

ANALYSIS OF TENCENT GAME'S MARKETING STRATEGY

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Abstract: This article takes online games as the main research subject and Tencent games as the research object to investigate and analyze their overseas distribution and operation strategies. Taking Tencent Games as a reference system, it summarizes the experience, problems and shortcomings of Chinese games going global. The purpose of this article is two-fold: First, to study the current situation of Tencent's game overseas communication, try to summarize effective overseas game distribution and operation strategies, and provide an overseas exploration path for the game industry. An important part of Chinese society, culture and entertainment. Second, we are committed to combining the operational strategy of overseas game distribution with cross-cultural communication, and trying to explore ways to tell Chinese stories and Chinese culture "going global" based on game communication.

Keywords: Game overseas Distribution and operation; Cross-cultural communication; Game industry

1 INTRODUCTION

The world's Internetization process has entered its second half, and digitalization is subtly affecting everyone. Game manufacturers build virtual worlds and give the virtual world a unique video game cultural core, thereby providing similar game players with a place for communication that transcends time and space barriers [1]. Chu Jinyong pointed out that with the growing momentum of the game industry going global, the game industry market has been regarded by China's game regulatory authorities as a viable channel for exporting products and cultural confidence, and as an international media carrying "Chinese culture". Story" serves cultural output.

Our country's game industry far surpasses cultural carriers such as movies and has become a leader in Chinese culture going global. Many domestic games based on Chinese culture are deeply loved by overseas players. With the development of the game market, China's food, beauty, historical allusions, customs and customs are also rapidly spreading to all parts of the world. For example, Tencent's popular game "Honor of Kings" fully demonstrates the long-standing Chinese civilization through many historical figures and characters with rich ancient charm; Food Language promotes delicacies from all over China to create a colorful "Gluttonous Feast"; NetEase launches "Huazhen. Thousands of Brilliant Painting Brushes" "Mountains" uses the "Thousand Miles of Rivers and Mountains" as the game scene to show famous Chinese paintings to the world.

This article attempts to clarify Tencent Games' effective strategies for exploring overseas markets and provide impetus for the overseas development of China's gaming industry. At the same time, we try to combine the operation strategy of overseas distribution of games with cross-cultural communication, and explore the way for Chinese culture to "go global" based on game communication.

2 CHOSEN PRODUCT LINE

Tencent has many best-selling games in the field of games, covering all kinds of game types and gameplay, such as League of Legends, PUBG, Honor of Kings, etc. In recent years, it has also continuously launched new games, which can help Tencent Games build its brand in overseas markets.



Figure 1 Tencent games in multiple categories
Data source: Founder Securities.

3 SWOT ANALYSIS OF TENCENT GAMES' OVERSEAS MARKET DEVELOPMENT

3.1 Strength

3.1.1 Huge scale of the Chinese market

As a local game company in China, Tencent Games can take advantage of the huge domestic market scale, number of users and game market experience, and use the expansion in overseas markets. That could help Tencent quickly build brand recognition and commercial scale in new markets [2].

During the earnings analyst call, James Michelle, Tencent's chief strategy officer, said: "Story - or content-driven games have been a weak area for us in the past, and in the past few months, our competitors have launched a lot of very good products, which in some ways marks a Renaissance in this category." We're working on some big narrative-driven, content-rich games that will have a lot of upside.

3.1.2 Rich game product line

Tencent has many best-selling games in the field of games, covering all kinds of game types and gameplay, such as League of Legends, PUBG, Honor of Kings, etc. In recent years, it has also continuously launched new games, which can help Tencent Games build its brand in overseas markets [3].

3.1.3 Actively layout overseas markets

Tencent Games has gradually expanded its influence in the overseas game market through investments and acquisitions. For example, Tencent Games has acquired well-known game companies such as Supercell, Epic Games and Riot Games, and invested in overseas game companies such as Activision Blizzard and Ubisoft.

On August 16, Tencent announced the second quarter and interim results of 2023. In the first half of 2023, Tencent achieved revenue of 299.2 billion yuan, an increase of 11% year-on-year, of which total revenue in the second quarter of 149.2 billion yuan, an increase of 11% compared with the second quarter of 2022. And while revenue growth, net profit in the first half of the year also increased 33% year-on-year to 37.5 billion yuan, net profit growth outpaced revenue for the fourth consecutive quarter. In the gaming business, Tencent's total revenue in the second quarter was 44.5 billion yuan, up 5% year on year. Among them, the game revenue in the local market was unchanged from the same period last year, at 31.8 billion yuan; International game revenue grew 19% year on year, and international market revenue has reached 40% of local market revenue [4]. It is worth mentioning that according to Google data, in 2022, the actual sales revenue of China's independently developed games overseas showed negative growth for the first time in nearly a decade, but this year, Tencent has achieved double-digit growth in the international game market for two consecutive quarters, which hides Tencent's game to sea.

3.2 Weakness

3.2.1 The engine is costly and difficult to develop

Engine is the core technology of online game operation, but also the key competitiveness of game enterprises in overseas markets, and is an important factor affecting players' game loyalty. For now, Chinese gaming companies, including Tencent, typically use commerce engines. UE engine is the most commonly used commercial engine for most enterprises to go abroad for large-scale game projects, but the licensing cost accounts for 5% of the total flow, which is too high [5]. However, the domestic self-developed engine is not yet mature, and the gap with the international top commercial engine is still very large.

In addition, one of the difficulties of developing games is that the knowledge, resources, and decision-making power are rarely in the same person. Taking pure research and development as an example, those who know how the game can be done do not necessarily have the decision-making power, those who have the decision-making power do not necessarily know how to do the game well, but those who have the decision-making power need to persuade those who have the resources to invest resources in the project - finally, there will be inconsistency between the goal and the actual situation, resulting in non-compliance with expectations. Even if the research and development problem is solved, a lot of problems in distribution, marketing, and operation need to be solved.

3.2.2 Product homogeneity and lack of original IP

Tencent's many game products in the overseas market homogenization phenomenon is more serious. That leaves Tencent facing strong competitors in overseas markets, such as Steam and Epic Games [6]. Tencent lacks independent intellectual property rights in overseas markets, such as independent innovation and game IP with certain brand influence, which makes it difficult for Tencent to gain a leading position in overseas markets.

3.2.3 Differentiation of operation style

There are great differences in cultural habits between the overseas market and the Chinese market, so Tencent may need to make improvements in operation and marketing, such as localization of game content and diversification of publicity channels, so as to find a balance between localization and globalization [7].

3.3 Opportunity

3.3.1 National policy support

In recent years, the Chinese government has adopted a number of policy support measures for the game industry and issued a series of rules and regulations, such as the Notice on Printing and Distributing Opinions on Promoting Innovative Development in the Field of Digital Culture and other documents to promote innovative development in the

field of digital culture [8]. Some city governments have created digital economy industrial demonstration zones to attract high-quality game enterprises to settle down and encourage their development through preferential policies, technological innovation and financial support. In addition, the government will further strengthen its support for listing and financing in the game industry and encourage excellent game enterprises to go to the capital market.

3.3.2 The scale of overseas market is huge

The overall size and development potential of overseas markets are huge, providing ample business opportunities. Tencent can use its advantages and name recognition in China's gaming market to gain more users and market share. As shown in the figure below, in recent years, the marketing revenue of China's self-developed games at home and abroad has maintained a growing trend.

Entering August, the game manufacturers began to disclose the second quarter results, of which Tencent took the lead in kicking off the earnings season. On August 16, Tencent announced its financial results for the second quarter this year. According to the financial report, the company achieved revenue of about 299.2 billion yuan in the first half of the year, an increase of 11%, and net profit reached 37.548 billion yuan, a growth rate of 33% [9].

In terms of the most watched game business segment, international market revenue was once again the largest increase: 19% year-on-year growth in the second quarter, even excluding the impact of exchange rate factors still 12% growth, and drove the overall revenue of the game business to 44.5 billion yuan.

Back to Q3 2019, Tencent disclosed its game revenue in overseas markets for the first time in its financial report that year, saying that its international market game revenue contributed more than 10%, about 3 billion yuan.

Today, four years later, Tencent's international game market revenue has increased to 12.7 billion yuan, equivalent to 40% of the local game market revenue, accounting for nearly 30% of the total game revenue.

It is not difficult to see that the international market has become an important part of Tencent's game revenue, and the growth rate of this part has maintained double digits for two consecutive quarters, proving that this is not a short-term performance.

3.3.3 Diversified market demand

There are huge cultural differences in the game market in different countries and regions, and there are also diverse user needs of different types, age groups, and genders in the same country or region. Tencent can develop and promote games according to different market characteristics and user needs [10].

3.4 Threat

3.4.1 International competitors

In overseas markets, Tencent games also faces threats from international competitors such as Nintendo of Japan and Activision Blizzard of the United States [11]. These companies have strong influence and brand recognition in overseas markets and cannot easily gain a leading position.

3.4.2 There are great risks in overseas policies and the copyright protection problem is still serious

The policy and legal environment in overseas markets is complex and unstable, including politics, economy, culture and other aspects, which may hinder Tencent games' development in overseas markets. The main form of online game infringement is still piracy, private service and plug-in, so copyright protection is still very severe. In less developed regions, pirated games are less expensive to produce, less risky to sell, and therefore more profitable [12]. This makes pirated games more prevalent in these regions. In South America and the Middle East, complex links between piracy vendors and copyright authorities lead to unauthorized business transactions and unfair competition, making copyright protection a difficult topic to talk about due to inadequate market regulation. Due to the different levels of development, history and culture between different countries or regions, the international copyright protection organization is not clear about the legal provisions of online game copyright protection, so that international copyright protection disputes often occur.

3.4.3 Emerging technology threats

With the development and popularization of new technologies, such as cloud gaming and 5G technology, these technologies will bring new user habits and game market potential, and may have an impact on the traditional game market. Therefore, Tencent needs to continuously improve its competitiveness from the perspective of technology and product research and development.

With the rapid development of the game industry, the problem of game black production is becoming increasingly serious. Many excellent game works, after gaining the recognition of the majority of players, were immediately targeted by the black industry. In the end, these excellent works went into decline [13]. On the contrary, the game black production, after the success of blood, is still constantly arming themselves. Driven by the interests, the game black industry has formed a complete industrial chain ecology, which has caused a huge security threat to the industry.

Only in the first half of this year, Tencent game security statistics to the mobile game plug-in sample number has reached 28,171, PC game plug-in sample number has reached 10137, and the flood of game plug-in also directly caused a large number of players loss. In addition to plug-ins, different dimensions of risk, such as piracy, DDoS attacks, gold mining studios, content risk control, reveal the current security threats facing the game industry. With the continuous development of black production, a single game enterprise has been difficult to resist black production.

4 SUGGESTIONS ON TENCENT GAMES MARKETING STRATEGY

4.1 Localization of Products and Looking for Partners

According to the market needs of different countries and regions, localize products, including translation, cultural adaptation, review, etc. For example, in populous countries such as Russia and Brazil, players have a single cultural identity, so the market agglomeration is high, which largely solves the difficulty of enterprise market recognition. As a result, game companies can more easily achieve established and scalable product output in these markets, while reducing the difficulty of game development and gaining more players.

Look for opportunities to cooperate with local companies or institutions in overseas markets to jointly promote their products. Cooperate with local counterparts to open up joint distribution channels to help games go overseas [14]. With the rise of new media platforms, players' attention is becoming more and more dispersed, and the promotion and distribution channels of game products have also developed from single to diversified. Therefore, opening up joint distribution channels can help games go overseas better. By understanding the resource allocation inside and outside the company, we can promote the popularity of local products in overseas markets through resource replacement and joint layout with domestic and foreign manufacturers, thereby promoting the overseas progress of the game.

4.2 Adhere to All-round and Multi-dimensional Thinking of Cultural Integration

Develop new products based on local characteristics and culture: Develop new products that meet the tastes and needs of local consumers based on the culture, history, customs, social methods and other factors of the country and region. Companies need to re-examine and define the concept of cultural integration in game development. In the process of cultural integration, it is necessary to deeply intervene and think about the ideology, social environment, living habits, etc. of the target market participants, and to consider and integrate from multiple aspects and dimensions [15]. Although the success of overseas games is affected by many factors, all-round and multi-dimensional cultural integration thinking plays an irreplaceable role in it. The seller's market thinking that relies on domestic "traffic + channels" should be abandoned. Game research and development should not only look at the market from the perspective of the game, but should look at the game more from the perspective of the market environment.

In recent years, the intervention of capital and the increasing expansion of the gaming circle have made the entire industry more and more deformed. Similarly, as the scale of the industry expands, the market gap will also expand accordingly, bringing more opportunities to developers. The large-scale expansion of capital has made the water in the entire market more turbid. At this time, those who need to break the game break themselves. The so-called self-breakthrough means breaking the traditional thinking inertia. It would be unwise to reject and hate all capital uniformly. The momentum of capital invasion is unstoppable. Only by coexisting with capital and the times can we create better results.

The famous Rockstar and Ubisoft are both capital-controlled game companies, but this does not affect the reputation of the games they develop. Business competitive behavior and game development are two independent concepts. Game destroyers should distinguish between the two and make a reasonable choice between the two. This is the key to breaking games in the new era.

4.3 Expand the User Base

Currently, Tencent Games is in its infancy and mainly needs to expand its user base to gain economies of scale. In addition, we will accelerate the iteration of products in mature markets and further explore emerging markets. Even in mature markets, players still want the freshness of games, so stand-alone games cannot occupy the market for a long time. In order to extend the sales cycle of Tencent games in overseas markets, it is necessary to give full play to the advantages of short product update iteration cycles and speed up the update and iteration speed of products in mature markets in terms of game stories, special effects, gameplay or expressions to improve user participation and game playability. sex.

To sum up, Tencent Games faces difficulties and challenges such as homogeneity and lack of original IP when developing overseas markets; however, the company also has the advantages of a large Chinese market and rich products. At the same time, the large scale of overseas markets, diversified market demands, and copyright cooperation opportunities provide opportunities [16]. Tencent Games needs to balance localization and globalization, continuously improve its technology and product research and development capabilities, formulate more targeted marketing strategies, and further improve overseas market layout and operation management.

To understand the current situation of the game market, we must understand that in addition to the innovation of the game industry itself, we must also find customers who love the game industry. Among them, game industry operators are most concerned about whether the cost is reasonable and whether the product can accurately serve players so that players can have fun and stay in the game for a long time. So how can we obtain a large number of precise customers?

In the Internet era, only big data marketing is more in line with the trend of change and development. Moreover, big data has a large amount of customer data information, including many industries, different industries, and different consumer groups. Big data customer acquisition plays a very critical role in the development trends and marketing promotion of different industries, companies, and enterprises.

5 DIGITALISATION

In order to gain a better market share in overseas markets, a certain level of infrastructure and technology is required, such as the handling of local languages, payment methods and data privacy. Strengthen brand building and publicity: in overseas markets, strengthen brand building and publicity can enhance the grade and awareness of products. Use social media, advertising, sponsored events, and more.

In recent years, smartphone penetration has been rising in East Asia and the Middle East, while Chinese smartphone makers such as Huawei and OPPO have been expanding in these regions. Tencent can deeply cooperate with these mobile hardware manufacturers to quickly introduce its game products to the target market through advertising and application recommendations[17].

6 CONCLUSION

This article starts from the significance, current situation and development trend of Tencent games going overseas, analyzes the challenges and opportunities that Tencent games encounter in overseas markets, and puts forward strategies and suggestions for coping with market competition and exploring overseas markets. Although we will encounter some difficulties and challenges in the process of exploring overseas markets, we believe that as the global digital era deepens, Tencent Games will achieve more brilliant results.

Tencent Games provides the following references for other domestic game companies:

1. Strengthen overseas market layout: With the advent of the global digital age, strengthening overseas market layout by establishing regional centers and offices overseas can provide a reference for Chinese game companies to expand overseas markets.
2. Product development based on localization needs: Different countries and regions have different regulations and review standards, and differences in language and cultural habits also need to be considered. Therefore, Chinese game companies should develop and adapt their products according to local needs and requirements.
3. Strengthen brand publicity and marketing: Competition in the international market is fierce, and Chinese game companies need to strengthen brand publicity and marketing, improve user experience and product quality, in order to attract more overseas players.

In short, Tencent's overseas game publishing strategy can provide reference for other Chinese game companies and help them gain better competitive opportunities in the international market.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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