

Research on the Marketing Strategy of Mobile Game Applications in Chinese Game Companies

——Taking miHoYo as an Example

Kangmin Zhong^{1,a,*}

*¹Business School, University of Birmingham, Birmingham, Unite Kingdom, B15 2TT
a. kxz065@alumni.bham.ac.uk*

**corresponding author*

Abstract: The global mobile gaming market has grown rapidly in recent years, bringing in huge profits while maintaining its growth potential. The current state of the market has attracted many large game companies to enter, while many small and medium-sized game companies are also developing new games to attract customers. In this study, the author chooses miHoYo as the research object to first analyze the current market situation and trend that miHoYo is facing based on data reports and literature, and then use the 4Ps theory to analyze miHoYo's marketing strategy. In the face of the increasingly competitive but highly promising mobile game market, miHoYo mainly adopts the strategy of releasing innovative products while continuously developing new market segments; its pricing, promotion, and publicity strategies focus on game products, co-branding with other brands and platform publicity. Lastly, based on the high pressure of market competition, unsatisfactory community discussion environment and information leakage problems that miHoYo is currently facing, suggestions are provided for miHoYo's future development.

Keywords: marketing strategy, mobile game market, miHoYo, 4Ps

1. Introduction

The global mobile game market has shown a thriving development trend in recent years. Although the overall revenue of the mobile game market in 2022 has declined after losing the home isolation dividend, the overall market still has great potential. Among them, miHoYo stands firm in the market with several of its games, opening up new tracks in the highly competitive mobile game market. In 2021, miHoYo's revenue was already over US\$1400 million, while in 2019, it will be just over US\$160 million, which means miHoYo has achieved a nearly tenfold increase in revenue in just two to three years [1]. Apart from the luck factor, its marketing strategies are also worth exploring. This paper will analyze the market environment and the marketing strategy of miHoYo through the 4P structure, as well as make suggestions on the problems that miHoYo is facing. Moreover, miHoYo's marketing strategy reflects the success of small and medium-sized game companies and can provide some experience for these companies.

2. Company Introduction and Market Overview

2.1. Company Introduction

miHoYo, an internet game company founded in 2011, published several famous games such as Honkai Impact 3, Tears of Themis, Genshin Impact, and Honkai: Star Rail. miHoYo is also known for the dynamic desktop software N0va Desktop, the community product HoYolab, and related IP across animation, comics, music, and merchandise. Besides, its upcoming game, Zenless Zone Zero, is widely followed by global gamers. In 2020, miHoYo launched Genshin Impact, which was a great success and became one of the highest-earning titles in the world. According to the statistics of Statista, the 2022 annual revenue of miHoYo amounted to about 42.5 billion yuan (US\$5.95 billion) [2]. For a young game company, revenue has increased nearly tenfold in just a few years, and its marketing strategies are worth analyzing.

2.2. Market Overview

A firm's marketing strategy is strongly affected by the market in which it competes, which means that the situation in the video game market can influence miHoYo's marketing strategy [3]. Therefore, the market in which miHoYo is located needs a holistic understanding.

First, the customer's perspective is analyzed. Customers can choose games from many gaming platforms (Steam, PlayStation Store, Xbox Games Store, Apple Store, or Google Stores), and they can directly experience many different mobile or online games for free and pay for the games at their will [4]. In addition, many game companies have recognized the importance and enormous potential of the mobile gaming sector. They have brought games initially released for console platforms down to PC and mobile platforms [5], so consumers can play prestigious games on their smartphones. As technology evolves, mobile devices and consoles provide better-quality graphics and physics. Customers can even get a richer gaming experience through VR and AR technology.

The next thing to be analyzed is the current market size. The global video game market size was about US\$197 billion in 2022, which accounts for 56.6% of the Digital Media market [6]. Furthermore, with the same phenomenon across all countries and regions, mobile gaming is one of the fastest-growing game categories. Mobile games have an significant share of the whole video game market revenues [7]. The statistics from Statista showed that China, the U.S., and Europe share 61.3% of the global video game market [6]. China was one of the world's largest video game revenue countries now, as well as a market with excellent growth potential [8]. However, future growth in the Chinese market may be scaled back due to the implementation of underage gaming restrictions. Moreover, the U.S. market still generated the highest revenues worldwide last year.

The market trend is the final part to be discussed. It is obvious that mobile gaming is leading the way for the entire video game industry, and many companies that were originally focused on online or console games are gradually beginning to emphasize the mobile gaming direction. At the same time, video game live streaming and competitive gaming tournaments [9] have also attracted much attention.

The thriving mobile gaming market is excellent news for miHoYo, which has also stood out during fierce competition in the mobile gaming market. Its games have shown glowing results: Genshin Impact is the third highest-grossing mobile game in 2022 [10]. However, miHoYo still faces pressure from established Internet companies such as Tencent and NetEase and competition from other small and medium-sized game companies. Generally speaking, miHoYo faces a competitive and big market with high potential. With a wide range of options, customers still prefer to choose products with high quality and innovation. This state of the market has also affected Miha Tour's strategic planning and product development.

3. Marketing Strategy Analysis

Since the 1940s, the marketing mix concept has gradually emerged. In 1964, McKinsey continued to develop the whole idea and summarized it into what is now widely known in marketing as the 4Ps [11]. Nowadays, the 4Ps remain a widely used marketing structure. This structure will be used in this paper to analyze the marketing strategy of miHoYo.

3.1. Product Strategy

Although miHoYo's business scope involves games, applications, and IP peripheral merchandise sales, the primary source of income is still in the game. Therefore, games are the main products to be analyzed in this section. The product strategy adopted by miHoYo can be summarized as follows: make the game the most preferred choice under its market segmentation.

Firstly, miHoYo utilizes the IKEA effect to develop users' emotions towards the game. The IKEA effect refers to when customers are personally involved in completing a product and have put in the labor for the product, their willingness to pay and their love for the product increase [12]. miHoYo has designed a large and well-designed worldview and fleshed-out characters for each of its games, and every game is based on RPG (role-playing game) and character development. Moreover, miHoYo retains customers by building relationships between players and the games in its almost zero-socialization game model. When players start to spend time and effort completing plot quests and developing their favorite characters, they will get a sense of achievement from it and will be willing to continue spending time, effort, and money on the game.

Secondly, miHoYo often uses the blue ocean strategy in the mobile gaming market and adds innovative gameplay to the games it develops to ensure customers have a new experience. Before the emergence of Genshin Impact, China's mobile game market was still mainly dominated by multiplayer competitive mobile games like Honor of Kings (MOBA game) and PUBG Mobile (FPS game). Many of the ACG games that could be known by many players were generally in the form of tower defense, horizontal shooting, and combat action. miHoYo pioneered the idea of putting open-world gameplay into a mobile game. Since mobile games have many more customers than other video games, Genshin Impact is the first open-world game they come across for many mobile players with little exposure to PC games or console games. As for the release of Honkai: Star Rail, miHoYo is putting many eggs into the game space and shortening the length of the daily quests in various ways so that a lot of dual-game players who started playing this game by getting to know miHoYo through Genshin Impact can save time and be able to balance the two games.

The last point is that miHoYo designs games according to social and market changes to develop more new players. From the beginning, when Honkai Impact 3's audience was mainly male and Tears of Themis was released for female players, to releasing games that consider all genders of the audience.

By synthesizing the three components presented above, it can be found that miHoYo is designing its products, attracting new customers through continuous innovation, and opening up new markets.

3.2. Price Strategy

All of miHoYo's games are free to play, and the main use of payment in the game is to extract the player's favorite characters and obtain resources for character development. miHoYo has its own official community software, Miyoushe, where players can earn free Miyoushe coins by posting content, commenting, exchanging ideas, and signing in. Customers can use them to draw prizes and redeem game peripheral goods in Miyoushe. Although the app does not bring in much profit for miHoYo, it helps as an official community helping to increase consumer stickiness. In-game purchases are mainly categorized into payments for character extraction and gift packs, of which the

leading revenue generator is the cost of character extraction. In the current Chinese mobile game market, the cost of each character extraction for miHoYo's games is not cheap (Honkai Impact 3: 28 yuan/once; Genshin Impact: 16 yuan/once; Honkai: Star Rail: 16 yuan/once). While users can play for free within the game, they can also draw their favorite characters through game quests and rewards. However, users are usually willing to pay for their desires due to their love for the ACG characters in the game, the experience of difficult game content, and vanity. miHoYo's affordable pricing and well-designed peripheral products are also favored by many consumers who love game characters. Nevertheless, in the pricing of the gift packs miHoYo chooses the average standard of mobile games, which makes users think it is more cost-effective to buy the gift packs after comparing the price of extracting the characters, and thus choosing to buy them. Overall, miHoYo's pricing strategy is related to the design of their game products, and they choose to polish the quality of their game products to make consumers emotionally linked to the game and stimulate their desire to pay.

3.3. Promotion Strategy

miHoYo's promotional strategy is divided into two main parts, out-of-game and in-game, with the out-of-game part focusing on co-branding. The in-game part involves launching gift packs, such as monthly cards or skins for popular characters. In the past two years, miHoYo has mainly chosen brands such as restaurants, apps, and daily necessities for co-branding outside games, such as Genshin Impact, which co-brands with Pizza Hut and Kiehl's. Furthermore, these co-branding activities will launch products and gift packs at more reasonable prices, and there will be in-game props to give away. Moreover, many of these co-branding campaigns take place offline, which allows a wider potential audience to learn about the company's products.

In-game promotions are mainly offered through gift packs or monthly cards. The gift packets in the game are made up of a monthly card, a form called "Battle Pass," and the usual training prop packs. Usually, players choose to buy the monthly card because they can log in every day to get the resources to extract characters. The "Battle Pass" is divided into two forms: free and paid. Users can complete the "Battle Pass" by completing daily tasks and other forms to obtain additional resources for cultivation. These two types of promotions ensure that the number of users is active daily. Besides, miHoYo usually offers certain discounts on character skins when they are first released, as well as double discounts on initial recharges and so on.

3.4. Place

The marketing channels chosen by miHoYo first inform players of the game through announcements and emails, and secondly, they release relevant news on major social media platforms (Twitter, YouTube, TikTok, Weibo, and Bilibili). At the same time, miHoYo will use big data for potential users to put corresponding advertising on social media platforms, and with some game anchors, covers, and other cooperation in the Tiktok, Bilibili, and other young people gathered video platforms for publicity. As a game company, most of the audience for miHoYo's products is young people; meanwhile, young people are also frequent visitors of various social media platforms, so choosing social media platforms as a marketing channel is more budget-saving and covers more customers in the market segment.

4. Problems and Recommendations

The previous analysis shows that after several years of operation and practice, miHoYo has accumulated a wealth of product development and technical strength. The game production teams can maintain a very high production capacity of 40 days for a new version of the update interval for

continuous updating, showing that miHoYo has become a successful and stable ACG game company. However, miHoYo still faces many problems and challenges. First, the Chinese mobile game market, which is the main market for miHoYo's games, is becoming more and more competitive, and many companies have seen the success of small and medium-sized game companies such as miHoYo and want to be part of the already small ACG mobile game market. Secondly, the discussion environment in the miHoYo community has been relatively poor, with many players often clashing with each other under the news released by the game's official account, posting insulting remarks about the game's characters. Meanwhile, miHoYo has many unpublished information circulating in the community. This poor public opinion environment has led to many people looking at miHoYo with tinted glasses. Besides, miHoYo is still relying on Genshin Impact as its main source of profit. With Genshin Impact being released nearly three years ago, miHoYo is facing the problem of bridging the gap between the new and old games.

In response to the above mentioned issues, miHoYo first needs to develop new market segments and continue developing new games for different segments. At the same time, miHoYo needs to take some measure of control over the current community environment and deal with the long-standing problem of leaking information about unreleased game content. Especially for the leakage of the game's unpublished content, miHoYo can take legal action to defend its rights. Finally, miHoYo needs to launch new products in a timely manner according to its own product cycle to keep the company's interests growing steadily.

5. Conclusion

This study adopts 4Ps theory to analyze the marketing strategy of miHoYo. miHoYo continuously optimizes its products by innovating game content and using the blue ocean strategy, and at the same time, it adopts matching pricing and promotional strategies according to its products to carry out marketing campaigns on the right platforms. However, miHoYo faces increasingly fierce market competition and an unpromising community environment. Based on these issues, this paper suggests that miHoYo can solve its current dilemma through continuous R&D and management of the community environment. There are still some limitations in this article: the summary of miHoYo's strategy is mainly from the Internet, and there is a lack of data information, as well as a lack of information collected outside of China.

References

- [1] iimedia Research. (2022, May). *China miHoYo (miHoYo) Mobile Annual Revenue, 2015-2022*. iimedia Research. <https://data.iimedia.cn/data-classification/detail/44488199.html>
- [2] Statista. (2023). *Annual revenue and net profit of HoYoverse Co., Ltd. from 2020 to 2022*. <https://www.statista.com/statistics/1343423/mihoyo-key-financial-figures/>
- [3] Slater, S. F. (1995). *Issues in conducting marketing strategy research*. *Journal of Strategic Marketing*, 3(4), 257–270. <https://doi.org/10.1080/09652549500000016>
- [4] Santasärkkä, S. (2017). *The Digital Games Industry and its Direct and Indirect Impact on the Economy. Case study: Supercell and Finland*.
- [5] Gazzard, A. (2013). *The Platform and the Player: exploring the (hi) stories of Elite*. *Game Studies*, 13(2).
- [6] Clement, J. (2022, December 2). *Global Games Market Revenue Share by segment 2022*. Statista. <https://www.statista.com/statistics/298403/global-video-games-revenue-segment/>
- [7] Lozic, J., Milkovic, M., & Lozic, I. (2018). *Correlation between mobile games market and the development of video game market in China*. *Economic and Social Development: Book of Proceedings*, 208-216.
- [8] Coe, J. M., & Yang, C. (2021). Coe, N. M., & Yang, C. (2021). *Mobile gaming production networks, platform business groups, and the market power of China's Tencent*. *Annals of the American Association of Geographers*, 112(2), 307–330. <https://doi.org/10.1080/24694452.2021.1933887>
- [9] Block, S., & Haack, F. (2021). *eSports: a new industry*. In *SHS Web of Conferences* (Vol. 92, p. 04002). EDP Sciences. <https://doi.org/10.1051/shsconf/20219204002>

- [10] Clement, J. (2023, April 17). *Global Mobile Games Consumer Spending 2022*. Statista. <https://www.statista.com/statistics/1179913/highest-grossing-mobile-games/>
- [11] Goi, C. L. (2009). A review of Marketing Mix: 4Ps or more? *International Journal of Marketing Studies*, 1(1). <https://doi.org/10.5539/ijms.v1n1p2>
- [12] Norton, M. I., Mochon, D., & Ariely, D. (2012). *The IKEA effect: When labor leads to Love*. *Journal of Consumer Psychology*, 22(3), 453–460. <https://doi.org/10.1016/j.jcps.2011.08.002>