

# CHAPTER 1

## PREFACE

### 1.1 Background – Video Game Industry

The video game industry is growing through substantial growth in innovation. The gaming industry is one of the fastest growing industries in the world. The gaming industry globally is growing by about 10% every year, in 2019 total revenue reached 152.1 billion USD and is expected to increase by about 10% every year (newzoo.com). According to data taken from Harianjogja.com, the gaming industry in Indonesia generated revenues of up to 190 million USD throughout 2013 with a growth rate of 35% compared to the previous year. By 2020, Indonesia's gamer population will spend \$1.1 billion on gaming, making it the largest gaming market in Southeast Asia. According to Newzoo.com, in the online population in selected major cities in Indonesia, 74% of men and 70% of women play mobile games, and 62% of men and 50% of women play console games. Also 94% of players spent their money on in-game items over the past year, while 71% of the online population watched video game content. Compared to 2013, revenue increased by up to 1000% in terms of online purchases.

In general, mobile gaming makes a huge contribution to the gaming industry. Last year, about 58% of the total gaming industry revenue came from the mobile gaming segment. Not only that, but the mobile gaming industry is also still growing. In 2020, the mobile gaming industry experienced 10% growth from 2019. Interestingly, mobile gamers in the West and East have different favorite

genres. Gamers in North America and Europe prefer to play casual games like Pokémon Go and Candy Crush Saga on mobile platforms. Meanwhile, Asian gamers prefer to play more competitive games, such as Free Fire. Just like the free-to-play gaming industry, the premium gaming industry is also up in 2020. Last year, the premium gaming industry was valued at \$24.5 billion, up 28% from a year earlier. With revenues of \$1.9 billion, Call of Duty: Modern Warfare became the premium game that had the biggest revenue last year. Meanwhile, FIFA 20 sits in second place with revenue of US \$ 1.08 billion and Grand Theft Auto in third with US \$ 911 million. Just like the free-to-play gaming industry, the premium gaming industry is also up in 2020. Last year, the gaming industry premium was \$24.5 billion, up 28% from a year earlier. With revenues of \$1.9 billion, Call of Duty: Modern Warfare became the premium game that had the biggest revenue last year. Meanwhile, FIFA 20 sits in second place with revenue of US \$ 1.08 billion and Grand Theft Auto in third with US \$ 911 million.

Online gaming is a new phenomenon in the era of internet information technology. This phenomenon occurs in many countries, crossing geographical boundaries, age and gender. Although it has been around for a long time and developed abroad, online games are still relatively new in Indonesia. In online games allow a player to be on a single server with many people (different locations and places) while playing it thus allowing players to meet and interact with other players throughout Indonesia, even around the world. Online games create a platform for city residents or members of online groups that allows game players to connect both online and in real life.

When viewed from Indonesia's gaming market share in 2017 which amounted to 61% of gamers who play games on PC and mobile phones, this shows that Indonesia has a very big opportunity in the gaming industry. But unfortunately, Indonesian game developers themselves have difficulty competing in the local market.

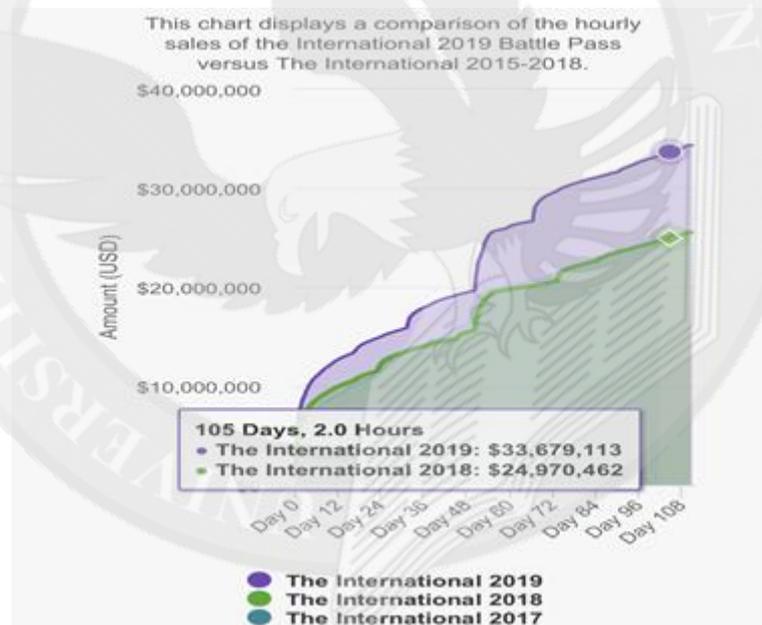
Thousands of online video games, billions of players, and tremendous revenue value around the world have changed the way people view the industry. The industry is widespread, which then offers video content, products, virtual reality, special events, and even cross-country tournaments. Even many people now consider becoming a professional gamer as their main job, for example JessNoLimit, who was originally a professional Mobile Legends player turned famous YouTuber who shares content around games, collaborates with other youtuber, and reviews different types of games. game. With more than 19.7 million Youtube subscribers, billions of viewers, and thousands of uploaded videos, it can generate revenues of around 267 million rupiah to 426 million rupiah.

This research will be conducted on the analysis of the gaming industry, particularly on the MOBA category of games. Analyze on dota 2 games developed by valve corporation brand. For this type of game that adopts the Battle-Royale concept, game developers have incorporated real-world construction features into the gameplay itself, where characters created in online games can be described as themselves in the real world. MOBA games adopt this built-in feature by incorporating real-life strategic actions that in-game characters

need to take, of course according to the different specifications and encrypted needs between characters. For example, DOTA 2 players must "farm" their characters to raise money to buy upgrades. Communication between players is also encouraged with voice chat and chat boxes available in the game. It supports the humanitarian features of constructive teamwork where combos and mutual support will be needed to achieve 'victory' in the game.

In addition to gameplay features, DOTA 2 offers season battle tickets and lucky chests to players, but skins and "emblems" to enhance characters are not programmed in DOTA 2.

**Figure 1.1 DOTA 2 The International Prize Pool**



Source: <https://dota2.prizetrac.kr/international2019>

According to [joindota.com](http://joindota.com), Valve has been criticized by the online community for not doing advertising marketing strategies for the game, on the

other hand rival developers such as riot games are almost everywhere in their marketing reach, whereas EpicGames continues to follow the trend in which games are being hyped. (joindota.com, 2020) According to Win.gg, for games like Overwatch and League of Legends, the company took full control and created a competitive arena and built it to their liking. For Dota 2, that's not the case. Although Valve, as a game developer, has complete control over The International tournament, the company offers no real support for the players, team organizers, and event organizers. That sometimes wreaks havoc on the pro-game scene, leaving it unstable chaos for the players and a loss-making venture for the organization and organizers of the tournament. Valve hosts international tournaments every year. (win.gg, 2020) The prize pool is determined by the crowdfunding system of in-game purchases such as battle tickets throughout the year, the total amount of the prize pool is 25% of their revenue. The table above shows a comparison of prize pools from 2018-2019. Prizepool increased by about \$9 million, or about 26%. Although prizepool earnings are increasing every year which means an increase in revenue as well, why does the gaming player population continue to decline? Does this problem arise due to omissions in marketing strategies that cannot attract more players to stay true to the game? Is there a social media marketing influence and word of mouth electronic news around the community that plays a role that influences the popularity of gaming? Issues around popularity will be discussed below.

**Figure 1.2 Average Monthly Player Statistics DOTA**

STEAMCHARTS *An ongoing analysis of Steam's concurrent players.*

Dota 2

Month	Avg. Players	Gain	% Gain	Peak Players
April 2021	413,765.0	+23,372.2	+5.99%	705,534
March 2021	390,412.8	-14,419.4	-3.56%	648,875
February 2021	404,832.1	-27,839.5	-6.43%	651,615
January 2021	432,671.7	+10,119.3	+2.39%	694,613
December 2020	422,552.3	-3,352.5	-0.79%	697,833
November 2020	425,904.8	+19,543.5	+4.81%	711,824
October 2020	406,361.4	-2,248.4	-0.55%	723,280
September 2020	408,609.8	-21,107.3	-4.91%	670,547
August 2020	429,717.1	-20,496.9	-4.55%	666,138
July 2020	450,214.0	-6,970.4	-1.52%	712,610
June 2020	457,184.4	-27,004.6	-5.95%	733,294
May 2020	484,189.0	-9,111.3	-1.85%	793,135
April 2020	493,300.3	+56,152.9	+12.85%	801,121

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December 2016	593,920.6	+9,669.3	+1.65%	1,014,671
November 2016	584,251.3	-55,103.6	-9.00%	1,007,270
October 2016	639,355.1	+16,771.2	+2.69%	1,141,191
September 2016	622,583.9	-43,429.7	-6.95%	1,064,377
August 2016	666,013.1	+27,800.4	+4.36%	1,117,519
July 2016	638,212.7	-2,014.3	-0.31%	1,084,196
June 2016	640,227.0	+16,428.3	+2.63%	1,095,994
May 2016	623,798.7	-33,145.7	-5.05%	1,075,307
April 2016	656,944.4	-15,610.5	-2.32%	1,164,041
March 2016	672,554.9	-16,623.1	-2.16%	1,291,328
February 2016	709,178.3	+97,003.5	+15.85%	1,248,394
January 2016	612,174.8	+38,830.5	+6.77%	1,067,949
December 2015	573,344.3	+33,907.9	+6.27%	999,452

source: Steamcharts.com DOTA2 Number of Steam Chart Players

The table above shows DOTA 2 statistical data on the number of active players in the span of one year from 2020 to 2021, it appears that unlike Mobile Legends, DOTA 2 game account players number in the hundreds of thousands. Analyzing the most updated Average Monthly Players, it was noted that DOTA 2 had 413,785 thousand active players as of April 2021. Looking at the one-year span statistics, it can be observed that DOTA 2 started with 493,300 thousand players in April. 2020 and has faced an overall decline within a year. Dota 2's

active player count pattern throughout the year is relatively unstable, where there is no consistent decline, somewhat the ups and downs of player counts between months can vary. Nevertheless, DOTA 2 specifically recorded an accumulated decline in the average monthly player overall in the past year.

Along with the development of technology, many things in human life have become computerized. One of them is a game which can then be played through consoles such as Sony PlayStation, Nintendo Wii, and Xbox and can also be played using a personal computer (PC) with all its advantages and disadvantages. In its development, many PC games use the internet to connect players in playing games. DOTA2 is a multiplayer online battle arena (MOBA), an online game that divides players into two teams to battle each other. Each team has 5 hero characters controlled by each player from both teams. Each hero has their own role, but the player also has their own role, the player must destroy the opponent's tower, kill the immortal called Roshan and other goals make DOTA2 a complex team-based game (Tahalea, 2020).

However, analyzing section 2 of the table at the beginning of 2016, the number of active monthly players reached 709,178 in February 2016, the peak of the number of Average Monthly Players that DOTA 2 has achieved throughout its history. Looking at the flow of the table from 2013 to 2021 today, it is seen that the population of DOTA 2 decreased to about 413,785 active players today, with a total peak player of about 709,178 players as of February 2016. DOTA 2 gradually lost a total accumulated 295,393 players monthly on average from its breaking point.

Analysis on DOTA 2 showed a marked decline in the popularity of games, even according to ActivePlayer – Game Statistics Authority (n.d) which mentioned that "DOTA 2 has lost to other MOBAs. Especially Mobile Mobas like Mobile Legends: Bang Bang, League of Legends: Wild Rift, Arena of Valor and many more." Compared to Mobile Legends: Bang Bang, there are many factors that affect the opposite of the growth facing both games; Mobile Legends: Bang Bang experienced the average monthly player skyrocketing drastically in the millions, while DOTA 2 players continued to decline. These possible factors will be further explained throughout this report with intensive research on correlations with social media marketing differences practiced by both brands, evaluated by hypotheses (activeplayer.io, 2021).

According to several gaming news sources available in Indonesia such as indoesports.com, indogamers.id, revivaltv.id, lotechbdg.com and many more. They publicized the decline in popularity in Dota 2 due to several major factors affecting the competitiveness and awareness of the game. Revivaltv.id made an analysis of this declining phenomenon that this decline may have been due to the cancellation of The International 2020 due to the covid-19 pandemic and the lack of a DOTA 2 marketing strategy that was inferior to the hyped new games available and launched from the beginning of the global pandemic. This phenomenon is a problem that can be faced by all types of brands other than gaming brands. Therefore, in this thesis an analysis of the downside factors through marketing strategies will be discussed and tested according to a population that understands social media and the video game industry.

Currently we are faced with a digital era where the dissemination of information can take place quickly where Indonesian people can interact with others directly without having to face each other face to face. Many media can be used as a means of interaction in accessing communication. Space and time are no longer barriers to communication, as the internet has become a practical tool to become a world-class publisher so that information can be accessed quickly from all corners of the world and has given rise to an explosion of information. Now is the era where information technology dominates in all fields. The Internet, a form of communication revolution, emerged in 1983, since the creation of world wide web (WWW) technology by Tim Bernes Lee that can browse from one computer to another. It allows all users to share various applications and content, as well as connect material spread across the internet. Since then the growth of internet users has skyrocketed.

All organizations both government and private that provide services are required to continuously make improvements, refinements, and even new strategies in dealing with the public.

According to [www.internetworldstats.com](http://www.internetworldstats.com), Asia accounts for 55.9% of the world's internet user population with 3,922,066,987 users. Indonesia in 2012 had a population of 248,645,008 people. Indonesia experienced a growth in internet usage from 2000 which was only 2 million people, until June 30, 2012, Indonesian internet users as many as 55 million people. Indonesia accounts for 5.1% of users in Asia. Indonesia ranks fourth behind China, India and Japan as the country in Asia with the most internet users.

Lately word of mouth undergoes changes that occur when face-to-face can now be done online without having to face to face. The spread of messages on the electronic word of mouth can be intentional or unintentional. Intentional means, electronic word of mouth is formed consciously and planned. Inadvertently, the meaning is that the spread of electronic word of mouth is random and unplanned so that EWOM appears just like that or alone. According to (Kusumo & Kompasiana.com, 2019) 25% of information comes from television and 21% comes from advertising on social media such as Facebook, Instagram or Twitter. Online reporting also contributes to creating an e-commerce company, while 24% get e-commerce information through word of mouth electronics.

The Internet also has an influence on the development and choice of marketing strategies including the marketing mix (Eid and Trueman, 2002: 54; Tjandra, 1996: 56 in Sutejo, 2006). This article seeks to bring the foundation of internet marketing as a new marketing paradigm. This paradigm shift affects business models for customer value creation, how to capture and maintain customer value on the web (4P analytics) and how to market over the internet. Marketing through internet media is very profitable for manufacturers, because service systems over the internet are very efficient, practical and can save time for marketing products and services. One form of marketing can be mediated through e-commerce. For most companies today, e-commerce is more than just buying and selling products online. E-commerce covers the entire process from development, marketing, sales, delivery, service, and customer payments, with the support of a worldwide network of business partners. E-commerce systems rely heavily on

internet resources and many other information technologies to support each of these processes.

## **1.2. Problem Statement and Research Question**

Based on that background, it can be said that the problem in this study is the gap between the online gaming industry and the decline of DOTA2. The level of marketing techniques used, the intensity of innovation, and engagement from developers to users can be a source of brand declining problems.

From the background of the above problems, the formulation of the research problem is.

1. Does social media marketing have a positive influence towards customer engagement in DOTA 2 on Indonesian social networks?
2. Does Electronic Word of Mouth have a positive influence towards customer engagement in DOTA2 on Indonesian consumer social networks?
3. Does social media marketing have a positive influence towards Brand loyalty in Dota2 on Indonesian consumer social networks?
4. Does Electronic Word Of Mouth have a positive influence towards Brand loyalty in Dota 2 on Indonesian consumer social networks?
5. Does customer engagement have a positive influence towards brand loyalty in Dota2 on Indonesian consumer social networks?

### **1.3. Purpose of Study**

The objectives of this study are as follows:

1. To test whether social media marketing has a positive influence towards customer engagement in Dota2 around Indonesian social networks.
2. To test whether the Electronic Word of Mouth has a positive influence towards customer engagement in Dota2 on the social networks of Indonesian consumers.
3. To test whether social media marketing has a positive influence towards Brand loyalty in Dota2 around Indonesian social networks.
4. To test whether Electronic Word Of Mouth has a positive influence towards Brand loyalty in Dota 2 around Indonesian social networks.
5. To test whether customer engagement has a positive influence towards brand loyalty in Dota 2 around Indonesian social networks.

### **1.4. Research Benefits**

#### **1.4.1. Theoretical Benefits**

The theoretical benefits of this research are:

1. Through this research is expected to provide more references, for further research to better understand the variables studied.
2. Making a theoretical contribution to the science in the field of management regarding the analysis of the influence of social media marketing, Electronic Word Of Mouth on customer engagement, its impact on customer brand loyalty for video games on Indonesian consumer social networks.

### **1.4.2 Practical Benefits**

As a consideration for those who are the object of research, namely online merchants who market their products through social media and e-commerce in increasing customer engagement has an impact on brand loyalty that will have an impact on good income in relation to the use of information technology developments that have been very helpful to the community in carrying out daily activities or activities. It can provide a foundation or research base in the field of information technology in general and more specifically in the world of marketing that uses the internet. For stakeholders, it is expected to be able to capture the opportunities that can be created from potential markets for video game customers throughout Indonesia.

### **1.5. Research Contributions**

1. In terms of the theoretical contributions, this research can examine the correlation of digital marketing and how it can be useful in understanding the effectiveness of customer engagement level and their reason for making in-game purchases, and the reasons on making such decisions.
2. There are two points that this research could contribute to the practical contributions.

The first one is from the customer perspective, this research could help gamers to understand better and make right decisions regarding microtransaction

purchases by understanding marketing technique and engagement level that affects their choices.

The second one is from the company perspective, this research could contribute as a guideline to observe how effective their promotions and marketing strategies are. Depending on how the customer would react, game developers could gain more insights on how to implement an effective strategy for microtransaction inside the game.

## **1.6. Systematic Outline**

This party's main function is acting as an outline, below are the outline and explanation of each part of this paper

### **Chapter 1: Introduction**

This section of the paper would discuss the research background to help the reader get acquainted with the research topic, the research problem, the research topic, the research objectives, and the scope and the limitations of the research.

### **Chapter 2: Literature Review**

This second chapter of the paper will be about the theoretical framework of the research paper, this part of the paper will outline the dependent and independent variables that are following previous studies that serves as the basis for this research paper. After that, there will be analysis on the connection between each variable, the end product of this section is the hypothesis and the research model.

### **Chapter 3: Research Method**

The third chapter of the paper will be about the research process and there will be analysis on the design of the research, the analytical method of the research, sources for the data and their types, population and sample, descriptive analysis, validity and reliability testing, operational definition, and pre-test and hypothesis testing method.

#### **Chapter 4: Findings and Analysis**

This section of the paper will be about the findings of the research and analyze them based on the methods that are explained in previous chapter, and the topics that would be discussed in this chapter would consist of: the profile of the respondent, descriptive statistics, validity test, reliability test, hypothesis testing, and lastly the result of the hypothesis testing.

#### **Chapter 5: Conclusion and Suggestions**

The last chapter of this research paper would talk about the conclusion of the research, the managerial implications, limitations, and suggestions regarding how the papers can be further improved and personal reflection.