

BANGLOBALIZATION: KOREA TAKES “PC BANGS” GLOBAL¹

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ABSTRACT

BangAmerica was born in Korea in the late 1990s offering Internet-based tournaments and a ranking system for players and significant prizes for winning teams supported by corporate Korea. The idea of local teams competing, winners moving into regional games and holding national competition sounded so global that encouraged BangAmerica to expand into the United States and even before fully implementing the American plan, contemplated further expansion into Mexico and the UK as gateways to Europe and Latin America. The company has to decide if it is ready to expand beyond USA and if it should choose the UK or Mexico.

INTRODUCTION

Mr. Fu Kang Moon -a high-tech entrepreneur- was reading a newly published report in a computer-networking magazine about the Internet usage in South Korea and was astonished that the number of Internet users in South Korea had increased by 700% from 1995 to 1998. As he was pondering how to benefit from this spectacular increase in Internet usage, he heard his 16-year-old son shouting victoriously surprised that his two teenage boys were at home rather than playing soccer outdoors. What could have made them so excited? Upstairs he found his two sons playing their favorite sport: a PC-based soccer game. A new business idea was born: Internet-based neighborhood soccer tournament for kids and later expansion into national tournaments.

The Internet usage explosion was exactly what he needed to connect the players on a national scale. Mr. Moon held smaller scale tournaments in Pusan to prove feasibility of a PC-game tournament concept. After regional success in Pusan, he decided to expand the business into Seoul. In this second stage of business, Mr. Moon noticed the need for “sort of” recognition among tournament participants and a reward structure to attract more players. A ranking system was developed for tournaments by crediting certain points to each player’s file after a win. Track players’ success and rewarding the top three players on his ranking system with state-of-the art PC-game gears which increased the recognition of the top players. This ranking system also created an incentive for newcomers to retry if not successful the first time as well as increased the number of players that participated in tournaments.

The ranking idea turned into a nationwide PC-game ranking system over time and was made available online to generate a hero-like image of the top players in a much broader scale. After two years of hard work, Mr. Moon succeeded in implementing his idea in South Korea. Following the success of this new online ranking A more detailed version of this case is available upon request. A system and tournament in Korea and confident of his business idea, BangAmerica, expanded into the US market to seize the promising opportunity posed in North America. Shortly thereafter, the US division of the company launched an investigation of a full-fledged expansion into Europe and Latin America for scale economies and for the first-mover advantage. Mr. Moon was contemplating to penetrate Latin America through Mexico and Europe via the United Kingdom. A serious believer in research and consulting, he

¹ A detailed version of this case is available on request.

recruited a major US university to study the company's further international expansion decision and if recommended, offer a choice of entry point. The consulting group dispatched two research groups to Mexico City, Mexico and to London, United Kingdom to collect local data for market entry analysis.

Company History

In December 1998, Fu Kang Moon founded KangBang in Seoul, Korea to supply online information about gaming to Telecom Korea. Mr. Moon was the first person to open a PC Bang (similar to an Internet café) in Korea. In 1999, KangBang introduced the first game-ranking service, where the players in the tournaments were ranked according to their success in previous games and tournaments. Mr. Moon started franchising this service to the PC Bangs and called its franchises "Internet Magic Plaza." KangBang grew rapidly and was renamed "BangAmerica" in 2000 to further strengthen the corporate image of a gaming service. At the same time, the company established the world's first on-line Internet-based game-ranking service.

BangAmerica launched its professional Korean Internet Gaming League (KIGL) in January 2000 with eighteen teams (Internet companies, network companies, etc.) playing tournaments every season. Each team has to pay an annual membership fee to BangAmerica of about US\$20,000, plus 30% of the revenues earned. This fee was required from the teams to be eligible for a money prize of \$500,000 in the nation-wide championship finals. Although the prize to fee ratio seems low compared to a regular lottery ratio that pays millions of dollars with a fee of a few dollars, the aspect of talent and experience in playing these games gave the teams an incentive to pay this fee confident that their gaming capabilities will help them to increase their odds in winning the prize.

The company also entered into a strategic alliance with Samsung, the Korean electronic giant to establish the International Cyber Marketing (ICM). With this alliance BangAmerica was in charge of marketing for the Cyber Olympics in February 2000. Top gamers, selected by their local online-ranking systems, representing different countries gather together and compete for the world championship every four years. The first pre-Olympics, named World Cyber Game Challenge was held in Seoul on October 2000. More than twenty countries' representatives joined the tournaments on several popular games. By March 2000, BangAmerica had 2,000 registered PC Bang members using its game ranking service and 300,000 individual members registered on its Web site in Korea. BangAmerica currently is the market leader in the Internet PC Bang industry in Korea.

International Expansion

BangAmerica is an international company, trying to apply its business model in all other countries, with adaptations to each country's local unique characteristics. The company is open to various strategies to enter other countries: franchising, licensing, joint venture, representative office, or wholly owned subsidiaries. After the development of its game ranking server in April 1999, BangAmerica aggressively expanded overseas. In January 2000, BangAmerica was incorporated in USA with HQ in San Diego, California.

BangAmerica's plan is to expand to other parts of North America and Latin America and to look for business partners in Asia and Europe. Currently, BangAmerica has approximately 3,000 registered members in USA. In 2001, BangAmerica established the American Internet Game League in USA and the British Internet Game League in UK. Along with the Mexican Online-Gaming company, it held the first Mexican Cyber Game League Tournament in Mexico City in 2001. BangAmerica has already

applied for or is in the process of trademarking World Internet Gaming League and BangAmerica in many countries, including France, Italy, Germany, Japan, and China.

Products and Service

BangAmerica is currently offering or developing the following products and services in Korea and USA.

Offline (70% of business, the games are played between gamers located in a confined area, where the computers are connected by a local network)

- Tournaments – Contestants from PC Room leagues, registered members who get very high ranking in BangAmerica, and public gamers compete in popular games.
- Amateur League – Outstanding players from monthly matches qualify to take part in the Professional League.
- Professional League – Mainly a sports marketing concept, it helps sponsors establish their professional teams and organize regular matches every season.
- Game Zone – A huge complex where advanced Internet and gaming facilities are built. This is a place where gamers (online and offline), gaming companies, and software and hardware companies meet regularly.
- Battle Truck – A moving vehicle traveling around the city to provide both online and offline gaming service to gamers.
- Cyber Olympics – An event held every four years that promotes global harmony by capturing the Olympic spirit through gaming.

On-line (30% of business, the games are played between gamers located throughout the world, where the computers are connected by the Internet)

- Game Server – Web hosting for popular games, such as Quake III, Unreal Tournament, StarCraft, FIFA 2000. This enables members to play the most popular Internet games in real time either with or against other members.
- Ranking Server (game ranking service) – Provides objective rankings according to game scores competition level. It has built in a penalty system to ensure fairness.
- Matching Server – Enables members to choose the person, with whom they wish to play, based on fairness in terms of comparable connection speeds and pin rates.
- Banner advertising
- Mobile Game Service – A wireless Internet service providing gaming service for mobile phone companies.
- E-commerce – Online store selling gaming-related products.

Mr. Moon desired to expand his business beyond Korea and USA. He decided to make his first move to Europe and Latin America. He picked UK in Europe and Mexico in Latin America because of his experience in these countries through BangAmerica's participation in organizing local gaming events. Additionally, these countries could serve as springboards into EU & Americas. Even though Mr. Moon was confident of success in Mexico and UK, as a prudent manager, he decided to conduct research in markets he chose to penetrate. Moon contracted an international marketing research company to learn more about the demographics of the countries, and particularly about the computer game players and Internet users. In four months, Moon received the reports on UK and Mexico. Mr. Moon had all the data he wanted to decide on which direction to move first and which strategy to implement to penetrate these

markets. However, time was against him and he had to make a decision fast as being the first mover was crucial in this market. Due to circumstances in the field, data in London was collected through questionnaire distributed at Internet Cafés and in Mexico City using survey instruments inside of the National University of Mexico.

Case Question

Given the summary of the primary data collected in Mexico City and in London provided below, should the company expand into Mexico or UK first & with what product strategy and entry method?

SUMMARY ANALYSIS OF THE PRIMARY DATA COLLECTED IN THE UNITED KINGDOM

Profile of Typical Internet Users

The following list describes the typical profile of the Internet user in the UK.

- Male
- Daily Internet user
- Ages 22-30
- Has a degree
- Earns over £35,000 annually
- Single
- Employed as a manager or technical/trained professional
- Accesses the Internet at home
- Uses the Internet for the Web or email

Profile of Typical Gamers

The following list describes what the research indicates as the profile of the target customer (computer game players).

- Male
- Daily Internet user
- Play games online and offline
- Ages 18-34
- A-Level education or degree
- Earns over £15,000 annually
- Single
- Student or employed
- If employed, works in private sector
- If employed, is a manager or technical/trained professional
- Spare time activities (top 3)
 - playing on computer
 - socializing with friends
 - watch TV

Game Preferences. Respondents of all levels prefer action and strategy games to sports and traditional games, with the exception of those with post-graduate degrees, who are more likely to not play at all. Furthermore, it appears that the higher the education levels, the lower the interest in playing computer games at all. The survey analysis also indicated that players ages 34 and under play all types of games and those 35 and older rarely play at all.

Game Playing Location. The majority of the respondents stated that they play computer games at home (69%). The second most popular site to play is at school (42%), followed by Internet cafés (33%) and work (31%). (Note: These percentages do not total 100%; respondents were able to choose more than one location for this question.)

Spending. Independent of education, most players (69%) will not spend over £25 for computer games in one month. For the players that do spend over £50, they have acquired at least an A-level education.

A list of the most frequently mentioned competitors has been compiled below:

- Barry's World
- Microsoft Zone
- Cyberathlete Professional League
- WCG
- The Playing Fields
- Battle.Net
- Command and Conquer
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SUMMARY ANALYSIS OF THE PRIMARY DATA COLLECTED IN MEXICO

Profile of Gamers in Mexico

The demographics are skewed since most surveys were conducted at the National University of Mexico and those who filled out the surveys had to have played PC games in the past twelve months. The overwhelming majority was male (81%) and single (93%). Almost three-fourths were between 19-25 with an average age of 22. Most respondents (82%) play computer games for leisure/fun while 30% like the mental challenge. A small 13% enjoy a sense of accomplishment and 9% like the excitement of playing. 61% of the respondents believed fairness is more important than the result (winning or losing) and a majority indicated playing not to fill time but play for pleasure. During the week in the evenings and on the weekends are the most popular times to play computer games.

A majority plays computer games up to three hours per week and 20% are considered heavy players. On average, most gamers play around 2 hours at a time. Strategy-type games were most popular with more than half of the respondents. Simulation and then arcade-type games were the next most popular. Similarly, 2/3 prefers mentally challenging games and 1/3 went for thrilling and shooting people style PC games.

Gamers were also asked if they ever play TV electronic games such as Nintendo or Sony Playstation. About two-thirds (67%) responded. 86% of respondents had a PC at home which they used for games. When asked if they would consider going to an Internet café instead of gaming at home or at a friend's house, respondents were evenly split. Surprisingly, playing computer games is not perceived to be a large group activity. Half of the gamers prefer to play alone and 27% prefer playing with only one other

person. Over half borrow PC games from friends while 43% purchase them (maybe bootlegged versions) of those over 60% buy one per month. Over 1/6 buy more than two games/month.

Most gamers seek information on computer games from friends/family, online game sites and computer magazines such as PC Magazine, PC+, PC Media, and Sputnik. The majority of respondents either rarely or never play computer games online and only 10% play almost every day. Of those who indicated rarely playing online, 22% cited slow connection speed and 10% cited the connection cost as rationale. The majority plays online computer games at home (83%) and only 11% played in Internet cafes. Speed was considered to create an unfair condition for those with slower connections. A slight majority prefers to play games offline citing slow Internet connection and cost as major reasons. Most Mexicans believe that playing online is more interesting because games are more challenging and because they are able to play against live people.

The Ranking System

More than ¾ of those who play online are interested in a ranking system for *online* games and most are willing to pay for such a ranking system. 40% will be willing to pay no more than 20 pesos/month, 10% can afford over 100 pesos 6% will be willing to pay over 500 pesos and the rest fall somewhere between 20-100 pesos per month in willingness to pay. The average amount (after throwing out 3 very high outliers) came to 51.27 pesos, or about US\$5, and the median amount was 30 pesos, or about US\$3. Of those who play computer games online, heavier users are most interested in a ranking system (play an average of 10 hours per week) while those not interested in a ranking system play computer games an average of 3 hours/week.

Interest in Offline Gaming Tournament. Everyone was asked about a formal offline computer gaming tournament. Almost half indicated uninterested while 40% indicated some degree of interest. Besides computer games, *reading* was most popular followed by watching television, both solitary activities. More outgoing group activities such as nightclubs were considerably less popular. Playing sports was the second most popular cited activity (45%). Responses were mixed between group sports and individual sports. Soccer and basketball were the most cited group sports.

Societal Views of Computer Games

The research team was also interested in capturing societal views on gaming as an important factor in Mexican gamers' willingness to participate in computer games (for instance, going to Internet cafes or tournaments versus playing at home or with a small group of people in private). For the most part, Mexican society does not seem to look down upon computer gaming. However, data shows that some 1/5 of even the most educated Mexicans surveyed indicated somewhat of a stigma attached to playing computer games. There is also an overwhelming agreement that playing computer games and even winning awards, cannot improve a person's social status.

Plying PC games in public or in private from a societally perspective ended up with 1/3 support on each side with no correlation with the status of plying PC games in society. Finally, when college student Mexicans were asked to express their opinion on computer games as sport, 70% disagreed and only 15% placed PC games into the "sports" category. This grouping is in contrast to what the perception of computer-based games and BangAmerica services were in Korea. Gamers in Korea position the competition into the sports category.