Understanding the Marketing Strategies: 4 Ps Marketing Mix or Other Strategies used by Tencent Games in the Video Game Market

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ABSTRACT

Nowadays, with the gradual development of the game industry, more and more game companies are developing new games. Therefore, this has led to the continuous strengthening of the competitiveness between companies, which means that if a company wants to make long-term profits, it must ensure that it can meet the satisfaction of game consumers with game products or services. In order to increase consumer satisfaction as much as possible, companies need the use of marketing mix. The marketing mix is a term which is used to describe all the activities which go into marketing a product or service. These activities are often summarized as the four Ps. Because every part of the marketing mix has to be carefully considered to make sure that they all fit together and that one part does not interfere with the other, companies that do not make the right marketing mix will lose out in an increasingly competitive game market. This article mainly discusses how Tencent Games cleverly uses the 4Ps of the marketing mix to create attractive and popular games. Tencent Games is separate from Tencent Interactive Entertainment and is mainly responsible for developing and publishing games founded in 2003. If Tencent Games can keep making high-quality video games, players will be satisfied and be willing to support Tencent in the future, allowing more revenue could be made. Moreover, there are two methods that help to explain and analyze Tencent's strategies: literature research and case study. It is concluded that Tencent Games can combine 4Ps of marketing mix well in making video games to satisfy consumers, thereby gaining long-term profits and increase their makret share in the game market.

Keywords: 4Ps of Marketing mix, Tencent Games, Video game market, Video game industry

1. INTRODUCTION

Video games can be played on a computing device, such as a PC, console or cell phone. Video games can be subdivided into computer games and console games, on two different platforms. In recent years, the advent of social networks, smartphones and tablets has introduced new categories such as mobile and social games. Video games have come a long way since the first games appeared in the 1970s. Today's video games can provide very realistic scenes and animations, coupled with a unique set of details such as music or voice acting, to make people feel like they are there. Video games are today a multi-billion dollar business and will continue to grow. In 2020, the global PC gaming market is estimated to be close to $37 billion in revenue, while the mobile gaming market is estimated to be a staggering over $77 billion in revenue [1]. It is worth noting that most of the early game players are already adults, which means that

the spending power of these people will increase a lot than before. Traditionally, young people and teens have been thought of as the primary target audience for video games, but today the hobby can no longer be seen as a purely youth hobby. In fact, it has been found that video games have a lot of consumers of all ages around the world, and the gender distribution of global video game consumers is also quite balanced, which also means that the development trend of the video game industry is steadily moving forward.

However, with the impressive figures announced above, everyone wants a piece of the pie, it is clear that there has been a significant increase in the number of gaming applications available to consumers. According to Kyle Orland of Ars Technica, there are over 800 million registered games on Steam, which represents the competition developers face [2]. As a result, consumers have a wide variety of games to choose from, making

the industry a buyer/gamer market rather than a developer market. They can choose from a wide variety of games, and feel free to drop the ones that do not satisfy them. In another word, game companies need to have the ability to continue to meet the needs of consumers. Otherwise, in such a highly competitive environment, it will be difficult to survive and make long-term profits. In this case, game companies need to have a good marketing mix, so that companies can satisfy consumers to a great extent. The marketing mix a term which is used to describe all the activities which go into marketing products, including both goods and services. These activities are often summarized as the 4Ps, such as Price, Promotion, Place and Product. What makes some video game companies struggling is that each part of the marketing mix has to be considered carefully to make sure that it all fits together and one part does not counteract another .

The main topic of this paper is to explain how Tencent Games can use 4Ps of marketing mix such efficiently and correctly fitting together to satisfy consumer. Especially the case: a well known video game all over the world called *League of Legends.* At present, many companies want to be as successful as Tencent Games in making and marketing video games, which is generating billions of dollars in revenue every year. However, these companies cannot integrate the four marketing mixes well, resulting in the inability to guarantee that their video games are attractive or creativity and this is the main reason why they can not survive in the highly competitive video game market. Therefore, the aim here is to investigate how Tencent Games can make good video games by using 4Ps of marketing mix. Consequently, if they can assure the quality of video games, more and more players will be attracted. Through the analysis of how Tencent Games can make good combinations of marketing mix in making and marketing video games, other companies can learn and apply later, so that at least they can survive in the initial stage.

2. METHOD

2.1. Literature Research

The literature search is a systematic and well-organized search of published data to identify a large number of quality references on a particular topic [3]. This article refers to some documents that mention marketing mixes. First, the author read some related articles. After learning that video games have eroded most people's time, the author decided to make video games the object of research. Then, by reading some past literature, it is noticed that using data is the best way to analyze the current state of the video game market. In addition, we refer to the literature of some scholars to analyze the marketing mix.

2.2. Case study

Case study is a research method commonly used in social sciences. It is based on an in-depth investigation of a single individual, group or event to explore the reasons for the basic principles [4]. This paper takes "League of Legends" produced by Riot Games in figure 1, a subsidiary of Tencent, and now the game is operating and updating versions by Tencent, as an example to analyze video game marketing strategies and specifically discuss its current strategies (4Ps of Marketing Mix). With a typical example, it is easier to summarize the entire game market

Figure 1 "Riot Games" [5]

3. ANALYSIS

3.1. The development status of Tencent Games

3.1.1. Tencent and Tencent Games

In February 1999, Tencent launched QQ, Tencent QQ was Tencent's first and most eye-catching product, and QQ was known as one of the most popular instant messaging platforms in China. As of December 31, 2010, the number of active users of Tencent QQ IM had reached 647.6 million, making Tencent QQ the largest online community in the world at that time. The number of simultaneously connected QQ accounts sometimes exceeds 100 million [6]. After the successful case of qq, another very popular social software WeChat was also developed. Interestingly, Tencent's positioning of WeChat is different from that of QQ, which is mainly reflected in the different user groups it faces. At this time, the concept of marketing mix will be used to explain. Social media is not a part of the game market, so here this paper will briefly explain: in the early marketing rough, QQ did not have a specific user group. Because smartphones were still generally unpopular in China, people with access to such software were mostly young. So after realizing this, Tencent has developed a series of membership packages on QQ. A series of personalized settings such as a cool chat dialog box or a custom blog space background image can only be used when a member is opened, so many young people choose to open a member in order to pursue fashion. The above mentioned is the promotion in 4Ps of marketing. The development of QQ in the future has also become younger and younger, including overseas groups and

middle-aged and elderly people. According to the data disclosed in Tencent's second quarter financial report in 2014, among QQ users, the post-90s generation occupies the first place with a proportion of 39%, the post-80s generation occupies the second place with a proportion of 32.9%, and the active users of the post-00s generation reach 11.3% shown in figure 2; in the chat group shown in figure 3, the post-90s active group owners accounted for 52.3%, the post-00s active group owners accounted for 22.7%, and the post-80s accounted for 20.7%. In 2019, post-00s have become the main users of QQ: 50% of QQ members are post-00, and 67% of the stories posted on Qzone every day come from post-00s [7] .
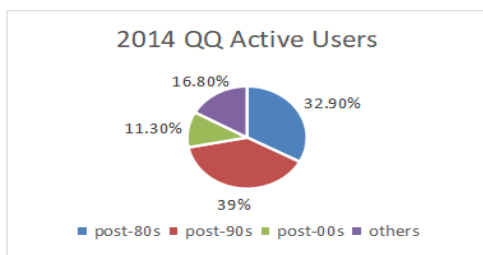

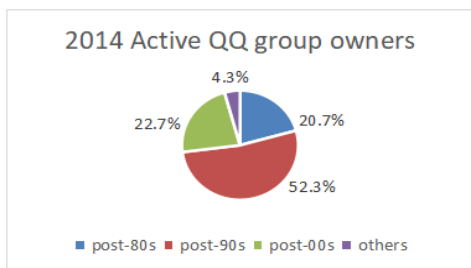**Figure 2** 2014 QQ active users

Figure 3 2014 Active QQ chat group owners

In addition, Tencent Games is the video game distribution division of Tencent Interactive Entertainment, which is itself a division of Tencent. Tencent Games has five game development studios in-house: Tianmei Studio Group, headquartered in Shenzhen; Lightspeed & Quantum Studio Group in Shenzhen and Los Angeles. Aurora Studio Group in Shanghai, China; and Morefun Studio in Shenzhen. These studios are mainly responsible for making web games and mobile games, and these games are often exclusive to the Chinese market. Next Studios (stylised as NExT Studios) is a division in Shanghai.

Tencent Games released its first game, QQ Tang, in 2004, based on its social media platform QQ. This was followed by QQ variant games such as Dungeon Fighter Online, a side-scrolling online fighting game; QQ Fantasy, a 2D online game with Chinese Shenhua elements toned down; Xun Xian, a 3D, online role-playing game; QQ Three Kingdoms, Three Kingdoms period online casual role-playing games etc. In 2015, a multiplayer online battle game "Honor of Kings" in mainland China was exclusively developed and published by the L1 division of Tencent Games TIMI

Studio. In 2017, it became the most popular and highest-grossing game in the world. It has consistently ranked first in the number of downloads of mobile games in the world. Due to the success of such MOBA games in the field of mobile games, Tencent Games cooperated with other companies and successively released a series of popular games such as PUBG and League of Legends. At the same time, Tencent Games also launched its own platform TGP BOX and subsequently changed its name to WeGame [8].

3.1.2. Sales growth

In early 2020, sales of Tencent's games soared. The main reason is that with the development of video games, most people become interested in them and want to play them in their leisure time instead of reading books or other activities. In 2020, Tencent's gaming revenue climbed to 31% in Q1, 40%t in Q2, 45% in Q3, before falling back to 29% in Q4. Tencent's gaming profits surged 36% in 2020, up to 10% from 2019. But now it looks like Tencent's gaming boom is coming back to reality. In the first quarter of 2021, game revenue still grew by a staggering 17% to $6.7 billion, but not in line with the high growth rates of 2020. Overall, Tencent's first-quarter revenue rose 25% to $21bn, beating analysts' expectations, while profit rose 65% from a year earlier to about $7.4bn. Tencent said that it will continue to develop and invest in new games, especially large-scale high-value games that can gain global appeal. Tencent's international gaming revenue nearly doubled to $1.5 billion in 2020. It will also invest more in new games aimed at niche audiences. The company calls it an "emerging genre" that transcends mainstream audiences, such as "everyday life" games like *Komori Life* and *The Walnut Diary*. Tencent also plans to invest in advanced technologies for next-generation gaming experiences, such as cloud-based gaming [9].

3.2. Tencent Games marketing in the Games industry -- "League of Legends" as an example and how did it related with marketing mix of 4Ps

3.2.1. The status quo of Product Strategy

First of all, product is one of the 4Ps. The most important thing in the marketing mix is the product - without the product that meets the customer's needs, the rest of the marketing mix cannot be successful. Today most game companies are market-oriented when developing new games, which means they will cost a lot to research consumers' buying habits, their likes and dislikes, to see whether they can design a product which people will want to buy. Riot Games did a great job at the first when they develop the game "League of Legends" and "This is why Tencent" initially invests 40% of the

capital and then chooses to acquire it completely. To be more specific, some MOBA games like Warcraft and Dota were very popular but extremely hard to play well. At that time, Riot Games targets the group and not only simplify the MOBA game, but also the combat system is optimized and the game screen is beautified, and you can match and compete with other gamers at any time. These measures are unprecedented in any previous MOBA game. The combination of popular gameplay and high game quality has attracted a large number of players all over the world at once. Up to now, due to Tencent group's platform advantages, its own high-quality products, accurate brand positioning and marketing strategy, Tencent Games has become the leader in the game market in just four years, and has gained a large share of the market.

3.2.2. Price strategy

"League of Legends" is implementing a pricing strategy based on consumer psychology. First of all, the price of game props in League of Legends is moderate, and the price of all kinds of game props is basically within 80RMB, roughly 11 dollars. Even at a low price, Tencent still makes a lot of money, making hundreds of millions of dollars a year. Because Tencent game users have reached a staggering number of hundreds of millions. The so-called small profit and quick turnover, and the non-physical product of game props will only cost in the early stage of research and development, and the marginal cost of game props in the late stage can be regarded as almost 0, so Tencent will gradually increase the income from each game prop. At the same time, consumers do not spend much money, so they become dependent on or addicted to such games and increase their support for Tencent games. It's a very good pricing strategy that consumers do not feel they are spending a lot of money and Tencent's games make a lot of money. For example, the skin of Ezreal, a character in the game, costs just $9, but the skin alone is estimated to bring in millions of dollars for League of Legends [10]. In addition, League of Legends uses a variety of pricing methods in order to retain users as much as possible. League of Legends is full of free items that players need to log in every day or perform other activities to collect. The gift of game items can also keep players interested in the game for a long time, thereby enhancing the player's game experience, and the cost of these free game items is almost nothing for Tencent.

3.2.3. Service market and platform selection

According to incomplete statistics of the game market, most of the surveyed players like the comfortable and convenient services provided by Tencent Games very much. The success of "League of Legends" is based on its beautiful and rich game graphics and game content. Always implement the principles of serving players and providing a comfortable gaming experience, give full play to the high-end technological advantages that rely on the Tencent platform, improve product coverage and coverage, and form a unique and effective way of marketing and promotion. In Neil Boden's 4P marketing theory, channels are also an important factor affecting marketing, and Tencent's platform itself has all its advantages. According to the survey, Tencent QQ has more than 270 million online users, and the total number of registered users in China exceeds 500 million. Subsequently, the use of WeChat was launched based on the QQ platform, and the number of users exceeded 200 million [11]. League of Legends has push messages on these platforms. At present, most consumers learn about the game through online information, thus gaining a considerable number of game users.

3.2.4. Promotion strategy

According to my research, league of Legends players get different discounts at different times. For example, in the New Year, Tencent will sell a lot of popular hero skin at a discount. The popular skin which is usually sold at a price of 10 dollars only costs 5 dollars at the moment, greatly increasing its appeal and purchasing power to consumers. Some skin is defined, means missing after sales date will not be able to buy, then tencent game will be to sell some limit skin, very rare skin tencent will even take lottery activity, the prize pool there are very many different skin, every holiday, the game will have this kind of promotion and discount. In the anniversary and other large events, there will be certain opportunities out of the mystery shop, new skin, skin return, star gifts, all heroes limited time free activities. All of this is a perfect example of an online game promotion that can increase engagement and keep players engaged for a long time.

4. DISCUSSION: HOW TO FURTHER OPTIMIZE THE MARKETING STRATEGY OF THE ONLINE GAME INDUSTRY

4.1. Bug fixing and enriching users to improve their experience

For League of Legends, part of the reason for its success is its vivid scenes, cool hero special effects and sound effects. The technical problems in the game will wear down the patience and energy of the players, resulting in a loss of enthusiasm and interest in the game. In order to solve the "bug problem", programmers should increase their attention and time to fix bugs such as hero action delays, expand server capacity, deploy network adaptation capabilities, and improve game experience [10] .

4.2. Strengthen game management and improve user experience

In League of Legends, players often encounter bad behavior from other players, which affects their own gaming experience. This behavior includes teammates hanging up for too long, insulting other players with rude language, etc. However, its punishment system is not perfect. Faced with the incompleteness of the current punishment system, stricter and more effective punishments should be established to ensure game balance and maintain a good player experience. Players who hang up or quit in the middle of a game are only deducted points and warned that they cannot completely prevent hanging up. The recent game should prohibit some serious situations, such as players who hang up for more than half of the game or repeatedly hang up or quit the game, and directly ban them for a period of time, and create a special service area for such players. Once such bad behavior occurs, the player can only be matched on a separate server with other players who violated the rules. At the same time, human supervisors can be added to give more accurate and serious warnings and penalties to uncivilized phenomena. As a result, user trust and satisfaction can be improved.

5. CONCLUSION

5.1. Summery main findings

"League of Legends" itself is based on Tencent's platform for marketing, and the use of its marketing strategies has achieved good results. For some deficiencies that have not been considered, a complete strategy method should be used to improve product quality and expand business territory. To sum up, Tencent Games has made good decisions in every part of the 4Ps of marketing, and every part has met the needs of consumers. This is the core and main reason why Tencent can make and Marketing a game like League of Legends. For example, product pricing and promotion are linked to keep players interested in the game. Based on the interoperability between accounts on the Tencent platform, it provides a good platform. The previous product orientation of the product has also directly made a game that meets the needs of consumers. At a time when the game industry is developing so rapidly, major game companies are also catching up with Tencent one after another. How to take the lead in this wave is worth thinking about by Tencent Games. League of Legends and its team need to explore new ideas, but in any case, they need to change and grasp user needs, improve product quality, enrich content, improve game experience, and explore corporate social responsibility.

5.2. Limitation and prospect

This paper uses secondary research，which is the use of information that has already been collected and is available for use by others. Data may have been collected several years ago and be out of date and it is somehow hard to guarantee the accuracy. In the future, there is prospect to do some primary research because the primary investigation is more authentic, reliable, targeted and time-sensitive, and the process of obtaining data is controllable, helping to improve the authenticity and reliability of research results.

AUTHORS' CONTRIBUTIONS

This paper is independently completed by Haoyang Wang.

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