

# Angry Birds: lead your feathery team into battle now!

## Rovio's internationalization to Japan

### Teaching case

Miikka J. Lehtonen  
Postdoctoral Researcher  
Graduate School of International Corporate Strategy  
Hitotsubashi University  
Tokyo, Japan

Fernando Pinto Santos  
Doctoral Candidate

Irina Mihailova  
Postdoctoral Researcher

International Business  
Aalto University School of Business  
Helsinki, Finland

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*After countless days of office hunting and nights staying in hotels, Antti Sonninen, Rovio's newly appointed Country Director for Japan, was tired but happy: he had just signed a contract for an office space in Shibuya, one of Tokyo's trendiest districts. Many things were occupying Antti's mind; how could he attract the best talents to work for Rovio, what kind of local partnerships should Rovio look for, what actions should be prioritized? While caressing the fluffy Angry bird toy in his arms, he was certain about one thing: succeeding in the Japanese territory, but it would require the right strategic moves and decisions..."*

### **Introduction – you never know when you will hit the jackpot**

Rovio Entertainment was established in 2003 by three students from the Helsinki University of Technology (as of 2010 part of the Aalto University) based on their success in a game development competition. The mobile game market was still rather nascent in early 2000s and Rovio's games were far from being commercial successes. On the verge of bankruptcy and after developing 52 games, Rovio produced the smash hit Angry Birds in 2009. Angry Birds soon became one of the most popular entertainment brands globally. Based on the game's commercial success, the company expanded their business to entertainment by covering also plush toys, soft drinks, clothing, and books, to name but a few examples. Thus, to broaden their territory from games, Rovio created an entertainment brand in reverse: Angry Birds started with the games, expanded to consumer products and is now evolving into a fully-fledged entertainment company. Most companies make a movie first, and then look at licensing that Intellectual Property for various consumer products and games.

In 2011, Rovio's managers claimed that Angry Birds was the fastest growing brand ever, much faster than Google, Facebook, YouTube and Skype<sup>1</sup>. As Angry Birds and other games in the series started to bring in revenue, Rovio aggressively increased its headcount and in 2014 employed over 800 persons in Finland and other countries. While digitally distributed mobile games do not require an extensive global office network, it is a must for an entertainment company in order to acquire market knowledge and establish critical partnerships with other global and local brands. In September 2014, Rovio had offices in Sweden, the United Kingdom, the United States of America, China, South Korea, India and

Japan. Many Western companies were struggling in the Japanese market but Rovio decided to open an office there anyway. Rovio recognized the importance of internationalizing its operations to the country and it was committed to having a strong presence, as was stated by Peter Vesterbacka (Rovio's CMO at the time): "in Japan we want to be more Japanese than Japan"<sup>2</sup>. While the mobile game industry battles are fought in international arenas and, to an important degree, through digital channels activities, physical presence in different countries is essential to building truly global brands and sustaining the growth of business. Achieving success in Japan's highly competitive market was not an easy task, and hence Rovio's current situation in Japan was open for both opportunities and challenges.

### **Rovio's historical evolution: from an underdog to a global entertainment brand**

Rovio Entertainment Limited was established in 2003 under the name Relude by three students from the Helsinki University of Technology (currently part of the Aalto University) based on the trio's success in the Assembly demo party's game development competition with their real-time multiplayer game King of the Cabbage World. The game was later on sold to Sumea (currently known as Sumea Studios, part of Digital Chocolate), and the trio moved on to develop other games. In the beginning, Relude mostly developed Java games as that was the standard during the early 2000s, and they also experimented with Nokia's N-Gage platform before switching to Apple's operating system. In 2005, Relude received initial investments from business angels and they changed their name to Rovio Mobile.

Before releasing their smash hit, Angry Birds, for iOS and later on for Android, Windows Phone, Nintendo 3DS, and numerous other platforms, the company had developed fifty two games either on their own or through subcontracting. The mobile game market was still nascent in the early 2000s and Rovio's games were far from being commercial successes. Around 2008, many game industry professionals and veterans in Finland were expecting Rovio to go bankrupt. However, Apple's iPhone and App Store were introduced in July 2008 and suddenly, the mobile game industry changed dramatically. Rovio's managers were able to envisage the growing opportunities for digitally distributed games and hence put all their efforts in developing and launching Angry Birds and various spin-offs.

Angry Birds was released already in December 2009, but it did not attract much interest during the first months it was in the App Store. In early 2010, Rovio partnered with a well-known UK-based publisher, Chillingo, and in February 2010, Angry Birds was showcased in the UK App Store's front page. From there on, Angry Birds went on to conquer numerous countries. After Rovio's initial success with Angry Birds, the brand had become so widespread and well recognized that the company decided to go solo with its other titles, and stopped working with Chillingo (that was acquired by the game industry giant Electronic Arts in October 2010) as their publishing partner. Even though this move was bold, it was understandable because Rovio had already acquired tremendous global visibility.

The success of Angry Birds was unforeseen by both industry experts and academics alike, and thus no one was able to come up with a rational explanation for why a company from such a remote nation as Finland could take a global marketplace by a storm. However, at least three issues contributed to making Angry Birds so successful: timing, publishing partner, and game mechanics. Timing in the sense that Apple's App Store was still lacking a smash hit in terms of games in the early 2010s; publishing partner because Chillingo had already established itself as a key player in the industry with the right connections, and game mechanics that made the game highly addictive. All of these aspects had an influence on Rovio's strategy and business model.

Building upon the success of the Angry Birds mobile game, Rovio quickly expanded its business activities. Only one year after the launching of the game, in December 2010, the first Angry Birds plush toys were available for purchase through the mobile application. The company started licensing its Angry Birds trademarks to an increasing number of different products that included candies, toys, t-shirts and other clothes, books, soft drinks, coffee, and even theme parks. so that in 2012, physical merchandise accounted for 45% of Rovio's revenue. At the same time, revenue was growing rapidly, doubling to 152 million from 2011 to 2012. In 2013, it was estimated that more than 25,000 different products were being commercialized with the Angry Birds brand. At the same time, the company was also developing new versions of the Angry Birds game, and the Rovio universe soon included a total of eleven games with the Angry Birds characters (such as Angry Birds Rio, Angry

Birds Space, and Angry Birds Star Wars) and numerous other games published through their platform Rovio Stars.

Initially, the company started with one game and a matching business model (premium based for iOS and ad based for Android devices), but pretty soon it started experimenting with different business models and game genres. In fact, Rovio's success was not solely based on the staggering number of downloads for Angry Birds: the company's ability to attract highly talented individuals and to provide them with an inspiring corporate culture ensured that Rovio was able to set their vision high and strike partnerships with such global brands as NASA, McDonald's and the National Geographic. Rovio rapidly became known in Japan and elsewhere as a global co-branding powerhouse. In September 2014, Rovio employed over 800 professionals with diverse background and from various countries in their headquarters in Espoo, Finland and in their offices all over the world.

### **Angry Birds – logic and legacy behind the smash hit**

In terms of the game itself, it was difficult to convincingly claim Angry Birds to be something novel or innovative. Apart from using cute and simple characters, the game itself came pretty close to a web browser game called Crush the Castle that was released some six months before Angry Birds. Crush the Castle, in turn, drew inspiration from Castle Clout, thus highlighting the way ideas and innovations spread within the game industry.

Angry Birds's game logic was simple and quickly learned: the player needed to get rid of all the pigs in each level by slinging birds at them. Pigs were destroyed if the birds landed on them or if the structures around them collapsed. Players started with the iconic red Angry Bird that had no special talents, but quickly gained access to additional birds with varying skills (such as explosion, splitting into three smaller birds, or boomerang effect). As said, levels were completed by destroying all the pigs, but replay was encouraged in an engaging and fun fashion with a star system. One star was granted by completing the level, while the highest grade – three stars – was achieved by scoring enough points.

The game was easy to learn, but difficult to master, which is perhaps why it was perceived as highly addictive. Some other factors that contributed to Angry Birds' addictive nature

included progress and fast paced dynamics. Moreover, the premium price for the game was relatively low (USD 0.99/EUR 0.89 in Apple's App Store) and the game had been updated various times with new levels and other content since its initial launch.

### **The global game industry in brief**

The value of the global mobile game industry was approximately 9 billion USD in 2012 and 13 billion USD in 2013. With games in consoles, online and PC included, the total value was 79 billion USD in 2012 and 93 billion USD in 2013. This latter amount is bigger than the worldwide value of music (51 billion USD) or movies (90 billion USD) in 2013. Thus, the game industry had already become bigger than more traditional entertainment businesses and presented a higher growth rate. The mobile game market, in particular, was expected to grow during the next few years as more and more people were adopting smart phones and tablet devices. Up until the early 2010s, the United States was still the largest market for mobile games (accounting for approximately 16% of the global market), but the situation soon changed as the importance of China, South Korea, and Japan continued to increase; in 2013, for example, their combined share of the global market was roughly 21%, and Japan overtook the US as the biggest market for Google Play. In terms of operating systems, Google's Android was dominating the global market as its share was close to 80%. Android was followed by Apple's iOS (13%) and Windows' Windows Phone (4%). It was expected that Android would continue to dominate the global scene because most manufacturers were producing Android phones, thus providing the consumers with smartphones in different price categories. This was especially important in emerging markets such as Brazil, Russia, India, and China (the so called BRIC countries) where consumers were looking for low-cost smartphones.

Zooming in on mobile games, game developers were mainly utilizing three business models: free-to-play (or F2P, downloading the game is free but within the game players can spend money on various items or faster progress, for example), advertisements, or one-time purchase (game is purchased prior to downloading it). In 2012, in-app purchases (both in F2P and one-time purchase games) accounted for 51% in terms of revenues, while one-time purchases were 44% and advertisements 5% of the global revenues.

The way in which people communicate, spend their leisure time, shop and work changed fundamentally with the proliferation of smartphones during the first decade of the 21<sup>st</sup> century. Mobile gaming was, at that time, a growing industry, and this was also related to the increasing use of smartphones and tablets. The number of these devices quickly outpaced the number of TV sets in global terms. Android continued to dominate the market although Apple's iOS was still seen as the primary platform for most game developers partly because of its app selection process was more strictly controlled and the development process for iOS was more streamlined than that of Android's. From a game developer's perspective, these implied that the development process for iOS was shorter (not having to develop multiple versions) and applications developed for iOS were also seen as more trustworthy. Nonetheless, from a game company's perspective, both Android and iOS were the major platforms for releasing games.

### **The Finnish game industry: from hobbyists to professionals**

The roots of the Finnish game industry can be traced back to the early 1990s when computer hobbyists started to form demo groups that were developing various demos to showcase their creative skills and thus compete against each other in areas such as creating the most stunning graphics or innovative game ideas. The first Finnish commercial games were created already during the 1980s, but it was only during the 1990s that interest towards computer software and especially games took off. One of the most successful and well-known demo groups was called Future Crew. It was formed during the early 1990s and consisted of members that later on went to establish game companies such as Remedy Entertainment and Recoil Games. Although the formation of the Finnish game scene was not solely because of Future Crew, their contribution to the scene was nonetheless remarkable as they were also crucial in founding one of the biggest demo parties globally, Assembly.

By the turn of the millennium, the Finnish game industry was becoming more established: some ten companies had been established and the industry was estimated to employ slightly below two hundred people, mainly in the capital region. While most companies developed games for PCs and consoles, the rising dot-com boom and mobile hype also made it attractive to develop games for mobile devices. Nokia's strong role in promoting WAP

(Wireless Application Protocol) technology also contributed to Finnish game developers trying their wings with mobile games. Later on, this trend became stronger as Nokia experimented with its N-Gage and N-Gage QD phones that were hybrids between game consoles and mobile phones. Although the N-Gage and its improved successor N-Gage QD were commercial disasters, they nonetheless contributed to the Finnish game industry in the sense that more and more companies started to develop mobile games.

Digital distribution of games had been reality well before iPhone, but it can be argued that with iPhone and Apple Store, mobile games became easily and widely accessible. From the consumer perspective, this meant that games became cheaper and more diverse, while from the industry perspective digital distribution permanently altered the value chain, giving a major share of the profits to the developers. Today, digital distributors take roughly 30% of the sales and the rest goes to the developer, whereas in the previous model developers usually received approximately 10% of the profits. The importance of App Store and other digital distributors for the Finnish game industry was not evident immediately. However, things changed dramatically in 2010 when Angry Birds was on everyone's lips. After Angry Birds, other Finnish game developers released games that also received global recognition: Clash of Clans and Hay Day (Supercell), Badland (Frogmind), Hill Climb Racing (Fingersoft), to name but a few examples. Thus, it did not take long for Finland to be recognized as one of the globally acknowledged game industry hot spots, and while most game companies developed games for mobile devices (smart phones and tablets) there were still numerous companies developing games for consoles, as well.

### **Rovio's internationalization: let them birds fly to all corners of the world**

After Angry Birds's unexpected success in 2009, Rovio started expanding actively both in terms of franchising and opening offices globally. While many game developers were focusing on maximizing in-game purchases in their games, Rovio opted for the merchandising road in an attempt to create well-recognized Intellectual Property. During the early years of Rovio's internationalization, the main focus seemed to be on acquiring partnerships with popular brands, which could be one of the main reasons why they decided to open offices abroad. Among game industry experts this decision was highly debated, given that most game companies did not expand from games to entertainment. However,



Rovio often proclaimed that they wanted to become the new Disney, and opening offices internationally was seen as one of the crucial steps in this attempt.

In 2014, Rovio had offices in Finland, Sweden, the United Kingdom, the United States of America, China, South Korea, and Japan. Only two of those locations, Finland and Sweden, were game studios. In 2013, Rovio formed a movie animation production team in Los Angeles. This team was set to work on the first Angry Birds feature film, to be globally premiered in July 2016. Since Rovio had rapidly expanded from games to entertainment, the decision to open offices across the globe had served two purposes: on the one hand, Rovio was able to acquire talented people also from outside Finland, and on the other hand, offices outside Finland provided the headquarters with market knowledge and served as touch points for brands and partners in host countries.

Rovio's first office outside its Finnish headquarters in Helsinki was in Shanghai, where the company employed local people and kept in close contact with Chinese customs and culture. Rovio released an international update to the game Angry Birds Seasons based on China's moon festival – a family celebration of the end of harvest. The game featured Chinese versions of the theme tune, characters and backgrounds. Peter Vesterbacka, one of Rovio's top managers, commented on this as follows: "The moon festival is little heard of outside China, so the first time many people heard about it was through our game. Not only are we bringing Angry Birds to China but we're bringing China to the world. We are one of the biggest exporters and promoters of Chinese culture on the planet"<sup>2</sup>. Japan, Korea, Indonesia, and the Philippines were all attractive markets for Rovio, but China was reported to account for more downloads. Moreover, China was the second biggest market for Angry Birds products behind the US, but it was growing far more quickly. While Rovio had not released any actual growth figures from China, the mobile game market there was expected to grow 93% to 2.9 billion USD in 2014, and the forecast for 2018 was 7.7 billion USD<sup>3</sup> according to Gamesbeat.

Although China was claimed to be Rovio's biggest Asian market during the early 2000s, the strategic importance of Japan had long been recognized by the company. In early 2010s, Japan was the world's third-largest economy in terms of nominal GDP, and the fifth-largest importer. Due to its dynamism, Japan was regarded as a priority market by Rovio. Peter

Vesterbacka illustrated the high degree of commitment of the company in its operations in Japan by stating: "we want to be more Japanese than Japan"<sup>2</sup>. Rovio acknowledged that there were cultural differences and challenges ahead in its operations in Japan. In the official presentation of Rovio in Japan, it was emphasized that the company wants, most of all, to provide quality entertainment. Also, Rovio revealed that it intended to develop key partnerships with local operators. In his presentation, Henri Holm, Rovio's Senior Vice President for Asia, highlighted that one of Angry Birds' greatest assets was the strong characters, since in Japanese culture brand characters were immensely popular. Henri expected very promising licensing and merchandizing opportunities in the country<sup>4</sup>. These reasons were seen to be at the core of internationalizing game companies. While it might seem counter-intuitive at first (digital games were sold globally by default so it seemed there were no incentives to set up offices in foreign countries), there were numerous reasons for why it paid off for game companies to establish presence outside their home country: localizing games, tapping into the local talent pool, finding sources of inspiration, and attracting new partners, to name but a few examples. With this in mind, Rovio decided to expand to Japan. However, despite the promising outlooks in Japan, the situation was not risk free as some other game companies such as Zynga had already pulled out of Japan.

### **Rovio in Japan**

The decision to open an office in Japan was to a large extent initiated by an employee of Rovio, the then Japan's Country Director Antti Sonninen. Prior to entering Rovio, Antti had been studying in Tokyo, Japan, as an exchange student. Being fluent in Japanese, he quickly understood the importance of Japan as a target market for Rovio. He met up with Rovio's management team and they were quickly impressed by his drive and knowledge of Japan, which is why Antti soon afterwards joined Rovio.

First, Antti was positioned in Rovio's headquarters in Espoo, where he was in close contact with the top management. This enabled him to quickly present and pursue his ideas regarding Rovio's expansion to Japan. Antti spent a considerable amount of time during 2011 and 2012 on conducting market research on Japan and visiting the country numerous times in order to meet potential partners and to get a better feeling of what it would take to do business in Japan. What really struck him was the amount of weak signals coming from

Japan indicating the country's pivotal position as a mobile game market in the future. Especially Average Revenue Per User (ARPU) was extremely high in Japan<sup>5</sup>, implying that Japanese consumers were willing to spend considerable amounts of money on mobile applications and games. This, together with the notion that licensing and character businesses were remarkable in Japan, convinced Antti that Rovio should seriously consider Japan as a market where they should have a strong presence.

Thus, after a pitch to the top management team, Antti was given a mandate to set up an office in Tokyo in early 2013. The decision to proceed with opening an office was based on an analysis of several relevant indicators. Not only did high ARPU, the high profitability of Japanese mobile games, and the large, thriving licensing market paint a picture of Japan as a potentially lucrative market for Rovio, but also, other indicators showed that the entertainment business was huge in Japan: smartphone penetration was high, and people were spending a lot of money on mobile games. Consumers in Japan had an insatiable craving for various forms of entertainment, and they were ready to spend money to satisfy their needs.

Although Antti had a vast knowledge of Japan and the Japanese business environment because of his prior experiences, he had not established a company in Japan before, which is why he had to learn most things through practice. For successful development of business it is important to set up a subsidiary in Japan, as without a permanent local presence (K.K., or kabushiki kaisha, company in Japanese), Japanese partners and consumers do not trust that the company is seriously entering the Japanese market. Furthermore, as Antti explained, Japan requires nearly full localization both in terms of products and conducting business since a vast majority of Japanese is unable to conduct business in English. With this in mind, Antti started looking into the practicalities of setting up a company in Japan and searching for an office space in Tokyo.

During the first quarter of 2013, Antti made several trips to Tokyo to search for a suitable location for Rovio's base of operations, and to meet with potential partners and customers. With the top management's support and a little help from fellow country mates living in Tokyo, Antti signed a rental agreement for a cozy office located between Ebisu and Shibuya, two of the trendiest areas in Tokyo. Reasons behind the location were twofold:

first, physical location has an impact on how the company is perceived amongst customers and partners, and second, as most of the IT and mobile companies have their bureaus around Ebisu and Shibuya, Rovio's office was thereby conveniently located close to other similar companies. And thus, in May 2013, Rovio K.K. had officially started its operations in Tokyo.

The Japanese markets for games and entertainment in general were extremely competitive, and Antti faced new challenges every day. Obviously, cultural differences between Japan and Finland and the business particularities of Japan increased the difficulties of running business operations in the country. Naturally, the fact that the Angry Birds games and physical products were being commercialized in Japan contributed to an overall awareness of the brand and strengthened its position as a global entertainment brand. However, the distribution channels in Japan were already mature and saturated with many other entertainment brands. Opening own stores was extremely expensive and therefore, partnerships had to be developed in order to take the Angry Birds products to the market.

## **6. A glimpse on the Japanese entertainment market**

Due to Japan's rich cultural history and a relatively long period of isolation from the rest of the world in the past, Japan has developed numerous unique forms of entertainment: manga cartoons, pachinko slot machines, karaoke, love industry, and so forth. All of these are deeply rooted in Japan's history, and quite curiously, there are no strict borders between different forms of entertainment. Music based on games, cartoon spin-offs from games, games based on cartoons, clothing based on games...the list goes on and on. While this kind of entertainment assemblage can be found in the West, too, in Japan the integration is much deeper, which in turn affects most – if not all – companies and creative talent engaged with the entertainment industry. As an example of how the deep integration affects the entertainment industry in Japan, Aoyama and Izushi<sup>6</sup> claimed in their study in 2003 that one of the reasons for the Japanese video game industry becoming so successful was that the methods used in the industry closely resemble those found in the manga and anime industries (e.g. same software, storyboarding, narrative-driven content creation, and rapid prototyping). This opportunity to be creative, combined with higher wages offered by the game companies, ensured that professionals flocked to Japanese game companies.

Regardless of the product or service in question, Japan has traditionally been seen as a challenging market mainly for two interrelated reasons. First, due to the specificities of the Japanese's business environment and its various regulations and standards that differ from their Western counterparts, foreign companies often find it challenging to find the right partners and mode of entry. In most cases, Japanese consumers and business partners expect the foreign company to have a permanent presence in Japan as this increases their trustworthiness and long-term commitment. Second, Japanese consumers are some of the most demanding on a global scale, demanding high quality products at an ever increasing pace. Especially in major cities (Tokyo, Osaka, Yokohama, Fukuoka), customers are extremely picky and expect to get their hands on the products they want immediately. While Japan is indeed a very unique and challenging market, rewards companies can potentially reap from there are often worth the risk.

In terms of mobile and video game spending, Japan was one of the leading countries globally in 2013. According to a survey conducted by the Japan Cabinet Office in 2013, smartphone penetration in Japan was almost 55%, but quite curiously there were over hundred million mobile gamers in a country of 128 million inhabitants. How was this possible? One major explanation was the fact that Japanese had been playing games on their phone browsers long before the first smartphones were introduced to the consumers. In fact, during early the 2010s, many games were still developed for phone browsers, which thus removed the problem of having to develop a unique version for each operating system. In terms of financial figures, Japan's mobile game revenue was \$5.4 billion in 2013, and average customer spending on a monthly basis was over \$50 (to give some perspective for this figure, spending in the US in the same year was \$26).

Japan presented game developers with an interesting setting: on the one hand, Japanese consumers were extremely demanding (e.g. full localization, high quality, trust, and so forth), and on the other hand, Japanese were among the top consumers when it came to mobile games. In summer 2014, the top ten grossing iPhone and iPad applications in Japan were all games, thus highlighting the market potential mobile and tablet games had there.

## 7. Rovio's challenges for the future

The marketplace of mobile games faces a situation of saturation. There are over 300,000 games in the App store, and the number is continuously growing<sup>7</sup>. Facing the competition solely, or mostly, with digital activities might limit the ability of companies like Rovio to continue promoting their products and brands in international markets. Is a physical presence in different key markets a solution – or part of the solution - to overcome the fierce competition from game developers and publishers all over the world? The answer seems to be yes, but how this should be done remains an open issue. Moreover, Rovio is not only competing with game companies, but also with powerful entertainment brands. Certainly maintaining the high level of Angry Birds brand awareness is essential to continue building a relevant brand and strengthening the attractiveness of Rovio's products in global markets. In the particular case of the Japanese market, maintaining a high level of brand awareness is also one of the most imperative goals of the Rovio team in Tokyo. Angry Birds must continue to be a relevant brand to keep different retail spaces interested in promoting Rovio's products, and one of the main tasks of Rovio's Japanese office was the promotion of the brand among Japanese consumers to achieve this. However, it is not easy to find ways to keep the brand engaging. The Angry Birds game has had iterations that have obviously kept people playing in these last years, but at the same time, some experts alert that the brand has not yet become a true entertainment global franchise. Also, Rovio has not managed to launch a truly successful sequel to Angry Birds games and characters even though this has been their goal. As Rovio's Mikael Hed has stated: "It doesn't make sense [to produce a slate of different games] when you have a hit of any caliber...When you create brand equity, to do that again would be a difficult task rather than nurture and build around what you have"<sup>8</sup>.

One of the risks of continuing to be so dependent on a restricted set of games and entertainment characters – the Angry Birds and the Piggies – is oversaturation. Peter Vesterbacka stated that “Angry Birds is the first example of a brand that was created on the mobile side and is now going everywhere”<sup>9</sup>. The problem is that ‘everywhere’ might become problematic for a brand that accomplished success only four years ago and that bases much of its popularity on digital platforms. As Rovio's senior VP of brand marketing

Ville Heijari recognized in 2013: “Oversaturation is definitely a concern. There are markets where [the brand] it’s really being exploited – Korea for instance, or Taiwan”<sup>10</sup>.

There’s a lot of attention from the media, investors, business experts and consumers on how Rovio is managing its business. This increases the pressure on the management team decisions and on the internationalization options being currently made. From 2012 to 2013, the profits of the company decreased more than 50% and the revenues only increased 2.5% (see exhibit C). The day after these financial results were made public, Business Insider published a very critical article:

“The App Store, and mobile gaming, changed. The most successful games are now free to download, and rely on in-game purchases. Candy Crush, for instance, generated \$1.5 billion last year. It's free to play, but if you want to speed up game play, you can pay for things in the game. In 2013, Supercell, makers of Clash of Clans, saw its revenue soar nearly nine-fold, with earnings of \$464 million on revenue of \$892 million.

Rovio attempted to master the freemium space with the launch of Angry Birds Go back in December, but it's currently only the 179th top grossing iPhone game. (...) This is a set back for Rovio, which had ambitions of becoming the next Disney. It wanted to use the Angry Birds franchise to launch itself into a number of different industries.

It seems like that's unlikely to happen”<sup>11</sup>.

On the same day this news was published, Pocket Gamer – a publication specialized in mobile games – released a similar piece with the title: “Pause or decline? Rovio sees 2013 profits drop 51% to \$37 million”<sup>12</sup>. In October 2014, Rovio again made it to the headlines as it announced it would lay off approximately 130 people in Finland in their effort to simplify their organization. These headlines are illustrative examples of how volatile and game and entertainment industries can be.

Running a global business operation like the one of Rovio - especially with the ambitions of Rovio - and being under the continuous scrutiny of the public is an immensely challenging task. To succeed in the competitive marketplace in the future,

however, Rovio can try to leverage some of its key strengths. One of the strengths of Rovio's business lies in the fact that its business spans both established areas of entertainment (publishing and toys, for example) as well as more innovative ones, like mobile gaming, where in fact it became the first big worldwide player in 2009. Also, Rovio has been mastering the integration of both digital and physical activities and has been setting brands and the relation to its customers at the center of its overall strategy in the entertainment industry.

But how should Rovio proceed with its strategy and internationalization overall? Furthermore, when it comes to Japan, how could Rovio ensure future success in the highly competitive and volatile industry, and to achieve its goal of becoming a global entertainment brand?



## Exhibits and Figures

### Exhibit A) Figures of the Finnish game industry

Due to the fact that the Finnish game industry was relatively small during the 1990s and early 2000s, no accurate statistics are available from those years. However, some of the key figures presented below show how the industry has developed from 2008 on.

Turnover – game development (Finland)	Year (million €)
2008	87
2009	87
2010	105
2011	165
2012	250
2013	900

Number of employees in the Finnish game industry	Year
2008	1147
2009	1020
2010	1079
2011	1264
2012	1800
2013	2200

Source: NEOGAMES 2014, 'The Game Industry of Finland' [online], available: [http://www.neogames.fi/wp-content/uploads/2013/05/GameIndustryFinland11\\_2013.pdf](http://www.neogames.fi/wp-content/uploads/2013/05/GameIndustryFinland11_2013.pdf) [6 July 2014].

### Exhibit B) Timeline with key moments of Rovio's history

Date	Event
2003	Rovio, named Relude at the time, is founded.
Dec. 2009	The Angry Birds game is launched in Apple's App Store, with the cost of 0.99 USD.
Feb. 2010	Angry Birds becomes the top-selling paid application in both the United States of America and the United Kingdom
Oct. 2010	The Android version of Angry Birds is launched
Dec. 2010	First Angry Birds plush toys become available for purchase through the application.
Mar. 2011	Rovio receives 42 million USD in venture capital funding.
Oct. 2011	Rovio opens the first office outside Finland: China (Shanghai).
Feb. 2012	Angry Birds Facebook version is launched.
May 2012	Downloads of Angry Birds games reach one billion.
Dec. 2012	Rovio reaches 263 million monthly active users.
May 2013	Rovio opens an office in Japan (Tokyo).
Oct. 2013	Rovio opens an office in India (Delhi).
Nov. 2013	Angry Birds games reach 2 billion downloads.
Apr. 2014	The Angry Birds Toons series reaches over 2 billion views

### Exhibit C) Rovio's evolution in figures

	2008	2009	2010	2011	2012	2013
No of launched games	1	1	1	3	7	13
No of employees	50	12	28	224	518	>800
Revenues – <i>in million euros</i>	No data available	No data available	5*	75.6	152.2	156
Net profit – <i>in million euros</i>	No data available	No data available	3*	35.4	55.5	26.9
% Physical products / overall sales	-	-	No data available	30%	45%	47%

Source: Rovio 2014. <http://www.rovio.com> [6 July 2014]

\* Data from July to December 2010

Figure 1) Rovio logo and some of the Angry Birds characters



Figure 2) A screenshot of the game Angry Birds

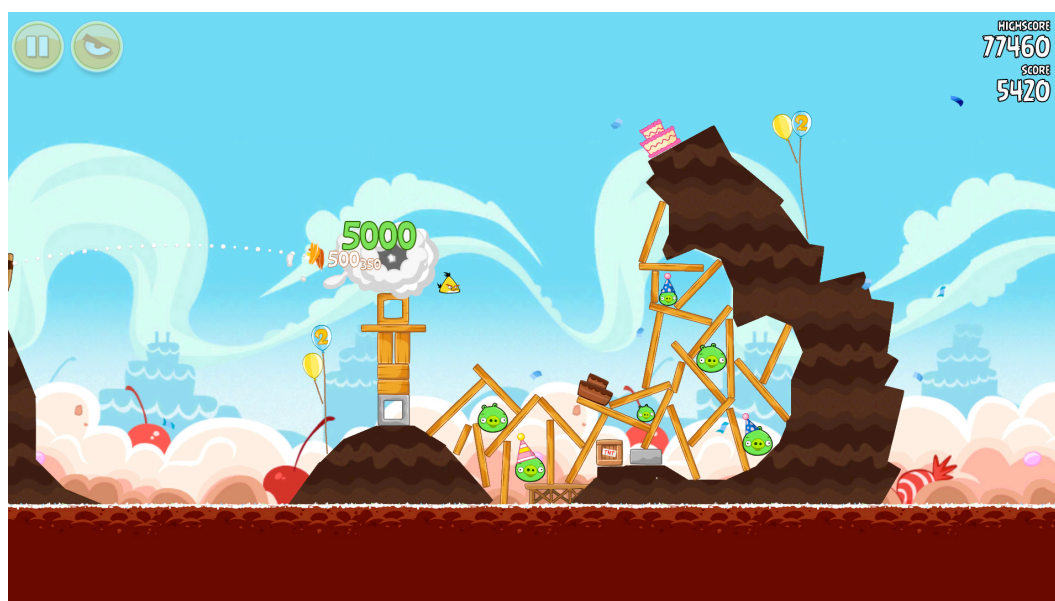




Figure 3) Angry Birds Seasons - level inspired on China's moon festival

Figure 4) Angry Birds soft drink



**Figure 5) Angry Birds park**



**Figure 6) Angry Birds books and plush toys**



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**Videos**

Andrew Stalbow from Rovio Entertainment describes the success of Angry Birds

April 2012 - 11:35 minutes

<http://www.youtube.com/watch?v=SIFoBwJSzOo>

Angry Birds Epic - Cinematic Trailer

June 2014 - 1:03 minutes

<http://www.youtube.com/watch?v=iyCB57dXNbw>

Success Stories: How Angry Birds Built a Global Brand

November 2010 - 5:42 minutes

<http://www.youtube.com/watch?v=DpLRQy5cNlc>