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PikPok:
Playing a long game in South America

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HIGHLIGHTS

- Significant opportunities in a youthful, internet-connected region
- Complementarities between local firms and PikPok's strengths
- Long-term investment in goodwill and developing relationships
- Positive and welcoming business environment in Colombia despite historical risks

THE COMPANY

PikPok is one of New Zealand's largest videogame developers and publishers. It stems from a gaming venture, Sidhe Interactive, co-founded by Mario Wynands, Tyrone McAuley and Stuart Middleton in 1997. For the first decade, the company focused on console games, with much of its activity as a 'work for hire studio', recalls PikPok Managing Director Mario Wynands. Sensing growth in the mobile and tablet market, they started developing and publishing very different sorts of games, so needed a different brand. PikPok was established as result in 2009 and the studio has now built a strong international presence with games that include Flick Kick Football, Bird Strike, zombie hit Into the Dead and Monsters Ate My Condo.

PikPok games are known for their 'high quality art, intuitive gameplay and rewarding in-game experiences.' The core team of staff from around the world is based in Wellington, where the PikPok office has grown rapidly. From 90 employees in 2016, PikPok now employs around 150. PikPok has developed and published over 35 mobile games, and worked with many partners, including Adult Swim/Turner Broadcasting, Dreamworks and Sony Pictures. The company's games have won or been nominated for several international awards, and PikPok was recognized as the Best Medium/Large Enterprise in the Wellington Export Awards in 2018.

PikPok is a 'born global' company that was international from the beginning. Wynands estimates that over 99% of the company's revenues come from overseas. It is a leading presence in New Zealand's rapidly growing games and interactive media industry, which earned over \$200 million dollars in 2019, more than twice 2017 revenues. The New Zealand Game Developers' Alliance forecasts total industry revenues to grow to a billion dollars by 2025.

PikPok's major markets by revenue are the United States, China, the United Kingdom, France and Germany. They also have very large player bases in places where revenue per

player is lower, but growth is rapid, including Russia, India, South America and Southeast Asia. Wynands notes they publish their games into 25 different languages: almost all of the major languages spoken across Europe, the Americas and most of Asia.

As the company has grown, it has developed active outsourcing relationships with a gaming company that operates in the Philippines and a company in the Ukraine. As well as outsourcing some tasks, they have entered into a co-development relationship with the Philippines studio, which licenses PikPok tools in order to develop its own content, which PikPok then publishes. PikPok also maintains many partnerships globally, mainly involving distribution and licensing agreements. Its most recent international partnership involves a studio in Colombia.

This case study focuses on PikPok's South American engagement: the challenges and dilemmas it has experienced, the reasons for its interest in the region and its involvement in Colombia in particular.

CHALLENGES

Sustaining global growth

Firms in New Zealand's game developer community typically face challenges of scale, depth and access to resources. Although the local supply of talent has improved, the industry's success 'has put pressure on the talent pool.' There is the constant need to add to the pipeline of games under development, respond rapidly to new opportunities and hone products that capture interest in diverse international markets. Given these constraints, international partnerships are an essential component of company growth in this quintessentially globalized industry.

PikPok has developed outsourcing partnerships in Asia and Europe, providing flexible access to larger talent pools with a

diversity of skills and resources. Getting to this stage was a function of the firm's success. As explained by Wynands, 'I guess we are always keeping an eye out for games that we might want to publish or companies we might want to partner with. We haven't really been at this scale until recently, in terms of being able to take advantage of outsourcing at the level we have right now.'

Developing new relationships to sustain global growth is an ongoing process, requiring an openness to new opportunities and continual scanning of the horizon. Identifying which regions and locations have potential is in itself a challenge. The company needs to consider which regions and countries are complementary to its existing strengths and capacities, in terms of population size and demographics, level of development in the gaming industry and firm-level synergies.

Logistics and legal environment

PikPok has developed several lines of engagement in Colombia, with connections to studios in Medellín and Bogotá. This presents some practical challenges in terms of travel, legal differences and venturing into the unknown as a medium-sized company. At the most basic level, there is the considerable travel time involved: for now, travel from PikPok's office in Wellington to its partner in Medellín involves four flights. Although New Zealand's relative distance to anywhere is part of the challenge, features of the Colombian business landscape also play a part. According to Wynands, 'Colombian companies have traditionally not attended all the same international events that we have, so a lot of the time to meet Colombian companies, you have to go to Colombia.'

The difference in terms of the legal environment and practicalities involved in doing business also present challenges and dilemmas for PikPok in developing its partnerships in the country. Because of Colombia's troubled past with the illegal drugs trade, the country has strict money laundering laws and regulations. This can complicate the ways international

bank transfers are made, requiring additional layers of procedure.

As PikPok has become more involved with its Colombian partnerships, it has also had to consider what form an enhanced level of engagement in the country should take, given the country's different legal environment and distance from New Zealand. One option would be to establish a wholly or partly-owned subsidiary, essentially starting a company from scratch in the new environment. An alternative would be to acquire a share in the corporate entity formed by its current partners. In weighing up the decision, PikPok needs to take into account the unfamiliar local legal environment and characteristics of local firms. While Wynands says that local firms have been very willing to share internal company information, including financials, they are often lacking in developed business plans: 'it's an issue for game companies starting up all over the world: they are worried about the thing that is immediately in front of them. They have no concept of what they should be planning for in two or three years' time.'

Regional risk profile

Latin America as a region is diverse and rapidly changing. Many countries have the reputation for being difficult places to do business, with nationalistic barriers, informal business practices and a lot of bureaucratic red-tape. In addition, financial, political and security risks are higher than in some other world regions, with several countries having experiences of conflict, high levels of crime, financial crises or popular protests. Wynands noted, for example, that Argentina had been on his radar during his first visits to South America from around 2015. At the time, Argentina's gaming industry was ahead of others in the region, but its economy faced severe turbulence.

Ensuring the physical safety of staff is also a consideration. Wynands points out that they will have to be sensitive to security risks if they start sending people back and forth between Colombia and New Zealand. New insurance needs may arise, potentially including kidnapping insurance.

Getting the nuances right

PikPok has found that working with partners from different language and cultural contexts has raised some challenges. English is fairly widely spoken in the gaming world in South America and the specific vocabulary needed for communicating technical requirements is not a problem. In contrast, getting the nuances right when it comes to giving creative direction has been more challenging. As Wynands puts it, 'all of a sudden you are talking about how something should feel and when you put that through somebody's secondary language, there might not quite be the same sentiments conveyed.' Different perceptions around gender roles, or attitudes to race and culture can also surface. Practical understanding of the cultural content of a game can matter too. One example Wynands gives from the industry is of a company that outsourced some of their baseball game to a country where the sport was little known. The developers ended up 'building stuff from a technical perspective and based on reference material, but it doesn't really work – you get the basics but the nuance is what is lost, which is crucial when you are trying to arrive at a very particular sort of experience, or have characters that exhibit particular personality profiles. Nuance is really important, otherwise you can end up with content which is flat or skewed in the wrong direction.'

STRATEGY

South America as part of a global strategy

PikPok has been visiting South America for more than five years, attending conferences and providing mentoring at industry workshops, mostly at the request of local industry and government groups. Wynands has been working to support groups of gaming companies in Medellín, Barranquilla, and Bogotá, at Colombian industry events. Since 2018, he has been undertaking due diligence on outsourcing opportunities with videogame

development companies in the region, including in Colombia, Brazil and Argentina, evaluating partners on their capabilities.

The decision to invest significant energy and time in South America stemmed from a range of considerations. Wynands describes himself as curious about different markets and enjoys being exposed to younger start-up studios where a youthful optimism and can-do attitude often exists. After more than 20 years in the industry: 'it is kind of inspiring for me to tap back into those reasons for why we began in the first place.'

Latin America's population of more than 640 million people – with over 450 million estimated internet users – represent a significant potential market and source of partnership opportunities. Engaging with the region also filled a gap, given PikPok's connections in other regions.

There are also strong complementarities for PikPok. South American gaming firms have been building their momentum and have the advantages of a large and youthful population base. In some ways, they are culturally closer to Western market expectations. It is, says Wynands, 'to some degree an easier cultural transition.'

Most of all, South American gaming studios have 'a real appetite to improve. There is a lot of raw talent. There's a desire to impact their economies for the better.' What they lack are some of the things PikPok is well-placed to help with: a bit more process and rigour, an established development and distribution infrastructure, industry knowledge and experience. 'We have the process and we think we can combine that with the raw talent, that enthusiasm, that drive. We can create something wonderful.'

Wynands sees potential in the longer-term opportunity offered by the region. They continue to weigh up the advantages of acquiring a studio, which could lead to broadening the activity already undertaken by that studio. That could mean not just pursuing development work, but starting to work on

things such as customer support and the creation of marketing material. 'Having people on the ground and working closely connected to regional markets means that we can potentially better localize our marketing and game activity to South America as a market. As well as leveraging the cost benefits of regional activity, once we have sort of broadened and solidified the process and the quality of the work done there, we will be in a position to scale up that operation.'

Colombian focus

PikPok has developed its regional activity furthest in Colombia, despite the logistics of travel involved. As well as numerous industry visits and engagement, it has developed outsourcing relationships with two studios in Medellín, and is evaluating and discussing company acquisitions and investment. The content of work undertaken to date has mostly been technical maintenance or component work for PikPok, which they are now looking to expand into more art content contributions and 3D animated content.

The attraction factors have ended up more important than the difficulties. One attribute is the quality and attitudes of people. 'In Colombia, in particular, young people are very aware of their country's history of corruption and drug trafficking.' They actively want to pursue change and change perceptions. 'They want to improve the lives of people in their country.' The absence of large studios in the country is not a problem, as the industry is one in which scale varies enormously. At one end, teams of over 500 work on a single game for years, but at the other end of the scale, 'it is the sort of industry where a single individual working in their bedroom can actually make something which is impactful on a global scale.'

Colombia as a country has proven a relatively easy and welcoming place to do business. Language has not been much of a barrier, reports Wynands. 'All of the CEOs of Colombian game companies speak English and I would say probably about a third to half of the

industry speaks English as well. The games industry skews younger and if you are in that field you have probably played a lot of games and you have probably played a lot of them in English.'

Although mindful of the risks, Wynands see Colombia as one of the more stable economies in the region. He is hopeful that the relative stability will persist and feels that the economy is in a good place. The cost differential is enough to cover potential curve balls they may face.

Wynands is also pragmatic, recognizing that there is a risk of the unexpected, including violent crime, anywhere in the world. He has taken advice from local consultants and partners, as well as the New Zealand Trade and Enterprise (NZTE) office. For PikPok staff, it will be a matter of adjusting some habits, such as not flashing around an expensive mobile phone and maintaining situational awareness. In the end 'you need to be aware of security issues, and you need to inform staff. I have already raised this personally with staff. We wouldn't just send people with no say in the matter.'

Working with partners

Aware of the limitations facing PikPok as a foreign, distant business actor, the company has chosen to develop relationships slowly and play to the respective strengths of PikPok and its partners. As Wynands puts it, 'We were not going to go down the route of saying, wow, Colombia is a great market, let's open PikPok Colombia or PikPok Bogota. That path of opening a company from scratch is not one we wanted to go down.' Rather than founding a new venture in Colombia, it makes more sense for them to acquire a company 'that is already set up and rolling and has a team has some infrastructure, has all its tax records and so on.'

Despite the nationalism that many associate with South America, the regulatory environment has not been a barrier. PikPok worked with the Latin America Centre for Asia Pacific Excellence

to find out about the practical logistics around owning and operating a company in Colombia from New Zealand. In this way, they have been able to get an appreciation of what challenges are likely.

They will need an appreciation of local context and, in particular, recognize a need to hone up on local employment law to make sure they get all employee rights and requirements correct, given the very different legal context. While 'employment law is probably the thing that we need to really untangle the most', PikPok has found that the regulatory environment and attitudes to foreign business in Colombia have been positive. There are no legal barriers facing foreign companies when it comes to acquiring local gaming studios. 'I think the benefits are well recognized in terms of what that does to build capacity... The Colombian government has been quite welcoming.'

Playing a long game and paying it forward

PikPok has spent more than five years developing contacts, knowledge and goodwill in South America. Wynands sees it as good practice, and not just in South America. Wynands has, for example, participated in Google-facilitated workshops in Singapore and India. 'Doing a favour for Google' has a value in itself. Taking up opportunities in what is in some respects a small gaming community means that 'once you get to know a few people, and once there is a recognition of your appetite to travel or to help people, then the invitations start flowing. What is great about emerging markets like South America and Southeast Asia is that they have come relatively late into the gaming industry, but there is a huge appetite to learn and they know that they have a lot to learn.' Local players are thus keen to bring in people from other markets who are ahead of them in terms of presence and success. Although the industry is competitive, 'it is quite collegial. People want to help each other out. Because you are competing with so many people, it doesn't matter if you help this person here because realistically you are not

directly competing with them.'

Playing a long game in South America has enabled PikPok to acquire knowledge of the business environment and also generated goodwill. 'Personally and professionally, I like to see other companies succeed and if I can help nudge them in the right direction, then there is no reason for me not to do that.' In the process, he has built up personal relationships and knowledge. 'You see who has got the right stuff, who has got the right attitude, who has the potential to reach that next level.' Wynands is used to waiting for relationships to mature and then develop more practical cooperation. Citing the fifteen years between when he first met a business partner elsewhere and the eventual opportunity to work together, 'The trust was there. There was an awareness of what our respective strengths and weaknesses were and then we just understood intuitively where the opportunity was and what we were trying to do together.'

Local presence and capability-building

The commitment to developing local capability grounds PikPok's engagement in Colombia. An acquisition would mean 'investing more heavily in levelling up those individual studios, which would become part of the family. Even as an outsourcing partner, there is a degree to which we are helping them become better at what they do.' Going forward, Wynands believes that 'there is the expectation that we would be bettering people in that studio.' For example, staff exchanges in both directions of between a month and three months at a time. They have already brought the CEO of one of their regional partners to New Zealand to attend a gaming conference. Wynands also expects that PikPok would be offering 'free English lessons on one side and free Spanish lessons on the other side. It wouldn't matter whether people were interfacing with that team or not. Just giving people that opportunity and increasing their language proficiency on both sides helps in general to bring the teams closer together.'

PikPok sees potential for leveraging the culture-specific knowledge of people in Colombia. One of PikPok's major hits is a football game, Flick Kick Football, which fits well with a continent known for its football prowess and enthusiasm. One of their outsourcing projects is to take the football game and update it for the latest handsets. 'We are now licensing them the technology so that they can then take that game and, within the Colombian market, do something that is more specific to soccer in Colombia and how they play, what the atmosphere is like. Because our game kind of comes from a more sort of British football experience.'

Reflecting on PikPok's resources that have stood them in good stead in the region, Wynands considers that 'the story we have is a story that South American companies can relate to. We are a company that started from nothing – no venture capital – and then kind of hustled in and ground our way to a level of success. That is a path many companies in emerging markets have to take because the investment capital isn't there. They have to work out how to leverage money from friends and family. They have to work out how to get the deal at any cost.' PikPok is both relatable and aspirational for new start-ups in South America. 'It creates an immediate kinship because they know that we have fought to be here and we have earned it and that is what they want to do.'

RESOURCES

- Interview with Mario Wynands, Managing Director, PikPok, Wellington 25 February 2020.
- Adam Goodall, 'You're always rolling the dice': two award-winning developers talk game development in New Zealand', The Spinoff, 7 May 2018 <https://thespinoff.co.nz/games/07-05-2018/youre-always-rolling-the-dice-two-award-winning-developers-talk-game-development-in-new-zealand/>
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- Michelle Starr, 'Game Dev Stories: PikPok', CNET, 28 June 2012 <https://www.cnet.com/news/game-dev-stories-pikpok/>

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