

# ***Analysis of Marketing Mode and Current Situation of Major Chinese Game Manufacturers***

**Jiayi Zhang<sup>1,a,\*</sup>, Yuanzi Mao<sup>2</sup>, Zixuan Zhang<sup>3</sup>, Hecheng Li<sup>4</sup>**

<sup>1</sup>*Shanghai Weiyu Highschool, Shanghai, 200031, China*

<sup>2</sup>*Shanghai Ulink Highschool, Shanghai, China*

<sup>3</sup>*Beijing Royal School, Beijing, 102209, China*

<sup>4</sup>*Shenzhen Sendelta International Highschool, Shenzhen, 518108, China*

*a. bsong@shu.edu.cn*

*\*corresponding author*

**Abstract:** The mobile game industry is growing at a dramatic pace, and has been becoming more and more popular these years. Some of the successful mobile game products can have hundreds of millions of users. Because of the constantly changing environment of the mobile game industry, competition between mobile game manufacturers is incredibly fierce. The diversity of the newly developed advertising methods and new emerging channels build up the higher demands for the mobile game manufacturers. Under this complicated environment, effective marketing method and efficient managing strategy are crucial for the mobile game manufacturers. This article explains the concept of lean marketing and the background of the current situations of mobile game market and industry, and analyzes and compares the current major mobile game companies' marketing methods, productions and their results. This article analyzes the mobile game companies' actions in details and states their differences. This helps people to understand how the major mobile game manufacturers use lean marketing methods to clear user's needs, match the exact user groups and optimize their feedbacks.

**Keywords:** marketing mode, miHoYo, netease, game manufacture

## **1. Introduction**

Lean production comes out of practice. It was Japanese manufacturing industry who suggests this new kind of production mode which at the same time increases the overall efficiency of enterprises at around 70 years ago. In the past, the terms "lean enterprise" and "lean manufacturing" were defined with simple definitions. The word "lean" was the identification of all non-value-added activities that exist in business operations. As a result, in people's mind, the definition of "lean production" are easily understood as "eliminating waste", but in fact this is only part of the picture, and "eliminating waste" is not the purpose of lean production.

In theory, another part of the lean production process is the lean thinking. The total value of the final product and service of an enterprise is only defined by the final customer. Also, the value stream represents all the movement that creates value from raw material to final product. Lean thinking also needs the flow of movement activities to create value, and the entire stop, stagnation should be considered as waste for the enterprises. After that, giving customers a sense of motivation

is also important, and that the overall production efficiency can be increased, because the customers can pull it up. At last, the enterprises should pay attention to the overall rating from the customers. Correcting their own mistakes and try to provide good services so that the enterprise can keep improving, which this could be achieved lean management and lean marketing.

The core concept of the "lean marketing strategy" is to reduce waste that does not add value to the process and to direct marketing costs to the most effective and useful location feasible, in order to maximize the investment income ratio. Lean marketing promotes resource rationalization, or the concentration of important resources to target markets and large consumers.

There are some 4 mains in the characteristics of lean marketing. First, lean marketing emphasizes that all the activities within the enterprise should focus on the concept of time, and on creating value for the customers. The enterprise should always be "on time" in order to rapidly cope with the possible changes of the needs from the customers, and satisfy the customers' needs as much as possible, so it can cultivate the loyal customers to purchase the product repeatedly. Second, the enterprise should target a suitable and effective market. The enterprise should emphasize on the effectiveness of the targeted market, and pay their attention to the input-output ratio. The company should seek high-quality and long-term development, but not simply the pursuing the market share. They ought to pursue a long-term and high effective market so that they can improve the overall management efficiency within the company and own a long-term sustainable development. Third, employees ought to keep learning. The base of the development of the company is the development of the employees. As a result, improving the ability of the employees is the key to improve an enterprise. Therefore, the enterprise should respect and cultivate their employees, and emphasize their employees to work as a group. Last but not least, lean marketing also emphasizes the enterprise to allocate their resource efficiently and improve the flexibility of the organization and the business units.

## **2. Development Status of China's Mobile Game Market**

There is an extremely high demand for mobile gaming skill. Since Nokia released the first mobile game Snake in 1997, mobile games have penetrated our lives at an incredible rate. Simultaneously, the market scale of mobile games has increased due to their small and easy-to-use properties. According to analysis, the Chinese mobile gaming market would be worth 4.2 billion yuan in 2011. The rapid expansion of mobile gaming implies future talent need. According to Zhilian recruitment's talent statistics, the need for mobile game skills has expanded dramatically. However, several media outlets have claimed that the lack of mobile gaming talent has reached the level of "challenging to locate animation game production skills."

After China's mobile game market passed the 200-billion-yuan mark in 2020, affected by various factors such as the recession of the economic dividend of the house during the epidemic period and the suspension of the release of the game version number, the actual sales revenue of China's mobile game market in 2021 was 225.538 billion yuan, an increase of 15.862 billion yuan over the previous year, an increase of 7.57% over the previous year. China's self-developed mobile tourism continues to grow fast overseas, influenced by the national version number strategy and the policy of encouraging culture to travel to sea. In 2021, the real sales income of China's independently generated mobile games in the international market was US \$16.09 billion, a \$2.87 billion rise over the previous year and a 21.71% increase over the previous year.

## **3. Situation Analysis**

The main company this article are going to analyze is NetEase game and miHoYo. NetEase Games was founded in 2001 and currently operates more than 100 games, some examples of games

operated by NetEase is Onmyoji, Sky:Children of Light and Fantasy Westward Journey. Mihoyo was founded in 2014 and currently mainly operates 4 games, which is Genshin Impact, Honkai Impact 3, Tears of Themis, and Honkai College 2.

NetEase game and miHoYo are the second and third largest companies in the game industry, both with a sustainable growing operating income.

### 3.1. The Difference of Marketing Strategy Between NetEase and miHoYo

The operation strategies of the two game companies are strongly different. Mihoyo is a very typical company that uses a strategy of lean marketing. It only owns a few numbers of games, but each of them has almost the best quality in game industry. NetEase game, on the other hand, operates many games with varying quality. Some of them are as high-quality and popular as Onmyoji, while some are as unfamous as Meteor Butterfly and a Blade Mobile [1].

#### Development of Game Content

NetEase games and Mihoyo both have extremely high-cost investment for games. Almost every game has a beautiful artistic style, exquisite 3D modeling and high-qualified music. However, there are great differences between the two in the follow-up operation of the game.

Every game of NetEase games has a regressing game content. Take Omnyoji as an example. After Omnyoji was just launched in the app store and gained huge profits, there were problems such as the inflation of strength of game characters, the decline of art quality, and the decline of plot quality. As a Gacha game, these three problems are fatal. Some players recharge into the game to obtain more powerful characters. However, they will find in Omnyoji that the powerful characters they have drawn will become more and more useless over time, because the new characters will always be stronger than the old ones. In the long run, they will no longer be willing to recharge for Gacha. Some players will recharge to get the character that is good-looking or have an attractive background story. However, they will also find in Omnyoji that the new characters are neither having good looking nor a good story anymore. Therefore, those players would also be less willing to recharge in Omnyoji [2].

According to the data from QiMai Data, the ranking of Onmyoji in app store, represented by the green line, which is a comprehensive evaluation of its operating income and player's evaluation, is overall dropping. As shown in Figure 1.

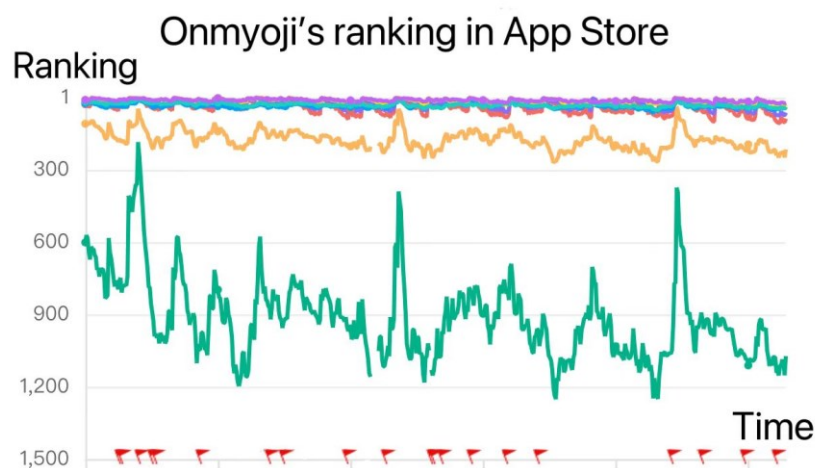


Figure 1: Onmyoji's ranking in app store.

However, for miHoYo, the improvement of game content is relatively stable. Using Genshin Impact as an example, many characters such as Zhongli and Xiao, who launched early in the game

is still very useful until now. Therefore, players would be more willing to recharge for these characters because they know that these characters would always be useful. Also, the art and music work in Genshin Impact is always kept at a high level. Divine Damsel of Devastation, a song launched in the game, reaches 25 billion plays in Bilibili. This song is so successful that many players who once was not intended to recharge for the characters sung in the song recharged into the game. What is more, many players who originally did not play Genshin Impact downloaded this game because of this song [3]. Genshin Impact is an good example how miHoYo uses high qualified game content to grab players.

According to the data from QiMai Data, the ranking of Genshin Impact in app store, which is represented by the green line, is overall stable. As shown in Figure 2.

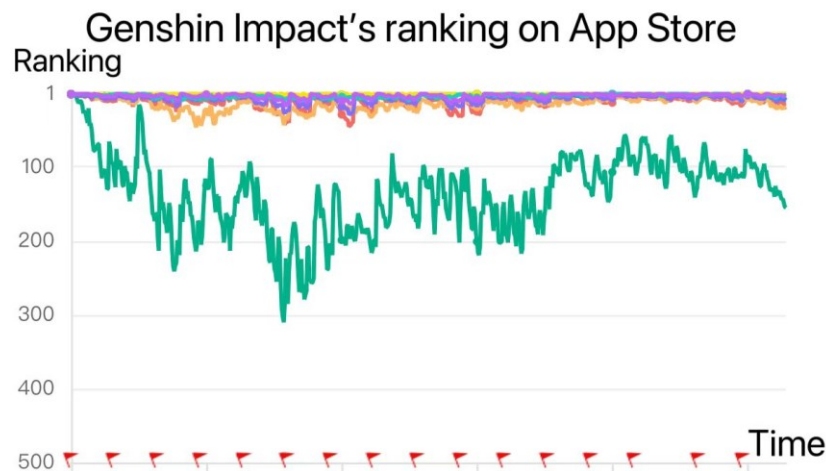


Figure 2: Genshin Impact's ranking in app store.

### Background of the Game

NetEase games and miHoYo make games based on totally different backgrounds. The stories of Netease games all take place in an existing and well-known background. For example, Harry Potter: Magic awaked is a game based on the background of Hogwarts, and Fantasy Westward Journey is a game based on the background of the famous Chinese novel called Journey to the West. This approach enables NetEase games to attract many players who are interested in the background story to download their games in a short period of time. Therefore, many Netease games often get the first place in App Store ranking a few days after the public test. However, soon these players will realize that the stories told by these games are different from the background story they like, so their interest in these games will gradually decrease and they will stop playing these games in the end.

As shown in Figure 3, according to the data of QiMai Data, the ranking of "Harry Potter: Magic Awakening" represented by the green line in the app store dropped rapidly after the public beta.

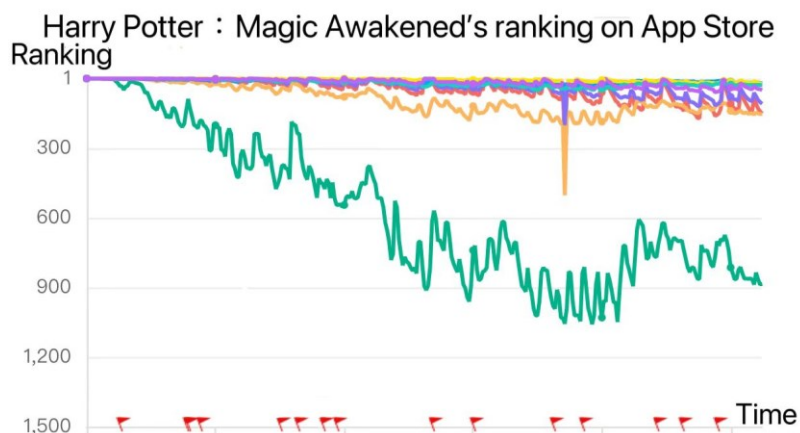


Figure 3: Harry Potter: Magic awakened's ranking in app store.

However, as there are too many games made by Netease games, it can still earn a lot of money even if it only relies on short-term popularity and game income. Contrastively, miHoYo's games are all based on their original background story, which makes it difficult for miHoYo to attract players only relying the background story of the game. However, as miHoYo has a large number of excellent screenwriters, their original stories are often very lively and interesting. Therefore, once if players experience the story written by miHoYo games, they will be deeply attracted and will have the motivation to continue to play the game.

In addition, the background stories of different miHoYo games are related to one another. For example, Honkai impact 3 is the sequel of Honkai College 2, and many characters in Genshin Impact are similar to those in the two works mentioned above. Therefore, once players fall in love with a miHoYo game, they will be willing to learn about other miHoYo games with similar background stories. This enables all miHoYo games to have good sales results. As shown in Figure 4, according to the data from QiMai Data, the ranking of Honkai impact 3 in app store, represented by the green line, is also stable just like the one of Genshin Impact. As shown in Figure 4.

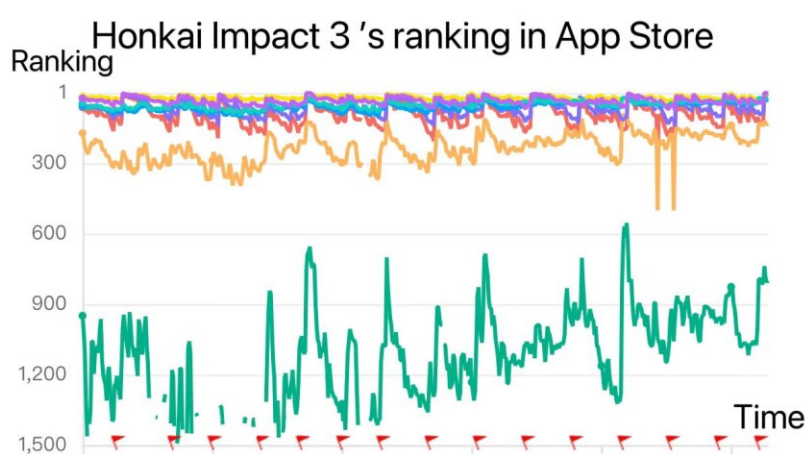


Figure 4: Honkai impact 3's ranking in app store.

### 3.2. Problems and Comparison of miHoYo and Netease

Today, with the rapid development of the Internet, the mobile game industry is also developing rapidly. The basic game types and modes have been limited, and it is difficult to innovate new



modes. Also, the market is experiencing a slower growth. From 2016 to 2022, domestic market size of independently developed games in China has increase continuously, but with decrease rate of increase recent years, especially from 2020-2021. The expected value in 2022 is relatively stable but in a far lower rate compared to last few years [4]. As shown in Figure 5.



Figure 5: Domestic market size of independently developed games in China.

Meanwhile, on July 21, the Game Working Committee of China Phonology Association and China Game Industry Research Institute released the report on China's Game Industry in January-June 2022. The actual sales revenue of China's game market in the first half of the year was 147.789 billion yuan, down 1.8% year on year, breaking the momentum of continuous growth in the past seven years. There were 666 million game users in China in the first half of the year, down 0.13% from the same period last year. This is the first time in seven years that the number of game users in the first half of the year has dropped. As shown in Figure 6.



Figure 6: Actual sales revenue and growth rate of the Chinese game market.

Copyright suspension affects the new tour online; growth depends on the stock of games. Xiao Jian said that in the face of tighter regulation, all game companies are thinking about how to go out to sea and focus on areas of strength, reduce projects, downsize staff, do specialized work, do long-term work. In terms of product operation, companies are doing their best to accelerate the layout and development of boutique games, long-term operations, and long-life cycle gameplay categories. Slowing market expansion, constrained game development, and genre saturation all pushes companies to do more exquisite, richer mobile games, the development and innovation of marketing strategies. In particular, saturated game types and endless new games have limited the development of NetEase games with a short life cycle. Players' curiosity and enthusiasm for new game will only

diminish, even though the game is adapted from a well-known IP. Harry Potter: Magic awaked above is a typical example, its ranking in app store drops from top1 dramatically; this has shown even big ip like Harry Potter cannot save the game without creation and interesting play mode. In the future, the way to develop a game without refining and innovating the gameplay, relying on its cash-for-money system to make short-term profits wears thin over time, and it can be seen from the the rankings of most NetEase games in App Store.

On the other hand, miHoYo is making good progress, especially after Genshin Impact is released. In 2016, the operating revenue of miHoYo was 424 million yuan and the net profit was 272 million yuan. In the first half of 2017, the operating revenue was 588 million yuan and the net profit was 447 million yuan.

At that time, the pillar of miHoYo is "Collapse". By the end of September 2020, with the launch of *Genshin Impact*, miHoYo has become the fastest-growing mobile game company in the world in terms of revenue. miHoYo 's revenue in 2020 was 10.128 billion yuan, according to data from Shanghai's Top 100 Companies. According to Shangguan News, the net profit of miHoYo increased by 4.77 billion yuan in 2020, an increase of 474.51%. The net profit of miHoYo in 2019 was 998 million yuan, and that of 2020 was 5.768 billion yuan, with a net profit margin of 56.95% [5].

As said above, with the domestic mobile Internet into the stock game, the high growth of the game industry slowed down the pace. In this context, "refinement" has become an important strategy in the game industry. In the face of a complex and diverse audience, scientific and effective stratification becomes critical. There are many ways to stratification, which can be based on multiple dimensions such as user stage, willingness to pay, duration and frequency of play. But no matter how you layer, the ultimate goal is to allow users to create the most value over their entire life cycle. This is what miHoYo did, which brings a lot progress. However, in the short run, NetEase still has high revenue through a branch of games, the situation will not change that fast.

#### 4. Discussion

This paper mainly selects two major domestic game companies for case studies. The first is the research findings of the manufacturer: NetEase Games. Most of the games promoted by NetEase Game Company are characterized by the peak value of running water in the first month to half a year after the game was launched, and then it will drop rapidly with the increase of time, and at the same time, word of mouth and public impression will also decline. The reason why the game experiences of NetEase Games are so similar is because NetEase is very strong, and they are very willing to prepare sufficient funds and operations for newly launched games. This allows their game advertisements to appear on social media that people often use, such as Weibo and bilibili, from the very beginning, and they will actively look for star team games to endorse. This is also the reason why most of NetEase's games always use an astonishing number of players when they are just launched [6, 7]. In addition to the sufficient funds being used by game producers and operators for publicity, they also spent most of the funds on sculpting the content of the game itself. Exquisite game content and smooth game experience, coupled with the game's official server opening rewards, are one of the important reasons for attracting more players to spend when opening servers. But after the passion dissipates, NetEase Games' games will decline very quickly. The reasons for this are as follows: First, NetEase Games will not make additional large-scale funding after the game goes through the server opening period, which will lead to the publicity of the game and the decline in the quality of the game. Secondly, NetEase Games will provide each game the quality of game content planning and event planning provided by the R&D department is worrying. Without the benefits of opening servers, the quality of game planning will be exposed to players, and players will be slowly persuaded away. Third, based on the second point, the lack of game content makes Players lack freshness, the game launch time is greatly reduced, and the game gradually lacks the

passion to give up the game. To sum up, the status quo of NetEase games is that a new game is released, and then it will experience a period of weakness after earning a large amount of turnover in a short period of time after the server is launched. Even if it survives the period of weakness, the turnover will be extremely low. Averages have remained steady. For such a problem, considering replacing other game plans in the industry and focusing on using most of the funds on the game development itself instead of the game's publicity will greatly alleviate the short game life of NetEase Games to a certain extent embarrassing situation.

For the game company miHoYo, this game company has almost integrated the advantages of most manufacturers and at the same time can control the game content and maintain the game life of each game, and the content planning of the game. As well as operation planning are maintained at the level of online work ability. miHoYo's innovation in game content and his attitude towards gamers have made more and more players voluntarily do marketing for them (tweet, circle of friends, video clips, etc.), and this form of marketing increases with the increase of the player base. It has become a more effective way than viral marketing, because it is the players themselves who promote the game, not the purposeful people who have taken the promotion fee. To sum up, based on the company's excellent marketing methods and exquisite game content, miHoYo's four games are now in a period of good flow. And the turnover of each game during the event will greatly exceed the turnover of some of NetEase Games' just-launched games. This is all thanks to miHoYo's clever marketing and focus on gamers. Therefore, miHoYo only needs to continue to maintain the company's marketing status for each game, and it will be loved and welcomed by more and more players in the future. The operation form of miHoYo will also be suitable for all major game companies with certain capital to learn [8-10].

## 5. Conclusion

Through the analysis and comparison of two famous classic game manufacturers in China, this paper takes lean marketing as the center and finally draws the status quo of these two game companies under different marketing models. The traditional game marketing method has passed; focusing only on the publicity of the game and not on the connotation of the game and subsequent operations will only bring more losses. From the comparison of the current game market and the two excellent manufacturers in the industry, we can conclude that lean marketing is the main direction of efforts of most game manufacturers at present. Therefore, the research value of this paper is to provide a successful idea for the operation and marketing strategies of new games for current game companies, how to allocate funds and use different marketing strategies for different game forms. To a certain extent, it shows a relatively complete work direction for new game companies and shows the relevant industry environment for these game manufacturers.

However, this paper also has certain shortcomings. One of the characteristics of Chinese players is that they are full of uncertainty. Therefore, it is likely that in the short term, they are more willing to play a certain type of games but will soon transfer their enthusiasm to another game. However, this article only discusses the marketing strategies of miHoYo and Tencent games and their possible impact from the theoretical perspective, while this does not mean that these companies will only use these marketing strategies in long run. In addition, the marketing strategy of a game company is not the only one that affects a game. The suppression of competitive companies and the impact of the market environment may also affect the data of a game. When this article analyzes the data, it did not discuss these mentioned situations. However, these impacts on a game are not so significant comparing to the impact lead by the marketing strategy of a game company.



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