**Adaptation of the portfolio and business model to changes in Brazil**

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**Title Page**

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**Executive Summary**

The video gaming industry has grown to become massive, wherein emerging markets are becoming the dominant force in this growth. Brazil as one of the fastest growing markets for casual video games and poses as an opportunity for gaming companies. Plinga has entered this market, but monetizing Brazilian users is difficult. To understand what the developments in Brazil are, interviews with experts and surveys with current users in Brazil have been conducted. For Plinga to increase the amount of paying users and see their regional revenues rise, changes in their business model and game portfolio should be implemented. Internal interviews and data collection, along with external information were used to analyze the options that were available. These are the methods by which Plinga can successfully change the business model and game portfolio to developments in Brazil:  Launching cross-device video games, invest in farming games both existing and new ones, optimize the advertisement solution, and increase the amount of payment options via “Paymentwall”.

**Foreword**

This thesis is written as completion to the bachelor International Business and Management Studies, at the Hogeschool Utrecht: University of Applied Sciences. Under the supervision of José Maria Capel Berenguer at Plinga GmbH, Philip Dekker, Edwin Weesie, and DavidJan Van den Burg from the Hogeschool Utrecht. The intent of the thesis is to increase revenue for Plinga by adapting to market changes in Brazil. The subject therefore falls within the scope of IBMS. The subject is selected in co-operation with Plinga GmbH, while on internship in Berlin. I am therefore thankful to all Plinga employees, in supporting me with data gathering for the thesis along with the enjoyable experience.

Since March 2014, at the start of the internship I had little knowledge on how a business for video gaming operates. However during my stay at Plinga, I have broadened my knowledge and achieved a result I am very satisfied with. Therefore I would like to thank José Maria Capel Berenguer, his valuable insight and directions gave me the guidance to complete my thesis. I would also like to thank my supervisors from the Hogeschool Utrecht for their aid, Philip Dekker during the internship period, and DavidJan Van den Burg along with Edwin Weesie for their support at the final stages of the thesis.

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# Introduction

## The online video gaming industry

The online video gaming industry is one of the fastest growing industries, with developers of casual-video games leading this growth (Siwek, 2010). According to researchers at DFC intelligence (2014), the world-wide video game industry is worth $70 billion. With certain online game publishers and developers such as Supercell and King have quarterly revenues grossing in the billions of dollars (Dickey, 2014). In this sense, the gaming industry is at a level (Souza, 2012) that it can compete with large entertainment industries (McGurk, 2014).

Success for video games has been because of social networks integrating casual video games on their websites, and the increasing amount of applications and mobile device ownership (Okazaki & Skapa, 2008). Factors such as the competitiveness between firms as well as new software, drove the industry forward (Balland et al., 2013).The size of the gaming industry has especially grown by the popularity of casual games (ITU, 2011), both web-based, or in application form for mobile devices. Examples of the most successful casual games are Clash of Clans, Angry Birds, Farmville 2, and Candy Crush Saga (Mac Milan, 2010).

Currently the industry is still growing, the expectation is that the upward slope will be less steep compared to 4 years ago (Cox, 2014). Sinclair stated (2013) that the current market for video games is saturated, on all platforms, including the web and for mobile devices. The traditional video gaming markets of Europe, North America and Asia are full (Sinclair, 2013). However the saturation is not only in terms of  casual video games, the Personal Computer and netbook sales have declined worldwide (PEW, 2014), with sales dropping by 10% (Marley & Mooney, 2014). Compared to that, possession of mobile devices increased (Knight, 2014) in countries with a growing gaming population such as Brazil (Koekkoek, 2012). With the video gaming industry stagnating in Europe and North America, it is a major reason to invest in regions that are growing, and have the technological means to enjoy casual video games.

## Problem definition

Brazil is a country that shows growth in the amount of casual gamers. Researchers (Language Automation, 2014) are expecting Latin America to lead the growth of video gaming in emerging markets. The industry in Latin America reached $432 million in worth (Language Automation, 2014) by the end of 2014 for social gaming alone, and an expected growth of 14% during 2014-2015 (Language Automation, 2014). The country that leads the casual gaming market is Brazil, with the industry revenue of $238 million in 2014 (Superdata, 2014), 50% of the total in Latin America (Language Automation, 2014).

Brazil has also the largest distribution of mobile devices, as well as improved internet infrastructure and penetration (Language Automation, 2014). Figures suggest that Brazil holds potential for gaming companies such as Plinga, but the monetization in these regions is low (Takahashi & Migura, 2012). The main issue for Plinga is that users in Brazil are not frequently purchasing in-game items. Current developments in Brazil, the saturation of video games, as well as the decline in PC usage in Europe, and North America, the casual video gaming industry has to look in directions where the market shows potential for growth. Brazil, with their changing demographics, wealth, and internet-infrastructure is a market that Plinga aims to increase monetization from.

Therefore the main question of Plinga is; “*How should Plinga adapt their game portfolio and business model to the changing consumer needs in Brazil, to increase monthly revenue*”. The following are the sub-questions that will be answered throughout the research. These will help in the process of answering the research question, and propose recommendations to Plinga.

*1) What kinds of social video games are popular amongst Plinga video gamers in Brazil?*

*2) How successful are the current video games of Plinga in Brazil?*

*3) What are the developments in the Brazilian online video gaming industry?*

*4) How should the business model of Plinga adapt to developments in Brazil?*

*5) How do the changes of Plinga’s business model and video game portfolio increase the monthly revenue by 5% in Brazil?*

This report will have the following information, in chapter two known knowledge about the topic will be explored, research about the problem. In chapter three the methodology will be explained on how to acquire gaps that were not found in the literature. Chapter four contains the findings of field and desk research. Chapter five analyses the findings and presents conclusions, with chapter six to recommend Plinga with answers to the research question.

# Literature review

## The emerging markets in the video game industry

This part will explain the video game market, and the reason why the research will focus on the Brazilian market. Emerging markets are regions such as Brazil, and India, which in contrast to advanced economies such as the United States experience a rapid economic growth (Cavusgil et al., 2007). Emerging markets are often characterized by their young labor pool, and the increasing middle class (Cavusgil et al., 2007). Emerging markets were developing countries, but due to rapid developments in modernizing, industrialization, and economic growth (Kalinowski, 2012) the population becomes wealthier. The amount of middle class, technological developments and internet infrastructure develop rapidly in these countries (Cavusgil et al., 2007). In the video gaming industry, four countries are facing rapid growth, these are: Brazil, Mexico, Russia and Turkey (Koekkoek, 2012).

## Choosing Brazil

Four countries are rapidly growing when it comes to their video gaming market, but Brazil has the most potential. The video gaming research company Newzoo (2014), shows that Brazil is in the top twenty of countries with largest growth in revenue. The reason why the country is important is because Brazil harbors the fourth largest gamer base for Plinga. According to the Plinga analytics database (Plinga, 2014); Brazilian users are number 4 on SPIL video gaming websites, and number 2 on the “Plinga Social Gaming Network” portal partners. This makes Brazil, the highest Latin American country in Plinga’s list in terms of demographics. Brazil however does not monetize as the other high traffic countries of Plinga (Plinga, 2014). The average revenue per user per month in Brazil is only €0.54, with the average in Poland and Germany being €1.32 and €1.75 respectively (Plinga, 2014).  The aim of this research is by adjusting the game portfolio and business model of Plinga, more users in Brazil will become paying users.

## Business model explained

There are many definitions for the term business model (Li, 2007); a business model is a blueprint that fulfils important functions so that a company can work (Benoit &, Demil, 2010). Another one states that it is a view that creates a way to conceptualize different activities the company employs, to generate value, and the mechanism for the value creation (Zott et al., 2010). To summarize these, a business model is the plan that explains how the business works and how it creates value for the company. In the video gaming industry, there are different models depending on the way of distribution, as well as type of video game offered to the customer. According to David Perry (2008), there are 29 different business models for video game companies. The ones relevant for a casual online video game publisher are as followed.

Around-game advertising, this is a business model that browser-based video game companies use often (Perry, 2008). These are advertisements by the form of long banners and advertisement blocks. This is common for flash games, and video game portal websites. The method of gaining revenue is that by a certain threshold of people who watched the advertisements, the advertising company will pay for those views. The pay-out differs per company with couple of euro cents per time, however with 5000 users online per hour; this model generates a substantial amount of indirect revenue in time.

Freemium model (Pujol, 2010), this business model is essentially two products being offered to the user. One item is provided at no charge, while a complementary item is sold to the user. An example of a company holding the freemium model is Skype, the main service provided is free for everyone to use, but there are other services in the business model. This is offered at a price to users who choose this part of the service.

Micro-transactions model is based on the impulse buying of users. This has mostly to do with games that are free-to-play, (Pujol, 2010) meaning that all or most of the game can be played without paying anything. This is for either vanity virtual items, time-saving, better social features, and bonuses. Users will buy in-game virtual currency with real money, to buy types of virtual content. By having these virtual currencies, users will enjoy more benefits within the game (Perry, 2008). There are other business models for video games, but are not relevant for Plinga. To users Plinga offers continuously updated services (Hamari & Järvinen, 2011).

## Reasons for change in the business model

An innovation in a business model can create a new market, or allow a company by benefitting from new opportunities in an existing market (Amit & Zott, 2012). Changes to a business model can be subtle, and are not necessarily in need of industry changing ways (Amit & Zott, 2012). Plinga as a startup company, has limited resources available, but should keep adapting to the developments in the global market to keep up with competition. Plinga is witnessing opportunities in Brazil’s casual gaming market; close partners are entering the market by changing away from web-based games to games with new software. This leads to the assumption that changes in their current business model has to be made, to keep up with the competition, and increase the revenue in Brazil. As said before, Brazilians are turning into casual gamers. Plinga should take these developments into account and at changes in the current business model, to increase revenue from these countries.

## Social casual video games

Casual video games can be compared with board games but packaged as software. Casual video games are quick to access, easy to learn, and they do not need a lot of information, or any skill (Cheng, 2011). So this relative flat learning curve, makes casual games ideal for users who want to play for a couple of minutes. There is another level above casual games; this is in the form of social games (Cheng, 2011). Social casual video games are still casual games, but various social features are implemented, such as a chat system, and friend system (Cheng, 2011). Social casual games are what Plinga games are; they allow people to play casual video games, with their friends and family. Since the upcoming of social networks, casual games have transformed into social casual video games, and have adopted several features that make socializing with friend’s in-game part of the gaming experience. Plinga has partners with various global gaming websites, including massive social networks as Facebook, but also casual game dedicated websites such as of the company SPIL games (SPIL, 2014).

## Plinga video game portfolio

The diversity of video games is large, there are many kinds of products, but not everyone enjoys every game (The Entertainment Software Association, 2013). This research will focus on the games of Plinga, and the group of people that Plinga wants to target in Brazil. Looking at competitors, and their portfolio large successful casual gaming companies such as Vostu (2015), and Supercell (Alcaraz Research, 2014) have same portfolios as Plinga in Brazil, along with browser-based and mobile phone games. Plinga needs to know how they should adapt their active portfolio to the demand of their users, and which games they are more likely to pay for. Thus researching the preferences of the users, and observing the types of games Plinga now has, should give a good view on how Plinga could change their casual video game portfolio, by adapting it to increase revenue in Brazil.

# Research methods

## Methodology

For this research the methodology will follow the structures of the aforementioned sub-questions, to answer the main research question. To clearly represent the questions and methods, the following table is presented.



The first sub-question is to research which video games Brazilian users prefer, and if the current Plinga portfolio offers those games. The rationale behind it is to match the preferred game genre of the users, with future sourcing of videogames. Therefore the first question will be quantitative research, with questionnaires for the users in Brazil. Quantitative research is a good way to give information, from a large number of units (Muijs, 2010). An online survey will be made, with a population of 200 users, because of the limitation Plinga set on the survey. The survey will be analyzed via SPSS 20, and the presentation visualized with bar charts. The survey consists out of three questions, after participating in the survey users gain virtual currency as an incentive. The questions in the survey might also find correlations from the answers given. These could be if there are any resemblance between Plinga games and non-Plinga games that users play. The reliability of this survey, if it were to be reproduced, will likely have the same results due to the large player base of two games answering the questions. However the validity of the research might have random errors as it does not fully represent the players of other Plinga games in Brazil.

The second sub-question relates to the current Plinga video game portfolio. This part takes into account the video games performance; data is gathered via an interview with the End User Monetization department. The interview goes over the details of revenue, market growth, and market share of each video game active in Brazil. The interview is analyzed by splitting the text in relevant parts, grouping the parts, and structuring them in four sections that connect to the sub-question. The data will be analyzed via the Boston Consulting Group matrix (Ghemawat, 2002), listing all the games in different categories where they stand according to the findings of the data. The BCG matrix is a chart that companies use to analyze their business units or products, and is used to allocate resources in investing or divesting in parts of their product lines (Ioana et al., 2009). The BCG matrix will clarify which of the video games of Plinga are popular and profitable, and which are unpopular among Brazilian users, and should be terminated.

The third research question relates to the Brazilian video gaming industry, and therefore interviews with experts in that field will be conducted. These experts will be partners from Plinga who are based in Brazil. The data collected from these experts will be used for the recommendation of the business model and game portfolio adaptation. Their answers will be analyzed, and similarities in these answers will be used as the data.  The correlated findings will then be put into a DESTEP Framework, this framework is a useful tool for understanding the ‘big picture’ for understanding in which environment a company is working in, and contemplate about the opportunities and threats in it (Kotler & Keller, 2006). By understanding the environment, changes in the business model and game portfolio can be made. All changes in the market, and how external forces affect the market, will be categorized by this model.

The fourth research question is to research the current business model(s) Plinga adopts, and any external forces in Brazil that can change Plinga’s business model. An interview with top management will be performed to collect data on the business model of Plinga, top management will answer questions about past, current, and future plans of Plinga, and which methods they have taken to be in the position they are now. Since parts of the interview should not be disclosed with the public, I will leave the parts that are relevant to the research that can be shown to the public. The data from the research will be pitched against other business models used by other video game companies, and analyze if certain business models will fit with the goal of this research or not. The most important business models will be video game specific business models researched by David Perry (2008), other business models discussed within the interview will also be analyzed.

The fifth research question will be to analyze if the adaptations implemented have the desired effect of a 5% monthly increase in revenue from Brazil. Why an increase of 5% in monthly revenues? Data of Plinga shows that for Poland, a 5% increase was seen after the launch of the video game “Galaxy Life” (Appendix 2, Graph 6). If that is possible, then this change in portfolio and adaptation to the business model might cause an increase in revenue. The method for analyzing this sub-question is by analyzing how other companies successfully increased their revenue, after changing their product line, and adapting their business model. Besides that, historical data of Plinga will be compiled and analyze. The data should show if past launches of new games in Brazil lead to an increase in revenue. In addition to that historical data will be analyzed, this is when Plinga was a publisher for local social networks, but shifted their business to publish games on global casual game websites. By looking at other companies, and past occurrences, this past should be able to decide if the changes recommended in this research will increase the revenue from Brazil by 5% per month.

As with all research there are limitations to this as well. The limitations for this research are that the sample size of survey will be insufficient, due to the population being much bigger. It is also possible that the sample size of the survey did not fill in the answers correctly, and that some data might be wrong. There are also delimitations to the research. The research was limited to the Plinga users only, along with Plinga partners, therefore there might be some bias in the opinions and the answers since no other parties have been asked such as competition, or non-Plinga game users. Because it would be too time consuming to contact Brazilian users, as well as asking competitor companies to participate in a research to improve a company which is a competitor in their eyes.

# Empirical findings

## Analysis of user survey

Below are the questions and answers from the survey. The empirical results of the survey can be found in the appendix 3, along with the tables, graphs. These questions were all multiple choice, the participants could choose either one or all the given options. Therefore the amount of total responses per question can be above 100% when accumulated. The aim of conducting this survey was to find the answer to sub-question one, which video game Brazilian users enjoy playing.

*Question 1- What are your favorite video game genres?*

The results of survey question 1 shows that 186 of the 200 respondents enjoy farming based casual games. The other popular genres are the strategy, adventure, and puzzle games, amongst Plinga users in Brazil.

|  |
| --- |
| **Favorite Video Game Genres** |
| User Preferences | Responses | Percent of Cases |
| N | Percent |
|  | Casual | 26 | 7.7% | 13.0% |
| Farming | 186 | 55.4% | 93.0% |
| Adventure | 33 | 9.8% | 16.5% |
| Puzzle | 27 | 8.0% | 13.5% |
| Racing | 12 | 3.6% | 6.0% |
| Sports | 10 | 3.0% | 5.0% |
| Role-play | 5 | 1.5% | 2.5% |
| Strategy | 35 | 10.4% | 17.5% |
| Other | 2 | 0.6% | 1.0% |
| Total | 336 | 100.0% | 168.0% |
| *Appendix 3 – Table 1* |
|  |

*Question 2- Which Plinga games have you played?*

Question 2 shows that Plinga users in Brazil mostly play the Plinga game Family Barn with 195 responses, followed by the puzzle game Candy Cash, and the farming games Dreamfields and Fairy Farm. Not all these games are online on Brazilian portals, but some players clicked on the Plinga games they enjoy. This means a possibility that users go to other websites and play the Plinga games that are not translated in Portuguese.

*Question 3- What other video games do you play?*

Popular similar video games on the market.

Question 3 shows that 107 of the 200 respondents play another farm game besides that of Plinga, which is Farmville from “Zynga”. The other popular game is Candy Crush, from the developer “King”. Seventy users also claiming that they play Candy Crush.

The clear correlation between the gathered data can be seen in the following table, the correlation coefficient of 0,824 shows a very strong relationship (Quinnipiac University, 2014). It shows a positive relation that of the people who chose that they like the farming game genre also play Family Barn.

| **Correlation, Brazilian Plinga game users who like farming games also play Family Barna** |
| --- |
|  | Farming | FamilyBarn |
| Farming | Pearson Correlation | 1 | ,824 |
| Sig. (2-tailed) |  | ,251 |
| FamilyBarn | Pearson Correlation | ,824 | 1 |
| Sig. (2-tailed) | ,251 |  |
| a. Listwise N=200 |

## Results on the successfulness of current Plinga games in Brazil

This section contains qualitative data obtained from an internal interview with the department of “*End user monetization*”, and is aimed to find the answer to sub-question two on how successful current Plinga games in Brazil are performing. The interview can be found in Appendix 1 as interview 1, the graphs containing sales data of the video games discussed here are in Appendix 2.

The interview data is shown in four sections, with Jonathon Chatfield. In section one, the success of Plinga games in Brazil was the topic. According to him, the video games are showing a slight increase since a year in Brazil. But during summer months a decline in results are to be expected.

In section two of the interview, the most popular and least popular Plinga video games in Brazil were discussed. Family Barn has been the most popular video game in Brazil, followed by Dreamfields. The least popular video games were Dragons of Atlantis and Triviador USA. The gross revenues of both games are not reaching €10.000, - per month.

In the third part of the interview, the following Plinga games are translated and active on Brazilian websites: Family Barn, Dreamfields, Candy Cash, Dragons of Atlantis, and Triviador USA.

The fourth part of the interview contains the market share and growth of Plinga games in Brazil. Users often play multiple games; it is therefore difficult to get a definite percentage of market share and market growth. The following tables contain the market share, relative market share and market growth of Plinga games in Brazil and the largest competitor, per game. The market share is used as an indicator for competitive advantage (Mutwandwa et al., 2009). The relative market share is calculated by dividing own market share by that of the largest competitor.











For the two Plinga farming games, the graphs in Appendix 2 show that they generate most revenue, which explains their relative good market shares. Candy Cash has low market share, but that is to be explained by the number one competitor grossing $600.000, - per day (Thinkgaming, 2013). For the two worst doing games such as “Dragons of Atlantis”, this game with 100.000 users cannot be compared with the 10 million users per month of “Clash of Clans” (Thinkgaming, 2014). Triviador USA has both no market share and now market growth, a divesture (Ernst & Young, 2012) is an option to free up company resources.

## Results from interview with experts on the Brazilian gaming industry

To answer sub-question three, data from Brazil was needed. Two interviews have been conducted. The interview had 10 and 6 questions respectively, and can be found in Appendix 1, as interview 2 and 3. The interviewees are Leo Sales, who works at “Click Jogos” in São Paulo, and Fernando Lozano Hernandez who works at “Juegos-Kids”. The questions have been categorized in 8 sections, and contain answers of both interviewees.

1. The Brazilian online video game industry (Question 1, both interviews)
2. Growth of the browser-based game market in Brazil (Question 2, both interviews)
3. External forces (Question 3, both interviews)
4. Preferences of Brazilian users (Question 4, both interviews)
5. What makes a game successful? (Question 5, both interviews)
6. Mobile devices (Questions 6 & 3, both interviews)
7. Cross device gaming in Brazil (Questions 7 & 8, interview 2)
8. Future of Brazilian gaming market (Questions 9 & 6, both interviews
9. ***The Brazilian online video game industry***

Mr. Sales believes that in three to five years, casual games will still be relevant, but that mobile devices will become the main hardware on which casual games will be played. Brazilians are very active and free-to-play users, but monetization is low. Mr. Fernando believes that the industry of casual video games in Brazil will grow, and he expects the growth to continue. He says that web-based video games will still be big in a couple of years, but will decline because of quick developments in software.

1. ***Growth of the browser based video game market in Brazil***

Mr. Sales says that there will still be a growth for casual games, but not as big as in the past. Mobile games are growing fast, this has mostly to do with the large increase in smartphone and tablet possession. Mr. Fernando answered that web-based video games are becoming less dominant because of mobile gaming. Fernando expects that in the next 2 years browser based video games will rise slightly more, but expects stagnation and an eventual decline in growth.

1. ***External forces***

According to Leo Sales, growth in mobile devices possession and apps is the cause of a large casual gamer base. Besides that internet plays a role. In Brazil many people only have access to slow internet. Casual online games are therefore popular in Brazil, since fast internet is not required. Furthermore, international purchases with a credit card has a tax called IOF, which is an additional 6, 25% on the original price. According to Fernando, technological changes had a large impact on video gaming. Mobile devices are cheaper than desktops and netbooks, making them more affordable for many.

1. ***Preferences of Brazilian users***

Leo Sales says that Brazilians love social aspect of these games. Having the ability to share, chat, invite, and challenge, is crucial for any game that wants to be successful in Brazil. According to Fernando, the most played video gaming genres in Brazil are puzzle games, farming simulators and building games. The difference between devices is that on mobile platforms people play as a past time. While web based players often do this for the social aspect of the game. Games should therefore be full of social features,

1. ***What makes a game successful?***

Both interviewees stated that the key factors of a successful game in Brazil are the social features, being a totally free game, without any unjust advantages given to users who pay with real money. Hardware wise, the usage of internet should be minimal, so that many users can play the game. Lastly the localization of the games is important, translated games attract users compared to those in English.

1. ***Mobile devices***

According to Leo Sales, cheaper android devices are popular. The reason why tablets and smartphones popularity is growing is because the cost of a tablet in Brazil is cheaper than a PC/notebook. So according to Leo Sales, there is going to be a shift from desktop to mobile devices. Mr. Fernando also hinted that mobile devices will grow faster in Brazil as the main means of casual gaming.

1. ***Cross device gaming in Brazil***

With cross-device gaming, users can play a video game on multiple devices. Mr. Sales said that this gives the user freedom, having the possibility of accessing a game on different devices, might increase retention and aggregate value to the product. Brazil could be a good place for cross-device gaming. People like to stay connected, which is made easier by cutting the games loose from the desktop.

1. ***Future of Brazilian gaming market***

Mr. Sales said that web based games might see stable growth in the near future, but a decline is also possible. As many consumers are being drawn in by gaming on mobile devices. HTML5 will cause a shift and this is the future where the casual video gaming market should be headed to. Fernando states that in many branches there will be growth. Technologies such as HTML5 might boost web-based video games in Brazil. But for the near future Fernando expects mobile video games to grow faster.

## Results from interview with top management of Plinga

This part contains a summary of the interview with Henning Bubblies, and his view on the business model of Plinga. This interview was done to find answers to sub-question 4, regarding business model changes. The transcript of the complete interview is in Appendix 1 as interview 4. Thirteen interview questions were asked, and are categorized in these 7 sub-sections:

1)      Past business models (Questions 1 & 2)

2)      Plinga as a video game publisher (Questions 3 & 4)

3)      Potential changes in business model (Questions 5 & 6)

4)      Effects of Brazil on Plinga (Questions 7 and 8 & 12)

5)      Payment providers (Question 9)

6)      Advertisements (Question 11)

7)      Games of Plinga in Brazil (Questions 10 & 13)

***1-***      ***Past business models***

Since the founding in 2009, Plinga focused on being a video game publisher. At first Plinga was a Facebook only publisher. Afterwards, a large shift in the business model was taken, and Plinga became a video game developer. This decision was quickly scrapped due to low cash inflows. Plinga went back to being a publisher, and benefitted from translating games and publishing on local social media platforms, e.g. Hyves (NL), and NK (PL). The last change in business model was by going global. With this choice of business model, Plinga now has partnered over 2000 portals worldwide. Plinga has developed and changed their business model various times during their lifetime.

***2-***      ***Plinga as a video game publisher***

A developer spreads risk between the different video games, if one game does not perform; it can be covered by another. Secondly, being a publisher, one is able to set up partnerships with various networks. This allows starting game developers contact with gaming portals when partnering with Plinga. With marketing and sourcing efforts, Plinga is dealing with users all over the world, to get maximum return. In addition, the money stream gets injected back into the firm. This is an important part of the business model, the nurturing of the company.

***3-******Potential changes in business model***

Currently most of the games in Plinga run on Java technology. But with many developers focusing on newer browser-based technology, such as HTML5, and Unity5, more games of better quality can be expected on the market. These are potential business opportunities, and Plinga looks into sourcing videogames with these technologies. Plinga does not abandon their core business; however it is important to be flexible in a fast changing market. The interview shows that Plinga does not seem to adapt their business model in the near future.

***4-******Effects of Brazil on Plinga***

It was clear in the interview that Plinga does not implement regional strategies. The problem Plinga faces from Brazil is that monetization is low compared to other regions. To change that, Plinga has adapted local prices and is partnering with large Brazilian internet companies such as “Boa Compra”, and “UOL” to avoid red-tape difficulties. When it comes to transferring money from out Brazil, to overseas bank accounts, Plinga faces problems since the government is regulating this strictly. Besides that, to be effective in Brazil, a regional office is needed and sourcing Brazilian games.

**5-**      **Payment providers**

Current payment methods in Brazil are dominated by local bank or pre-paid online payment cards (Schonfeld, 2010). The problem for Plinga is that it either has no payment option for local credit cards, or payment options are too difficult for the users. Henning claims that this is why the monetization is so low in Brazil. Besides that, international credit card services, costs $5 extra per transactions for the user. The payment solution is a bottleneck, with the optimization of Payment-wall, the amount of local payment options will increase.

**6-**      **Advertisements**

Plinga advertisements generate 20% of the total revenues for. Plinga has an own server with advertisements provided by advertisement companies, and linked to the games. The frequency of the amount of times a user sees an advertisement during game-time depends on the payment history of a user. Plinga is maximizing their servers, which help aggregate different video providers, and get highest delivery to the users. With that Plinga will earn more indirect revenue from advertisement companies who pay them.

**7-**      **Games of Plinga in Brazil**

The portfolio of Plinga video games is based on the preferences of the majority of users. According to Henning, users enjoy local games, especially in countries with growing user populations. However these regional games are costly, only the core-group of users will come from a region. With the portfolio of Plinga their reach is more universal. In addition to that, the Brazilian market has an almost non-existing console market, making it a great market for browser based games. The mobile app market is a no-go because it is not suitable for publishers. Since developers can easily put it in the Google market place by themselves. Cross-devices video games however are interesting because of the portability. This is a market Plinga strives to enter, since this technology synergizes with the many mobile devices in Brazil.

## Changes to the portfolio and business model to increase revenue.

This section helps in answering the fifth sub-question, and takes into accounts examples of companies and historical figures of Plinga to analyze the feasibility of an increase in revenue.

To illustrate how a business model change can have effect on the revenues, the case of Apple is taken. The company focused on being a personal computer manufacturer (Amit & Zott, 2010). By planning the introduction of the iPod and iPhone, they transformed their business model by not only expanding their product line, but also adapting the business model to include smartphones and music players in their core business (Amit & Zott, 2010). Subsequently after the launch of these products their revenues changed positively (Amit & Zott, 2010). Mark Johnson (2010) said that changing the business model leads to a success of a business, if right conditions are present. When a company wishes to pursue an opportunity which can only be reached by using a different business model, an increase in revenues is possible (Johnson, 2010).

The following show data over the last 2 years that show historical data of Plinga, they include raw data for the total gross revenue in Brazil. For the purpose of this sub-question, figure 1 shows the effects of the farming game Dreamfields during its launch in Brazil.

 *Figure 1 – Total revenue Brazil*

In Figure 1 the two red data points show the difference of March 2012, and March 2013. The linear trend line has an upwards curve, so it suggests an increase of gross revenue.

The second part of the analyses is figure 2 for the total gross revenue of Plinga during the period they changed their business model, from a Facebook only publisher to that of a publisher on local social networks. The reason behind choosing the total revenue is because Plinga had not yet accessed the Brazilian market during 2010 - 2011.   The change in business model happened according to Henning Bubblies on January 2011 (Bubblies, June 2014). Table 2 shows the percentage of change per period, it shows that 1 year after the change in business model, Plinga had a rise in revenue of 49.89% in the first half of 2012.

 *Figure 2 – Total revenue of Plinga during periods of 2010 – 2013*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **6 Months** | **2010** | **2011** | **2012** | **2013** |
| 1st half |  € 729.528,00  |  € 790.248,00  |  € 1,184.573,00  |  € 1.045.968,00  |
| 2nd half |  € 561.312,00  |  € 813.478,00  |  € 973.697,00  |  € 829.317,00  |
|  |  |  |  |  |
| **6 Months** | **Rise % 2010-2011** | **Rise % 2011-2012** | **Rise % 2012-2013** |  |
| 1st half  | 8.32% | 49.89% | -11.70% |  |
| 2nd half | 44.92% | 19.70% | -14.83% |  |

*Table 2 - Rise of total revenue of Plinga in euro’s and percentages*

# Discussion & Conclusions

*This chapter of the research will have five conclusions around the sub-questions and the purpose of this research.*

##  Videogame preferences of Brazilian users

This part of the study will answer the sub question about which kind of video games Plinga users in Brazil enjoy playing. Results suggest that ‘’Farming’’ video games, such as Family Barn and Dreamfields, are the most popular among Plinga users who participated in the survey. This was also the case with non-Plinga video games, such as Farmville and Big Farm.

Looking at the results of the survey, in the first question the chosen video game genre was farming. In the second question, the most played Plinga video game in Brazil is Family Barn, followed by Dreamfields. As the third research question, users chose Farmville, and Candy Crush Saga. These games are in the Farming and Puzzle genre.

These results are supported by a research performed by KABAM (2011), which is a video game developer. From their research 93% of their respondents worldwide play games such as Farmville and Candy Crush Saga, so the results of the survey agreeable relate to the literature. But why exactly are these games so popular in Brazil? According to Skalski (2012), these web-based video games such as farming games, are played by people as an outlet for stress.

According to Farmville’s creator Zynga (Reynolds, 2009), three pillars are most important in the development of farming games.

* Play, light interaction and easy gameplay;
* Invest: let people invest time into the game
* Express: to have fun and efficiently let people be hooked to the game.

By grasping the attention of the user with light in-game interactions and allowing them to invest time in the game, users will be devoted to keep up regularly with the games content (Balnaves et al., 2012). Farming games give the feeling that with minimal skill, maximum results can be achieved while maintaining social contact (Balnaves et al., 2012). A research done on casual video games for users between 18 and 80, states that 40% of the heaviest users of casual farming games are individuals above the age of 60 (Whitbourne et al., 2013).  Their reason for playing games as Farmville, and Big Farm, is because of social interaction.

The conclusion to sub-question one is that, Plinga users in Brazil prefer casual games in the farming genre the most. But the farming games should follow the lines of Reynolds (2009), by being social, easy to play, and let the game become part of a user’s daily activities.

## Successfulness of current Plinga games in Brazil

A BCG matrix is used to visualize which video games of Plinga are currently performing the best and worst in Brazil. The BCG matrix is designed to aid with a business long-term strategic planning as an analytical framework (Mutandwa, et al,. 2009), and to clarify opportunities for products in the portfolio or to decide which parts of the portfolio should be divested in (Ghemawat, 2002). This matrix uses two dimensions, which are market growth, and relative market share given during interview 1. Furthermore, the BCG matrix has four parts; Cash Cow, Star, Question Mark, and Dog. The Cash Cow scores high in both market share and market growth, with the opposite being the Dog. The Star scores high on market growth but low on market share, and the Question Mark being the total opposite. Diagram 1 is the BCG matrix for the Plinga games in Brazil.



*Diagram 1 – BCG matrix for the 5 Plinga games active in Brazil*

Family Barn as the largest Plinga game, and generates the most money in Brazil. Therefore Family Barn is considered the Cash Cow of Plinga. While the growth is limited, cash inflow is significant compared to the other games (Appendix 2, Graph 1), due to the loyalty of users in farming games (Info-solutions, 2010). The matrix shows for the Star category, Dreamfields is in this section. With a high relative market share, and high growth it is a promising video game that can grow in Brazil.

Candy Cash has shown in the graph 3 (Appendix 2) that the revenues behave sporadic, having high revenues in some months, to low revenues in other months and is therefore the Question Mark. There is potential for Candy Cash, however the game does not retain many users and therefore scores low in the relative market share. Dragons of Atlantis, shows bad results which are shown in graph 4 (Appendix 2). There is no sign of growth for the video game, and has little market share. Dragons of Atlantis, is therefore a Dog. The Dogs section suggests that Plinga should close down this video game (Ghemawat, 2002) to allocate resources to games that show potential. Triviador USA generates the least amount of revenue in Brazil. There is no indication in any growth as seen in graph 5 (Appendix 2). Triviador USA is positioned as a Dog, because it scores low in all values,

As conclusion to answer sub-question two, it is determined that of the active Plinga video games, only two are successful in Brazil. These are Family Barn and Dreamfields, both being in the “farming” games. Regarding the other games, the incoming cash flow is either unpredictable or negligible to the revenue. Plinga should invest in their current farming games, and close down the other games. Furthermore, they should fill the gaps by sourcing casual farming games that fall in the same category as Family Barn and Dreamfields. Cost considerations of sourcing new farming games or adapting existing games, are approximately €7.000 mostly regarding human resource costs, and overhead costs, the costs to maintain the game will be €500 - €1000 per month (Plinga, 2015).

##  Developments in the Brazilian video gaming industry

To answer the third sub -question, this section will correlate the Brazilian expert interviews. The similarities, and frequent topics will be put in a DESTEP framework (Diagram 2) to understand the current and future situation in Brazil, that can cause opportunities or become threats to Plinga (Kotler & Keller, 2006).



*Diagram 2 – DESTEP framework of the Brazilian casual video game market*

The DESTEP framework shows the most important answers of both experts. In the demographic box, both agree that there is a large increase in video gamers in Brazil, especially because of the increased possession of mobile devices. In the economic section of the framework, there was a positive correlation between the experts’ opinion about the purchasing power among the households in Brazil, and that this increase led to the large amount of devices with capabilities for gaming. In both interviews they stated that many people now are in possession of various devices with internet capabilities.

On the technological side, both experts agreed that mobile technologies are becoming the most dominant force in Brazil regarding casual gaming. This also relates to the economic developments in Brazil, because of purchasing power. Furthermore, both experts answered that the browser based casual video games will stagnate and possibly decline in the next years. Making cross-device technology such as HTML5 important for current browser based video game developers and publishers.

For the socio-cultural box, Leo Sales and Fernando both said that when it comes to video games, the behavior of the users in Brazil is to involve many people in their surroundings. This makes casual video games on the web a social gathering area for people. Two parts of the DESTEP framework are not relevant for Plinga, since they are not directly relevant to the research, which are ecological and political.

The conclusions for the third sub-question of the research, about the current developments in the video gaming industry of Brazil are stated as followed. The following list contains conclusions from analyzing the interviews.

1. 1: There has been a rise in the amount of casual video gamers in Brazil.
2. 2: People in Brazil have in general more purchasing power, to buy mobile devices.
3. 3: The behavior among casual video gamers in Brazil is that they enjoy social games.
4. 4: Web-based games are expected to stagnate and decline, due to mobile video games.

## Business model adaptation to developments in Brazil

Part 4 will use information on the current Plinga business model, and compare this with business models in use by other companies to answer sub-question four. Additional information from interviews with the experts will be used to look at the situation of Brazil. Discussed were the business models of David Perry (2008), the details and how these business models work. In table 3 the business models relevant for Plinga are displayed.

|  |
| --- |
| **Business Models** |
| Advertisement Model |
| VIP Model |
| Subscription Model |
| Freemium Model |
| Free-to-play Model |
| Micro transactions Model |

*Table 3 – Video gaming business models by David Perry (2008)*

These are the most important business models for browser-based video game companies (Lee, 2013). The models currently used by Plinga that have been listed in table 3 are: the advertisement, free-to-play and micro transaction models. However interview 4 shows that several parts of the current business model of Plinga are in need of improvement. The advertisements of Plinga are a large part of their source of revenue, however current advertisement of Plinga show no diversity outside of Europe. Plinga should partner with local Brazilian advertisement firms to increase diversity, and increase amount of paying advertising companies. This leads to an increase in indirect revenue for Plinga in Brazil. The Brazilian experts made it clear that users in Brazil are mostly non-payers. By adapting the advertisements, and optimizing the video-ads, Plinga will have a higher delivery, and with this even non-paying users will generate indirect revenue.

During the interview with Mr. Bubblies, there were other models Plinga can adopt to change their business model. These are:

* Payment options optimization (part of micro-transaction model)
* Cross-device technology adaptation

The payment options are the methods in which the users can pay for virtual coins, these are for example; credit cards, and PayPal.  Many of the current payment options of Plinga in Brazil are not suitable for the users, such as credit cards. Plinga should therefore increase the number of payment options for Brazilian users to choose from. This can also be supported by the interview with Mr. Fernando, where he discussed that many people who play casual often do not have credit cards, or digital wallets. Plinga in-game shops are made by themselves; this takes away resources from the core business. Plinga should continue adopting an in-game shop with an increased amount of payment methods, supplied by an external company who has contracts with hundreds of payment providers worldwide. Currently Plinga is negotiating with, Paymentwall; a company who can provide local Brazilian payment options in the Plinga shops. Users will have a wider array of options to choose from.

The next change to the business model change is that of cross-device technology. Cross-device technology allows games to cross the gap between mobile and the web-browser (Padley, 2011). This means that browser-based video games will be playable on multiple devices, not only limited to the PC. Plinga is looking at integrating video games running on this technology. Cross-device gaming model fits great with the large mobile gaming market in Brazil. By implementing this technology, Plinga has a foothold in both browser and mobile markets.

As conclusion to answering sub-question four, the advertisement model Plinga uses, should adapt to the non-paying attitude of Brazilian users. Contracts with various Brazilian advertisement companies grants diverse amount of video advertisements, leading to an increase in indirect revenues. Secondly a business model change opportunity lies with the payment providers of Plinga, and the changes to the shops. Many Brazilian users are non-payers; diverse payment options should therefore be arranged. By contracting the company Paymentwall and their services, Brazilian users will have access to a larger variety of payment options. Finally, Plinga should adopt future games with cross-device technology, by implementing, they adapt to the large market of mobile devices in Brazil, as well as the future decline of the browser-based market.

## Business model and portfolio changes to increase monthly revenue by 5%

Sub-question five asks how the changes made to the business model and the video game portfolio will increase monthly revenue with 5% in Brazil. During the data collection and literature analyses of companies that undertook changes in their product line and business model, showed increases in revenue and profit. Figure 1 in chapter 4.5 is made for the purpose of understanding that past launches of new video games in Brazil, lead to increase in revenue. Dreamfields the farming video game of Plinga was launched on March 2013 in Brazil. The trend line in Figure 1 showed the overall increase of revenue in Brazil.

Recall the business model innovation of Apple’s iPhone; this caused their revenues to increase during the later years. In case of Plinga, they underwent several changes in their business model. To analyze if the adaptations in the business model will have the desired effect of sub-question 5, figure 2 (chapter 4.5) was created. It shows the total revenue of Plinga for the years 2010-2013. After 2011, they increased their span to that of local social network websites. In figure 2 the line shows an increase in total revenue after the business model change after 2011. Figure 2 shows that in 2010 - 2011 the difference in revenue were 8.32%. After the second half 2010 - 2011, the difference was 44.92%. This means that past change of the business model of Plinga, was positive to the revenue. The conclusion is that with the implementation of the adaptations stated in chapter 5.1 to 5.4, it is feasible to gain a 5% monthly revenue increase in Brazil.

# Recommendations

*The section will be about the proposed recommendations, on how Plinga could achieve the goals stated in the main question.*

The objective was to find an answer to how Plinga should adapt their game portfolio and business model to the changing consumer needs in Brazil to increase monthly revenue. Stated in chapter 5.3, developments in terms of huge user base and devices compatible with video games were because of an increase in purchasing power. Plinga wants to take this opportunity to strengthen them on the market by adapting their game portfolio.

The first recommendation is: 1) Plinga should source quality farming games with exceptional social features, to appeal greatly to the users in Brazil. Chapter 5.1 answers that existing Plinga users enjoy farming video games the most, with above 80% of the respondents stating that they play at least one farming game. This is because Brazilian people tend to be social gamers who go online and play together. Chapter 5.2 confirms this, because the farming games generate most revenue in Brazil. The literature also shows that competitors in Brazil have a diverse game-portfolio (Alcaraz Research, 2014) of farm and resource-management based games (Vostu, 2015). This recommendation is for within two years, because experts expect browser based casual games, which are the majority of games of Plinga to decline. How they should do this is by intensive sourcing by their existing developing partners or partnering with new developers. The estimated costs for sourcing a totally new farming game would be initially €7.000 with approximate €500 to €1.000 per month update maintenance (Plinga, 2015).

The second recommendation is: 2) Improve existing games in the portfolio with social features. The BCG matrix shows the videogame “Dreamfields” as a “Star” product, and has potential to become a Cash Cow. Plinga could arrange with the developer of Dreamfields these upgrades, and since the product is already available it should take less time compared with sourcing a totally new videogame. The cost consideration for changing an existing game is approximately €7.000 as well for Plinga (Plinga, 2015).

The third recommendation is: 3) Plinga should divest in all the games currently in the “Dog” category of the BCG matrix. This is because of their relative low cash generating capabilities. The divesture should be as soon as possible if no contractual constraints are present. The costs of removing these games from the portfolio will have positive effects on the upkeep costs.

The business model of Plinga has been analyzed, and compared with business models used by other video game companies, such as those of David Perry (2008). Out of the models, the advertisement and payment options were already part the current business model of Plinga. But it became clear that these two models could still be optimized to the developments in Brazil. During the interviews another model was also mentioned, which was cross-device technology.

This is a summary of how adaptations of these business models might have an effect on the revenues from Brazil. The fourth recommendation is: 4) Optimize video advertisements for Brazil by updating advertisement servers. The advertisement model used in Brazil is not optimized as well as in other regions. By partnering with more Brazilian advertisement companies, diverse in-game videos can be shown to the users. Non-paying users will with this adaptation contribute to the increase of the indirect revenue. Costs of such an operation will depend on the advertisement companies Plinga partners with, along with costs of technical staff at Plinga.

The fifth recommendation is: 5) Increasing the amount of payment options in Brazil by using the service of “Paymentwall”. The change in the payment options allows Plinga to provide more possibilities for Brazilian users to purchase in online-shops. Brazilian users rarely use credit cards and digital wallets due to the additional fees. Using the Paymentwall, they will increase payment options in online-shops, and allow Brazilian users to choose between local payments alternatives without additional fees. Which are for example; convenience store pre-paid cards, pay-by-SMS or phone-bill (Schonfeld, 2010). Plinga is currently adopting Paymentwall in certain games, and should also do so for games in the Brazil. The monetary costs require monthly payment to use the service, along with staff to keep it updated.

Throughout the research, various sources have stated that browser-based games will eventually stagnate in Brazil. This means that Plinga should adapt the business model to these forecasts. The sixth recommendation is: 6) Source video games applicable with cross-device technology for use on mobile devices. Without focusing their attention to the mobile-applications market, Plinga can adopt several video games with cross-device technology. This allows Plinga to benefit from the large quantity of mobile devices in Brazil, and the prospect of browser-based games going in a decline. However with technology, it is hard to tell what will become the dominant software in the future, it is therefore recommended, but it might not become popular. Plinga is already probing in this field, and should look for cross-device video games that follow the criteria of recommendation 1. The implementation will have costs related to integrating cross-device technology with the Plinga software, along with possible re-training or hiring staff with knowledge about the technology.

The following is a summary of the recommendations for the main question: how Plinga should adapt their game portfolio and business model to the changing consumer needs in Brazil to increase monthly revenue.

* Plinga should publish casual farming games with a variety of social attributes, or upgrade existing farming games in their current portfolio with social features such as chat options and rankings.
* Divest in the videogames denoted as “Dog” in the BCG matrix.
* Optimize video advertisements to increase indirect revenue from non-paying Brazilian users.
* Increase the amount of available payment options via the service “Paymentwall”.
* Expanding the current business model by sourcing casual video games, applicable with cross-device technology, in order to adapt to changes in the market.

## 6.1 Future research

This study was a classification of what the developments of the video gaming industry in Brazil were, and how Plinga as a small startup company should adapt. Uncovered was the massive market of mobile gaming, and how it overshadows all other types of gaming in Brazil. A study focusing on how huge video gaming enterprises such as Electronic Arts and Activision-Blizzard (Lee, 2013) react to these changes would be an interesting topic. Especially since big gaming franchises such as Nintendo (Witmer, 2015) leaving the country, because of the difficulty in conducting business.

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# Appendix 1

## Interview 1: With the End User Monetization department Jonathon Chatfield.

**Section 1**

***Question 1: In general, how are the current Plinga video games on Brazilian websites doing?***

In general, we witness that Plinga games in Brazil are showing a slow rise in users during last 6 months; however it is just as with other regions very reliant on the seasons. Drops in summer are to be expected even in Brazil. But for our video games they are doing okay for now.

**Section 2**

***Question 2: Which video games are the most successful in Brazil?***

Well the most successful game of Plinga is in almost every country Family Barn, this also includes Brazil. Many of our users are Family Barn users in that country. Dreamfields is also doing well for now, but since it has only been active in Brazil for little less than a year we hope that it will grow to a level of Family Barn.

***Question 3: Which video games of Plinga are not doing well in Brazil?***

Well since not all of the Plinga games are active on Brazilian websites simply because they are not translated in Portuguese, two video games which are translated are not profitable at all. These are Triviador USA and Dragon of Atlantis. The revenues for these two video games are unfortunately not even above 10.000 euro per month in gross revenues.

**Section 3**

***Question 4: Which other Plinga games are active on Brazilian websites?***

Candy Cash, which is our puzzle game, is currently active in Brazil. This game is providing steady cash flow, unfortunately not that much, but it is good to see that there are users playing this game in Brazil. The other games I already mentioned.

**Section 4**

***Question 5: What are the market leaders with whom the Plinga games in Brazil are competing with?***

For Family Barn it would most certainly be Farmville 2, it is currently somewhere in the top 5 Facebook video games. For Brazil it will be the same, because of their heavy Facebook usage.

For Dreamfields it is a little more difficult, although I would say Farmville 2 also, I think that Dreamfields is different in that aspect. It has less farming elements, and also has more time management game play in it. So I expect that it would fall in some category of fantasy farming. I do not know for sure which video game has the most market share. However Fantasy Town of Gameloft has been ranking high on many websites, so Dreamfields could really see that as the main competitor in Brazil.

Candy Cash also has a distinct competitor which is Candy Crush Saga from King Games, which is close to our office. Candy Cash Saga has been pretty much flooding the ‘’Bejeweled” style puzzle video games.

Dragons of Atlantis, is a little difficult, since there are many types of strategy games out there. If we look at the essence of these games then the main competitor will be Clash of Clans from Supercell. Basically it is the number 1 casual video game in the world, with a lot of time management and strategy elements in it.

For Triviador USA, there are many of these trivia style video games. They do not follow the same course, it is like searching through hundreds of different coffee machines. But when it comes to popular puzzle/trivia game, I would expect Words With Friends from Zynga to be top scoring also in Brazil, the Portuguese version that is.

***Question 6: What are the market shares of the Plinga games and their main competitors according to you?***

 The market share is rather difficult to say for video games, since users might play several other video games besides one. It is not like you have 1 computer from a certain brand, and that you are in no need to buy another one within a couple of years. So I cannot give any clear market share of a Plinga game in Brazil. The same is for the main competitors, certainly if they are from less known companies.

But if I can estimate from what I know, and from which information I have access to, Family Barn is in gross revenues doing good, revenues are following the seasonal trend with the ups and downs. However it peaks at normal intervals. I think that for a market share in Brazil, an approximation of 20% is correct on the websites Family Barn is on. However since Farmville 2 has access to Facebook, as well as their game being in the top 5 of all Facebook games, a 40% market share in Brazil for Farmville 2 is in my opinion possible.

For Dreamfields, since it has been around a year since the introduction in Brazil. The market share is not that high. This is also apparent in the gross revenues from Brazil. So a 10% market share in Brazil is the most feasible, when looking at the many other competitors having the same fantasy themed farming game. The market share for Fantasy Town should be close to that of Dreamfields, since it has been active since 2012, and has been published on Facebook. I assume that it has a 15% market share in Brazil.

Candy Cash has it rather tough to gain market share in Brazil, since it is basically overshadowed by the giant Candy Crush Saga. I think that it only has a 5% market share in Brazil, because of the many fluctuations in user amounts in Brazil. For Candy Crush Saga, I think that they have a lot of the market, so a 45% market share would not surprise me.

Well I can put Dragons of Atlantis and Triviador USA together here. Since those two games are really overshadowed by the many other games in their genres. So for the market share, each one of them is around the 1 percentile. Clash of Clans being the number one played casual video game, it should have at least 30% market share, even if there are many ‘’Copycat’’ video games on the market. For Words With Friends, since it has been a long time game on Facebook I expect it to have a market share of 25% in Brazil, because of the simplicity and the many social features it has.

***Question 7: What is your estimation on the market growth of all the Plinga games in Brazil?***

The market growth in Brazil is fairly good, many opportunities can be gained in Brazil. However how the Plinga games behave in that market, and if there is growth amongst them is something that should be looked at via the gross revenues. From the numbers Family Barn shows that the revenues are in stable form. No real growths are shown, so the market growth for Family Barn in Brazil is rather low. I expect it to be around 3%, since both revenue growths and amount of users have not shown growing behaviors.

Dreamfields is a new video game, users have shown that they are willing to pay since the launch of Dreamfields in Brazil. It does not earn as much as Family Barn, but since a year, it has increased the gross revenue with around 2000 Euro’s. With approximately 20k per month, this is about a 10% growth.

The video Candy Cash is a wildcard in many forms, sometimes it earns money, and in other times not much is generated. Growth is there, people show interest, but it is volatile and users drop out when they have enough of the game. When only assuming the peaks, there is a substantial growth, but users come and go. I think the market growth is 15%, because rapid increases in users and revenues in some periods are golden opportunities. However this game still can have unexpected results.

Dragons of Atlantis earns in the thousands per month in Brazil, however the growth is not clear. Numbers show that it fluctuates a lot between 1000 to 10.000 euro revenues. Users have also shown a decline, since this has been a very old game with many older art work, dialogue and graphics. While some users pay a lot in micro-transactions, the user population is getting smaller, and not much growth is to be expected. I think that the market growth of 3% is here, simply because of loyal long term users who still play the game after many years.

Triviador USA earns almost no profit for Plinga, it currently stands with couple of hundred euros of gross revenue per month. While at sometimes there are users who pay a couple hundred at a time, the majority of users do not make in-game purchases. Growth is therefore non-existent. A market growth of 1% is therefore in my opinion the best percentile for this game.

## Interview 2: With expert Leo Sales of Click Jogos.

***Question 1: How do you see the Brazilian market for casual online video games?***

I believe that in 3 or 5 years from now web casual games will still be relevant, but mobile will be the main platform for casual gaming. Brazilians are definitely connected with casual games - there are about 48.8 million gamers according to latest report from and the majority of them are casual players. Brazilians are very active on the freemium games, usually they are the players that have a higher time spent and on many online games Brazilians are among the top active players. Although Brazilian plays a lot they are a bit though to monetize - they may figure among the top largest user base in some worldwide published games but on the monetization ranking they are usually not at the top.

***Question 2: Is there a growth in the Brazilian market for browser based casual online video games?***

Yes, and it should keep growing on the next 2 or 3 years but not in the same pace as it has grown on the past years – Mobile is ascending in a fast pace, mostly because of the boom on the smartphones sales and tablets.

***Question 3: What kind of external forces had effect on the gaming industry in Brazil over the last 2 years? E.g. economic, political events in Brazil.***

Mobile growth (smartphones and tablets): There are about 70 million smartphones in Brazil and in 2014 the forecast is that tablets sales will be higher than PC/Notebooks for the first time.

Internet Speed: the majority of internet users in Brazil has slow connections – 37% uses internet with a speed below 2mb – besides that, there are still some regions that the internet coverage is not high – Another relevant information is that the majority of mobile users, specially the Class C/D rely on wifi connections for using internet on mobile – 3g/4g connections are expensive and they don’t work that well, so games that demands a high speed connection or has a big client download may not be well received

Piracy: It might not impact that much the browser games, but piracy is a big deal in Brazil – Entertainment industry (music and movies) suffers a lot with it and games are also impacted (specially consoles).

Taxes: Every international purchase with a credit card has a tax called IOF (6, 25%) – this is charged from every player on their credit card bill.

Consoles and other sectors are again the ones that suffers more impact because they also has all the other taxes (taxes over importation, industrialized products, merchandise and service circulation, and other taxes)

***Question 4: What are your opinions about the preferences of Brazilian users when it comes to casual video games?***

*Brazilians love social features – having the possibility of sharing the scores, chatting, inviting friends, check out the rankings are crucial for the success in Brazilian market.*

***Question 5: What is your opinion about the key factors of what makes a game successful in the Brazilian market?***

* Social features (guilds, chat, and others)
* Being free and not pay to win
* Being “light“ – By that I mean not requiring a high internet speed or high quality hardware

One option may be offering the option of the user loading the game with lower quality

graphics for example

* Localization is important, especially if the target audience are kids

***Question 6: Do you think that tablets and smartphones are becoming dominant gaming devices in Brazil?***

They are getting more popular every year – one of the reasons is the growth on the access to smartphones, specially the cheap Androids (the hardware is not that good; the majority of the population can’t afford a top Android or an iOS).

Besides smartphones, tablets also has an important role, especially for kids – many parents buy a tablet to their kid so they can have access to child content, not only games, but videos, virtual books and other entertainment contents – besides that, as mentioned before, the sales of tables may be higher than notebooks/pc in 2014 – one factor that contributes for it is that there are tablets that costs R$500 (half the price of the most simple PC/notebook).

***Question 7: What is your opinion about cross device gaming in Brazil?***

I believe it gives the user a more consistent gaming experience – having the possibility of accessing a game on different platform may increase the retention and aggregate value to the product.

***Question 8: Do you think that Brazil could be a good place for cross device gaming?***

Sure, Brazil could be a good place for cross device gaming - people want to be connected to their favourite game on as many devices as possible – I believe it’s just a matter of evaluating the target audience of you game to decide which platform to start and evaluate the porting others later, according to the results - Blizzard for example had a good experience by launching Hearth Stone for PC, now the iOS version was launched and Android is about to come.

***Question 9: How do you picture the future of the Brazilian gaming market, with emphasis on casual browser based games?***

I believe that there’s room for growth on the next 3 years and after this period it might present a slightly drop and remain stable later. As many people are having the gaming experience on mobile devices, game developers should focus on having a strong offer on this platform. I believe that besides the Apps, HTML5 may have a strong role on the mobile scenario – the quality of HTML5 development is getting better, Click Jogos is attacking both options by publishing apps for iOS/Android and also by launching HTML5 games – recently, we’ve launched an app for Android with a collection of HTML5 games.

***Question 10: Do you have recommendations how Plinga can adapt to changes in the Brazilian video gaming industry?***

Click Jogos is currently investing a lot on Mobile applications and also on HTML5 – as it’s uncertain which will be the dominant in the future, we’re trying to be prepared for both scenarios.

Taking in consideration that the internet connection in Brazil is not that good is important for Plinga – you can choose the games you’ll publish here based on that

## Interview 3: With expert Mr. ****Fernando Lozano Hernández.****

Hello Fernando, thank you very much for participating in this market analysis. In this document, several questions regarding the Latin American (casual) video gaming industry will be asked. Your input as an expert knowledgeable about this market will be very useful for Plinga, in better targeting and anticipating user developments.

***Question 1: What is your opinion about the current casual video game industry in Brazil?***

The current industry of casual video games in Brazil is really positive; people are getting more interested in social video games, easy portable video games, and just anything people use during breaks and travel. However there is a distinction between casual video games on the web, and on mobile devices. Of course there will always be a market for online video games, I predict in these future couple of years it will still be as large as it is now. But after that time, it might decline because of other developments such as mobile.

People in Brazil just love to play free video games, and enjoy benefits of free software. We always notice that people in Brazil are spending more time on our Brazilian portals compared to the users in Argentina or Mexico for example. As we have portals throughout whole Latin America, we know that it is very difficult to get people like these to pay money, since many are either people with no access to money such as high school students, or just people in their late 40’s who play free games to socialize a bit with friends online. They do not want to pay for in-game items if they can get items if they play the game for 3 or 4 days longer. I think this will not change during the next couple of years, on both mobile and the web.

So basically how I see the video games in Brazil is that mobile games are really pushing people onto playing games on mobile devices. People are moving away from desktop computers and netbooks, and more to tablets and smartphones with the wireless internet. The only thing which might somewhat slow this process is the bad internet infrastructure in Brazil. Many places are not reachable via wireless internet, or it is very slow so people are unable to play video games. So people in areas outside of main cities probably would like to play free casual video games via a desktop computer. But yet again getting these users to purchase in-game items is hard because of their low amount of income in rural areas.

***Question 2: Do you expect that the industry for casual video games in Brazil will grow in the next 2 years?***

In general I think that it will keep on growing, people are getting more internet devices that allow them to play video games on, and a young generation of users are growing up with the internet and many youngsters will get into video gaming. But the video games on the web will probably feel the hit of the mobile video games. A lot of mobile video games are on the market, and it is simply very convenient for people to take out their smartphone and play a game for 5 minutes, instead of going all the way to a computer or start up a netbook. For next year, web based casual video games will still be growing, but after that it will flatten down a little more.

***Question 3: According to you, what kind of external forces had impact on the video gaming industry in Brazil during the last year? E.g. Political, technologic, economic changes/innovations.***

Mobile devices have been huge in Brazil, like only a couple of years ago people were still carrying old Nokia phones, but with prices and a large variety of devices people have been buying smartphones everywhere. Because they simply know what kind of benefits such a device can have, entertainment, practical use, communication, calendar, and diary, just everything.

In Brazil but also in many other countries, free-to-play video games have been flooding almost every platform; on the web it has been longer than 1 year, probably more like 5 to 7 years. But on the mobile market it has been so tremendous people are not able to get an amazing video game to be downloaded by 1000 people nowadays. So the saturation in the industry is huge, casual video games are flooding everywhere, and quality gets over run by games made in a couple of weeks. So it is really hard for video game developers to get their game on the top page, and to attract gamers, even if the game is free-to-play, there is just too much choice.

***Question 4: From your point of view, what are the preferences of users in Brazil regarding casual video games? E.g. Game genre, farming simulator, puzzle games.***

When it comes to video games Brazilians generally love to play puzzle games on mobile devices, since they are quick and easy to play. On our websites Brazilian users really love farming games, but also building games that are following the Galaxy Life model. But most of all they like video games with lots of social features, in most of our popular games if there is a benefit from having large friends list people often have over 200 friends. They like to spread it word of mouth with family, friends, and neighbours so that they can play online once in a while. This makes a game successful in Brazil, good light hearted games with sociable people in-game

***Question 5: What are in your opinion the key factors of a successful game in the Brazilian market?***

People in Brazil love video games with a good social content, so that users can chat with each other, join their games, have a nice gifting system for example. But games should also have a nice gameplay, and it should be easy to understand. Speed is also an important factor, they want to make good progress in the game, and not being stuck at one point, and then they will just leave the game. But the localization should be very good, it should be aimed at Brazilians and add in some Brazilian slang for example, and the Portuguese should not be that difficult, since it should be playable by every kind of user, from educated university student to a person on the country side.

***Question 6: How do you picture the future of gaming in the Latin American market? Will gaming on mobile devices dominate the market, or will browser based casual games tighten their grip in this industry?***

The overall future of gaming in Brazil will grow significantly, consumer spending is going up and we have seen an overall growth in revenues across our platforms in the past year. The console market in Brazil will probably grow also but because of the strict regulation it will be hard to actually become large in Brazil. Browser based gaming however might have a new kind of revolution in terms of technology. Technologies like HTML5 and the new Unity engine will give browser based games the speed and quality of many downloadable video games. Crossing the boundary between retail games and free-to-play browser games. So there will be a future for browser based gaming, for the next couple of years, this part of the industry will stabilize and not a lot of growth can be expected. Mobile will become huge in Brazil, but I expect it to make a stop in couple of years, simply because of the overcrowded nature and the unregulated space they run in.

## Interview 4: With top management Henning Bubblies

***Question 1: Which business model did Plinga follow in the past?***

Plinga used to be a publisher on Facebook only back in 2009. After the business model changed, we went to a developer of games. This time a lot of money had to be invested in making the game, before actual money came in. Because of that, the business model went from Facebook game developer to, publisher on local social networks. Publishing on local social networks such as German networks, Dutch networks such as Hyves, Polish networks such as NK, and some European gaming websites. We expanded this in the years to what it now is, which is a global publishing firm, with reach over the whole world. With only 3 countries per month where no users are playing a Plinga game.

***Question 2: When did the business model of Plinga change?***

As I said the business model changed several times already, from FB only into world-wide publisher. Now we want to stick to being a publisher. Since it fits us the best.

***Question 3: Why did Plinga divert their business model to that of a publisher?***

First of all risk spreading, when we were a developer, it was very costly to produce a game, and waiting for actual cash flow. Secondly becoming a publisher and setting up networks, it is easier for developers to set up the games once integrated. Once integrated, we at Plinga can easily put the game on hundreds of portals. Being a publisher is also cheaper than developing games, and you are not stuck to one specific game. As can be seen throughout the industry, many start-up game developers fail because of the huge investment they put in, and the game is a failure.

***Question 4: How does the current business model of Plinga affect the revenues and decision making of Plinga?***

The business model always have effect on the revenues, and the daily decisions. But we follow the line of that the most important thing for the company is to secure cash flow, and grow. We put a lot of money back into the company to keep improving. That is part of the business model, to keep fighting, investing in the company with our cash flow only.

***Question 5: Are there external happenings in the industry that can force Plinga to adopt a new business model in the near future?***

New technologies that is the beauty of the industry. The gaming industry keeps changing. Two years ago, no one would have thought that the mobile application industry would become so profitable with firms making billions on their games. Technologies such as ASM JavaScript or HTML5, they are really the future music for the industry. But even if these have large impact on the industry we are in, publishing will stay. Test balloons will of course bet set out, so probing in some markets to look if we stand a chance there.

***Question 6: Do you expect that Plinga will continue it’s’ current course in the coming year, or are changes to be expected?***

The current course of Plinga is set, the business model and our long term strategy should not change dramatically. Of course, it is important to be flexible in this market, but we will not have a drastic change of becoming a mobile application developer for example.

***Question 7: How does the rise in active users in Brazil and emerging regions affect Plingas strategy?***

Overall the strategy of Plinga is global. There are no regional strategies. Even if Brazil has over 100 million users that have internet connection. Which is larger than Germany and the Netherlands? Our long term strategy and business model are not going to change. The problem with Brazil is that the monetization is way down. But we are trying to get more traction in the market by business connections. For example with UOL or Boa Compra, getting a good relationship with these firms allows for easier access in the market regarding payment systems and Brazilian game portals. About the payment, Brazil is a nightmare when it comes to governmental regulations.

We have a thing which is called ‘’source text’’ this is a code that allows money made in another country to be transferred to an overseas bank account. Because of the government participation into this, partnering with Boa Compra makes it easier for us to transfer money out of Brazil.

***Question 8: Should different strategic decisions be taken to increase monetization from Brazil?***

Overall Brazil is taken into account in the overall strategic decision making. There are many opportunities in Brazil, but for now we are not having an eye on specifically targeting Brazil. When we really want to do that, we need an office to be there, and source many Brazilian games to be very effective. What we have done in Brazil is adapting prices to local currency and their purchasing power. More media deals to get more advertisements in Brazil. Since advertisements are now 20% of our cash flow.

***Question 9: How will new payment providers and targeted advertisements help in generating revenue in for example Brazil?***

With the current payment providers, they have either local credit cards, or they pay with Boleto. About 70% of the purchases made in Plinga shops by Brazilian users is done by Boletos. It works like this, users get into the payment process, and they will get a QR code, they go with the code to a local shop, in most cases small internet café’s. They will pay at the shop, and get a code back. Then they go on their PC and insert the code. When that is done, the user will get the currency on their account. As you can see this is a very time consuming process, which explains the low amount of users who monetize. The Payment system in Brazil is therefore a bottleneck that we hope to fix with Paymentwall solution. International credit cards won’t work either, for a single transaction, users in Brazil have to pay 5 dollar above the price, so no one is doing that kind of payments.

***Question 10: Will there be a need for games targeted at specific regions and user groups in Brazil and other low monetizing countries?***

Not for us now. Local games are most important in countries. In Russia users love war games, these monetize the best. In Asia people love card games, with very graphical cartoonish graphics. In South America where Brazil is, they have more of a European taste. We try to offer games that appeal to the largest monetizing amount of users worldwide. Special games for certain regions will be very costly. In addition for gamers in Brazil, the console market is pretty much non-existent. Many devices such as PlayStation, Xbox or the Wii cost around $2000 due to all the taxes they have. Making Brazil is great market for casual games.

***Question 11: What are Plingas current changes to advertisement and payments systems?***

We own our own ad server. We have two different video ads. One for actively giving users free premium currency in-game, and the other to monetize non-paying users. Now we are maximizing our add servers. These are technical tools, which help aggregate different video providers, and get the highest delivery.

For payment systems, we have Paymentwall and we increase more and more payment options for the best yield.

***Question 12: What are the plans of Plinga with Boa Compra, and what effects does Plinga expect from this?***

Actually getting a close partnership with Boa Compra. Making deals via them to get our games into more portals, and with the help of them form more contacts and get to know the market better, to add to the traffic.

***Question 13: What is the view of including mobile games into the business model of Plinga?***

As a web publisher, we expect that cross device gaming will rise. As with the mobile games and application market, these are closed markets with 2 giants ruling the whole industry. Apple and Google, to get a game monetize well here, you can expect to invest at least $300.000, 00 into it to get in the top list. In this place there is no need for publishers, developers can just put their games there, and wait until it becomes a hit or not. It is a very risky market, and we consider it to be a red ocean full with dead fish and whales. In our opinion there is a large barrier here, as well as the monopoly. Of course we look for opportunities, but for now it is just too crowded. Cross devices is a new thing, a blue ocean. The monopoly of the App Store and Google market has a large effect on other large firms. No one wants to have a market with applications only. Cross devices is therefore a huge open market, where everyone can still jump into.

Gamers nowadays want to play everywhere, on the move in the living room or on the toilet. Having to fix themselves on the PC only limits their ability to freely move. Cross device gaming allows for people to save progress on PC, and continue playing on a tablet or smartphone in the bus leaving to work for example. As we can see, there are many tablets in the hands of consumers, and the possession will keep rising. There are even price wars between small screened tablets around the world. In Brazil for example, they tax a lot of foreign firms for selling products over there. But for example Asus, they have a joint venture with a local Brazilian firm, they enjoy the lesser tax rate, and can therefore sell cheap tablets in Brazil. So therefore we see that mobile devices in Brazil are also rising. As is the slogan of the company: Social Gaming Everywhere, we hope to see that coming with cross device gaming.

# Appendix 2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Products** | **Market growth** | **Market share** | **Market share of largest competitor** | **Relative market share** |
| Family Barn | 3% | 20% | 40% | 0.50 |
| Dreamfields | 10% | 10% | 15% | 0.67 |
| Candy Cash | 15% | 5% | 45% | 0.11 |
| Dragons of Atlantis | 3% | 1% | 30% | 0.03 |
| Triviador USA | 1% | 1% | 25% | 0.04 |

*Table 4 – Market share and market growth for the BCG model*

*Graph 1 – Revenue for Family Barn in Brazil*

*Graph 2 – Revenue for Dreamfields in Brazil*

*Graph 3 – Revenue for Candy Cash in Brazil*

*Graph 4 – Revenue for Dragons of Atlantis in Brazil*

*Graph 5 – Revenue for Triviador USA in Brazil*

*Graph 6 – Launch of Galaxy Life in Poland (red dot represents the launch date of Galaxy Life)*

# Appendix 3

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| --- |
| **Favorite Video Game Genres** |
| User Preferences | Responses | Percent of Cases |
| N | Percent |
|  | Casual | 26 | 7.7% | 13.0% |
| Farming | 186 | 55.4% | 93.0% |
| Adventure | 33 | 9.8% | 16.5% |
| Puzzle | 27 | 8.0% | 13.5% |
| Racing | 12 | 3.6% | 6.0% |
| Sports | 10 | 3.0% | 5.0% |
| Role-play | 5 | 1.5% | 2.5% |
| Strategy | 35 | 10.4% | 17.5% |
| Other | 2 | 0.6% | 1.0% |
| Total | 336 | 100.0% | 168.0% |
| Appendix 3, Table 1 |
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| **Plinga Games** |
| Played | Responses | Percent of Cases |
| N | Percent |
|  | Family Barn | 195 | 67.9% | 97.5% |
| Dreamfields | 9 | 3.1% | 4.5% |
| Dragons of Atlantis | 6 | 2.1% | 3.0% |
| Underworld | 4 | 1.4% | 2.0% |
| Candy Cash | 45 | 15.7% | 22.5% |
| Galaxy Life | 5 | 1.7% | 2.5% |
| Clash of theDragons | 3 | 1.0% | 1.5% |
| Triviador | 3 | 1.0% | 1.5% |
| DV8 | 3 | 1.0% | 1.5% |
| Fairy Farm | 13 | 4.5% | 6.5% |
| Other | 1 | 0.3% | 0.5% |
| Total | 287 | 100.0% | 143.5% |
| Appendix 3, Table 2 |



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| **Other video games** |
| Played | Responses | Percent of Cases |
| N | Percent |
|  | Farmville (1 or 2) | 107 | 37.4% | 53.8% |
| Candy Crush Saga | 70 | 24.5% | 35.2% |
| Clash of Clans | 3 | 1.0% | 1.5% |
| Zynga Poker Texas Holdem | 5 | 1.7% | 2.5% |
| Slot mania | 7 | 2.4% | 3.5% |
| Hay Day | 11 | 3.8% | 5.5% |
| Farm Heroes Saga | 35 | 12.2% | 17.6% |
| Big Fish Casino | 9 | 3.1% | 4.5% |
| Bejeweled | 20 | 7.0% | 10.1% |
| Other | 19 | 6.6% | 9.5% |
| Total | 286 | 100.0% | 143.7% |
| Appendix 3, Table |

