The Structure of Foreign Trade Game Business in China-Case Study from Tencent

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Abstract. Along with the global business layout and trying to spread Chinese culture, the wave of games going abroad has been rolling higher in recent years. This study is divided into three parts. Firstly, what is the definition of going to sea, the components of the industry chain going to sea, the history and process of Tencent's development going to sea, and Tencent's current development status. Secondly, the profitability of Tencent's outbound business is also analyzed, as well as the classification and primary work of the manufacturers involved in the outbound process and their share. Finally, Tencent's suggestions for going abroad, include accelerating product updates in mature markets, further developing emerging markets, developing distribution channels and platform cooperation, and helping games go abroad. Comprehensive local cultural integration.

Keywords: Foreign Trade, Game Business, Tencent.

1. Introduction

The overseas release process of mobile games is similar to that of ordinary games, but there are more participants, and the process is more complicated. Different countries have different policies on how to pass local approval successfully. And adapt to the local players' tendencies and preferences, as the sea's main difficulty. Some countries may customize the game and need to adjust to the global culture.

How to open the market, where to get the first users to go abroad, and how to make others dare to use your products in the overseas market without any experience are very difficult. So important promotion channels, advertising to its good also can reflect the value of advertising, to solve this problem more and more companies choose to use third-party tools, quickly understand the overseas market and segment on the user's needs, extensive data technology development, the birth of many tools platform, therefore, in principle, flow is for game products and services, If the quality of the product is not high, there will naturally be a flow problem. Therefore, the product is the most important; the product in the right area can help solve the traffic problem.

In terms of policy, it emphasizes cultural confidence and encourages excellent cultural content to go overseas. The game supply side is more willing to go abroad. Games are already an essential carrier of artistic output and have significant advantages compared with traditional methods. On the one hand, the game audience is broader and younger. The game can provide an interactive experience, bring a sense of immersion in all directions, convey cultural experience more comprehensively and deeply, and create a viable cultural communication method[1].

On the other hand, the overseas game market has broad space, and there is still much room for improvement in mobile game penetration and payment. The growth rate of overseas game revenue is higher than that of China, and leading companies' overseas game revenue has increased. In the context of the rapid development of the Internet economy, it is an inevitable trend for companies to go overseas for games.

2. Case description

2.1 Development history

Game going overseas refers to the phenomenon that mobile games developed by game companies in mainland China are released in overseas game markets (including markets in Hong Kong, Macau, and Taiwan, China). Game features and elements may differ, but the core methods are mostly consistent. With the innovation of mobile game methods and models and the optimization of users' game experience and interface, Chinese game companies are constantly improving the quality of Chinese mobile games, which has significantly accelerated the pace of going overseas. Depending on the collaboration process, the game overseas industry chain mainly includes game developers, game publishers, game channels(or distributors), and other participants. Game developers primarily engage in overseas game production and content production and are responsible for game source code development, page design, plot and game experience, etc. Publishers mainly manage the operation of overseas games in overseas markets, and companies responsible for game marketing provide professional marketing solutions for game developers. Most profit-making methods for games going overseas are product monetization and traffic monetization. Product monetization comes from players paying for game buyouts or consuming services such as in-app purchases or recharges. At the same time, games going overseas can display banner ads, cut-screen ads, incentive ads in-game, and other methods to realize traffic flow to obtain income[2].

As far as the current situation of games going overseas is concerned, the going overseas of domestic mobile games is in a critical product bonus period. This is because overseas game manufacturers ignored the research and development of mobile games in the early stage. Many companies with deep technical accumulation in the field of PC and console games did not pay attention to the problems of the mobile game market or the quality of their products. It has a specific first-mover advantage in the world, muscular technical strength in the field of mobile games, rich operating experience, and overseas game manufacturers are willing to cooperate with domestic game manufacturers as IP licensees.

In 2014, Tencent's first batch of large-scale mobile games began to face the market. The games developed by Tencent, such as "Everyday Love Elimination" and "Everyday Cool Running," started to grow in China, arousing the love and pursuit of domestic consumers. After that, Tencent connected these games to the international version of WeChat for the first overseas attempt[3]. Before 2019, Tencent Games went overseas and focused on investing in and acquiring upstream game companies, such as the acquisition of Riot Games, which developed the "League of Legends." In terms of distribution, it is distributed by local agents. For example, games released in Southeast Asia, including the overseas version of "Honor of Kings," are all completed by Garena, the most significant game company in Southeast Asia. During this period, Tencent first solved two problems. First, in terms of game content production, Tencent's enterprises were synchronized with the world's top manufacturers. In agency distribution, it has invested in some local distribution platforms and has easy to master local game distribution channels. After 2019, Tencent Games adjusted its overseas strategy and proposed a parallel strategic plan of "self-research + investment + distribution." While Tencent continues to invest in mergers and acquisitions, it keeps trying to distribute games by itself and set up overseas companies. At the same time, domestic experience is gradually accumulated and then systematically transferred to overseas investment studios to improve R&D efficiency and cost and achieve integration. Current status of Tencent game development: In December 2021, Tencent launched Level Infinite, a global game distribution platform. Currently, Level Infinite has offices in the Netherlands and Singapore, and the international business team has more than 1,000 people. At the same time, Tencent has not forgotten to strengthen its regional capabilities and is setting up new self-developed studios in many overseas locations. Now, Tencent Games has reached the stage of global branding.

2.2 The foreign trade game business in China

The mobile game is mainly divided into IP of the game investigation and development game industry. Based on the place of online game games, different IP regions worldwide have different pricing standards. But the investigation and research participle on gross profit margin is the highest proportion in the total plan, which accounts for 60% to 70%.

Tencent has two different types of foreign trade business, which are the two types of foreign trade business: the holder of exclusive IP and non-exclusive IP. When Tencent hadn't entire popular IP, Tencent acquired the game IP by purchasing from different game companies. Secondly, Tencent made Tencent's game studio invest in, innovate, innovate, innovate in China. After them that, Tencent is expected to conduct foreign markets. In the process, the game of exclusive IP received the largest asset before Tencent invested in the game[4].

Although Tencent possesses the exclusive IP, also, Tencent applies the cooperation mechanism to the process. Large-scale marketing and many local advertisers will participate in the cooperation.

In the wake of mobile games, significantly developing and the quality of mobile games are growing in China. Tencent uses use uses planning and operation, which account for the game type and customize a tailored marketing plan for the game. Tencent's primary way of promotion is a formidable information system and short-video apps, Like video and WeChat. Firstly, Tencent has a large number of users, and Tencent has mature big data technology. It can be well used in KOL marketing to filter out the appropriate push crowd and push the game information and attractive parts to the mobile phone of the right crowd group. At the same time, Tencent conducts the most professional advertisement, creating the most significant resource to advertise the game in foreign[5]. After that, when the fun begins foreign trade, it is inseparable from the operator. Although the match was succussed and populated domestically, the survey and national preferences were more critical than domestic information. The offshore service providers offer midstream enterprises game promotion, advertising, and game promotion strategy formulation. Advertisers and distribution channels are social media or applications directly used by users. Stores, ads, and downloads of games will be distributed through the channel[6]. Tencent first chose to hand over the issue to partners or cooperate with local companies, to open some markets, gradually accumulate overseas publishing experience and user data, and establish links with overseas aisles.

Some of the games with cashing solid power within the game, partly from some user volume but low paid value, can be realized through some cashing ways, such as through advertising channels. Besides, the number of the country's population or the value of a single unit may be high, and even if its overall weight is possibly not very high, it may be a good area for development. Use SDK (Software Development Kit) to insert advertisements in the game. The terminal is primarily a smartphone with GPS positioning capabilities that can be combined with the user's location[7].

It makes the placement more accurate. Since the features and functions of mobile Internet applications, especially mobile Internet games, are more targeted, the placement order of IGA (In-Game Advertising) for nomadic Internet game username user groups is more accurate than for online games.

3. Development Suggestions

3.1 Accelerate product renewal and further explore emerging markets

Presently, Tencent's game overseas is still in its infancy, mainly obtaining economies of scale by expanding its user base. The Southeast Asian market is similar to China, has a huge player base, and the domestic game market has a high market share[8]. However, no matter how mature the market is, players will pursue the novelty of the game's originality and will not buy a single-playing game product for a long time. To make games have a longer sales cycle in overseas markets, leading companies such as Tencent should fully use the advantages of shorter product replacement periods and accelerate the replacement speed of mature market products in terms of game content, theme, gameplay, or

expressiveness.to improve game playability and enhance user stickiness. At the same time, emerging markets have the advantage of demographic dividends, such as Russia, Brazil, and other countries with a population of hundreds of millions. The high degree of aggregation ofaggregatingof aggregating players' cultural identities in a single market reduces the difficulty of companies' understanding and grasping the market and facilitates the establishment of overseas game companies. Large-scale product output while reducing the problem of game development and harvesting more players.

3.2 Carry out distribution channel cooperation to help products go abroad

With the advent of the era of new media platforms, the attention of players is further dispersed, and the promotion and distribution channels of products gradually change from single to multiple. Under the condition of understanding the distribution of internal and external resources of the enterprise, through resource replacement and joint issuance with domestic and overseas manufacturers, we can make use of the popularity of local products in overseas markets to promote the game to go overseas. East Asia, the Middle East, and other regions in recent years, increasing Mobile phone penetration and vigorously expanding the area of the Mobile phone market are represented by Huawei, OPPO smartphone manufacturers in China, and Tencent; Tencent can provide deep cooperation with the mobile phone hardware manufacturers, mobile phone in the present era progress is indispensable in the process of electronic devices, At present, it is the electronic device that people spend the most time using in a day. Tencent should promote its game products to the target market for the first time through advertising, application recommendation, and other ways. Tencent and other overseas game enterprises should realize that "The Internet ecology is still governed by Facebook, Google, Apple, and other enterprises." Google and Apple, as the leading product release platforms in overseas markets, are still the primary targets of the leading top product release platforms in overseas markets; Google and Apple are still the primary targets for domestic enterprises to cooperate with. Tencent should mainly apply for the recommended position of such media, and other channels should serve as the auxiliary distribution[9]. Do an excellent job in preheating and promoting sea games.

3.3 Comprehensive integration of local culture

In 2018, Honor of Kings, which has attracted countless fans in China, officially released its European and American version -- Arena of Valor: 5V5 Arena Game. However, AVO failed to meet Tencent's expectations, and its performance fell far short of other games in the same category as domestic companies. PUBG Mobile, the international version of PUBG released in the same year, reached 500 million overseas downloads in just one year. Two games from Tencent, both from Tencent, but the degree of acceptance is very different, which requires companies to re-examine and define the concept of cultural integration of game development[10]. A comprehensive understanding of regional cultural integration is based on the in-depth intervention and thinking of the social environment and even the living habits of the countries where the target market players live.

Suppose AOV with level upgrading as its core play is inconsistent with the value of freedom and equality dominated by European and American players. In contrast, PUBG Mobile, with teamwork competition as its core play, is more in line with the adventurous mentality of European and American players. The success of overseas games results from a combination of factors, including understanding the country's culture and market research on the interests of this type of game player and market demand. For example, Chuang yin mobile phone has a growing market share in Africa because it fully meets the needs of African people. Chuang yin's mobile phone has black technology, which can perfectly restore the skin color of black people when taking selfies. This camera can not only take clear pictures of black people but also has a beauty function and can recognize faces in the dark. Comprehensive integration of local culture plays a vital role in enterprises going abroad. Therefore, game research and development should not only stand in the perspective of the game market but also rely on the domestic platform accumulated users and channels to develop the seller's market thinking, more stand in the perspective of the market environment. The integration of product research and

development, innovation of core technologies, diversity of marketing channels, and copyright protection should be integrated into the strategic internationalization layout of enterprises[11].

4. Conclusions

Tencent looks forward to the future development direction mainly from the following five aspects. It is primarily subdivided into two primary directions: the internal development direction of Tencent and the external market environment.

First of all, Tencent's internal development direction Tencent Games should increase the development of the overseas independent LEVEL INFINITE brands. LEVEL INFINITE The brand distribution is the work of Tencent's interior studio and third-party developers. It announced it would launch the international version of TIMI STUDIO GROUP to global players before 2022. Starting from July 2022, it will gradually promote more Internal testing. The audience of Tencent Games continued to expand, followed by innovation in cross-end games. Although the current trend is the strong growth of the mobile game market, there are still many user groups on the PC and console—new trends.

On the one hand, the global collaboration system deployed by Tencent has begun to take shape, which is a core advantage for Tencent. On the other hand, Tencent Games is moving towards the medium- and long-term goal of "going hand in hand at home and abroad." The continuous deepening of Level Infinite has confirmed the new path of Tencent's overseas game layout. It is also significant in promoting Tencent's "five-five" vision at home and abroad. It is expected to attract more overseas high-quality games to be published in Victory, and the "global R&D+ global distribution" strategy will continue to be promoted to accelerate the overseas expansion of games.

Self-build + cooperation, continue to deploy overseas R&D teams and create overseas IP and 3A games with global influence. In 2Q21, Tianmei Studio Group set up new studios in Seattle and Montreal, announcing the development of 3A-quality original IP design games for end-game games and the development of new open-world IP; Plus code 3A boutique research and development. Cooperation: On 9M21, Respawn Studio announced that it would work with Photon Studio as a joint development partner to create "Apex Heroes Mobile Games jointly." On March 8, 2022, some overseas "Apex Heroes Mobile Games" markets started a soft launch.

Seize the development of emerging markets. The Middle East, Southeast Asia, Latin America, and other needs proliferate. This is similar to what we saw in the domestic market in 2012 or 2013 when the growth rate of the mobile market skyrocketed. The same thing is happening. This opens up new opportunities for the entire gaming industry.

Metaverse, VR, and AR are the most significant future directions for going to sea. Since 2021, Metaverse has entered the public's field of vision, quickly becoming the strategy of many large companies at home and abroad. At the current level of development, games are the closest approach to the metaverse. We can also see from the list of companies that announced the layout of the metaverse that the Internet companies with game business and game technology are the most active. After Microsoft bought Blizzard for $68.7 billion, we're convinced that games will be tightly tied to the "metaverse." Then, global deployment, VR/AR, cloud games, and AI will become new trends in the subsequent development of games. Therefore, this is also an inevitable growth trend for Tencent Games to go overseas.

The penetration of NFTs into all walks of life. At the current stage, a large number of IPs, brands, celebrities, and other things, in reality, are highly NFT effects but have not been discovered. To put it bluntly, as long as it sells NFT, it can realize rapid realization, its commercial temptation is irresistible, and its NFTization is an inevitable trend. The combination of NFT and the Metaverse. At present, NFT has asset and collection attributes and almost no application attributes. With the continuous development of the Metaverse, NFT is expected to be further integrated with the Metaverse in the future, so that NFT can reflect the application value in the Metaverse.

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