

SWOT Analysis of Tencent Games' Market Strategy

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Abstract.

This study takes Tencent Games as the target and uses SWOT analysis to discuss its market strategy in depth. In recent years, the gaming industry is getting more and more attention. The research theme focuses on Tencent Games' market strategy and analyzes it from four perspectives: internal strengths and weaknesses and external opportunities and threats. The study found that Tencent Games has obvious product development and marketing advantages, but there are challenges in product innovation and overseas market expansion. From the perspective of opportunities, Tencent Games should seize the development opportunities of emerging markets such as mobile games and cloud games. From the perspective of threats, Tencent Games needs to be vigilant against the impact of external factors such as policy risks and competitive pressures. In conclusion, this study suggests that Tencent Games should consolidate its advantages, actively respond to challenges, pay attention to industry trends, and adjust its strategy promptly. At the same time, Tencent Games must also focus on product innovation and overseas market expansion to maintain its continued market competitiveness.

Keywords: Tencent game, SWOT, market strategy

1. Introduction.

The online game industry emerged with the advent of the online information age. Online gaming is a fusion of culture, art, and high technology, which provides people with new ways of leisure and entertainment. At the same time, the online game industry is booming, and online games have gradually become the leader of the online economy [1]. In recent years, the gaming industry has been taken. In December 2020, esports was officially announced as a competition event at the Hangzhou Asian Games, meaning that esports is no longer a niche hobby or a sub-hobby. However, a sport can be on the international stage like traditional sporting events [2].

Moreover, there have been many twists and turns, from games being ordinary gaming activities for people to gradually becoming esports events and international events. Games have become an indispensable part of people's lives in the past decade, which can help people entertain and experience more interesting things. So, Tencent is the perfect fit to find an example to study. As a well-known game company in China and even the world, the development of Tencent Games is extremely important.

Tencent Games is a leading game enterprise in China and a leading global game development and operation organization. It promotes games as an important driving force for developing cutting-edge technology through technological innovation, creative stimulation, industry-university-research integration, global layout, and public welfare practices. It adopts a combination of independent

research and development and external cooperation, has specialized fields in many online game markets, and has jointly researched in many countries to explore the infinite possibilities of new directions of games. Tencent Games aims to create happiness with heart and provide players with a better gaming experience. In particular, Tencent Games has adopted a unique strategy to protect minors and created a high-quality digital life experience for users. Also, Tencent Games has actively promoted the development of the e-sports industry, working with global partners to build an open, collaborative, co-prosperous, and symbiotic industry ecology.

Tencent's 2022 performance report shows that the annual revenue of the company's game business reached 170.7 billion yuan during the period. As the world's largest game company, the game revenue in the domestic market in Q2 2023 was 31.8 billion yuan, flat year-on-year and down 9.5% month-on-month; International market revenue was \$12.7 billion, up 18.7% year-on-year and down 3.8% sequentially. Judging from the development of Tencent Games' domestic and foreign markets, the development trend of foreign countries is better than that of domestic markets. This is a testament to Tencent's gradual internationalization. Tencent's gaming business has surpassed Sony and Apple in revenue, ranking first globally. So, it is very important to research Tencent Games. Tencent still has gaps in market research and still has great research potential. Therefore, this study aims to explore the advantages and development of Tencent's game market competition. In the face of competition from many game companies, what kind of market strategy does

Tencent Game use to make it firmly in the position of „boss“? Therefore, it is most suitable to analyze Tencent Games' market strategy through SWOT(strengths, weaknesses, opportunities, threats).

2. The pros and cons of Tencent games

2.1 Advantages of Tencent Games

First of all, Tencent Games occupies a leading position in terms of market share. According to data from the first quarter of 2021, the size of China's mobile gaming market reached RMB 46.6 billion, up 28.8% year-on-year. Among them, Tencent Games accounted for 52.4% of the market share, much higher than other competitors. At the same time, Tencent Games has also achieved good results in overseas markets. In May 2021, Tencent Games ranked third in overseas market revenue, second only to Sony and Microsoft.

Secondly, Tencent Games has an incomparable platform, with platforms, resources, channels, and accumulation, which can bring a better game experience to Tencent Games' users. Through this platform, users can get rich game resources, channels, and accumulation, which can help users enjoy the game better. In addition, the advantages of Tencent Games can also bring more opportunities for users to develop their gaming skills better. Therefore, the advantages of Tencent Games are very valuable for users.

The abundance of channels, resources, and uniqueness in game selection and localization have always accompanied Tencent Games, making it a short-term game industry leader, allowing it to rely on agency games to start and establish a solid position [3]. Tencent Games has a rich product line in terms of product layout. Tencent Games has several well-known games covering various genres and themes, such as „Honor of Kings,“ „Peace Elite,“ „League of Legends,“ and „PUBG.“ These games have high competitiveness and market share in both domestic and foreign markets, bringing a stable source of revenue to Tencent Games.

Third, Tencent Games has strong strength in R&D capabilities. Tencent Games has several self-developed game studios, such as Tencent Interactive Entertainment, Tencent Photon, and Tencent Rubik's Cube, which have rich experience and excellent performance in game development. According to July 2021 data, Tencent Games ranks second in global game developer revenue, behind Sony Interactive Entertainment. In addition, Tencent Games has also actively explored and invested in engine technology, artificial intelligence, virtual reality, and other aspects to enhance its core competitiveness.

Fourth, for a long time, many young people have been

addicted to online games, which has caused serious consequences, so online games are also treated as “electronic heroin,“ which is also condemned by mainstream public opinion in society [4]. Tencent Games has adopted a series of measures to restrict minors, such as real-name registration and an anti-addiction system, which will help protect minors' physical and mental health to a certain extent and also help enhance the recognition of Tencent Games in society. Tencent has launched an anti-addiction system. The anti-addiction system mainly focuses on real-name authentication, face recognition, age-appropriate prompts, a parental supervision platform, and many other initiatives. This measure reduces the number of minors who impersonate adults to register an account to play the game [5]. According to data from June 2021, the number of game users in China has reached 667 million, of which minors account for about 1/3. Tencent Games' anti-addiction system stipulates that users under 18 can only play for 1 hour daily.

Moreover, they can only play for 3 hours per day during statutory holidays. In addition, Tencent Games has also launched a growth guardian platform to provide parents with query and management services for their children's gaming behavior. These measures help reduce the risk of minors becoming addicted to games and improve the image of Tencent games in the eyes of parents and society. Fifth, Tencent Games has a wide range of influence in terms of brand influence. Through years of market accumulation, Tencent Games has formed a good brand image and reputation. Tencent Games has ranked among the best in several authoritative lists, such as the 2021 BrandZ Global Brand Value Rankings, where Tencent Games ranked second in the game industry. In addition, Tencent Games actively participates in various e-sports events to promote game industry development and increase brand awareness. Tencent Games has done a good job in advertising and marketing. For example, its game Honor of Kings is a 5V5 play according to itself to select the annual May 5, for the players to launch the game social festival, May 5 Friends Day. Held for the first time on May 5, 2017, the May 5th Friends Day has become a high-profile annual festival for gamers in the industry.“ Honor of Kings“ makes the game social cross the gap between people's identity, age and gender and through the game's characteristic “5V5” gameplay, players feel the power of the team. Every black is meeting new friends and interacting with old ones. In the run-up to the annual event, activities will be preheated first. For example, in 18 years, McDonald's united to create an offline “open black Mecca” to convey the core values of “team spirit” of “Honor of Kings .”It will also advertise activities in offline venues such as buses and subway

stations to increase the atmosphere of activities, attract players' interest, and enhance the daily active value of the game. Tencent Games has done a very good job in terms of user experience. They deeply understand players' needs and constantly optimize the game interface and operation methods so that players can enjoy the game more easily. At the same time, Tencent Games also pays attention to community building and enhances players' sense of participation and belonging by holding various activities and events [6].

Finally, Tencent Games has a large user base in terms of user base. Tencent Games has attracted many game users with its rich product line and good reputation. Tencent's strength lies in its large user base, WeChat and QQ. The two interactive apps have brought many users to Tencent [7]. According to data from June 2021, the number of game users in China has reached 667 million, of which Tencent game users account for more than half. Social platforms with hundreds of millions of users have made a huge contribution to the promotion and promotion of Tencent's game products, which are unmatched by other game companies, and this advantage in the user base will also indirectly translate into corporate profits [8]. The huge user base provides Tencent Games with a broad market space and a stable source of income.

To sum up, Tencent Games has significant advantages in market share, product layout, R&D capabilities, brand influence, and user base. To consolidate and enhance these advantages, Tencent Games needs to continue to innovate, develop more excellent game products, strengthen its overseas market layout, and improve its core competitiveness to achieve sustainable development.

2.2 Disadvantages of Tencent Games

First of all, Tencent Games has certain challenges in terms of product innovation. Although Tencent Games has rich industry game development experience, its product line is still dominated by agency and adaptation, and there are relatively few self-developed games. In the highly competitive gaming market, product differentiation, and innovation become key factors in attracting users. Therefore, Tencent Games needs to increase R&D investment and develop original and differentiated game products to meet the needs of different types of players. The success of Tencent's games is inseparable from Tencent's huge user base. With the strong support of social software such as QQ and WeChat, Tencent's game products have always been full of customers.

Second, Tencent Games has shortcomings in user integration. Nowadays, a lot of gaming equipment requires top-up money to complete, and some games cannot even be done without top-up money, which is very inconsistent

with the game's fairness. More and more users are paying attention to the content and quality of the game, not just the game's brand. As one of the leading game companies in China, Tencent Games already has a huge user base. However, in the current competitive gaming market, relying on the number of users alone is no longer enough to guarantee a company's long-term growth. As the game evolves, the content update becomes slower and slower, and players are always faced with the same game content, and over time, there will be a sense of boredom. This can lead to players feeling that the game is not creative and innovative, and the player's experience of the game will continue to decrease [9].

In this case, Tencent Games needs to adjust its user acquisition strategy from focusing on the number of users to focusing on the quality of users to improve user stickiness and activity. In addition, Tencent Games must strengthen game content marketing to attract users through excellent game quality and word of mouth.

Third, Tencent Games integrates traditional cultural elements into its products to promote the national spirit. For example, the hero character „Li Bai“ in the game „Honor of Kings“ is based on the famous poet Li Bai of the Tang Dynasty, combining the poet's talent with a heroic image and conveying the charm of Chinese culture to players. In addition, „Tianya Moon Knife Online“ is based on traditional martial arts culture, showing the love of the rivers and lakes and the spirit of martial arts, allowing players to experience the charm of traditional Chinese culture in the game. By incorporating these traditional cultural elements into the game design, Tencent Games not only enriches the game content but also enhances the game's cultural value in the players' hearts. Tencent's e-sports team customized „Honor of Kings (Asian Games Version)“ and „Peace Elite (Asian Games)“ for the Hangzhou Asian Games“ These two versions have several very clear features: they combine a lot of local Hangzhou elements and Chinese style elements; The choice of heroes takes into account the familiarity and accessibility of everyone in China and Asia as a whole; There is also gameplay, balance between heroes, and variety of playstyles to choose from [10].

Finally, Tencent Games faces a certain dilemma in terms of customer acquisition. With the gradual disappearance of Internet user dividends, game users' growth rate has slowed, and the cost of user acquisition has gradually increased.

To sum up, Tencent Games has certain disadvantages regarding product innovation, market competition, user acquisition, and regulatory policies. To address these challenges, Tencent Games needs to increase R&D investment, raise awareness of market competition,

adjust user acquisition strategies, and focus on policy developments to consolidate its leading position in the gaming industry

2.3 Opportunities for Tencent Games

The mobile game market is one of the important opportunities for Tencent Games. With the popularity of smartphones, more and more users are starting to use their phones to play games. According to 2019 data, China's mobile game market has exceeded 150 billion yuan and is still growing. Tencent Games has launched several popular mobile games, such as „Honor of Kings“ and „Peace Elite,“ and there is still much room for development in the future.

Cloud gaming is one of the future development trends of the game industry, and it is also one of the opportunities for Tencent Games. Cloud gaming can run games in the cloud, and users only need to play through a network connection without downloading and installing a game client. This mode can reduce the game's hardware requirements and network latency and improve the gaming experience. Tencent Games has launched its cloud gaming platform, Tencent Cloud Games, and there is still much room for development in the future.

The esports market is another opportunity for Tencent Games. Esports has become a much-watched sport, attracting more and more viewers and sponsors. Tencent Games has launched several popular esports games, such as League of Legends and Honor of Kings, and has also invested in several esports teams and competitions. In the future, as the esports market continues to grow, Tencent Games will also benefit.

Overseas markets are another opportunity for Tencent Games. With the saturation of the Chinese market, Tencent Games has begun to expand overseas markets actively. The company has launched its game products in many countries and regions worldwide and has achieved good results. In the future, with the continuous expansion of the company's overseas markets, Tencent Games will be better.

Tencent Games faces many opportunities, including the rise of the mobile gaming market, the development of cloud gaming, the growth of the esports market, and the expansion of overseas markets. In the future, Tencent Games will continue to strengthen game development and operation and launch more high-quality game products to meet the needs of players.

2.4 Threats to Tencent Games

First, fierce market competition is a major challenge for Tencent Games. According to data from the first quarter of 2021, the size of China's mobile gaming market reached

RMB 46.6 billion, up 28.8% year-on-year. Domestic and foreign game manufacturers have poured in in this fast-growing market, and competition is intensifying. In particular, the rise of the mobile gaming market has attracted many new businesses and startup teams to join. These competitors threaten Tencent regarding product innovation and marketing and try to expand their market share further through cooperation and acquisitions. For example, ByteDance successfully entered the overseas game market by acquiring Mutong Technology, which pressured Tencent Games' overseas business competitively.

Secondly, adjusting policies and regulations has also put much pressure on Tencent Games. In recent years, the Chinese government has stepped up the supervision of the game industry and issued a series of policies and regulations, such as real-name registration, game version number approval, and anti-addiction for minors. According to data from April 2021, 180 million game users in China have completed real-name registration. These policies and regulations have impacted Tencent Games' content creation, product launch, user acquisition, etc., increasing enterprises' operating costs and risks. Taking the anti-addiction of minors as an example, Tencent Games needs to invest many resources in developing an anti-addiction system to ensure compliance. At the same time, it may face the risk of being penalized by the government for failing to implement anti-addiction measures.

Third, the changes brought about by technological innovation have brought great uncertainty to Tencent Games. New technologies such as cloud computing, big data, and artificial intelligence are changing the face of the gaming industry. Competitors may rise rapidly through technological innovation and disrupt the existing market landscape. At the same time, the application of new technologies has shortened the life cycle of game products, putting forward higher requirements for Tencent Games' R&D and operation capabilities. Taking cloud gaming as an example, international giants such as Google and Microsoft have already laid out the cloud gaming market, while Tencent Games is still in the initial trial stage. If competitors make a breakthrough in cloud gaming, Tencent Games may lose its market advantage.

Finally, diversifying user needs has also brought many challenges to Tencent Games. With the popularization of the Internet and the continuous expansion of user groups, gamers' needs are becoming increasingly diverse, and the requirements for game products, services, and social networking are also getting higher and higher. According to data from June 2021, the number of game users in China reached 667 million, of which 46.4% said they like to try different types of games. Tencent Games must

continuously optimize its products and services to meet users' needs and prevent user churn. Taking game social networking as an example, Tencent Games needs to strengthen its social functions and improve user stickiness. Otherwise, it may face the risk of users switching to other platforms with stronger social attributes.

To sum up, Tencent Games faces external threats in market competition, policies and regulations, technological innovation, and user demand. To cope with these threats, Tencent Games needs to continuously innovate products and services, improve its core competitiveness, strengthen strategic cooperation with partners, and actively respond to the adjustment of policies and regulations to achieve sustainable development.

3. Conclusion

This study analyzes the strategy of Tencent Games through SWOT and draws the following results and conclusions: Tencent Games has significant advantages in market share and brand influence, but there are challenges in product line diversity and overseas market expansion. It is recommended that Tencent Games increase R&D investment, expand product lines, and actively seek opportunities in overseas markets while consolidating its existing market position. The contribution of this article is to systematically analyze the strategic status quo of Tencent Games and provide a useful reference for the industry. An in-depth analysis of Tencent Games' internal and external environment reveals its competitive advantages and potential risks, which is helpful for the industry to understand the development trend and market prospects of Tencent Games.

However, there are limitations to this article. First of all, due to the limitations of data and data, the analysis of Tencent's game strategy in this paper may be biased to a certain extent. Second, this paper does not compare Tencent Games' detailed strategies with those of other competitors. The analysis results may lack a basis for horizontal comparison. Finally, this article does not provide an in-depth discussion of the future policy risks and market changes that Tencent Games may face. Based on the above limitations, this paper puts forward the following prospects: first, a more in-depth empirical

analysis of Tencent's game strategy to make up for the shortcomings of data and information in this paper; The second is to compare Tencent Games' strategic analysis with other competitors to gain a more comprehensive understanding of its competitive position in the gaming industry. The third is to predict and discuss the future strategic development of Tencent Games based on policy factors and market trends, to provide more forward-looking suggestions for the industry.

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