was anchored in crowdfunding, supporter packs, and the commercialization of 'purely cosmetic' virtual items. Game critics praised the game's microtransaction design as "ethical," since its monetization

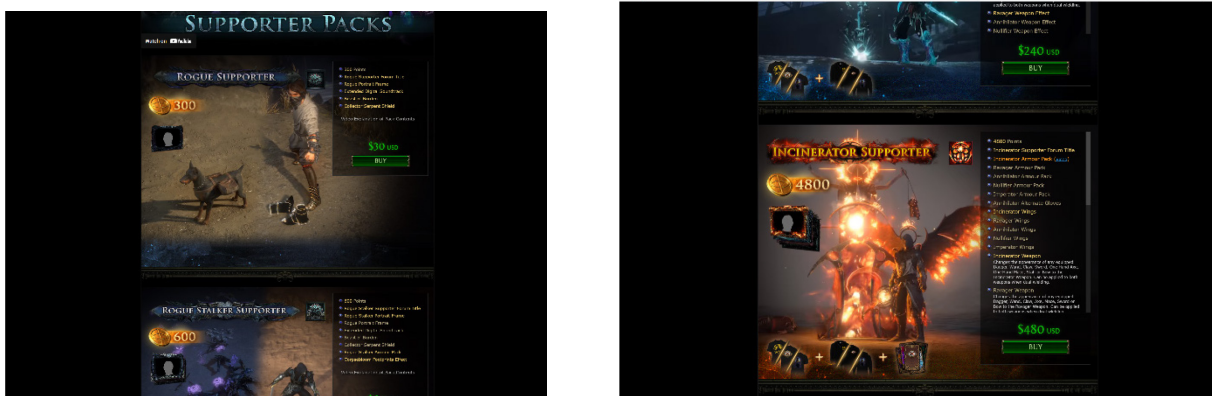


Figure 6-6: *Path of Exile*'s Supporter Pack pricing. Screenshots by S. Pedraça.

game does not have an official Twitch.TV account, GGG promotes short clips of PoE streamer's glorious (and not so glorious) moments at the game's website and Twitter channel, taking the opportunity to show off the game's combat system and demonstrate items and the various skills players can buy at the in-game store. PoE also uses time-limited sales as a trigger to motivate players to spend in the game. Such temporary deals are usually displayed in a prominent area of the game's website, as well as in the special tab of the game's shop (Figure 6-7). It is also not uncommon for the company to promote the game through informal live-stream events such as Chris Wilson (GGG's founder) and PoE's community members chatting about the next phase of the game and its related microtransaction packs. GGG exploits its proximity to key members of the *Path of Exile* community, by turning them into advertising tool that appeals to players' affections, and ultimately leads them to spend money by engaging with the game's monetization system. Wilson often does the voiceovers for the promotional videos for the game's microtransactions, such as the mystery boxes, which are usually launched with every new game extension pack, creating the illusion of a close and friendly atmosphere with the players.¹⁵⁰

Another subtle tactic used to promote and convince players to engage in the game's microtransaction system is found in the series 'Build of the Week' which is available on the game's official website and YouTube channel. The series showcases different character's class buildings created by members of the *Path of Exile* community. Beyond promoting the in-game items, the strategy reinforces the relationship between studios and players; it praises their creativity and explains how each build works either against lower levels, or top-ranked enemies across different areas of the game. By stressing the class-building strength, 'Build of the Week' ingeniously underscores all the microtransactions used in the character's build, subtly influencing players to engage with the game monetization system.¹⁵¹

Launched almost a decade ago, *Path of Exile*'s live service is the reason for players to continue returning to the game. It is not uncommon for PoE players to have moved on to newer titles and challenges while waiting for the release of the game's update. Streamers like nugiyen¹⁵²,

¹⁵⁰ Sentinel mystery box <https://www.youtube.com/watch?v=VisVMuQMDjs> accessed August 25, 2022.

¹⁵¹ Build of the week <https://www.youtube.com/watch?v=NqGL-17gf9Q> accessed October 21, 2022.

¹⁵² <https://www.twitch.tv/nugiyen>

ZiggyDLive¹⁵³, and RaizQT¹⁵⁴, all of whom used to live-stream PoE on their Twitch channels were observed streaming other games like *Diablo 2*, *Solasta: Crown of the Magister*, and *Lost Ark* to their audience. The freshness and sense of relevance of a game like *Path of Exile* comes exclusively from its live services, expansion packs, and the commercialization of virtual items. Engaging with PoE's live service gives players a sense of personal gaming experience through a variety of possible building customizations and/or pet companionship, for instance, regardless of their play style. Each expansion pack, and its related purchasable items, renew the players' commitment to the game, igniting their desire to reengage with PoE through new challenges, maps, and cosmetic power-ups that the game's microtransactions offer. Wilsons' live-stream with members of PoE's community¹⁵⁵ on May 10, 2022, exemplifies how vital such a strategy is to keep the community engaged and the game alive. At the event, he announced the upcoming "Sentinel" expansion pack and reminded players about all the supporter packs and microtransactions, including its mystery boxes. Three days later, TarkeCat¹⁵⁶ and Octavian0¹⁵⁷ fairly well-known streamers among the PoE community purchased at least one of the supporter packs, apparently to improve their game experience while reconnecting with the game.¹⁵⁸ The behaviour of PoE players proves that in the era of game-as-a-service, microtransaction systems go beyond monetization design and sales tactics, and position themselves as an essential instrument that works to maintain the game's relevance among its player community.

Even though *Path of Exile* has a committed and supportive community of players that often praise any and every game development decision, some players also draw attention to problems with the game monetization system. Issues like pricing, misleading cinematic vs. gameplay quality, and pay-for-convenience systems are among some of the topic discussed in the game forums (see also Petrovskaya & Zendle's, 2021). While the studio doesn't force any pay-to-win

¹⁵³ <https://www.twitch.tv/ziggydlive>

¹⁵⁴ <https://www.twitch.tv/raizqt>

¹⁵⁵ Podcast Baeclast #83 <https://www.youtube.com/watch?v=Y0lofp2c-8E> accessed August 25, 2022.

¹⁵⁶ <https://www.twitch.tv/tarkecat>

¹⁵⁷ <https://www.twitch.tv/octavian0>

¹⁵⁸ I have watched TarkeCat's and Octavian0's Twitch.TV channels for a week (in alternating moments), following the release of the Sentinel expansion pack.

systems on its players, a continual complaint from players is related to convenience. For example, the system will charge the player to increase the game's inventory stash or storage system. Part of *Path of Exile's* attractiveness is the option to identify and loot items that are useful to strengthen a character's build or trade with other players in the game's marketplace. However, the game offers minimal inventory, making it difficult to store items found along the game's journey. Items might also occupy too much space in the stash, forcing players to pay for storage expansion (Figure 6-8). Thus, most players see no way out but to engage in the game's microtransaction system to improve their in-game item management.

Furthermore, GGG adopts a high-pricing approach to monetize its 'entirely' free-to-play game. In the past, GGG had no trouble selling supporter packs that could fetch \$900, or pet companions for \$1,000, for instance (Nutt, 2014a, March 03). The company tries to justify the high prices of the supporter packs by citing its status as an "indie" studio, and making the claim that these packs are the way for players to contribute to the thriving of the project. Not only have players perceived it as a fair deal, but GGG's microtransaction approach for PoE has been praised as a success case in the industry (Nutt, 2014a, March 03). Nonetheless, the urgency to fund an indie company began to fade when Tencent absorbed Grinding Gear Games in May 2018. Currently,



Figure 6-8: Path of Exile's Stash Tab Standard Size. Screenshot by S. Pedraça.

GGG charges up to \$480 for a supporter pack, such as the Lake of Kalandra, the game's last expansion.¹⁵⁹ With financial backup from the world's largest game company, GGG could have reviewed its pricing strategy; instead, it maintained its original discourse that supporter packs help finance its "indie" endeavours.

Although the acquisition was noticed by a few video game critics and business-related news outlets, the fact did not receive as much attention as other previous buyouts from the Chinese corporation (e.g., SuperCell). Furthermore, neither Tencent nor Grinding Gear Games mentioned the business takeover through their official channels. There is no specific mention of Grinding Gear Games or *Path of Exile* in any of Tencent's earnings calls from 2018; that year's annual report lists only generic investments in more than 700 companies. Similarly, Grinding Gear Games did not publicize its incorporation by Tencent through any of its official channels. On the surface, there is no apparent reason why the two companies have kept their business move quiet; however, the fact that this transaction has largely remained "under the radar" has allowed GGG to continue its public performance as an indie studio. This act has proven effective for luring passionate players into engaging with high-priced supporter packs. GGG claims that the revenue from the current supporter pack sales covers not only the day-to-day development costs, but also the development of future expansions and the game's sequel—*Path of Exile 2*¹⁶⁰. By maintaining the small indie discourse, Grinding Gear Games not only reveals a questionable attitude toward their player base, but also gives us a glimpse at how critical monetization practices, and microtransactions in particular, are for the marketing strategy of game companies.

6.2.5 Ultimate Team Mode: the successful EA's game live-service model

In the last decade, Electronic Arts has been experimenting, testing, and implementing different forms of monetization to boost its digital live service business. The company's service has been growing consistently since then, currently representing 71% of EA's total net revenue, primarily due to the high performance of microtransaction sales for games like *Apex Legends* and Ultimate Team (Electronic Arts, 2022a, Annual Report-Interim). In this section, my attention turns to EA's popular and lucrative Ultimate Team (UT) game mode. Ultimate team is a mode integrated into

¹⁵⁹ Lake of Kalandra was released on August 19, 2022.

¹⁶⁰ Lake of Kalandra supporter packs purchase page: <https://www.pathofexile.com/purchase> accessed October 21, 2022.

EA's sports games like *NHL*, *Madden NFL*, *FIFA*, and *UFC*. The mode focuses on building squads, exchanging players with other teams, and earning money by negotiating and investing in talented athletes. The games (the sport and UT) can be played independently, or in conjunction. Although all the UT modes have their importance in EA's portfolio, this investigation is dedicated to *FIFA* Ultimate Team (FUT) mode. The goal is to explore how the company has managed its game mode promotion tactics and strategies to turn FUT into an essential part of 'The *FIFA* Experience' for its players and, consequently, lock them in the FUT world.

Launched in March 2009, *FIFA* Ultimate Team (FUT) is a card-based collectible game that allows players to create virtual teams, customize stadiums, and trade players and items through the game marketplace. That is, FUT spurs players to spend their money to buy the most talented soccer players in order to build their 'dream team' and enhance their individual play experience in the process. The monetization system works by offering UT players an opportunity to purchase card packs for the football players that are up for bid. These players are made available through a three tier system: bronze (access only to athletes with an overall rating of up to 64 points), silver (access to athletes with ratings that range between 65 to 74 points), and gold (access to the best athletes with rates higher than 75 points).¹⁶¹ The gold packs are also limited and more expensive, since they offer the best cards. Like any economy, scarcity is the one element that rules the virtual economy (Lehdonvirta & Castronova, 2014) in FUT. The mode also commercializes other card packs called "special items," that include: Icons, which feature the greatest soccer players across generations; Real-world Football and the Player of the Month that both feature special items related to the most well-known international football leagues, as well as a number of other points of access to FUT campaigns, storylines, tournaments, etc. In order to purchase the card packs, players need to engage with virtual currencies, such as coins and points. Coins are the most common type of currency in the game, earned by performing different activities, and progressing in the game, including playing in matches. The point system, on the other hand, has a direct link to the outside economy, serving as a currency that is only available

¹⁶¹ <https://www.ea.com/games/fifa/fifa-23/ultimate-team/item-guide> accessed November 03, 2022.

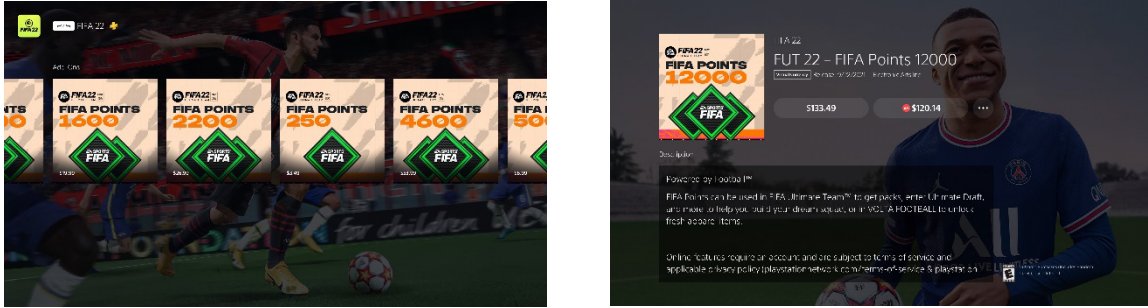


Figure 6-9: FIFA Points bundles pricing. Screenshots by S. Pedraça.

through microtransactions, that is, by using real-world money. The pricing of points bundles varies from \$3.49 for 250 points to \$133.49 for 12,000 points (see Figure 6-9).

UT quickly transformed EA's microtransaction revenue year after year, becoming one of the leading monetization pieces in the company's live service success. In 2017, speaking at the 37th Nasdaq Investor Conference, EA's CFO Blake Jorgensen affirmed that 75% of the players that buy sports games engage with Ultimate Team mode, and of those, half spend money on card pack microtransactions (Sinclair, 2017b, December 05; Kidwell, 2017, December 06). With more than 20 million players engaging in FUT in 2021, the company announced \$4.6 billion in revenue from its live service, primarily driven by players' engagement with *Apex* and FUT microtransactions (Electronic Arts, 2021c, Q4 2021, Earnings Call Transcript).

6.2.5.1 FUT: Promoting strategies

As observed previously, Electronic Arts has substantial infrastructure for its digital marketing and performance advertising tools that are tailored and updated by their players' behavioural data. The company relies on its ad technology to nudge FUT community members, influencing players to constantly engage with new packs of cards and other items related to the game mode. Allied to the personalized nudges via in-game notifications, in-app messages, and e-mails accounts, EA uses the company's official social media channels (e.g., YouTube, Twitter), as well the specific marketing channels associated with EA's *FIFA*, to spread news about the various novelties offered by each new instalment of the game, as well as promoting the Ultimate Team mode. The ubiquity of mobile devices has worked to support EA's further efforts to engage players. The release of the FUT web app has also allowed players to participate in the game at

any time, whether to manage teams, control assets, or share squads on-the-go.¹⁶² Electronic Arts has also partnered with well-known entertainment and media corporations (e.g., Disney and Apple) to boost its promotional campaigns. For the FUT 23, the company further extended its partnerships and promotional reach through the release of exclusive card packs developed with Marvel. The cards contain unique illustrations of real-world players as superheroes, seemingly emphasizing the players’ soccer abilities as unnatural superpowers (Figure 6-10). In another pop culture synergistic approach, *FIFA 23* included the Apple TV show character and Football coach Ted Lasso along with the fictional club, AFC Richmond, as a means for players to play as the “biggest stars of the AFC Richmond squad” (n.p.).¹⁶³

In an era of game-as-a-service, the monetization system serves as a means to continually refresh the game, while also renewing players’ interest and engagement. FUT is no different: each new version adds features and improvements that work to increase players’ engagement with FUT’s microtransactions. Besides the afore mentioned Marvel Heroes cards, FUT 23 added Moments

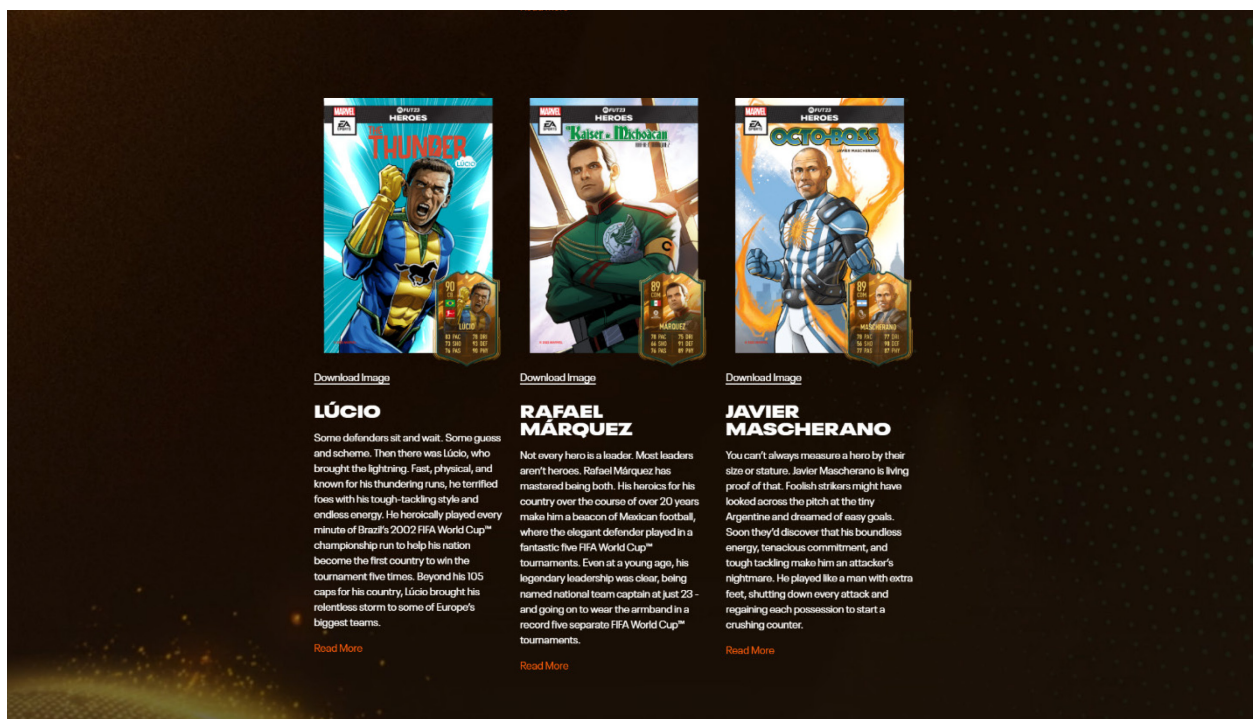


Figure 6-10: FUT 23 Marvel Heroes Cards. Screenshot by S. Pedraça.

¹⁶² <https://www.ea.com/games/fifa/ultimate-team/fut-app> accessed November 03, 2022.

¹⁶³ <https://www.ea.com/games/fifa/fifa-23/news/fifa-23-ted-lasso-afc-richmond> accessed November 03, 2022.

and Cross-play as new features while improving older ones like Chemistry, Icons, and Customization. Moments is a smaller version of FUT challenges, offering players “bite-sized challenges to complete in short gameplay scenarios [with] adjustable difficult levels” (n.p.),¹⁶⁴ allowing soccer fans without much time on their hands to participate in and become members of the FUT community. Cross-play enables players to match with other players across different console platforms, offering a single shared transfer market across these platforms, meaning that players have “more content to play with and more potential buyer[s] for items” (n.p).¹⁶⁵ Chemistry’s intention is to highlight the easiness of play some players develop through training/playing together as a member of the same squad through their clubs, leagues, or national teams. Reformulated in FUT 23, Chemistry added “chemistry indicators” into the footballers’ stats that represented the level of interaction among their squad members. It also became more flexible in terms of constructing teams since soccer players could now be added to secondary positions in the game, allowing them to play beyond their well-known position on the soccer field (e.g., a middle field athlete could also play as the left side). In FUT 23, Icons and Heroes give squads the “chemistry benefit,” and count as extra players in the game. In the case of the Icon pack, it adds an extra player to the national team, while the Heroes pack adds players to leagues. The customization packs give players the opportunity to decorate and personalize their stadiums around the world, as well as get outfits and emblems, allowing players to run wild with various cosmetic combinations.¹⁶⁶ FUT’s creativity and innovations are widely praised, sometimes appearing almost like a pre-advertising campaign among EA’s executives: “[FUT] are always working very closely with our community of players [...] And we’re always working to offer new and innovative and creative ways to engage, connect with friends, connect with the world of football and build your ultimate team” (Andrew Wilson, Electronic Arts, 2021a, Q1 2022 Earnings Call, p.14)

FUT is more than a game mode; it is a marketing tool. EA uses the FUT’s ‘financial ecosystem’ as a promotional tool to lure players into microtransactions. It takes advantage of the interactions

¹⁶⁴ <https://www.ea.com/games/fifa/fifa-23/ultimate-team> accessed November 04, 2022.

¹⁶⁵ <https://www.ea.com/games/fifa/fifa-23/ultimate-team> accessed November 04, 2022.

¹⁶⁶ <https://www.ea.com/games/fifa/fifa-23/ultimate-team> accessed November 04, 2022.

between members of the FUT community such as *FIFA* fans, FUT streamers, and esports professionals, as well as from the various traders and ‘adjacent industries’ within the mode’s marketplace, to increase the company’s revenue. Besides the usual trading activities among players in the game’s marketplace, Stein (2022) sheds light on another group of agents who he defines as traders. These content creators are focused on using the in-game economy to profit. Their content is centered on analyzing the market dynamics that in turn influence the value of different cards. Adjacent industries, he says, are “websites that aggregate market data on cards in the game, tracking prices fluctuation and demand not unlike traditional financial terminals” (p. 140). Such forms of engagement tend to hook players because of the potential profitability offered by FUT’s microtransactions that mimic the stock market, rather than the “play for fun” motivation usually allied with video game play. Regardless of how they engage with the game, traders and financial analytic platforms help promote EA’s *FIFA* games and Ultimate Team mode through their own financial practice. Trades and financial analytics transformed FUT microtransactions into an endless loop of commodities to be negotiated for daily, and generating enough information to influence the game’s market functionality. FUT became an essential part of the *FIFA* experience. Passing the ball and making hat-trick goals are no longer enough. Players must understand the fluctuation of stock markets, the value of each generation of soccer players, and the right moment to make a good trade. For those who do not have intimacy with trading markets, there are coaching/consulting services offered for the FUT community for payment (Stein, 2022).

Unlike traders and ‘adjacent industries’, whose primary motive and interest in engaging in FUT is profit, the FUT community is made up of players whose primary motive and interest is driven by their affection for soccer and video games. Thus, key players in the community are essential in the influence of other community members to engage with the FUT monetization system. Streamers and esports professionals are important actors for propagating recurrent engagement with microtransactions, regardless of the type of content they produce, or how they choose to approach the game. As Stein (2022) has noted, top-tier *FIFA* streamers create a continuous flow of game-related content by playing soccer matches and opening card packs. These streamers have amassed an immense audience by “[spending] many thousands of dollars to open packs, build coin balance, and develop teams with some of the most exclusive cards in the game” (p.

135). This type of content serves not only to induce viewers to engage in the FUT monetization system, but also to encourage players to stream open pack content themselves. Some streamers are dedicated to producing tutorial content to help the FUT community navigate the game's complexities, with lessons on opening card packs as part of the teachings.

FIFA Ultimate Team presents a design highly enmeshed with pay-to-win mechanics since a successful performance requires not only skillfully playing the game, but also a financial structure that supports the purchase of many card packs. Because card packs provide a competitive advantage to the player (Lemmens, 2022; Stein, 2022), individuals in highly competitive settings, such as esports professionals, have no choice but to engage with FUT microtransactions. Stein (2022) underlines that professional players connected to a club or a league have the pack expenses covered by the institution they are associated with; however, independent players must support their professional aspirations by themselves. Furthermore, because these professional players need to purchase packs to compete in the game, some of them also live-stream opening newly purchased packs to sizeable audiences. Stein notes the popularity of content produced by professionals/streams is based on the appeal of a vicarious experience; as an experience that is largely inaccessible for the vast majority of the FUT community, it emphasizes the game experience gap between individuals across countries, social classes, race, and gender.

Due to its highly addictive design, the Ultimate Team's monetization systems are compared to gambling methods, and EA has been dragged into courtrooms across the U.S. and Europe. These cases have led to rulings that require the company to remove these monetization systems from their games when sold in the territories under their jurisdiction (See Siuda & Johnson, 2022). However, despite the monetization system often being classified as predatory, FUT's popularity is undeniable. The techno-socio-cultural ecosystem that engages players in a very particular *FIFA* experience is buttressed by the FUT microtransaction system. This results in a game economy that is not driven by the almost universal passion for soccer where young teenagers dream about becoming the next superstar, but by greed and profit margins. Gamers inhabit an economy in which they must spend every penny they have on virtual goods, goods that are only tradable inside that particular game, and its economy is controlled by a single entity.

Tencent and Electronic Arts have deployed their performance advertising infrastructure as an essential part of their marketing strategy to engage users with their microtransaction design. Both game companies have acted in conjunction with their instrumental and synergistic partnerships to intertwine their games' monetization systems and refresh their content and playability with fancy brands, pop culture events, and media and entertainment corporations that generate hype about season launches, virtual items, random boxes, and card packs. It is important to highlight the vital role of game communities' members—streamers, in particular—in the promotion and normalization of these financial interactions among general players across their communities. The hype behind new expansion packs, card packs, and virtual cosmetic items works to create a fresh, new atmosphere for a dedicated and returning player base. It is interesting to note the emotional conflict evoked by the promotion tactics connected with microtransactions; such design systems are able to at once offer a sense of novelty that revive a game's popularity while at the same time appealing to the players' nostalgia, affection, and connection with the game. Despite the many problems I have touched on, the monetization system in the current games-as-a-service ecosystem demonstrates that the effect of microtransactions may exceed their designed function (that is, generating maximum profits for the company) by continually offering the potential to refresh the playing environment and reconnect players to their beloved games. Microtransactions serve as a means of constantly reminding players that the game still exists, awaiting their play and creative input.

6.3 Subscription plans: Reframing game ownership

Subscription as a model of monetization is not a novelty in the video game industry. It can be traced back to the end of the 1990s and the beginning of the 2000s when the first wave of online games, MMORPGs in particular (e.g., *Ultima Online*, *World of Warcraft*), attracted millions of players to what can be described as prototypes for today's metaverses. To play these games, besides buying a copy of the game, players had to pay a monthly fee to access online servers where these same games could be played online. The rapid expansion of online services in video games that focused on multiplayer experiences quickly exceeded the PC territory, soon becoming available on consoles as well. In the 2000s, Sega was the first game company to attempt to capitalize on the growing market of online games with online services (SegaNet in the U.S. and Dreamarena in Europe) with the Dreamcast console, launched in 1999 (Satterfield, 2000,

September 8).¹⁶⁷ However, the Internet infrastructure was limited at the time, restricting the growth of the service. Expecting to succeed where Sega's business endeavour failed, Microsoft created the Xbox Live¹⁶⁸ in 2002 as an online multiplayer gaming and digital media to deliver services available within the Xbox system. Soon after, other game companies followed the trend: In 2005, Nintendo entered the online multiplayer gaming service with Nintendo Wi-fi Connection¹⁶⁹, while PlayStation launched its PlayStation Network¹⁷⁰ (PSN) for the PlayStation 3 in 2006.¹⁷¹ Beyond making virtual worlds available for multiplayer games, Microsoft's, Nintendo's, and Sony's online services have also offered access to online stores, free games, exclusive content, discounts, early access to forthcoming games, and points, among other perks.

In mid 2010s, the game subscription model evolved into a game-as-a-service model, in which game ownership was replaced by a user-licensing agreement. Subscription models for video games do not follow one recipe; hardware manufacturers, distributors, and publishers are all experimenting with different methods while defining the best fit for their service's contexts. In fact, it is possible to identify two modes of subscription models currently used in the game industry. In one mode, the subscription model is operated on the infrastructural level (Apple, Google, Sony, Microsoft, Nintendo, Electronic Arts, Ubisoft), while the other, the subscription is entangled with an individual game, almost at the level of game design (Tencent, Activision-Blizzard).

Highly inspired by the success of audiovisual and music streaming services like Netflix, Disney+, and Spotify, the infrastructural level of subscription is currently the most widely adopted in the video game industry. It allows players to choose from different plans and have access to specific types of services, including a considerably large catalogue of games from a vast range of publishers, along with other privileges. Nintendo, Sony, and Microsoft, for instance,

¹⁶⁷ <https://www.gamespot.com/articles/seganet-launches/1100-2625699/> accessed November 10, 2022.

¹⁶⁸ <https://www.xbox.com/en-US/live> accessed November 10, 2022.

¹⁶⁹ <https://web.archive.org/web/20140404151330/https://www.nintendo.com/games/wifi> accessed November 10, 2022.

¹⁷⁰ <https://www.playstation.com/en-ca/playstation-network/> accessed November 10, 2022.

¹⁷¹ In fact, the previous generation of Sony's console (PS2) from 2000, had a primitive form to access an online network, but it required an adaptor. The fully built-in structure of interconnected services came only with the release of PS3.

have reworked and rebranded their subscription services, expanding them into legacy game services, cross-platform, mobile app integration, and cloud game streaming.

After Nintendo Wi-fi Connection and Nintendo Network services, the Japanese company revamped its subscription service in 2018, focusing on its Nintendo Switch consoles. The service is available in two membership tiers: Online and Online + Expansion Pack. By subscribing to the Online tier, players get online access to play legacy games from NES and Super NES, cloud storage, mobile app, and game discounts. The online + expansion pack adds access to downloadable content and access to a collection of legacy games from the Nintendo 64 and Sega Genesis systems (Figure 6-11).

Sony, on the other hand, refashioned and expanded its subscription services in 2022. The Japanese company combined the PlayStation Plus, a premium services subscription tier launched in 2010, with PlayStation Now, a cloud gaming service released in 2014 that offers to players access to a game catalogue. The joint service is offered in three membership tiers: PlayStation

The screenshot displays the Nintendo Switch Online subscription plans. It is divided into two main sections: 'Nintendo Switch Online' and 'Nintendo Switch Online + Expansion Pack'. Each section includes a visual header with the service name and icons representing its features, followed by a table of membership options.

Membership Type	Duration	Price (CAD)
Individual Membership	1 Month	\$4.99
	12 Months	\$54.99
Family Membership ⁵	12 Months	\$44.99

Membership Type	Duration	Price (CAD)
Individual Membership	12 Months	\$63.99
	Family Membership	12 Months

Figure 6-11: Nintendo Switch Subscription Plans. Screenshot by S. Pedraça.

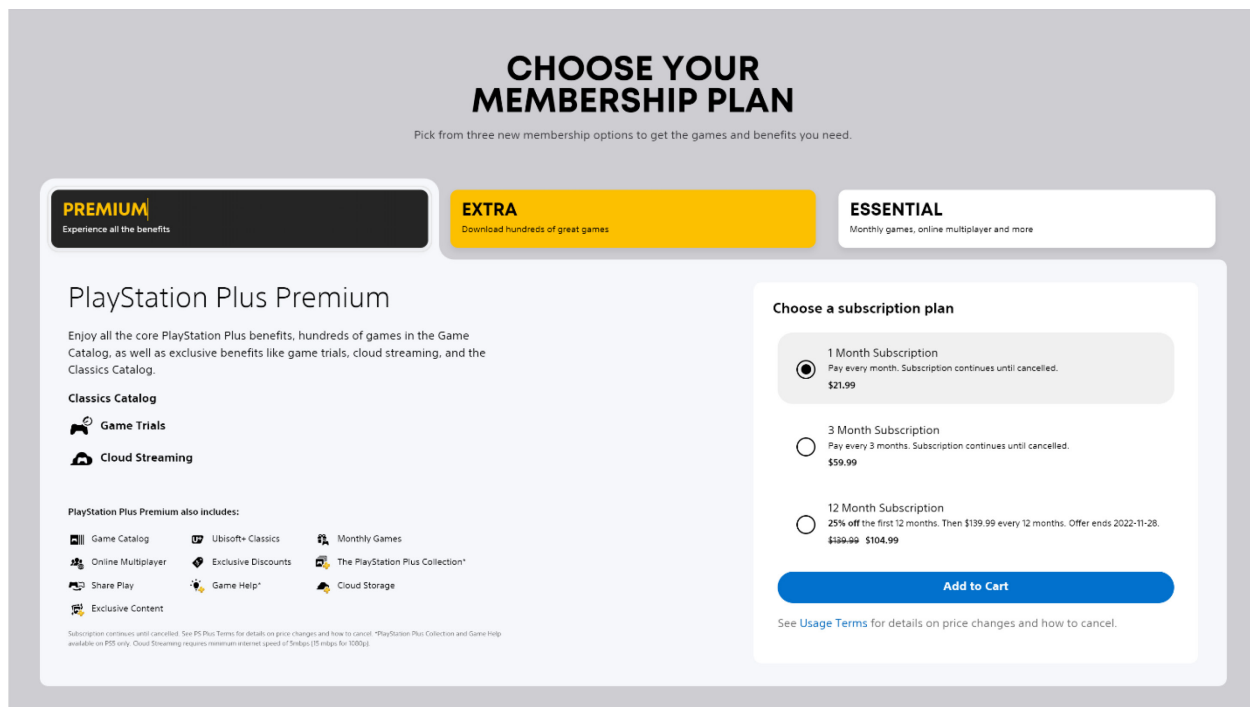


Figure 6-12: PlayStation Plus Subscription Tiers. Screenshot by S. Pedraça.

Plus Essential, PlayStation Plus Extra, and PlayStation Plus Premium. The Essential tier offers online multiplayer services, exclusive content, cloud storage, game discounts, streaming, and shared play tools, as well as monthly games for free; the Extra tier includes access to a game catalogue from different publishers, including a curated selection from Ubisoft+ Classic service; the Premium tier offers all the above and game trials, cloud streaming service, and access to the PS classic game catalogue from PS1, PS2 and PlayStation Portables (Figure 6-12).

In 2017, Microsoft launched the Game Pass subscription service for its Xbox One, adding the more recently released Series X/S consoles. The service also offers different tier versions: Game Pass and Game Pass Ultimate. Game Pass membership provides access to a game catalogue from different publishers, exclusive discounts, and an EA Play subscription for PC. The Ultimate tier extends the benefits, including extra content, Xbox Live Gold service, an EA Play subscription for both PC and console, and a cross-platform catalogue in which players can jump between PC to console and cloud services (Figure 6-13).

Game distributors, mainly from the mobile gaming division of big tech corporations, also started to adhere to this model, focusing on subscription plans for free-to-play on mobile devices like Apple Arcade and Google Play Pass. In both subscription services, players pay a subscription fee

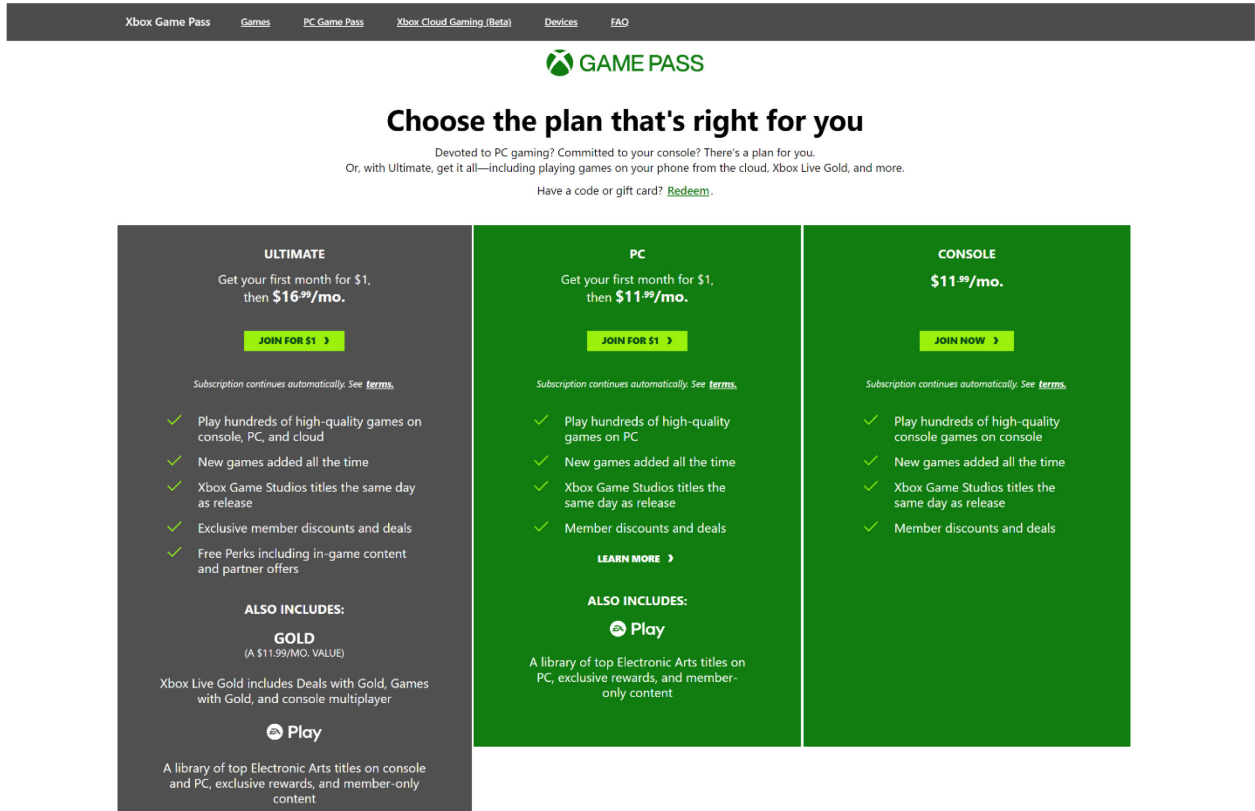


Figure 6-13: Microsoft's Game Pass Plans. Screenshot by S. Pedraça.

to get rid of in-game ads and access microtransactions from their game's catalogue, thereby integrating the game catalogue across multiple platforms through the companies' cloud gaming infrastructure.^{172, 173}

This mode of subscription service, in fact, tends to concentrate even more of the game's circulation power into the hands of few, while repositioning the key players in the industry. The recent movement of game distribution services through cloud technology under Netflix-style subscriptions offered by Apple, Google, Nvidia, and Amazon has also altered the power dynamic course from game studios and publishers to big-tech corporations with massive scale and global market shares (Singer & D'Angelo, 2020). These shifts once again shed light on the inconvenient issue of an unbalanced power dynamic inside the game industry as discussed in other contexts by some scholars (Consalvo & Paul, 2019; Kerr, 2017; Nieborg, 2016), and in which a (even more)

¹⁷² <https://www.apple.com/ca/apple-arcade/> accessed November 14, 2022.

¹⁷³ <https://support.google.com/googleplay/answer/9473027?hl=en> accessed November 15, 2022.

select group of key industry players decide on the types games that can be developed and under which conditions they will be developed.

Despite this current market trend, the adoption of Netflix's subscription model for video games is not a consensus. For Singer and D'Angelo (2020), the economics and consumption model of video games differ significantly from movies and TV, which poses challenges to modifying consumer behaviours and implementing what they call the "all-you-can-eat" (p. 2) style of TV and music streaming services. They argue that behind Netflix's success is its own exclusive production; this serves as a way to attract an audience, which in the case of blockbuster games could not happen due to game production costs. It is too risky for publishers to add their productions into a service vault on release day, they say, and to make that happen the service fee would likely be costly for subscribers. In both cases, the attractiveness of the service would be drastically reduced. Instead of offering a large catalogue for a small fee, the authors advocate for a user-generated content (UGC) model, like the YouTube platform, rather than Netflix. For them, games like Minecraft and Roblox are examples that UGC model can be a profitable alternative to traditional games.

The gaming community's creativity has been responsible for a meaningful amount of past gaming innovation [...] Part of the future of gaming might not be Netflix-like subscriptions but rather open platforms with unique experiences, built by trusted community participants, that grow organically into small to midsize development studios (Singer & D'Angelo, 2020, p. 5-6).

It is not clear in the report, though, how the monetization system would work in the suggested UGC model, and how it would benefit both developers and the community participants. Singer and D'Angelo arguments converge on what Banks (2013) called the co-creativity of the game industry, and Jenkins (2006) defines as participatory culture in the digital era. Nonetheless, what these authors see as co-creativity and a mutually beneficial relationship, other scholars classify as abuse and exploitation of free labour from community members, appealing to their affection and attachment to a game in order to increase industry profitability (Terranova, 2000).

The infrastructural mode of subscription is not exclusive to massive corporations such as big tech and game console manufacturers, as some game publishers, such as EA and Ubisoft are also

adopting a ‘Netflix-style’ subscription plan.¹⁷⁴ Nonetheless, such a mode—though most commonly adopted in the industry—is not the only subscription plan available in the marketplace. Some companies have opted for a subscription model that is interconnected to the game on its design level. In this mode, subscription plans are directly connected to a specific game and its perks are associated to in-game items, new game sequels, seasons, expansion packs, and in-game points and currencies, among other ‘title-related’ benefits. Publishers as big as Activision (e.g., *Call of Duty*) as well as big-tech corporations like Tencent (e.g., *PUBG Mobile*) are adopting the ‘game design level’ mode in which the subscription plans are intra game.

Next, I will look at how Tencent and Electronic Arts are implementing subscriptions as a monetization option for their live services, and how these strategies are used as an incentive to attract and retain players to their game’s vault, thereby increasing the companies’ business engagement.

6.3.1 Electronic Arts subscription service: more choice, less friction, and ‘endless’ content production

Electronic Arts started testing its subscription service in 2011 when the company attached the model to specific games, like the “Sports Season Tickets” for EA Sports titles. At the time, Season Tickets offered early access, free or reduced-prices on DLCs and other game extensions, as well as free premium web content connected to players’ membership badges (Reilly, 2011b, August 2). The company also tested a subscription service for mobile games on the *Tetris* iOS version. In this case, players could either make an up-front payment to buy a closed version of the game, or sign up for the T-Club subscription and have access to *Tetris*’ live content (Good, 2011, December 1). In June 2012, the publisher launched *Battlefield* Premium, a subscription model inspired by Activision’s *Call of Duty Elite*-style service. The annual service subscription for *Battlefield* Premium offered special features, virtual items, and early access to content packs (Caoili, 2012d, June 4).

Two-years later, in 2014, Electronic Arts announced EA Access, a Netflix-style subscription service in which members would have access to a library of EA’s titles as well as discounts on

¹⁷⁴ <https://store.ubi.com/ca/ubisoftplus/?lang=en> accessed November 18, 2022.

EA's digital goods and early access to EA's DLCs. EA Access was originally designed for consoles, revealing that the publisher relied on Microsoft and Sony infrastructures to support its new service. Sony had no interest in offering the service through its console, declaring at the time that the service's format would not add "the kind of value PlayStation customers have come to expect" (Rose, 2014b, July 30). EA Access was exclusively available on Microsoft's console until 2019, which was when Sony changed its online service strategy, allowing EA Access on the PlayStation platform (McAloon, 2019a, May 7; Electronic Arts, 2019d, Q4 2019, Earnings Call Transcript).

After experimenting with some subscription formats, EA Access became the publisher's model of choice for its subscription business. At the time, the company believed the incentive for players to engage with its subscription service was centred on the continual addition of new titles to the service vault, though newly released games were kept from the library. In 2016, Electronic Arts expanded the EA Access subscription program to its Origin distribution platform, which was exclusive to PC, by launching Origin Access. Origin and EA Access subscription plans were similar, except that Origin lacked the annual payment option available on the Xbox version of the service (Sarkar, 2016, January 12; Schreier, 2016, January 12). In 2018, EA started to add games from third-party publishers into the Origin Access service vault, including Warner Bros (Sinclair, 2018b, March 8), Square Enix, and THQ Nordic, along with many indie developers and publishers. The publisher also created a premier version of Origin Access, in which players could access EA's games on release day (Electronic Arts, 2018a, Q1 2019, Earnings Call Transcript).

In August 2020, Electronic Arts rebranded its subscription service, keeping the initial two membership tiers, now called: EA Play and EA Play Pro. EA Play offers unlimited access to a game library, challenges, rewards, discounts, and up to 10 hours of early access trials. The Pro version adds full early access to the premium edition of games on day one (curated games) and

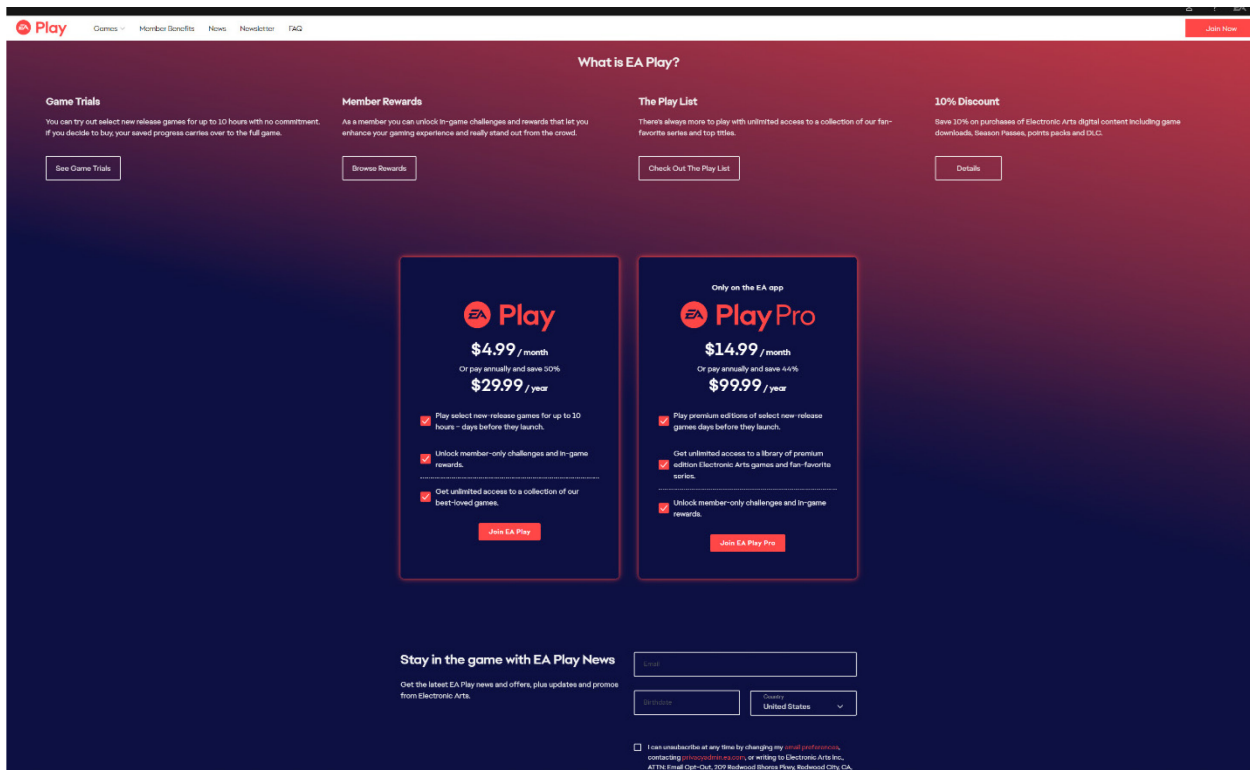


Figure 6-14: Electronic Arts Subscription Plans and Pricing. Screenshot by S. Pedraça.

unlimited access to an upgraded game library (Figure 6-14). While EA Play Pro is only available through EA App (formerly Origin platform), EA Play is available on Steam, PlayStation, Xbox, and EA App, though due to commercial agreement restrictions, there are differences in the game library available on each platform. In February 2021, the company reported 13 million subscribers to the EA Play service, doubling the numbers from the previous quarter.¹⁷⁵ The reason for the sudden increase in its reach is connected to the partnership the company sealed with Microsoft to integrate EA’s subscription service into the membership of Xbox Game Pass tiers (Electronic Arts, 2021b, Q3 2021, Earnings Call Transcript).

As a selling strategy, Electronic Arts’ subscription plans appeal to players through the obvious sense of the advantageous deal of ‘pay little and get big’. Instead of paying \$70 for a game, players can have access to a considerable library of games for just \$15 per month. Another strategy is related to nostalgia, since the library offers classic EA games that players would love to revisit and experience again. Early access to big name titles is also a strong motivator for

¹⁷⁵ Electronic Arts, 2020b, Q2 2021, Earnings Call Transcript.

players to subscribe to the service, along with discounts and other advantages. Once players get in, it becomes easier to nudge and persuade them to try out new games that are already in the service vault, which reduces games' marketing and promotion costs considerably.

We do know that there are people who buy games and only play them once or twice and the risk at first as do they want to try something new? When it does subscription, they think that that next game is for free. And so what we're trying to do is get people to actually or breakdown that barrier of trial, which we believe is subscription can do and it's certainly can do it in a far less cost than it is in traditional model (Blake Jorgensen, Electronic Arts, 2019d, Q4 2019, Earnings Call Transcript, p. 20)

EA has been tracking and shaping players' consuming behaviour for years through its many iterations of the subscription plan. Executives observed that players engaged in their subscription service are (a) playing twice as many games as they did before subscribing to the service, and (b) playing longer playtime cycles. That is, players are spending more time with a game, especially on games they are trying for the first time. Furthermore, as subscriptions give access to a game catalogue, players are under the illusion that they are getting games for free, which relieves their conscience and allows them to spend more on in-game purchasing (Electronic Arts, 2019a, Q1 2020, Earnings Call Transcript). As a result, EA's subscription service is producing an effective intra-marketing promotion. By partnering with key players in the industry to strengthen its game catalogue while exploiting the frictionless feature of subscription service, Electronic Arts is able to lower the techno-monetary-psychological barriers and to induce players to spend even more on its live service.

For EA, subscription services will shape the future of the industry in the game-as-a-service era as the service is a compelling way for players to seamlessly discover, engage, and enjoy games from EA's portfolio and third-party partners and, ultimately, its powerful way for EA to further monetize its products and services. As EA understands it, live services connected to subscription plans are the way to monetize players while sustaining and strengthening the company's long-term business. For Andrew Wilson, Electronic Arts CEO, streaming and subscription business models are disrupting the entertainment industry's political economy by radically changing how people consume and connect with entertainment products (e.g., ownership vs. content access).

He argues that EA has been improving the company's technology around the service infrastructure so as to reduce friction and encourage players to engage with subscription plans and with EA's live service ecosystem.

The subscription fee paid is not the total value of what a player might expend as they enjoy the games they play inside of subscription. Because of our live service offerings, the subscription really is about onboarding a large community globally of committed, connected players, who do not only play the games in the subscription, but also participate in the live services [...] [in the long term] the upside for the interactive entertainment industry is uncapped by virtue of the value of live services that are born inside of a subscription (Andrew Wilson, Electronic Arts, 2017a, Q2 2018, Earnings Call Transcript, p. 21-22).

Electronic Arts' primary form of revenue comes from live services, including subscription, microtransaction, broadcasting, and cloud gaming, which the company emphasizes as crucial elements to its 'players network' strategy: It provides a recurring form of revenue and, as a consequence, make its business more financially stable (Electronic Arts, 2018d, Q4 2018, Earnings Call Transcript). That is to say, the company's revenue depends less on new (and considerably risky) IP production and instead relies more on already established franchises tethered to live services.

6.3.2 Tencent and its 'intra game' subscription model

As previously discussed, Tencent's revenue streams mainly come from microtransactions and subscription fees attached to its vast collection of online services, including a range of digital goods and in-game purchases, as well as music, video, and literature streaming services. While its subscription model for media streaming follows the Netflix and Spotify logic in the sense that users pay a monthly fee to have access to a library of content, the video game division works with a different approach in terms of what the player is subscribing to. Instead of subscribing to a catalogue of games, players subscribe to a specific game where the perks are directly connected to the game itself, such as new in-game items, new seasonal content, in-game points and currency. To better illustrate the functionalities of this type of subscription model, I look closely at the system of monetization within *PlayerUnknown's Battlegrounds (PUBG) Mobile*.

Developed by the South Korean game company Krafton (former Bluehole), *PUBG* was officially launched in December 2017, though the game had been available through early access on Steam since March of the same year. Tencent has been investing in the company since 2017, becoming its second-largest stakeholder. This financial move gave Tencent the rights to localize and operate the game in China and to develop a mobile version of *PUBG* for both Chinese and international markets. To take advantage of the momentum and growing popularity of the game worldwide, Neo Liu, Tencent's head of games publishing in North and South America, revealed that it took only four months for Lightspeed & Quantum Studios, a Tencent Subsidiary, to develop the mobile game version. Although *PUBG Mobile* is an adaptation of the PC game, Tencent's studio added distinctive live services compared to the original version, including special timed events, different game modes, new maps, and features like Royale Pass to name a few: "Our version is very different from the PC game, and the objectives and rewards of each stage must be carefully analyzed and considered," declared Liu at the time (Kane, 2020, March 20, para. 14). It is worth to point out that game development details are always kept from the public, usually protected by creativity secrets and disclosure agreements; thus, even though Liu's speech suggests that Tencent decided on the model for the game's live service, it is not possible to affirm how the decision process on the monetization design happened, as it is not clear if those decisions were shared by Krafton and Tencent, or if they were exclusively Tencent's decisions.

Competing for the same user base with other well-established and popular games like Epic's *Fortnite*, *PUBG* initially struggled to establish itself in the US market, but eventually it became a global success. In March 2018, the mobile version reached iOS and Android devices, quickly surpassing *Fortnite* in the number of downloads, but falling behind Epic's game in revenue.¹⁷⁶ The game's initial revenue shortcoming is in part explained by the Chinese government's project to restructure its regulatory agencies in 2018 which held back game distribution and monetization for nine months. With its largest player base in China, the delays in bureaucratic processes prevented Tencent from monetizing the game across the country, holding up the potential revenue of *PUBG Mobile* on its first year. Though the interruption in the approval for monetization caused frustration for Tencent's executives, the company worked on maximizing

¹⁷⁶ <https://www.businessofapps.com/data/pubg-mobile-statistics/> accessed November 20, 2022.

the game's adoption and strengthening its retention among players, preparing the monetization path for when they received the government's monetization consent.

The other example is in this survivor shooting game genre, in which I would say, if you look at the amount of success that we have achieved with two *PUBG*¹⁷⁷ mobile games, we have a very large DAU, which is non-monetized yet, and we felt pretty good about this. In the future, when you have such an engaged user base, we believe there is a lot of potential for us to monetize. But, in the meantime, it's actually much more important for us to keep on improving the user experience, the game content --adding the game content, so that we can really solidify our position. (Martin Lau, Tencent 2018d, Q4 2017, Earnings Call Transcript, p. 18-19)

Despite the hold on monetization in the domestic market, *PUBG Mobile* found its way to financial success overseas by benefitting from season passes. The financial inconvenience of China's monetization approval caused *PUBG Mobile* to be the first Tencent game to be monetized first in foreign territories, rather than in China which "is sort of unprecedented in our history," proclaimed the companies' Chief Strategy Officer (James Mitchell, Tencent, 2018c, Q2 2018, Earnings Call Transcript, p. 27). Even though the game struggled to monetize at first, *PUBG Mobile* has been consistently featuring on the list of highest-grossing games. The game surpassed \$8 billion in lifetime revenue in the first half of 2022 (Partleton, 2022, May 13).¹⁷⁸

PUBG Mobile makes heavy use of microtransactions as they are an inherent part of the game's monetization design. Through highly engaging forms of microtransaction, *PUBG Mobile* attracts a considerable number of players into its monetization system. However, Tencent is also exploring its options with subscription models as a way to increase the number of paying players in its user base. The game offer two distinct forms of subscription: (a) Royale Pass, what I consider to be an intermediary prototype strategy that disguises microtransactions as subscription, and (b) and the Prime plans, which are fully developed subscription strategies.

¹⁷⁷ Besides *PUBG Mobile*, Tencent also developed *Peacekeeper Elite*, another mobile game based on *PUBG* intellectual property.

¹⁷⁸ <https://www.pockettactics.com/pubg-mobile/revenue> accessed November 20, 2022.

The Royale Pass was added to the *PUBG Mobile* on its 0.60 patch; released in the first half of 2018, it was designed to make the game more dynamic and encourage players to revisit it more often. The Royale Pass is a player's ticket to enter a seasonal event. Similar to *Fortnite* and *Apex Legends*, *PUBG Mobile*'s seasons give players new daily and weekly challenges, missions to complete, and various prizes to collect. By completing these missions, players can earn Royale points and items that allow for them to rise in rank. Players can choose three different tiers of Royale Pass: Free, Elite and Elite Plus (Figure 6-15). The Free tier gives players limited awards, primarily Royale Points, which is the currency linked to progression in the game, and allows any player to join the game season without spending money. The Elite tier costs players 600 Unknown Cash (UC), the in-game currency, only available via real-money purchase (Figure 6-16), and as for rewards, it offers players better cosmetic costumes, rare weapons, an amount of UCs immediately after the pass upgrade (similar to Credit Card's cash back benefit), and fast rank ups by completing Elite exclusive missions. The Elite Plus, which costs 1800UC, has all the benefits of the Elite tier, but also offers a certain number of ranks for players to climb quickly.¹⁷⁹

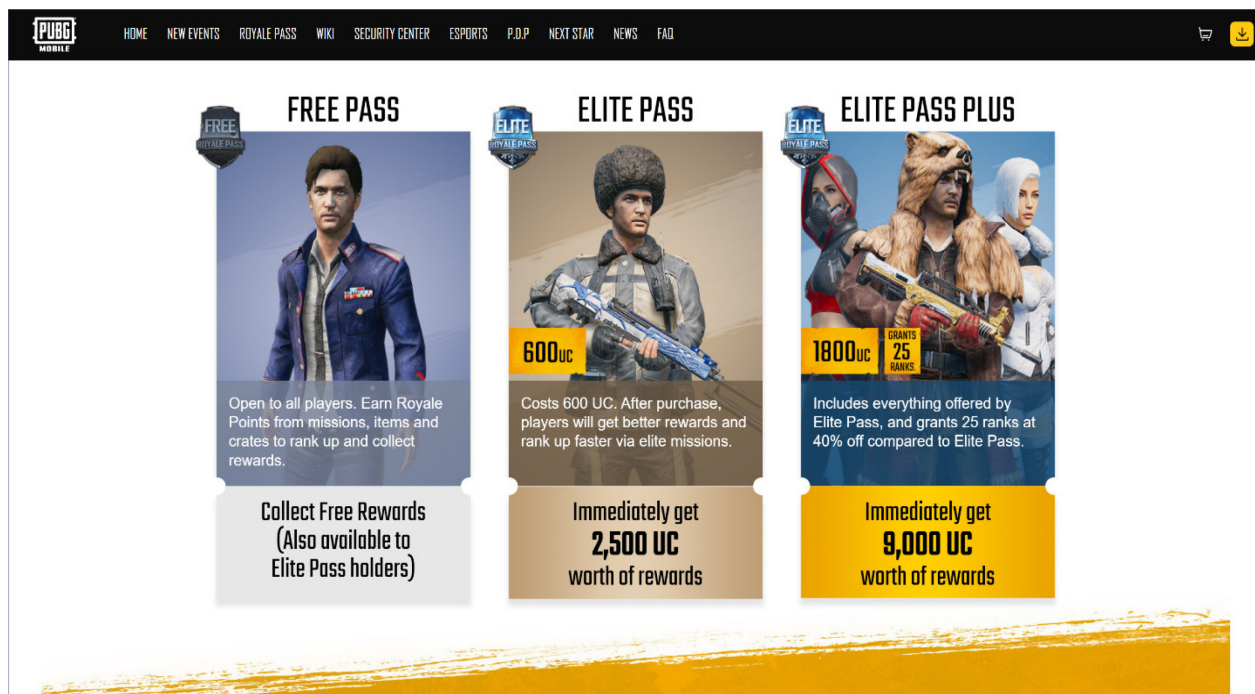


Figure 6-15: PUBG Mobile Season Pass Tiers Pricing. Screenshot by S. Pedraça.

¹⁷⁹ The uncertainty around the amount of UCs and number of ranks players can climb via rewards is justified by the fact that these numbers may change from season to season. Even the cost of Elite and Elite Plus passes may vary depending on the season.



Figure 6-16: Unknown Cash Bundle Pricing. Screenshot by S. Pedraça.

In 2019, Tencent added *PUBG Mobile* subscription plans for players to earn in-game currency daily, and get the chance to purchase some specific items with royale points. The game offers two subscription plans: Prime and Prime Plus (Figure 6-17). The Prime tier offers players 5UC per day throughout the entire month (150UC in total) and the option to purchase specific short-lived items with royale points (some items last for seven days while others last for the entire month). In the Prime Plus membership, players get 20UC daily, having 600UC by the end of the month, with the same option to purchase specific short-lived items with royale points, though a few of these objects can be permanently added to players' inventory. Plus members also receive daily discounts (up to 80%) on crate purchases and other in-game store items, in addition to ten royale points per day. The highest tier also grants a one-time reward that includes extra UCs, vouchers, and other perks after successfully subscribing to it.

In video games, season and battle passes are usually understood as microtransactions, since to engage with them players are charged a recurring fee to get access to extra content, challenges, and virtual goods. Ephemeral by nature, a season pass is strictly connected to seasonal events,



Figure 6-17: PUBG Mobile Subscription Plans. Screenshot by S. Pedraça.

expiring as soon as the event is over. In *PUBG Mobile*, however, season passes present a unique feature. Unlike games such as *Fortnite* and *Apex Legends*, in which season events are released every three to four months, the season events for *PUBG Mobile* happen every month (Figure 6-18), resembling to a certain degree, subscription plans; once entering the new season event, players need to renew their Royale Pass. By bundling awards, cosmetic upgrades, and the direct intake of cash into monthly seasonal content, Tencent is transforming microtransactions into a recurrent subscription model. In that sense, the Royale Pass becomes a fabricated recurring necessity that enables players to participate across seasons.

It is curious that unlike most subscription plans that allow members to upgrade or downgrade to other tiers, *PUBG Mobile* does not offer such an option. Players need to cancel their current plan in order to subscribe to another tier, or keep both subscription plans and “enjoy both benefits,”¹⁸⁰ if they wish—and are able to afford it. For both Royale Pass and Prime subscriptions, players

¹⁸⁰ See <https://tencentgames.helpshift.com/hc/en/3-pubgm/faq/230-what-is-a-prime-subscription-differences-between-a-prime-subscription-and-a-prime-plus-subscription/> accessed November 20, 2022.

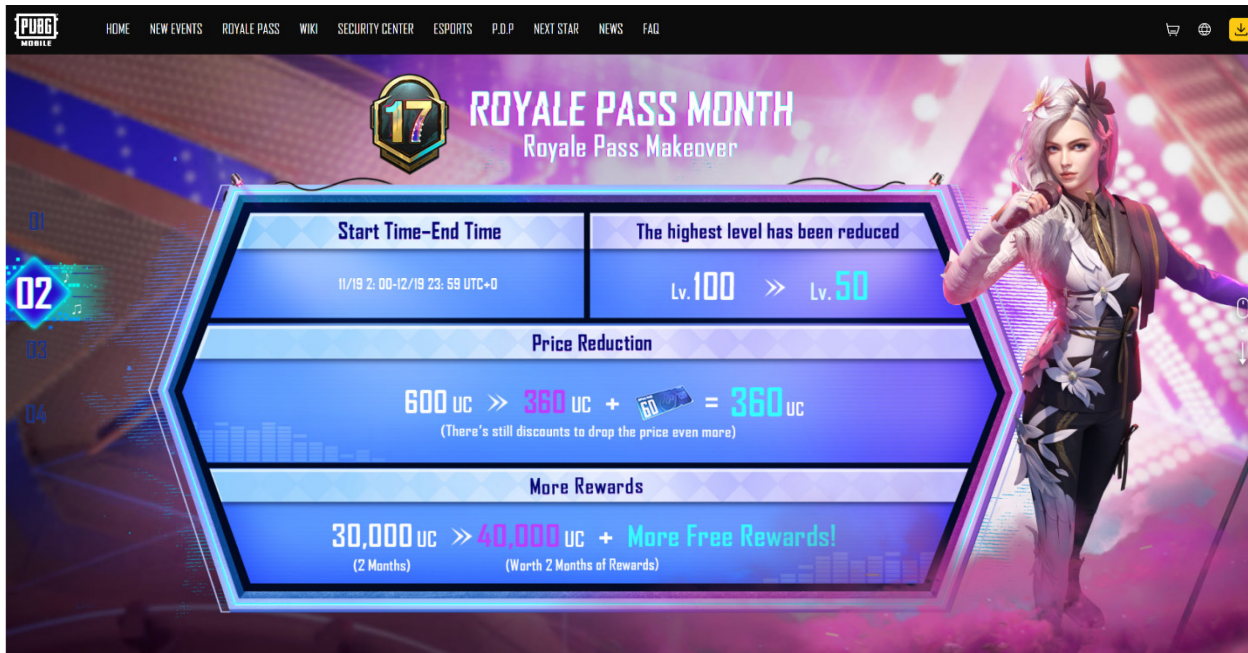


Figure 6-18: PUBG Mobile Monthly Season Pass. Screenshot by S. Pedraça.

must access the game daily to collect the daily rewards attached to their plan (Figure 6-19). By making reward harvesting a daily task, the platform nudges its players to visit the game every day, nurturing a gaming habit based on consumption of perks instead of cultivating an organic and authentic desire to access and play the game. Such a systematic approach may encourage potential addiction through its reward design system, which is similar to the design applied to gambling machines (Schull, 2012), and in addition to harnessing the player's will, the design works to shape players' productivity and discipline in a mode ultimately tailored to the platform's desire (Finn, 2017).

Indeed, Tencent has been developing its microtransaction and subscription business models across its online web and mobile services for the past couple of decades. The success of their monetization models is associated with the value offered by its frictionless ecosystem of services: a range of services created to facilitate users to manage their daily activities and personal necessities, including social networking, entertainment, consumption, payment, in a friendly and personalized environment that costs only a small fee per month. In the Tencent ecosystem, games start as free experiences. Then using behavioural tracking tools, games are moulded to fit to a specific model that improves the actual game experience. These changes aim

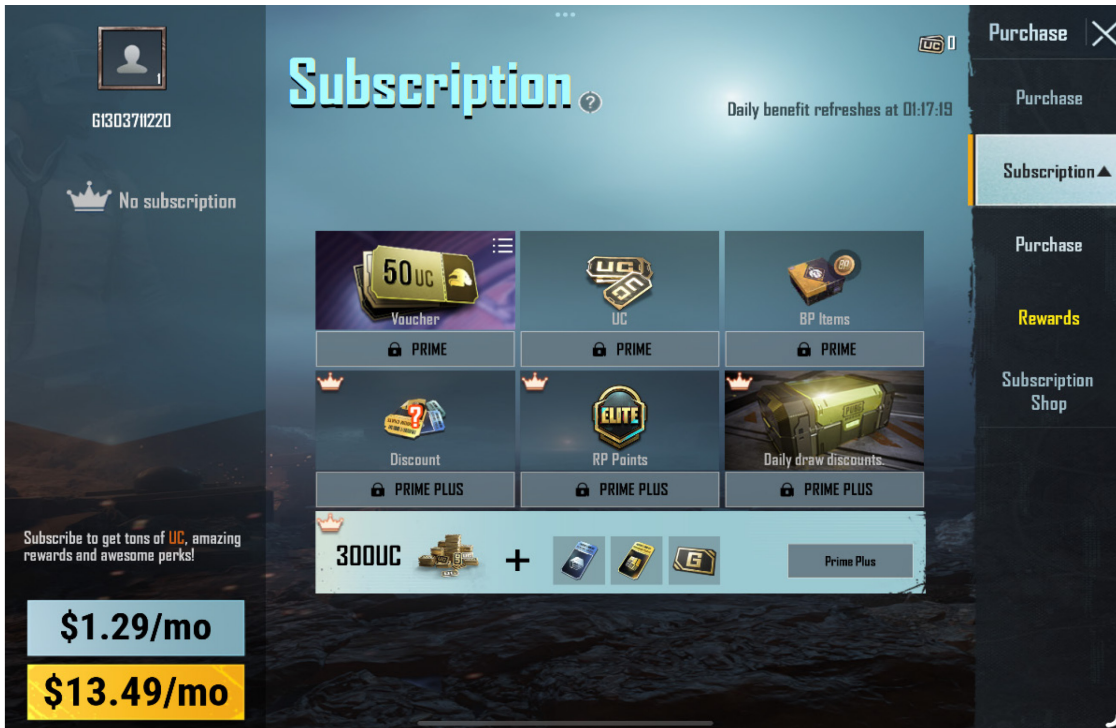


Figure 6-19: PUBG Mobile’s Daily Benefit attached to Subscription Plans. Screenshot by S. Pedraça.

to consolidate the stickiness of the games, and prepare it to enter the monetization cycle. By examining how the *PUBG Mobile* monetization model works, in particular its subscription models, it is possible to understand how the company prepares its infrastructure to create and execute essential and cheap services that persuades users to consume (and stick with) Tencent’s products.

6.4 Summary

The changes in the commercial logic of the video game industry have encouraged the emergence of game-as-a-service (Kerr, 2017), that has, in turn, impacted companies’ marketing approaches. To tackle the new commercial necessities of game production within the current platform logic, marketing tactics had to shift from a target designed for the masses, to a target that is much more fragmented and niche. Such personalized targets are constructed through the massive and continuous flow of user data deployed to narrow down personal interests, and ultimately better match products with customers (Nieborg, 2016). As the targets focus on multiple targets, the budget for advertising is redistributed through the multi-channels and multi-platforms across the Internet instead of focusing on traditional mass media channels. Following the service-dominant logic applied to digital platforms, the game industry has transformed its production and

monetization systems into one that is characterized by a continuous cycle of production, circulation, and consumption. Such changes in production and business models have redirected marketing strategies applied by the game companies to take advantage of the digital advertising tools that are able to track, record, and analyze granular data about users' behaviour, wherever it might be possible to predict their needs and recommend actions. To better understand how the circuit of marketing functions under this new commercial logic, I mapped the marketing strategies of game-as-a-service through an investigation of the relationship between models of monetization—more precisely ad-supported games, microtransactions, and subscription plans, and the advertising strategies used to promote games. Through these tactics, Tencent and Electronic Arts have been able to generate hype and engagement while guiding players to consume not only the game itself, but also the continuous flow of virtual content and goods they offer.

The ability to generate, combine and recombine user profiling data provided by the current digital marketing ecosystem, has assisted game developers and publishers in better understanding and targeting players, creating artificial necessities, and then meeting these needs through a myriad of forms of game monetization offered by the video game industry giants. As I argued throughout this chapter, companies like Tencent and Electronic Arts have made considerable investments in in-house performance-based advertising infrastructure to promote their live services and to sell advertising space across their infrastructure to third-party companies, including their main competitors in the market. Each marketing campaign is calibrated to hit its targets precisely, create engagement, and go viral, ultimately converting interactions into consumption transactions. In the era of the freemium business model in which in-app purchases are becoming a significant source of income for many companies in the game industry, a performance-based advertising apparatus becomes crucial for converting the freeloader (Dreier et al., 2017) players into payers. More importantly, in-app purchases open the doors for more aggressive marketing based on microtransactions.

Regardless of their potential issues, microtransactions have become an inherent part of game design in the game-as-a-service context once these small transactions are, in most cases, the game's only source of revenue. In current games, the monetization and pricing systems are designed in parallel with the game itself as an efficient means of inducing players to get involved

in recurring in-game purchasing. Developers and publishers must identify, target, track, attract, and even acquire players with high-spending capacity for their games and live services. Here, the ‘fishing bait’ is set up according to the analytics created from the data mined from ‘whales’ (Dreier et al., 2017). By profiling these players, developers align their game design, focusing on feeding these players’ impulsive tendencies towards premium items and, at the same time, locking them behind paywalls.

Electronic Arts and Tencent deploy their digital marketing ecosystem to nudge and persuade users to engage with the microtransaction systems and improve their game experience. Both companies use streamers and members of game communities as vehicles to promote and normalize the recurring financial in-game transactions among the general public. Furthermore, they partner with other media and entertainment corporations to boost the promotion of game seasons and virtual goods. Such partnerships demonstrate that pop culture trends are constantly used to stimulate the cathartic hype and exacerbate consumerism. Nonetheless, the following of trends is also a mode of connecting to (and adding into) the mix of digital cultural contexts and practices such as live-streaming and social network viral content and memes. The constant notifications of monetization systems poking players everywhere, and at anytime, can turn into a way for developers to keep the game alive among players. By introducing new assets, expansions, and functionalities, microtransactions can exceed their design function of primarily generating income for a game, and become important marketing tools that keep current players engaged with the game and bring back players who might have ceased playing it. From the marketing perspective, microtransactions ally content with revenue, working as an easy way to refresh the game by opening new game potential, and applying new meanings to these novelties.

Over the last decade, game companies have revisited and recycled the concept of subscription models as a form of monetization intended to attract and retain players into their ecosystem and create a source of recurring revenue. In addition, since the digital content is served from a cloud infrastructure, the current subscription model for video games is essentially replacing game ownership with a user-licensing agreement. As subscribers, players pay to access a library of games, instead of purchasing and owning a digital or physical copy of a game. As argued in the chapter, game companies have different subscription strategies working concurrently at the infrastructural level and at the game design level. It is curious to note that some companies do

not seem to make logical decisions when choosing the models to be deployed across their services, at times adopting styles that do not seem aligned with their position in the market. For instance, with a substantial digital infrastructure at its disposal, Tencent opted for the intra-game subscription mode, or the subscription mode that is intertwined with the game on its design level: Electronic Arts, which owns an efficient, but not a large infrastructural apparatus, chose the infrastructural level mode of subscription.

As a marketing strategy, Electronic Arts' subscription plan appeals to players through what appears to be an advantageous deal of 'pay little and get big'. The company relies on nostalgia for classic EA games that have been added to the vault, as well as early access to the company's big titles. Once players sign up for the service, it becomes easier to deploy the company's digital marketing apparatuses to nudge and persuade players to try out new games that are already in the service vault. That is, EA's subscription service is producing an effective intra-marketing promotion for their games. By partnering with key players in the industry to strengthen its game catalogue, and through exploiting the frictionless feature of a subscription service, Electronic Arts lowers psychological barriers in order to induce players to spend even more money on its live services. Such a strategy strengthens the company's live services, providing a recurring form of revenue, and consequently making its business more financially stable and less dependent on new IP production.

Tencent's monetization models, on the other hand, are more associated with the value offered by the frictionless nature of the company's ecosystem, which works to consolidate the stickiness capacity of the company's services before users even enter the monetization cycle. For Tencent, a game begins as a free experience, but then it is tailored and tweaked to improve the user's immersive experience through its behavioural tracking tools, ultimately hooking players into its system. Like the monetization strategy applied to their games, Tencent's *modus operandi* is comprised of preparing the infrastructure surrounding its service to become something essential, easy to use, and relatively inexpensive for what is, in fact, delivered. That is, the company's selling strategy is intertwined with the users' (fabricated) needs.

These powerful digital marketing tools do more than support advertising targets, sell virtual items, season packs, and subscription tiers; they shape and crystallize new patterns of behaviour

and consumption across the gaming culture. Then, in turn, these monetization systems become vehicles to promote games and the company's live services. Forms of monetization like microtransactions and subscription plans have been used to promote limited in-game offers and deals, selected in-game items, exclusive service features, and other advantages to attract and retain players' attention within the game as long as possible. Such mechanisms can be considered prototypes to boost and encourage the research and development of the ideal metaverse, a virtual place where players can not only play, but also work and live their life in.

7. Conclusion

The video game industry has substantially transformed itself in the last decade. During this period, mature actors of the industry, regardless of their commercial size, had to learn and adapt to new forms to produce, distribute, and market their games in order to survive and maintain their relevance as global players in the game market. On the other hand, developers and publishers that flourished within the logic of the Internet platform seemed to be one step ahead by having the advantage of understanding this new techno-cultural landscape better, even though such a scenario was still in its infancy. Although the accelerated mutation processes of the digital environment resulted from the continuous evolution of digital communication, tools like social network systems (SNS), mobile devices, the app stores connected to them, and live-streaming broadcasting (as well as the burgeoning capacity to gather and move a large amount of user data) helped to speed up the process significantly, making the process of adaptation to this new digital environment a challenge for many in the game industry. In fact, not even platform-driven companies were utterly safe and immune to the sudden changes. The rapid digital transformation also affected players, experts, and newbies in the same form. With respect to the game's produced by mature developers, expert players had to adapt to new ways of paying for and playing these games, subjecting themselves to new designs, mechanics, and gameplay lengths that did not please most of them. For the newbies, having a quick moment of entertainment while commuting or in a waiting room proved to be an affordable and enticing experience.

As was chronicled in this academic work, the unfolding of changes that followed the adoption of new digital tools by the game industry directly impacted Kline et al.'s (2003) circuits of interactivity and the circuitry's inner interactions within an even higher intensity marketplace. This section, presented in three parts, concludes my analytical process by addressing the research questions that encouraged the present study. In the first part, I recapitulate the main topics of discussion involving the three circuits. Here, I attempt to respond to the sub-research questions regarding the circuits of technology, culture, and marketing while demonstrating that the interplay between the circuits is still vividly impacting the production, circulation, consumption, and general culture of video games as well as influencing social-trend behaviours within our society, two decades from Kline and his colleague's first analysis. In the second part, I address

the main research question: **How are the newer production practices adopted by the game industry in the last decade influencing cultural and social practices in our contemporary society?** Here, I show how the intense acceleration between the circuits generates new layers of interactivity, which results in reducing social and cultural relationships and experiences to mere monetary transactions. Finally, in the third and last part, I acknowledge this research's limitations and review its possible contributions to the game studies field. I also attempt to address possible future unfoldings for this research while briefly speculating upon new challenges game scholarship may face in the following years based on current techno-cultural trends that may play a crucial role in influencing the speed and entanglement of the circuits' interplay.

7.1 Circuitry Recap.

Circuit of Technology: How did the adoption of external technology (meaning not developed for gaming purposes) by the game industry in the last decade fundamentally change the practices of video game production, circulation, and consumption?

From the technology standpoint, the video game industry took advantage of techno-cultural communication apparatuses available and massively disseminated within society to circulate games, encourage play practices, and harness individuals' behaviours. The alignment between digital platforms and the game sector transformed and redefined the industrial process of video game production in its essence. More specifically, such a conjunction helped redesign a significant parcel of the game industry's production process and business model, restructured the game industry's marketing strategies, and imposed new patterns on players' consumption and play of video games. Social Networking systems (SNS), smartphone devices, and gaming live-streaming have had an enormous impact on the gaming ecology, in which they presented themselves as a new vein for the distribution, circulation, and consumption of video games.

Social network systems, most notably Facebook, have introduced new concepts of game design and mechanics and reframed the idea of online social games, even though they do not effectively promote social interaction or real-time social play (Mayra et al., 2017). Played in turns and for a few sessions, the social attributes attached to these games are mostly related to the nature of the platforms in which they were held. As an efficient people aggregator, SNS platforms effectively presented casual games to a massive number of people, including a considerable amount who

had never played digital games before. Such an ‘over-the-top’ channel for game distribution assisted in changing the gaming scenario by exponentially increasing the means to make games available to general audiences. It also pushed the game production to follow the monetization system according to the platform logic, in which user private data is used on two fronts: a) data commodification and b) feedback loops to improve development by adjusting products to consumers’ demands.

Despite their crucial importance in forging a new era for game development, especially in expanding game distribution from the 2010s onward, SNS gradually lost its strength and did not last as long as an extraordinary platform to host games as many in the industry thought it would. Although mobile devices and SNS emerged almost at the same time, mobile technology proved more reliable in disseminating games and game habits than SNS technology. In fact, SNSs themselves evolved into multiplatform systems, migrating to mobile devices as well.

Technical affordances like computational capacity and locative features have enhanced mobile phone devices’ appeal to hold video games. Such features increase the quality of gaming mechanics’ by lifting the experience to personal and contextual levels (Mayra & Alha, 2021). The multi-utility of the smartphone devices was also a point of advantage compared to dedicated portable game devices in disseminating gaming play due to the exponential omnipresence of these devices. Such ubiquity allied to powerful and easy-to-use app stores was fundamental to circulating games and popularizing gaming activity. Nonetheless, such a boost to gaming circulation has proven to be another way to potentially enclose the game market, worsening an already lop-sided game distribution market, similar to the one found in the times of publishing logic. That is, in the platform logic, the highly concentrated market of mobile games sees game distribution and marketing fall into the hands of fewer companies like Apple, Google, and Tencent. In fact, these companies hold total power in terms of the curation and control of the global mobile market.

Live-streaming broadcasting technology amplified gaming reach considerably by cultivating gaming audiences through showcasing charismatic players engaging in play practice. It also helped to implement new forms of professional careers in the gaming world, such as gaming streamers and esports athletes. As noted by some scholars, gaming live-streaming platforms, like

any other platform, offer technical, social, and cultural affordances to their users in exchange for harnessing their productivity and collecting their data (Poell et al., 2022; Postigo, 2014; Van Dijck, 2013; Van Dijck et al., 2018). The alliance between streaming platforms and the game industry benefited both sides: on one side, the platforms acquire data from users and audiences to improve their metrics and profit; on the other, the game industry exploits the platform's success to promote games and drive consumer choice. In that sense, streamers have become a marketing asset for publishers and developers since their gameplay skills are used to induce game (and live services) purchases from a large fan base centred on streamers' audiences.

Indeed, these platforms do more than help the game industry to expand its public by driving millions of players daily toward publishers' and developers' laps. They also considerably enlarge the marketing sphere through gaming live-streaming exposition. More than growing and grooming the horde of casual players and engaged audiences for the industry, these platforms and their intrinsic operation logic taught the industry's agents to extract players' data and convert them into commodities. From this data, the game industry produced detailed user profiles that revealed a myriad of social practices and demands, including new challenges regarding game design and gameplay mechanics. The constant flow of data from players allows game developers and publishers to change how video games are produced, circulated, and consumed.

The massive investments in third-party companies and the large number of partnerships, mergers, and acquisitions made by Electronic Arts and Tencent show the impact of new technologies and business logic in their businesses. On the one hand, EA partnered with SNS companies like Facebook and big tech conglomerates, such as Apple and Google, to distribute their games to a colossal new audience. At the same time, it had to buy or merge with casual game developers and publishers to provide content for these platforms in order to acquire know-how from those casual developers not only regarding their best practices and production pipeline but also in terms of harvesting (and deploying) players' data in their favour. The American company has also partnered with the emergent live-streaming platform Twitch.TV to improve the service provided by its digital store. On the other hand, Tencent massively invested in, merged, or acquired key game developers worldwide (e.g., SuperCell) and influential Chinese gaming live-streaming platforms (e.g., DouYu and Huya). Such a move was necessary to provide games for its SNS Qzone, app stores for QQ and WeChat, and to improve the company's ecosystem of

services, platforms, and infrastructure in order to integrate friendly, cooperative, and competitive play and gameplay broadcasting seamlessly.

Circuit of Culture: How does the expansion of game audiences and players influence the game industry dynamics and the culture of play?

With the shift from a publishing to a platform logic of production, digital play was normalized and incorporated into our daily routine, aiding the digital era in establishing itself as both palatable and ludic, which, in turn, uses video games as a valuable indicator of contemporary culture. Platform technologies helped the medium succeed as a sociocultural phenomenon by adding millions of new players and audiences for gaming content into the game subculture. The platform and game industry alliance lifted the gaming sector's economic importance by repositioning it as a powerful economic site in late capitalism. The massive penetration of mobile technologies and its casual games was crucial in multiplying the numbers of global digital players, while game live-streaming channels and professional video game competitions created a massive new audience for gameplay watching around the world. These platforms combined exponentially extended video game language, logic, and aesthetics across different social levels. Such cultural resources substantially impacted the game industry by expanding its relevance and influence and enlarging its capital and cultural power. The broad penetration of video game culture entails a process of naturalization of video game practices, buttressed by the addition of video game elements across different social instances within contemporary society, a phenomenon that some scholars refer to as 'Ludic Society' (Mayra, 2017), 'Ludic Century' (Zimmerman, 2013), or 'Videoludic Century' (Muriel & Crawford, 2018).

The ability of casual and mobile games to add short play sessions into anyone's daily schedule was a watershed moment in the culture of play. As some scholars observed, these apparently minor but extremely relevant attributes have made a substantial difference in normalizing game activity, crystallizing gaming habits, and broadly disseminating game culture into different social spaces (Mayra et al., 2017; Juul, 2010). As discussed in Chapter 5, games like *Candy Crush* and *Angry Birds* are phenomenal examples of how non-players have been driven into the gaming world. These new players have also become potential consumers of the game industry as a considerable part have embraced the play activity, its forums, communities, and culture.

Accordingly, the number of new players familiar with the game language, logic, and aesthetics has grown exponentially, reinforcing the power dynamic circumscribed in the game industry and game culture flow. As new players are integrated into and become part of gaming ecosystems, the game industry is able to turn them into distinct socio-cultural and financial advantages. That is, the sector is able to transform the new wave of players into cultural and economic resources (assets) to expand the industry's power and influence.

In the same fashion that mobile technologies and casual games extended the number of players among the global population, the rapid adoption of live-streaming platforms (e.g., YouTube, Twitch.TV, Douyu, Huya) has extended game culture exponentially, adding 24/7 gaming content into the media diet for a massive audience, which, in turn, helps to support and expand particular forms of game culture. Such influence of live-streaming tools has allowed for the accommodation of gaming logic and aesthetics into people's everyday lives and ultimately worked the interests of the algorithms and platforms into our social fabric. Live-streaming platforms were quickly recognized as crucial for engaging players and communities around specific gaming cultural trends. They are used by the game industry as marketing and sales tools, leveraging streamers to disseminate their brands and game franchises, expand their player communities, and improve their infrastructure. In that sense, the video game industry absorbed both the live-streaming service and the streamers themselves, making them an essential part of its infrastructure.

Game conglomerates like Electronic Arts and Tencent used their techno-cultural affordances to expand the game industry by grooming and recruiting players, intensifying play practice, and promoting gaming habits. For instance, the casual features of *The Sims* helped introduce games and the EA brand to millions. *QQ Speed* and its easy integration with the QQ platform, along with the buyout of popular mobile developers, was Tencent's play towards marketing consolidation within and beyond China. In terms of live-streaming strategies, while EA has primarily leveraged streamers to disseminate its franchises and brand labels in order to expand its play community, Tencent took a step forward by embedding the practice into its vertical business model and improving its overall platform structure. Although the companies have organizational and commercial differences, the global market gradually pushed both Tencent and EA to operate in parallel. This means that both companies, in their own way, find a path to benefit from

streamers' cultural practices of exchanging gaming experiences and promoting gaming habits that are inevitably centred on their products and services.

In another vein, mobile and live-streaming platforms have aided in shedding light on another type of video gaming practice that is becoming a global cultural phenomenon: esports tournaments. It is unsurprising to see *League of Legends* or *Dota 2* tournaments claiming massive viewership numbers and adding significant traffic to live-streaming platforms metrics worldwide. Such phenomena drive game developers and publishers to effectively act worldwide to promote the new sports modality by partnering with traditional media companies, sports organizations, and tech brands to sponsor events for their competitive games. In addition to the promotion campaigns for the game championships, some game companies are embedding game modes to facilitate tournament competitiveness at the game design level (e.g., EA's FUT). The idea is to familiarize and train players for game tournaments and normalize competitive practice among general players. Other companies have also been incorporating live-streaming platforms into their services' ecosystem as a business strategy to better control the entire chain of gaming live services and boost their gaming infrastructure (e.g., Tencent).

The new technological apparatuses, such as mobile devices and live-streaming platforms, have allowed the game industry to grow, increase its market share, and reach consumers globally. They have helped cultivate play practices and nourish a new and deeper level of gaming culture across multiple social groups at a global level. These processes of expansion and diversification of players and gaming audiences have converted these social actors into cultural and economic assets to be exploited by the game industry.

Nonetheless, as noted by Williams (2003), although cultural manifestation and technological innovation are controlled and constrained by the capital system, such a process revolves around resistance, struggles, and negotiation. As such, in their work, Kline et al. (2003) emphasize that due to the interactive nature of video games, and due to the nature of mechanisms that involve culture and technology, players have the agency to comply with, refuse, or subvert the meaning suggested by the game creator. Currently, the power of resistance has been amplified by some live-streaming audiences, players, streamers, and content creators. These resisters are challenging game companies to redesign their exploitive business models while also questioning

the balance of their monetization systems. Part of these reactions come in the form of commentary, criticisms, and even calls for boycotting in live broadcasts, often during the release of a new game season or patch. Some players may even circumvent the monetization systems by hacking or modding a game's marketplace and interfering in the company's revenue generation.

Despite the resistance, struggle, and negotiation among the actors involved in the game culture, it is undeniable that such a cultural landscape centred on the video game language, logic, and aesthetics increased the reach of the game industry, elevated its economic importance, and enhanced its power of influence on our social tissue. Indeed, it seems that in the ludic century (Zimmerman, 2013), game literacy (Muriel & Crawford, 2018) and game capital (Consalvo, 2007) seem to be the currencies that move the new socio-cultural-technical trends and rearrange individual, collective, and institutional roles in our contemporary society.

Marketing circuit: How has the video game industry adapted to the service sector?

Unsurprisingly, these new techno-cultural practices have also impacted the video game industry business model. Such transformations in video game inner commercial logic have impacted the essence of the product itself. Following these changes, video games have transmuted from a one-off commodity derived from a closed cycle of production that ends in itself to one in which it has a place within a permanent cycle of production and income flow. That is, the changes in the commercial logic of the game industry have encouraged the emergence of game-as-a-service, which has impacted the industry's marketing approach.

To comply with the new commercial demands and needs of game production within the current platform logic, marketing strategies had to shift from a target designed for the masses to a much more fragmented and niche target. As the mass target became multiple clusters of targets, the budget for advertising got redistributed through multiple channels and platforms across the internet rather than focusing on traditional mass media channels. Following the trends in the digital economy, the game industry has redirected its marketing strategies towards digital advertising tools to track, record, and analyze granular data about users' behaviour to predict their needs and recommend actions. The ability to generate, combine, and recombine user profiling data provided by the current digital marketing ecosystem has assisted game developers and publishers in better understanding and targeting players, creating artificial necessities, and

meeting these needs through several forms of game monetization. This strategy generates a loop in which hype and engagement surrounding a game are stimulated while guiding players to consume a continuous flow of virtual content and goods. In the freemium business model, such marketing calibration became crucial for the game industry to convert freeloader players (Dreier et al., 2017) into payers, especially considering that in-game purchases become the primary source of income for multiple game companies.

The business model of freemium games changed the game design core at its essence by lifting the importance of the in-game economy to an expressive level. Microtransactions, for instance, have become an inherent part of the game design in the game-as-a-service context. For these games, the monetization and pricing system is designed in parallel to the game itself to induce players to get involved in recurring in-game purchases. In that sense, game developers align their game design with methods to feed players impulsive tendencies towards premium items in order to lock them behind paywalls. To hook players and encourage their engagement, the game industry is leveraging streamers and player communities as vehicles to promote and normalize recurring financial in-game transactions among the general public. In addition, the industry has partnered with other media and entertainment corporations to create promotion campaigns for game seasons and in-game goods. This partnership demonstrated that pop culture synergy is still a powerful tool to stimulate cathartic hype and push for exacerbated consumerism.

The systematic recurrence inherent to in-game monetization can become a way for developers to keep the game alive among their player bases. By introducing new assets, expansions, and functionalities, microtransactions exceed their design purpose of primarily generating income for the game, transmuting them into a vital marketing tool that keeps current players engaged with the game while bringing back players who might have ceased playing it. Despite all the problematic issues inherent to microtransactions (e.g., planned unbalanced systems, gambling-inspired design), from the marketing perspective, such monetization systems ally content with revenue, working as an easy way to refresh the game by offering new potential and meaning.

Over the last decade, the game industry has also revisited and recycled the concept of subscription models. It was redesigned to become a recurring source of revenue able to attract and retain players into the companies' gaming ecosystems. Some companies adopted a

subscription model attached to the infrastructural level (e.g., Xbox Game Pass, PlayStation Plus). In contrast, others decided on a model attached to the game design level (e.g., Tencent's *PUBG Mobile*). Anchored in cloud computing, the infrastructure subscription model has replaced video game ownership with a user-licensing agreement. In this 'Netflix-style' model, players pay a monthly fee to access a library of games rather than purchasing and owning a digital or physical copy. Video games are now stored in digital vaults, protected behind paywalls, where players can rent but cannot own them. To make these game vaults attractive to players, companies may deploy strategies such as making partnerships with other players in the industry (indie and big players) and acquiring developers to diversify and strengthen their game catalogues.

Companies are improving their internal infrastructure to provide even more frictionless and seamless services. The strategy behind these improvements is to lower the psychological barrier to purchasing online services and products and lure players into spending even more on the industry's live services. The trick here is making players believe they are playing games for a fraction of their prices—almost free. For instance, instead of paying \$70 to own one game, players can pay a monthly fee of \$15 to access a library with hundreds of games. By comparison, the lower amount of money to subscribe to a game service has a short-term impact on players, making them more willing to spend on in-game items. The subscription model intertwined with a specific game is not the most disseminated, but some big players in the industry have deployed it. Although this subscription model seems a turning back to the *World of Warcraft's* (Blizzard Entertainment, 2004) subscription-like times, the current model is attached to the game design level rather than paying to access an Internet server to play the game online. That is, these subscription plans are specific to a game and their perks are associated with in-game items, new game sequels, seasons and expansion packs, in-game points and currencies, among other 'title-related' benefits.

Companies like Electronic Arts and Tencent have invested considerably in in-house performance-based advertising infrastructure to promote live service and sell advertising space across their infrastructure to third-party companies, including their top competitors. Both companies deployed their integrated digital marketing system to nudge and persuade users to engage in microtransaction systems as well as leverage streamers and athletes to promote and normalize recurrent in-game transactions among the general public (e.g., Grinding Gear Games

(a Tencent studio) regularly touches base with key *Path of Exile* streamers to announce each game's new season launch along with its mystery's boxes, supporting dev packs, and other purchasable perks). Equally, both companies partnered with other media and entertainment corporations to boost the promotion of game seasons and virtual goods (e.g., FUT Heroes' card in partnership with Marvel). Such partnerships reveal that pop culture trends are still useful to stimulate a cathartic hype and push for exacerbated consumerism. Although their marketing approach may differ, Tencent and EA both used their powerful and efficient intra-marketing tools to provide a frictionless structure connected to their live-service ecosystem and, as a result, lowered the psychological barrier for players to spend more (e.g., EA Play subscription and Tencent's whole vertical ecosystem of business).

In the game-as-a-service context, digital marketing tools are doing more than supporting advertising targets and selling virtual items, season packs, and subscription tiers; they are shaping and crystalizing new consumption patterns in a supposed friendly and frictionless ecosystem of services. Monetization systems, like microtransactions and subscription tiers, have become vehicles to promote games and live services for the game industry. They have been used as forms of push and pressure for players to consume endlessly within a game. A piece of evidence is that the game industry has deployed selling tactics attached to these monetization systems, like limited offers and deals, selected in-game item offers, and exclusive service features, among other advantages packages, to attract and retain players' attention inside a game for as long as possible.

7.2 Circuit of Interactivity

Dissertation question: How are the newer production practices adopted by the game industry in the last decade influencing cultural and social practices in our contemporary society?

As observed by Kline et al. (2003), the circuits of interactivity are “a dynamic process, involving socially organized structure of flows, cultural practices, and feedback loops that bind human agents and artefacts in cycles of creation, consumption and communication” (p. 52). As crucial components of the capitalist engine, these circuits serve as a dynamically intertwined tool used to intensify and accelerate the process of commodity exchange. For the authors, the interconnection

between circuits sells cultural and technological goods and promotes a new commercial path for a different range of products. As these circuits operate in a dynamic cyclical process, they are also susceptible to the constant alterations, which entails that they reshape themselves according to new cultural, social, technological, and economic contexts. Kline and his colleagues also pointed out that the marketing circuit has become a powerful force able to overcome the other two, especially the cultural circuit. Similar to Kline et al.'s (2003) observations, my research shows that the current dynamic process of interconnection among the circuits of interactivity is even more accelerated and entangled, with the marketing circuit dominating, or perhaps even prescribing the goals, performance, and evolution of the circuits of culture and technology. Moreover, such high speeds operating between the circuitry blurs the circuits' edges and challenges their autonomy by tying together the various creation, promotion, and consumption cycles.

The accelerated pace of digital communication systems and tools, mainly in context of the high rate of the current data flow, has extraordinarily influenced how and towards what ends platforms evolved. The high speed of data flow, from individual user data to the collective real-time MOBA and other MMO inputs, affects the game production by shortening the time from several years (publishing logic) to a few months (platform logic). Today, a game is never finished, and the game studios are kept in an almost permanent production process to extract maximum profit from a single IP. From a technology standing point, this acceleration made available a considerable number of devices, tools, and algorithms (e.g., motion sensors, different sizes of screens, virtual reality, and augmented reality) able to diversify not only the process of development but also the types of products landing in the market. These changes in technology helped expand the number of people who play video games and encouraged the creation of a dedicated audience for gameplay viewership, which dramatically increased gaming literacy and digital gaming consumption across multiple social groups within society. The wide dissemination of game knowledge, logic, and aesthetics impacted the game culture power balance, opening the way for players to influence and directly compete with specialized media outlets. The digital technology advances and the game culture's expansion impacted the game advertising campaign structure, as the video game industry has changed its focus from creating a one-off product to a live service. In that sense, the marketing circuit works toward gathering and commodifying

players' granular data to a) create niche customer clusters and directional advertising campaigns and b) absorb into its advertising messages the digital culture and practices, including the appropriation of viral and meme contents, thereby mixing digital culture content with pop culture trends to leverage the synergy between them. Such a strategy entails a dominant game industry vision that aims to distract players with saleable assets that are intrinsically part of an intricate monetization system.

The current high volume of data and the astonishing speed at which game platforms respond and perform by gathering, exchanging, and commercializing users' datasets have been blurring the boundaries of the three circuits of interactivity, making it difficult to define (or separate) one from the other. For instance, it is difficult to say if a streamer playing a game is a manifestation of the broader reach of the culture of play or if it is a marketing strategy used by the game industry to promote a specific game (e.g., *Ninja* and the *Apex Legends* release), or if monetization systems are purely a game revenue stream or if they are an advertising strategy to keep a game alive and playable for a more extended period of time (e.g., game expansions, MOBA seasons). In fact, new layers of interaction emerge from this sort of entanglement. This entangled dynamic results in a new game industry configuration. In such a fused arrangement, the industry's actors are not isolated atoms dedicated to one function; they are active participants who, even with contradictory actions, affect the game culture and industry.

Kline et al. (2003) point out that the intersectional segment of the three circuits represents the interactivity of the gaming experience. Such interactivity adds players' agency as a crucial component in the circuit of culture, positioning them as the protagonists within the game's fictional world. As such, they can reinforce, refuse, subvert, or even alter the meanings suggested by the game designer.¹⁸¹ The circuitry's fusion creates new forms of interaction that emerge from the players' data flow. The engagement between players, games, streamers, eathletes, and gaming audiences generates an enormous flow of data that is converted into a commodity and reduced to different forms of transactions. This process underlines (or exposes) the dominance of the economic (or marketing) circuit in relation to the circuits of culture and technology within a

¹⁸¹ See also Stuart Hall's (1999) *Encoding, Decoding*.

higher-intensity marketplace. In that sense, the interaction between the game and players allows for a high level of data gathering, which is transformed into pure monetary transactions resulting mainly, but not exclusively, from directional advertising campaigns.

The interactivity between streamers, audiences, and player communities generates, first and foremost, a layer of affection, but which contains levels of admiration, respect, fandom, hate, and toxic behaviour. Like social network systems, the business logic of game live-streaming platforms is anchored in the economy of attention, affection, and desire. The affective by-product extracted from the streamer-audience relationship is reduced to a mere monetary transaction. Members of the audience who are willing to pay to uphold comments, perform a direct donation to streamers, subscribe to the channel, or giveaway several channel subscriptions as a gift to members of the audience receive permission to participate in the conversation. Although non-payers financially contribute to the channel by donating their time and attention to advertisers, they are usually ignored and actively excluded from a significant parcel of the conversation, no matter how much they scream into the chat box. The relationship between eathletes and esports audiences may fall in a similar context; nonetheless, besides affectivity, this interaction also creates another by-product anchored in the professional layer of the activity that may entail the exploitation of athletes in terms of training hours and low-wage remuneration—which also may be the case for many streamers.

This range of relationships revolves around retrieving financial gain through the exploitation of data, attention, affect, and desire. In that sense, while the platform logic taught the game industry how to leverage users' granular data, it taught gameplay streamers how to financially exploit their audiences' sentiments to extract the most money from them. Kline and his colleagues observe that players become "equal partners" (Kline et al., 2003, p. 296) in the game development process and a key actor for marketing it. I argue that players are also transmuting into other social actors focused more on leveraging their audience base rather than having fun by playing games.

The high volume of data flow is also intensifying the adoption of different modes of monetization systems and repurposing many of them along the way. Microtransactions and subscription plans are not only serving as the main source of revenue for many game companies,

but they are also accumulating new functions by operating as a selling tactic for the industry. Explicitly, these monetization systems have become an instrument to remind players and nudge them to buy new seasons, patches, or game expansions. As most companies are embedding these monetization systems into their gaming ecosystems to offer a seamless and frictionless service and provide a friendly user environment, such tactics are gaining even more traction inside the industry. In fact, such mechanisms could also be seen as a way to run product trials to encourage and advance industrial research and development in order to reach the ideal metaverse.

Looking at the current dynamic of the circuits of interactivity, it is possible to affirm that the game industry is exploiting all cultural, technological, and economic resources and trends to promote the financialization of social and cultural relationships. On the one hand, by embracing the logic of platforms, the game industry is harvesting a large amount of financial gains by exploiting the commodification of data, attention, affection, and desire of player communities. On the other hand, the cultural dimension and significance the sector now possesses have been cast off to inoculate into their practices, products, and services the most refined neoliberal ideas, serving as a vessel to aid, legitimize, disseminate, and naturalize such logic within the social tissue. In such an environment, it becomes commonplace to have social and cultural relationships and experiences reduced to mere monetary transactions. Consequently, individuals may gradually replace meaningful social and cultural experiences that produce a sense of collectivity with plain transactional sociability that exploits the community.

7.3 Research limitations, contributions, and future perspectives on the matter

7.3.1 Limitations

This investigation explores the current landscape of the video game industry from a political economy perspective following the techno-cultural and commercial production changes in the last decade and how these changes are fostering and shaping new cultural and economic habits on a global scale. To manage the considerable amount of data collected, this research limited itself to a tiny sample of what we call the video game industry. The dimension of the sector is formidably large, being composed of a vast range developers and publishers with different production (and profitability) sizes. My scope of investigation is based on two mainstream companies: Electronic Arts and Tencent. Such a decision to narrow it down to two companies

meant leaving behind other possible perspectives and realities that could have enriched these research findings. Also, by focusing on mainstream companies, not all information is easily acquired or even shared with the public, with most production pipeline information and business documentation locked behind non-disclosure agreements and corporate secrecy. Thus, this research had no choice but to trust the information flowing into public awareness. To that end, this examination could have benefited from an ethnographic approach that used semi-structured interviews of the video game industry's hierarchical ranges, including executive managers, designers, developers, and community managers.

Another explicit limitation of this investigation was focusing only on Western gaming media outlets, which turned out to unbalance the overall data coverage in favour of American companies (i.e., Electronic Arts) compared with the coverage of the Chinese powerhouse Tencent. This specific methodological decision, which turned out to be a severe limitation, highlights my lack of knowledge of the Chinese language to cover Tencent's business strategies and China's regulation policies. This research also lacks a deeper examination of big tech companies, such as Apple and Google, and online game stores such as Valve's Steam, Epic Store, and the Xbox, PlayStation, and Nintendo Stores. The importance of investigating such companies lies in their current role as the gatekeepers that control the digital circulation and distribution of games on mobile, console, and PC. In addition to serving as gaming gatekeepers, these corporations also have the power to influence developers' decisions regarding the economic model used in their games.

Lastly, I acknowledge that the coverage of cultural trends allocated in this research represents just a glimpse of the enormous potential of video game culture, especially when looking into the massive number of streaming channels dedicated to gameplay and esports tournaments and championships. I have just touched on a handful of gameplay live-streaming and esports tournament channels and, for a short time, compared those excursions to other research investigating the gaming broadcasting phenomena. Again, it is possible that this investigation could have benefited from an ethnographic approach, one that would've seen me interviewing streamers, athletes, and members of their audiences to compare online spontaneous manifestations with pre-formatted responses in order to construct a broader sense of the gaming broadcasting role in influencing society, and especially its influence on the younger generation.

7.3.2 Contributions

This research pointed out how technologies developed in the last decade and then widely adopted by the game industry essentially changed the video game production and marketing processes and the culture around video games. These changes also guided business decision-making that turned out to shape the current way people play and pay for games. Intertwined in a highly dynamic and contextual process, the interplay of Kline's circuitry is in a constant process of adaptation and interconnection, which explains why the findings of this research differ from Kline et al.'s (2003) conclusions twenty years ago. Equally, a future attempt to deploy the circuitry analysis will most likely have to adapt to new techno-cultural, economic and social contexts (facing maybe even faster technology tools), which may lead to, again, different findings or even suggest the appearance (or replacement) of circuits as a result of such dynamic and intertwined process. I am not denoting that Kline et al.'s analytical process fails; in fact, the authors have pointed out the intrinsic dynamic and contextual traits of their analytical tool, meaning that the circuitry in the sense they used it would eventually become outdated. Even though I have used Kline et al.'s circuits of interactivity in this research, the adaptations I had to make and the new actors I had to include in the circuits to produce my analysis indicates that a new analytical tool is needed to fill the gaps the authors were not able to foresee. However, it is important to keep in mind that unlike the hard science, in which the permanency of its models is noticeable, analytical tools created to investigate cultural and social contexts are less stable, evolving at every new generational turn that occurs within society or even faster than that. The dynamic quality of cultural, social, and economic contexts indeed adds more complexity to something already complicated; nonetheless, such an investigative approach is essential to keep shedding light on the systematic interactions among technologies, culture, and marketing while paying close attention to the by-products that result from these combinations and interactions. After all, the results of such interplay will keep shaping and determining future techno-cultural trends and behaviours within our social tissue.

Indeed, a considerable number of studies are already dedicated to the video game industry and its business side. However, this perspective could still be considered under-researched compared to other aspects of game studies, like gaming culture, players' behaviour, gender representation, race and sexuality in games, game communities, etc. I am not advocating here that those cultural,

social, and behavioural perspectives may cease being scrutinized. On the contrary, these investigations must still ask the hard questions and pressure companies to make the right decisions for minority groups and act ethically towards their audience. Nonetheless, it is central to keep looking at and investigating the political economy of the game industry to keep the public aware that this industry is no longer a sub-cultural or niche industry with little or no impact at all on influencing people's lives. As exhaustively demonstrated in this dissertation, games are now part of the mainstream culture. As such, they must embrace, along with their obscene profits, the cultural and social responsibilities that come with flourishing as a sector. In addition, as an industry that, more than anything else, is focused on profit, the awareness of how profitable these ventures are—and how and why such profitability came into place—as well as the decision-making behind the strategic choices of game corporations regarding their game production, design, and economy (e.g., the whys behind the deployments of such game mechanic, narrative, aesthetic, in-game economy, etc.) should serve as ammunition to call these companies out regarding their cultural, social, and technical impact on our contemporary society.

Additionally, future gaming research could benefit from critically looking at the business and marketing strategies game companies and publishers use to shed light on potential exploitation and ethical issues hidden under a well-produced piece of advertising. At first glance, DIY tools provided by games like *Roblox*, *Dreams*, and *Fortnite*, for instance, appear to be a stimulus to children's creativity while teaching kids how to use digital tools. Nonetheless, looking closely, such tools turn out to be a way for companies to profit from child labour (Parkin, 2022, January 09), considering the levels created by these children are made widely available for download and are responsible for keeping these games' live services growing strong and ludicrously profitable.

7.3.3 Future Trajectories

As mentioned before, I believe opening up the research scope to include an ethnographic analysis would bring in different perspectives, such as those from people working inside companies with regard to critical topics surrounding the production and marketing process. Such data would be helpful to add, mix, reflect upon, and challenge the information found in the official documentation. Another interesting approach would be to conduct an analysis of how the interplay of these circuits impacts the indie development landscape. For instance, what kind of power dynamic would emerge from the circuitry perspective regarding indie-owned production

and publishing, or an indie production relationship with a range of crowdfunding possibilities, or even indie production with established publishers? In addition, what could the interplay between the circuits tell us about video game production when adding the growing movement of developers toward labour unionization?

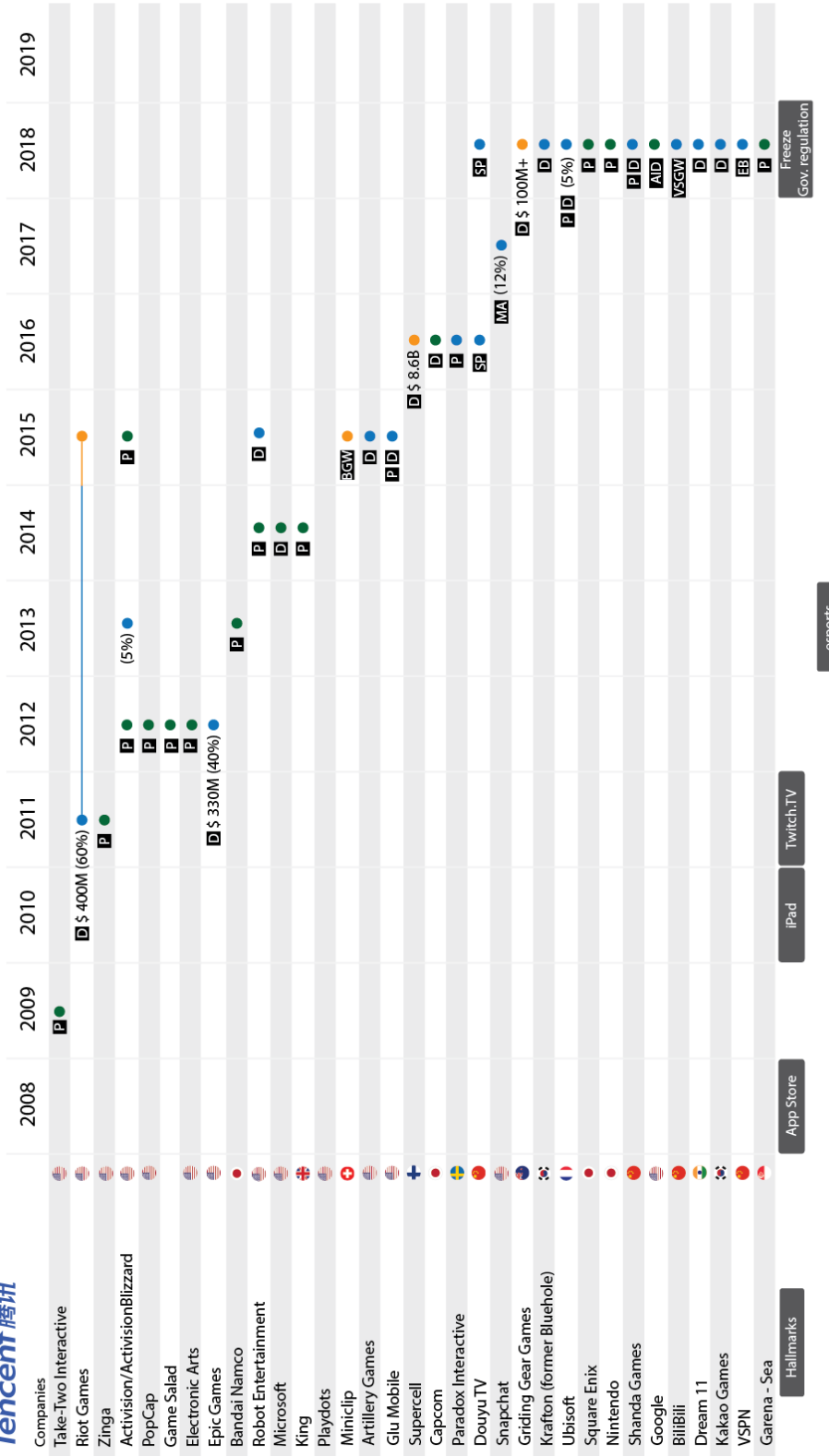
From a cultural perspective, examining a more diverse range of streaming channels, from macro to micro levels, would be exciting as well. Although I tried to explore this diversity in this research, I acknowledge I did not go broad enough regarding the number of channels visited, watched, and analyzed. The same goes for esports tournaments and championship viewership; it would also have been helpful to expand the number of gaming tournament channels into this analysis approach. Once more, an ethnographic approach focused on streamers, athletes, and their respective audience members would be enlightening and enriching for the discussion in this investigation.

Regarding the possible or natural unfolding of this research, I would say other challenges are already knocking on the door which require close attention from the game scholarship community. Indeed, the emergent technological advancements in the 2010s give us a glimpse of how the three circuits of interactivity might be configured and rearranged in the 2020s and onward. The rise of new technological tools and algorithms such as Non-Fungible Tokens (NFTs), Generative Artificial Intelligence, and the so-called Metaverse are a few examples capable of feeding the already speedy interplay among the circuits and opening new opportunities for a redefinition (or resignification) of our social, cultural, and economic interactions. These tools can potentially rearrange the video game cycle of production while disrupting established social structures. These socio-techno instruments, alone or in combination with each other, may affect the condition of the labour force and reduce human participation in game development by replacing craftsmanship with cheap generative AI. Generative AI—and its machine learning process anchored in extracting as much information as possible that's available across the Internet—can severely impact and possibly destroy the current form of the intellectual property system. Furthermore, these tools may radically impact the way players consume games and heavily impact the general play culture.

The industry is already gradually unfolding its microtransactions mechanisms into NFTs (e.g., Ubisoft Quartz), a unique digital identifier recorded in a blockchain. Such a process is used to convey authenticity and ownership of virtual goods. The use of NFTs may also be combined with the dissemination of an open platform able to accommodate different corporations and their particular systems, as well as content creators worldwide, to bind together into a unique and familiar virtual Metaverse. Claimed to be the next level of the virtual environment, the Metaverse has been praised by many companies as a place where players can play their games, read their books, enjoy their music and audiovisual services, or any other form of entertainment while performing their jobs and socializing with friends. That is, it is a place where they can live their lives in. Tim Sweeney, Epic Games CEO and one of the main proponents of the Metaverse, declared, “The world [Epic’s Metaverse] isn’t just the creation of Epic or some other corporation, but it’s the creation of all humanity’s best content creators from all walks of life and all countries putting together their best stuff” (Peters, 2022, December 15, para. 04). These possibilities would also be incremented with generative AI (e.g., Epic’s MetaHuman, OpenAI’s ChatGPT and Dall-E, and Mid-journey). This algorithmic tool can produce environment art, 3D characters and avatars, background story writing, and even write all the coding necessary to add to and improve the so-called Metaverse environment. Similarly to what Dyer-Witford and de Peuter (2009) once proclaimed about Second Life, the widespread vision for the Metaverse embraces a place that seems to be planned as a new sanctuary for intensifying consumerism and for promoting a new form of capitalism.

Indeed, the next step for the global gaming platform market raises many questions and seems considerably problematic in many ways. Despite my skepticism, it is worth remembering, as Kline and his colleagues pointed out, that the circuits also work in a dialectical sense. At the same time as this form of capitalism attempts to subsume the circuitry within a dominant logic of profit accumulation, this economic bias (the apparent corporate greed exposed in many episodes) may be the subject of resistance, disturbance, and subversion. The history of video games demonstrates players’ resilience and subversion through practice that includes the creation of game modifications, hacking practices, boycotts, and backlashes. Such noise can make players ignore techno-culture and marketing pressures while reappropriating elements from the game industry to benefit their gameplay.

Tencent 腾讯



Legend:

- partnership
- acquisition
- investment
- D developer
- P publisher
- BGW browser game website
- MA message app
- EB esports broadcast
- SP streaming platform
- AID ai development
- VSGW video sharing and game website

Tencent's Partial Timeline of Investments, Partnerships and Acquisitions.

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