

COLUMNS

## Can Western apps break through to China?

March 2, 2017



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A recent App Annie report released in October stated that China hit an industry record with the highest revenue quarter that the iOS App Store has ever seen. In fact, the study notes that not only does China hold a 15 percent lead in revenue generation over the United States, but also that China's growth is projected to climb further by 2020.

As U.S.-based mobile companies see domestic stagnation and look for areas of increased growth, it is clear China remains a massive opportunity.

What is driving growth?

Among the many drivers of exponential growth in the Chinese market, few are more significant than the increased affordability of well-made smartphones.

As just one example, Xiaomi built a multi-billion-dollar business manufacturing relatively inexpensive smartphones for the masses.

As more people could access smartphones, the market inevitably saw more users consuming more content, downloading more applications and playing more games.

But within China, publishers still had a chicken-and-egg dilemma: Which should they invest in first accessing users or developing functionality? China's publishers opted for the former gain users, grow market share and then monetize with ads.

Of course, monetizing with ads is easier said than done and proper execution often depends on particular cultures and regional requirements.

For apps, video in China remains a very significant potential monetization opportunity, but not all Chinese users are currently receptive to it for several reasons.

To begin, mobile video ads are not yet being done particularly well in China.

Despite Chinese mobile users showing their openness to mobile video, in general, with the success of livestreaming apps such as Yinke and Bigo Live, they are concerned that watching videos ads will use up precious phone data

since China has no unlimited data plans.

As the technology for delivering effective video advertising improves and demand for more data flexibility increases, the success with which Chinese publishers can monetize their products will snowball.

Can the West find success in China's markets?

For Western companies to succeed, they must localize for the Chinese market preferably with a local partner.

Many gaming apps seek entrance to the China market, but apps must make significant alterations from the characters to language to fit the local market.

For starters, China's infrastructure presents many issues that may serve as a barrier to entry, ranging from government interference to outdated smartphones to a swelling user base that can quickly overload antiquated networks and servers.

To scale these hurdles, app publishers must pay mind to releasing products that are already fine-tuned, compared to the ability to "release first and innovate as you go" in the West.

But the opportunity remains large.

After all, in a country of some 1.3 billion people, only 500 million active smartphone mobile users connected to the Internet.

Can China target Western markets?

Cheetah Global Lab recently reported that Chinese mobile games are growing in popularity abroad. Is this a growing trend, or simply Chinese publishers gaining an initial foothold overseas?

In the past, Chinese publishers have successfully mimicked the success of Western games such as Game of War. One of the first runaway successes by a Chinese game publisher abroad was Clash of Kings, which is similar to Game of War.

Chinese publishers are improving at making unique twists on already successful games, as they have low-cost development overhead and significant reserves to spend on marketing.

Also, if a game does not do well, there has been a willingness to quickly develop a new one until success arrives. More ground can be gained as big publishers such as Tencent and NetEase develop games for a global audience.

BUT JUST AS Western publishers must fully understand the Chinese market if they hope to find success, the inverse is equally true: Chinese publishers must spend more time in developing quality games and apps that can immediately engage users.

This means acting as successful U.S. developers do, and creating apps with a keen eye toward quality while avoiding the pitfalls of off-putting, invasive in-app advertising.

Success in each respective market requires a continued commitment to designing and redesigning apps to reflect the habits of each region's users and circumvent limiting external factors.

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