

Comparative Analysis of the Video Game Industry in China, Japan, and South Korea

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Abstract. This study provides a comparative analysis of the gaming industries in China, Japan, and South Korea, exploring their market dynamics, core segments, industrial ecosystems, and cultural influences. China's gaming market is distinguished by its immense scale, mobile dominance, and a duopolistic structure led by Tencent and NetEase, with sophisticated digital distribution and aggressive monetization strategies. Japan excels in narrative depth and artistic innovation, maintaining a strong console-based ecosystem supported by globally renowned intellectual properties. South Korea stands out in online PC gaming and esports, combining hyper-realistic visuals with hybrid genre narratives that appeal to global audiences. Despite embracing free-to-play models, each market exhibits unique approaches to content creation, distribution, and user engagement, reflecting deeper cultural and industrial philosophies. The analysis highlights the interconnected yet distinct developmental models, offering insights into the future trajectory of digital entertainment and cultural soft power in the global gaming landscape.

Keywords: Comparative analysis; Gaming industry; China; Japan; South Korea; Market dynamics; Cultural influence.

1. Introduction

In the extensive realm of the international gaming sector, East Asia constitutes a vital center with China, Japan, and South Korea right in the middle and they are among the top global economic might; these nations took diverse routes during the development of their gaming industries as China ascended rapidly by leveraging its huge market and robust mobile infrastructure, Japan established a substantial content foundation depending on its plentiful creative endeavors and renowned intellectual properties whereas South Korea turned into a global exemplar in online gaming technology and the competitive domain of esports.

Both entities functioned as near - at - hand partners and unceasing rivals, perpetually interacting and contending within the realms of technology, talent recruitment, investment, and cultural influence, and conducting a methodical comparative analysis of the three video game industries not only elucidated the distinct elements contributing to their accomplishments but also furnished insights into the trajectory of the global market, the dissemination of cultural soft power, and the impact of various policies on innovation in the digital arena.

2. Overview and Market Size of the Gaming Industry

2.1. China's market: The Giant of Scale

China is the world's largest gaming market, boasting over 600 million gamers and leading globally in both market size and revenue. According to industry reports, the actual sales revenue of China's gaming market exceeded hundreds of billions of RMB in 2022, consistently accounting for nearly one-third of the global gaming market share. The market is primarily dominated by mobile games, with their revenue contributing to over 70% of the total market revenue. The high penetration rate of smartphones and the well-established mobile payment system serve as the primary driving forces. Two major players, Tencent and NetEase, monopolize the majority of the market share, with multiple products consistently ranking at the top of bestseller lists, indicating a remarkably high market concentration [1].

2.2. Japan's market: The Kingdom of Consoles and Creativity

Japan stands as the world's third-largest gaming market. Despite having a smaller total player base compared to China, Japanese users exhibit a strong willingness to pay, with the average revenue per user (ARPU) notably higher than the international average. The country boasts a profound console gaming culture, with devices such as the Nintendo Switch and Sony PlayStation widely adopted in households. Simultaneously, the mobile gaming market is also highly developed, predominantly featuring works based on local anime and manga intellectual properties (IPs) and otaku (anime/manga/game enthusiast) cultural styles. Globally renowned franchises such as "Pokémon" and "Monster Hunter" exemplify this trend. Japan's success in the gaming industry can be attributed to its rich cultural heritage in the ACG (animation, comic, and game) sector and its continuous capacity for content innovation [2].

2.3. South Korea's market: The Powerhouse of Esports and PC Online

As a globally significant gaming market, South Korea, though smaller in overall scale compared to China and Japan, stands out for its remarkable per capita spending capacity and substantial industry influence. The country excels in PC online gaming, particularly demonstrating significant advantages in the MMORPG (Massively Multiplayer Online Role-Playing Game) genre, with iconic titles such as "Lineage" and "Black Desert." Furthermore, South Korea serves as the epicenter and industry leader of global esports, boasting a well-established professional league system and extensive public participation. The market's sustained growth is propelled by the synergy of high-speed network infrastructure and a pervasive national esports culture [3].

3. Comparison of Core Segments

3.1. Mobile Games

3.1.1 China: An Absolutely Dominant Market Structure

China's mobile gaming market holds an absolutely dominant position globally, consistently leading in revenue scale. Its business model primarily revolves around Freemium (F2P) combined with in-app purchases, forming a mature and profitable ecosystem. The gaming landscape is rich and diverse, encompassing various genres such as MMORPGs, SLGs, casual games, and otaku-themed titles. Chinese developers exhibit significant advantages in user operation and precision marketing, continuously enhancing user retention and pay conversion rates through big data analysis and refined marketing strategies. According to the "2023 China Game Industry Report," the actual sales revenue of the mobile gaming market accounted for 74.8% of the total revenue in China's game market [1].

3.1.2 Japan: A Premium Market with High User Payment Willingness

Japan's mobile gaming market is renowned for its exceptionally high user payment capacity, with the average revenue per user (ARPU) ranking among the top globally. The market predominantly features RPGs and otaku-style card collection games, emphasizing character development, narrative storytelling, and artistic presentation. This content-driven approach results in significantly higher user loyalty and payment willingness compared to other regions. Japanese players are more inclined to pay for emotional resonance and IP value, forming a unique gaming ecosystem. According to Famitsu's "2023 Japanese Game Market White Paper," RPGs accounted for over 60% of the revenue in Japan's mobile gaming market [2].

3.1.3 South Korea: Continuation of Traditional MMORPG Advantages

Mobile gaming holds a significant position in South Korea's game market, characterized by the successful transplantation of classic PC-based MMORPGs to mobile platforms. South Korean developers leverage their extensive experience in online game operation to sustain game vitality through long-term operation and version updates. However, in recent years, the domestic market has faced intense competition from global products such as China's "Genshin Impact" and "Honkai: Star

Rail," as well as major titles like "Diablo Immortal" from the United States, leading to a decline in the market share of domestic products. According to KOCCA's "2023 South Korean Game Industry White Paper," imported mobile games have accounted for over 45% of the revenue in South Korea's gaming market [3].

3.2. Console/PC Single-Player Games

3.2.1 China: The Transformation from Obscurity to Emergence

Affected by the console game ban implemented between 2000 and 2015, China's console gaming market experienced a significant hiatus, leading to stagnated industry development. In recent years, with the relaxation of policies and improvements in the market environment, China's console/standalone gaming industry has begun to show signs of vitality. A series of outstanding independent games and buy-to-play standalone games have been released, among which the global anticipation for "Black Myth: Wukong" marks a breakthrough in China's capability to develop AAA-grade games. However, according to Gamma Data statistics, console game revenue only accounts for 2.1% of the total scale of China's gaming market, indicating that it is still in its early stages of development [1].

3.2.2 Japan: Global Leadership and Maximization of IP Value

Japan stands as the absolute leader in the global console gaming market, boasting console hardware manufacturers such as Sony and Nintendo, as well as top-tier game developers like Capcom and Bandai Namco. These companies have created numerous globally influential blockbuster IPs, including "Pokémon," "The Legend of Zelda," "Final Fantasy," and "Monster Hunter," forming a complete industrial chain and ecosystem. Japanese console games not only dominate the domestic market but also exhibit strong competitiveness in the global market. According to Famitsu data, the Japanese console gaming market reached a scale of \$3.85 billion in 2023, ranking third globally [2].

3.2.3 South Korea: A Peripheral Position Dominated by Online Gaming

Due to the long-standing focus on online gaming, South Korea's console/standalone game development culture and market foundation are relatively weak. Console games account for less than 5% of the South Korean gaming market, with a relatively niche player base. However, in recent years, breakthrough works have emerged, such as the Souls-like action game "Lies of P," developed by NEOWIZ, which has achieved notable success both commercially and critically, offering new possibilities for the development of standalone games in South Korea. According to a KOCCA report, the South Korean console gaming market is growing at an average annual rate of 15%, demonstrating strong development potential[3].

3.3. PC Online Games & Esports

3.3.1 China: Evolution from Agency Import to Independent Innovation

The development of PC online games in China has undergone a transition from agency import to independent innovation. Initially achieving success by licensing South Korean online games such as "Legend of Mir" and "Dungeon & Fighter," domestic developers subsequently embarked on independent research and development, introducing MMORPGs like "Jian Wang 3" and "Ni Shui Han," as well as MOBA games including "League of Legends" and "Honor of Kings." Building upon this foundation, China has established the world's largest esports industry ecosystem, encompassing a complete industrial chain that includes professional leagues, club operations, and event production. According to the "2023 China Esports Industry Report," the number of esports users in China has reached 480 million, with total industry revenue exceeding 150 billion yuan[1].

3.3.2 South Korea: The Birthplace and Global Hub of Esports Culture

South Korea stands as the birthplace and global hub of the esports industry, boasting the most mature esports ecosystem. From "StarCraft" to "League of Legends" and "PlayerUnknown's Battlegrounds," South Korea has consistently remained at the forefront of esports development. Its

professional league system (e.g., LCK), club operation model, and player development mechanism have served as global benchmarks. Esports is recognized as an official sport in South Korea, enjoying widespread social influence and a solid fan base. According to KOCCA data, the scale of South Korea's esports industry reached \$1.23 billion in 2023, employing over 50,000 individuals [3].

3.3.3 Japan: Differentiated Development Influenced by Console Gaming Culture

Influenced by its strong console gaming culture, Japan has traditionally experienced relatively sluggish development in the PC esports sector. Nevertheless, Japan maintains a significant position in the fighting game genre, with events for the "Street Fighter" series holding global influence. In recent years, Japan has actively promoted esports projects on console and mobile platforms while exploring the integration of local IPs with esports. According to statistics from the Japan Esports Union (JESU), the Japanese esports market reached a scale of \$680 million in 2023, marking a year-on-year increase of 23% and demonstrating robust growth momentum [4].

4. Industrial Ecosystem and Business Models

The video game sectors in China, Japan, and South Korea had each developed distinctive industrial frameworks and business patterns which were molded by their one - of - a - kind market settings, cultural inclinations, and historical trajectories and while there was a remarkable trend of adopting free - to - play mechanisms, substantial distinctions still prevailed in the configurations of their value chains, distribution channels, and profit - making methods [5].

4.1. Developers and Publishers

In China's market, there was an obvious duopoly scenario in which Tencent and NetEase held sway yet simultaneously, a substantial number of small - to - middle - sized development studios formed a dynamic ecosystem; Tencent was a vertically integrated firm that fared well as a highly prolific game developer and moreover, reigned supreme as the leading publisher and distributor across the nation, its dominance was further fortified by leveraging its extensively utilized social networks, namely WeChat and QQ, for user acquisition and content dissemination; NetEase was distinct as it possessed robust in - house development capabilities and frequently created games that directly contended with Tencent's offerings [6]; at the same time, even though independent studios were filled with remarkable entrepreneurial ingenuity, numerous ones desired to obtain publishing contracts or investments from the major companies in the market which was essential for their survival and persistence in the cut - throat gaming industry.

In Japan, the entertainment scene is characterized by a robust structure made up of several famous, vertically - integrated multimedia behemoths that possess some of the globe's most precious intellectual properties such as Nintendo and Sony Interactive Entertainment (SIE), which simultaneously developed hardware and software, thus forging remarkable franchises that fortified their platform - centered environments, and there existed a network of significant third - party development and publishing firms like Square Enix, Sega, Capcom, and Bandai Namco, each having extensive experience and considerable ability in producing high - quality, narrative - driven content targeted at an international audience.

In the South Korean context, the technological landscape was characterized by the dominance of large, publicly - traded firms emphasizing research and development such as Nexon, NC Soft, Pearl Abyss, and Krafton, and rather than owning hardware platforms, these enterprises excelled in their proficiency in particular aspects within certain online game types especially MMORPGs and more lately tactical arena games like Krafton's PlayerUnknown's Battlegrounds (PUBG), and their business plan depended on the overall long - term development, administration, and live - service running of a few crucial games and they frequently distributed them internationally through self - publishing [7].

4.2. Distribution Channels

In China, the online dissemination of digital items is marked by a high level of platform segmentation and the diffusion of content via mobile devices is largely regulated by official app stores such as the Apple App Store and prominent Android app markets like the Huawei App Gallery and the Xiaomi App Store among others; regarding PC gaming, Tencent's WeGame platform holds great significance while international competitors like Steam operate in a legally ambiguous state being accessible yet not officially endorsed and the distribution of console - centered games has long been restricted although it appears that there is a tendency towards improved accessibility at present [8].

In Japan, the persistence of physical retail in the home console gaming realm was quite notable despite the global trend of digitalization being widespread and locations such as Bic Camera and Yodobashi Camera being crucial sales channels; meanwhile, one could observe that digital marketplaces were becoming more favored, like the Nintendo eShop and PlayStation Store for consoles and Steam for computers and mobile games, and all distributions passed through the iOS and Google Play platforms [9,10].

In the context of South Korea's distribution network, one remarkable characteristic has been the persistent popularity of PC Bang culture (Internet cafes) which are not merely recreational spots but also hold great significance in promoting games, facilitating social interactions, and conducting product tests and games gaining popularity there frequently attain substantial success nationwide; regarding the dissemination of digital content, platforms such as Steam for computers and mobile app stores constitute the primary means of direct distribution whereas the console market, being a smaller segment, is served by both online stores and traditional retail outlets [3,10].

4.3. Predominant Business Models

The Free – to – Play (F2P) monetization model relying on in – app purchases (IAP) has turned into the predominant economic mode in both mobile and online PC gaming realms throughout all the investigated geopolitical regions and it lays stress on broadening the player base as much as possible and obtains most of its revenue from a tiny fraction of players who opt to purchase cosmetic enhancements, virtual characters, items accelerating progress, and randomized reward containers named loot boxes [1, 2, 3].

Distinct Disparities: The fundamental divergence resides in the reception of diverse revenue modes and the vigor with which In – App Purchases (IAP) were conducted; it had to be mentioned that the Japanese market still had a robust buy – to – play (B2P) model, particularly within the console gaming realm, and consumers there tended to purchase high – quality, elaborate gaming experiences straightaway, viewing them as finished products, while at the same time this preference was reinforced by high – quality, premium free – to – play (F2P) mobile games that frequently utilized well – known intellectual properties.

China and South Korea have turned into front – runners in formulating more assertive and intricately devised In – App Purchase (IAP) strategies and their Free – to – Play (F2P) frameworks are generally planned to boost long – term user engagement and multiple buys by incorporating complex components like battle passes, gacha mechanics, seasonal happenings, and ceaseless content refreshes and these approaches hinge on a data – centered design tenet, prioritizing key performance indicators such as Lifetime Value (LTV) and conversion rates so as to wring the maximum amount of money out of players [1,3].

5. Cultural Characteristics and Content Creation

China's digital content creation, particularly in gaming, has undergone a significant evolution. Initially drawing inspiration from Western fantasy frameworks, the industry has increasingly turned inward to leverage China's profound cultural heritage [11]. This shift has given rise to the "Guo Feng", China's digital content production, especially in the gaming sector, has experienced a substantial transformation; in the beginning, it drew on Western fantasy settings, but later more often looked

inward to utilize China's deep - seated cultural legacy, which led to the emergence of the "Guo Feng", or National - Style, trend resulting in the development of games firmly based on traditional Chinese artistic tenets, mythology, and history like Genshin Impact and Black Myth: Wukong that blend Chinese folklore, philosophical concepts, and architectural designs enhanced by contemporary production techniques and targeted at appealing to a global audience thus functioning not only as entertainments but also as potent means of cultural influence making international gamers acquainted with Chinese cultural narratives and contributing to the alteration of the worldwide perception of Chinese creative products [12].

Japan stands as a preeminent hub for content generation and its characteristic visual and narrative styles are strongly linked to the potent influence of its anime and manga heritage which highlights a specific artistic form concentrating on intricate character design and the construction of elaborate fictional realms and this one - of - a - kind two - dimensional visual format along with the renowned Kawaii culture symbolizes an aesthetic that individuals across the globe can identify with and Japan gave rise to the JRPG (Japanese Role - Playing Game) which is lauded for its sophisticated story structure, exploration of philosophical topics and the profound character development it offers and the nation's dedication to creating captivating and artistically distinct tales has rendered Japan a pacesetter in cultural trends with its content boasting an enthusiastic international fan following [12,13].

South Korea's creative industry distinguishes itself through a commitment to hyper-realistic visuals and technical spectacle. Korean games are often noted for their highly detailed and realistic character models, lavish costumes, and flashy, skill-driven combat. The artistic style tends to be less stylized than Japan's and more grounded in a kind of idealized realism, prioritizing graphical fidelity.[14] Narratively, Korean developers frequently explore hybrid genres, adeptly blending familiar Western fantasy tropes with Eastern sensibilities to create stories that have broad, cross-cultural appeal [14]. This technical prowess, combined with a savvy understanding of global market trends, has positioned South Korea's creative sector sets itself apart by dint of a dedication to hyper - realistic visuals and technological pageantry, so people often remark on how Korean games usually have exquisitely detailed and lifelike character designs, sumptuous outfits, and dazzling, skill - based combat scenes and there is a tendency for the artistic style to be less mannered when contrasted with that of Japan but rather more rooted in an idealized form of realism with an emphasis placed on graphic accuracy, and narrative-wise, Korean creators frequently delve into blended genres, skillfully mixing well - known Western fantasy motifs with Eastern aesthetics to fashion tales that hold wide - ranging, cross - cultural allure, consequently this technical proficiency, along with a canny grasp of global market tendencies, has established South Korea as a principal exporter of refined and visually breathtaking stuff and it was doing extremely well in the realm of hyper - realistic visuals and cutting - edge technical production and had been growing in prominence due to its meticulous character creation, elaborate costume work, and combat sequences stressing skills within the gaming domain and there was a visual style that bore a great resemblance to an idealized type of realism which rendered it more tangible in comparison to Japan's and its game producers were celebrated for their ability to blend Western fantasy components with Eastern culture effectively and craft stories that resonated across diverse cultures, thus this combination of technical brilliance and astute market trend analysis had made South Korea a leading source of high - quality, visually enthralling digital content throughout the world [8].

6. Conclusion

The comparative analysis of the gaming industries in China, Japan, and South Korea reveals three distinct yet interconnected developmental models, each shaped by unique historical, cultural, and market conditions. China's market is characterized by immense scale, mobile dominance, and a duopolistic structure led by Tencent and NetEase, supported by sophisticated digital distribution and aggressive monetization strategies. Japan remains a global leader in narrative depth, artistic

innovation, and console-based ecosystems, built on world-renowned IPs and a deeply ingrained culture of quality content creation. South Korea excels in online PC games, esports, and technical artistry, combining hyper-realistic visuals with hybrid genre narratives that appeal to global audiences.

While all three markets have embraced free-to-play models, their approaches to content creation, distribution, and user engagement reflect deeper cultural and industrial philosophies. China and Korea prioritize data-driven, long-term user monetization, whereas Japan maintains a strong buy-to-play segment emphasizing premium experiences. Furthermore, each country's content reflects its cultural identity: China's "Guo Feng" movement reclaims traditional motifs, Japan's anime-inspired aesthetics sustain global fandom, and Korea's hybrid narratives blend Eastern and Western themes.

These industries not only compete but also influence and learn from one another, contributing to a dynamic regional ecosystem. Future developments will likely involve increased cross-border collaboration, technological integration, and policy adaptation. Understanding these markets offers valuable insights into the future of digital entertainment, cultural soft power, and the evolving global gaming landscape.

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