

# *The Research of the Marketing Strategy of Paradox Interactive*

Leyuan Xiang<sup>1,a,\*</sup>

<sup>1</sup>Gezhi High School Shanghai, Shanghai, 201499, China

a. leyuanxiang@hotmail.com

\*corresponding author

**Abstract:** Paradox Interactive, a Swedish video game publisher primarily selling its games on the STEAM platform, specializes in grand strategy games and has been known for effectively applying customer empowerment in its approach. However, recent challenges in product innovation and market expansion have led to declines in revenue and profit. This research investigates Paradox Interactive's marketing strategies by examining its brand structure, conducting a SWOT analysis, and assessing the company's customer mix. Additionally, the paper will provide targeted recommendations to support the company's future growth. This study utilizes a combination of literature review and case analysis to offer insights into Paradox Interactive's current market position and strategic approach. To improve profitability and address the shortcomings in innovation, this paper suggests that Paradox Interactive should refocus on its core product lines and seek partnerships with similar video game companies. This cooperative approach may help offset recent challenges and foster sustainable growth.

**Keywords:** marketing strategy, grand strategy video game, SWOT analysis, 4P analysis.

## 1. Introduction

The computer game industry today is marked by international reach and intense competition, with many companies, including Paradox Interactive, entering the historical or creative grand strategy game segment to rapidly capture larger market shares. However, these efforts are often accompanied by the risks of over-extension and potential threats due to aggressive market expansion.

As big data integration with personalized marketing, particularly in-game purchasing, offers substantial opportunities, it is crucial for game companies to determine optimal strategies for these approaches [1]. Paradox Interactive, a significant player in the grand strategy genre, once experienced considerable success due to a well-crafted marketing approach. However, the 2022 Game Developer Index reports that due to challenges in creating innovative games and expanding into new market segments, Paradox Interactive has seen declines in revenue and profitability. As of January, the company's share of the Swedish gaming market capitalization fell from 37% to just 15% [2]. Jacqueline Burgess and Christian Martyn Jones have praised Paradox Interactive for its attention to historical detail and precision, which they noted was beneficial in a SWOT analysis of the company's strengths and weaknesses [3]. Moreover, Mikhail Nevill and Ludvig Sahlen's

research highlights the advantages of Paradox's competitors, who may serve as potential threats or substitutes in the market [4].

This study uses established marketing models, including SWOT and the 4P model, to analyze Paradox Interactive's marketing strategies and brand positioning, as well as to evaluate its customer segments and market orientation.

By exploring Paradox Interactive's operational and marketing strengths and weaknesses, this research provides insights that may be valuable to other gaming companies within the grand strategy segment.

## 2. Literature Review

The video game industry has grown rapidly in recent years, with intense global competition prompting companies to develop innovative approaches to marketing and customer engagement. Many game developers seek to capture larger market shares by catering to niche segments, such as the grand strategy genre in which Paradox Interactive has excelled. However, as the market evolves, even successful firms face challenges in sustaining growth and responding to emerging consumer expectations. Understanding the marketing strategies that can support long-term success in this competitive landscape is essential.

Henriksson highlights the importance of crafting effective marketing strategies that leverage new technologies, a key focus for this study using Paradox Interactive as a case example [1]. According to the 2022 Game Developer Index from DATASPELSBRANSCHEN, Paradox Interactive faces declining market share and various strategic challenges [5]. Information from the company's official website sheds light on its core principles and self-assessment of its current challenges, while Bertini and Wathieu discuss the advantages of the pricing structure that forms the basis of the company's pricing strategy [6].

Acar and Puntoni's work on client empowerment supports the study's analysis of Paradox Interactive's promotional approach, which relies heavily on customer involvement [7]. A research by Berger and Milkman on viral social transmission provides insights into how specific emotional triggers can boost online content sharing and help engage potential customers [8]. Additionally, Paradox Interactive's Interim Report (January to June, 2024) offers specific financial data used for a SWOT analysis to assess the company's fiscal health [5]. Finally, Nutt and Railton's examination of The Sims brand provides a comparison that helps identify why Paradox Interactive has struggled to break into new market segments [9].

## 3. 4P and SWOT analysis

Paradox Interactive is an international enterprise that has several studios in different countries for different games, so the brand structure of Paradox Interactive is a house of brands. As mentioned earlier, the segment of Paradox Interactive is grand strategy games. Since their core products, such as Hearts of Irons, Victoria, Europa Universalis are about history, it can lead to the conclusion that the main target customers are history amateurs and creative players. According to the official website of Paradox Interactive, their brand positioning is to create intellectually challenging games with long lifespans and great opportunities for immersion and community. The primary focus is on strategy and management games, however we occasionally invest strategically in other sectors that exhibit breakout potential [5].

### 3.1. Place

The place for Paradox Interactive selling their games is STEAM. STEAM is an international profit-oriented website that offers the service of distributing the video games. Besides this kind of service,

STEAM also has the creative workshop, which allows the users to sell or share their creations of games with the public. Paradox uses this function to promote customer empowerment. Another important issue is that players can choose any country's official currency to buy the game. That leads problems for the company to choose the pricing strategy because of the variety and the instability of the currencies.

### 3.2. Product

The company not only sells the game but also the DLCs and the modes, which add more alternative game plots or contents for the customers. In the market of the grand strategy games and those of history topics, Paradox Interactive's games are always praised as full of imagination for the plots and contents, along with the accurate historical background and details. However, Paradox Interactive sells their games on the international platform. The games should be translated into different language versions. This kind of work always relies on the players who come from different countries. While the players sometimes don't have the professional knowledge and quality about history and game code programming as well as the company's staff. As a result, the games like Europa Universalis' Chinese versions are always complained about for spelling or information mistakes by the players. This kind of problem enables the destruction of the positive image of accurate history information and background that is built by the company, along with threatening their brand equity.

### 3.3. Pricing

Since customers can pay for the games by any kind of legal currency on the STEAM platform, along with the customers coming from different countries, Paradox Interactive, like other companies that sell games on the STEAM platform, sets different prices for different regions. While the pricing strategy of Paradox Interactive has a strategy that they use the price structure to clarify their advantages. This technique is optimal for the singular dimension that most significantly distinguishes it from competitors [6]. As mentioned, the advantages of Paradox Interactive are the imaginary plots and contents and accurate historical information and background, so Paradox Interactive separates the sale of the games themselves and the DLCs or modes that contain the vivid supplementary contents. This strategy is beneficial for Paradox Interactive to enable the customers to notice the advantages of them.

### 3.4. Promotion

Paradox Interactive attaches great importance to promotion. They have the accounts on the important social media websites and the game forums. The accounts of Paradox Interactive on YouTube and X both have received more than thirty thousand followers. The company promotes their ideas to players through these channels. Players can also get information about the adjusting and the new releasing games, along with enhancing their attention to the company and their games. What's more, Paradox Interactive also uses the promotion strategy of customer empowerment, which allows the customers to conduct deep engagement for the product. The customers can use the creative workshops to create the modes or DLCs for games. By implementing both comprehensive and intensive strategies, firms may fulfill and capitalize on the needs of customers who desire profound engagement with brands, as well as those who prefer little commitment of time, effort, and resources [7]. Paradox Interactive also encourages players to make the creative modes for the games in order to diverse the contents of the games. Many people enjoy this kind of creation process. What's more, these kinds of modes even help the game be more attractive and more widely spread on the video websites because of their vivid and vagarious plot.

### 3.5. SWOT analysis

The marketing domain has a classic model known as SWOT. The most obvious strength of Paradox Interactive is its high market share. It occupies 37 percent of the Swedish video game market. The harmonious staff relationship is another strength for Paradox Interactive. One of the company formulas of Paradox Interactive is that it creates a collaborative environment for the people who make and sell our games. The organization prioritizes the formation of smaller autonomous teams, emphasizing significant individual contributions, and endeavors to cultivate an environment defined by trust, respect, and passion, ensuring optimal mental and physical well-being [1]. Besides this, the professional quality of the company's staff is also the advantage of Paradox Interactive. It is accuracy that the games show in the history background setting. For instance, players in Europa Universalis will impose challenges, such as exclusively conquering nations that were historically subjugated by the nation they are controlling [9].

However, there are many points of weakness in Paradox Interactive. The severest one is the poor profit and revenue, with the comparison of the terribly high cost. As shown in Figure 1, Paradox Interactive gained the fierce write-down in the fourth quarter of 2023 and the second quarter of 2024. This huge financial problem does cause the decline of the company's market share, which declined from 37 percent of the Swedish video game market to 15 percent. What the reason caused the financial problem of Paradox Interactive is the failed innovation of the game, Life by You. Life by You is a life simulation game made by Paradox Interactive. The firm intended to launch it in the third quarter of 2023; however, they ultimately failed to do so and canceled the game in the second quarter of 2024 due to its inability to meet expectations [10]. The inability to produce life simulation games highlights the company's deficiency in market expansion capabilities [5].



Figure 1: Paradox Interactive's official report Interim Report January to June 2024 [6]

Paradox Interactive runs their official accounts on international social media and video websites. This previous behavior gives the company an opportunity for viral marketing and a good social transmission. Emotions associated with activation or arousal (e.g. awe, anxiety, and rage) are positively correlated with virality, whereas emotions associated with deactivation (e.g., sadness) are

negatively correlated with virality [11]. If the company can spread these kinds of positive emotions to the customers through the way of posting online videos or posters in order to inspire their eagerness to buy and even share the company's games with others because of the positive emotions brought by the games, Paradox Interactive can improve their marketing virality of their games.

Although Paradox Interactive has many advantages in a certain segment of the video game market, there are also many competitors and potential substitutes in the market. For example, Sid Meier's Civilization VI, which is produced by Firaxis Games and published by 2K Games. With the comparison of Hearts of Irons, Victoria, Europa Universalis and other grand strategy games of Paradox Interactive, Sid Meier's Civilization VI has a less complex history background and knowledge, which makes the contents of the games easier for the ordinary players to understand. That helps Sid Meier's Civilization VI attract many players who don't have enough historical knowledge. The Civilization VI game in the series features a "Civilopedia" that provides informative entries on all aspects of the game. These not only offer descriptions of in-game effects but also convey knowledge regarding the historical context of each structure, wonder, unit, leader, technology, and more [4]. The grand strategy games of Paradox Interactive are excessively conservative and intricate in comparison to Civilization VI.

#### 4. Discussion

Undoubtedly, Paradox Interactive possesses certain advantages that other businesses lack in the realm of grand strategy games. The corporation lacks competition in other categories compared to its strength in grand strategy games. The Sims, developed by Maxis, is the foremost rival in the life simulation game market. They have dominated the realm of life simulation games. Furthermore, Paradox Interactive and the branding of their games consistently evoke an impression of a bygone era or a grandiose perspective. It clearly does not align with the target audience of life simulation games and, in fact, creates an unfavorable brand association for the customer. Consequently, The Sims has achieved sustained popularity and a significant market share in the life simulation game genre, whereas Paradox Interactive's Life by You ultimately faltered due to Paradox Interactive's branding being less compatible than that of Maxis. The Sims, apart from the factors of inexperience or unforeseen circumstances pertaining to the game itself.

Enhancing and inventing the core games should be the methods to address the financial issue. By incorporating traditional marketing placements on international social media platforms and video websites, Paradox Interactive may enhance its reputation and convey the perception that it is the premier choice for grand strategy games. In addition to employing the marketing mix to attract new customers, it is essential to enhance the loyalty of existing clients. Another approach that allows for dual benefits is the implementation of co-brand marketing. This is a plausible approach for assisting Paradox Interactive in recruiting new clients and enhancing the engagement of existing customers with their games. Furthermore, Paradox Interactive distributes their games via the STEAM platform, facilitating a convenient purchasing process for customers.

#### 5. Conclusion

This report analyzes Paradox Interactive's marketing methods, highlighting their advantages and limitations, while also providing solutions for addressing current weaknesses and threats. The objective of the research is to furnish a reference for video game firms within the same market category as Paradox Interactive. Based on the case analysis of the 4P marketing mix and SWOT model, Paradox Interactive holds a commanding position in the original market category of grand strategy games focused on historical themes. They possess a significant market share and the allegiance of their target clients. The company's financial state is precarious due to the lack of

competition in the life simulation games market extension. The lesson from Paradox Interactive cautions video game firms about the significant dangers associated with market expansion. Despite the company's robust capabilities and favorable circumstances in a certain area, this does not guarantee that it will maintain advantages in other segments or appeal to different target consumer groups. The discussion paragraph proposes that the video game company can leverage its original games to acquire additional customers by engaging in co-brand marketing with other companies that produce games with similar themes. This could serve as an alternative approach for market expansion.

Nonetheless, the research has specific deficiencies. As an independent researcher unaffiliated with any corporation, the study mostly concentrates on literature review and case analysis. Although there is a lack of empirical evidence to substantiate the proposed notion, future research is anticipated to investigate the viability of co-branding collaboration within the video game market and the grand strategy game sector.

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