Analysis MiHoYo Business Model Competitiveness

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Abstract. People's purchasing capacity rises along with that of the national economic strength. At the same time, because of the rapid development of the Internet and mobile phones becoming a common commodity, mobile games have gradually gained the spotlight and integrated into people's daily lives. The industry of mobile games has expanded tremendously, which has led to fierce competition under the promotion of capitalism. Small- to medium-sized enterprises in the game development industry now face strenuous difficulties in moving forward with the expansion. In this article, we appraise MiHoYo Co., Ltd., a digital game development and publishing company based in Shanghai, regarding its development so far in the industry; using theories and methods in business administration, we analyze the competitive advantages of MiHoYo. MiHoYo has released best-selling video games with themes centered around renowned intellectual properties, which form a multi-dimensional matrix of products that enhances its lead in competition; at reasonable prices; MiHoYo's original intellectual properties have attracted a large number of users with high consumer stickiness. Moreover, MiHoYo has a culture of prioritizing technology and setting clear goals, and it has successfully released promising products while gathering experience in business management. The success of MiHoYo under the challenges posed by the game development industry allows other small- to medium-sized enterprises to see development directions in a new light. Lastly, suggestions are presented for the future progress of MiHoYo.

Keywords: MiHoYo, Growth process, Competitive advantage.

1. Introduction

Marshall McLuhan proposed a view of "game" as a media for communication, an extension of individuals or groups ubiquitous in our society. With the rise of the Internet and the continued advancement of technology and innovations, online games have flourished. As one of the latest precipitates of the Internet, online games are more digitized and target younger generations. They have evolved from being the by-products of the Internet and have become a new perspective and language. A set of unique values to the users, an inseparable branch in the vast Internet-the progress of online games and that of society and other forms of media have a mutual influence on one another.

In particular, mobile games have witnessed a growth spurt among all other online games. Numerous companies have joined the game and hope to profit from the spurt. It is indubitable that Tencent and NetEase are two major tycoons in the industry of mobile games. Whether it's Tencent's "Honor of Kings" and "PUBG (Player Unknown's Battlegrounds) Mobile" or NetEase's "Fantasy Westward Journey" and "Onmyoji," both products are known by heart by people in the industry and have been sold like hot cakes. Tencent and NetEase have released products covering genres such as chess, cards, puzzles, RPG, sports, etc. The two tycoons have maintained their dominance in the industry by almost monopolizing resources of technology, funding, talent, and marketing platforms. They both have bountiful resources, years of experience, and a wide range of products; they are well-versed in game development and well-informed about marketing strategy. Even if some small enterprises happened to slip through the monopoly of these two tycoons, Tencent and NetEase would choose to acquire those. In cases where the small enterprises refused to merge, they made similar products with their own better resources. In the latter case, Tencent and NetEase would extract shares of the small companies' shares of profit and further maintain or even enhance their monopoly in the industry.

Nonetheless, MiHoYo is the dark horse that has withstood the pressure from the game industry tycoons and created high consumer stickiness by its outstanding quality and extreme popularity of its original products in some subdivisions of mobile games. 2021 was the year that witnessed the monumental success of MiHoYo. After the more traditional "PUBG Mobile" and "Honor of the Kings," MiHoYo product Genshin Impact became the third best-selling mobile game and thus made MiHoYo a unicorn business. This article will analyze the competitive advantages and disadvantages of MiHoYo and discuss the possible strategies small- to medium-sized game companies could implement to stand on their feet despite the monopoly of Tencent and NetEase on the market.

2. Literaturen review

Science and technology and the Internet have motivated the development of the industry of mobile games. This part will focus on the relevant research of the mobile game market. In the research on game culture, from the angle of ACG (animation, comics, and games) culture, Zhu concluded that "Genshin Impact" paved a new path in the realm of the open world thanks to the anime-styled game's unparalleled advantage of influencing culture diffusion. This provided new perspectives in facilitating the advancement and output of traditional culture [1]. From the vision of a "meta-universe," Zhao believes that online games will considerably break through their current cultural and entertainment functions and turn to influence and change social life in the broader dimension and deeper field. Creating the main publishing position of precise domestic games is the fundamental solution to achieving high-quality development in the game industry [2]. Shen discussed the high-quality operation of MiHoYo based on original IP in the long term, developing cultural and creative products as an important media for the communication of splendid traditional Chinese culture, using digital technology to inherit Chinese culture, and creating excellent national original culture through continuous integration of Chinese historical and cultural connotations [3].

In addition, many scholars have still analyzed the market model and competitive environment of mobile games. Han assessed that the reasons for MiHoYo's success included the company's commitment to quality, lack of desire to make a quick profit, and the unique style of its products. For these reasons, MiHoYo has gained its reputation in an area without much existent competition. In addition, MiHoYo offers its employees considerable salaries, and its stakes are hard to be taken [4]. Qiao took MiHoYo's case of "Zhong Li" (a character with high popularity in "Genshin Impact") as an example and pointed out that MiHoYo's response-ability to the crisis was not ideal and even ostrich-like, which was too rigid and lacked flexible adjustment ability [5]. From the marketing communication perspective, Zhao explored the collaboration between KFC and "Genshin Impact," a KFC chicken bucket with a Genshin theme. This collaboration merged their overlapped influential users, producing a value effect of 1+1>2, hitting the target consumers' pain points, arousing the resonance of users, improve loyalty will be higher. Thus, a win-win situation of marketing channels, fan flow, and cultural value output is formed [6]. In a report by Guo on "Honkai: Star Rail," the latest release of MiHoYo, he pointed out two significant competitive advantages of the company: one is the top-notch visual and auditory quality made possible by various mobile devices, and the other was the company's already mature industrial pipeline, which had been built while the team gathered extensive experience of producing 3D games [7]. Guo used the SWOT matrix and identified the strengths of MiHoYo: its access to generous funding, its excellence in innovative research, its success in creating high customer stickiness, and its precedence in overseas markets. He suggested that MiHoYo should keep emphasizing research and development to provide high-quality products, deepen cooperation with bilibili and other platforms to promote the two-dimensional culture, improve user stickiness, and focus on a differentiation competition strategy [8].

The analysis above shows that most of the literature focuses on the technical strength of MiHoYo or its role as a cultural carrier. Still, the IP mining of MiHoYo has just been mentioned in short length, and the network effect of MiHoYo has yet to be said. Therefore, this paper intends to focus on these two easily-ignored but important angles to analyze the competitive advantages of MiHoYo.

3. Case analysis

This part looks back on the 11-year history of MiHoYo, reviews its growth process, and sorts out key nodes, which is conducive to a more in-depth analysis of the competitive advantages of MiHoYo in the game industry. During the growth of MiHoYo, multiple core products cast multi-level barriers, formed its unique competitive advantages and helped it become a leader in the game industry.

3.1. Case description

In September 2011, the founding team of MiHoYo started to make a name for themselves with the release of "FlyMe2theMoon", a Moe-type action puzzle game. The following year, MiHoYo was officially registered and launched a mobile game called "Houkai Gakuen." After that, it launched a series of products such as "Honkai" and "Genshin Impact," which surpassed "Honor of Kings" and became a phenomenon product. In May 2022, MiHoYo expanded product matrix creation. The 3D role-playing action game "Zenless Zone Zero" was officially announced on its official website and released its first PV, instantly topping the bilibili game list.

With a philosophy of "Something New, Something Exciting, Something Out of Imagination," product designers have grown from Fly Me 2theMoon to the Honkai impact to Genshin Impact, gradually laying out the globalization circuit. In addition, it actively explores and dares to innovate in areas such as cloud games, meta-universe, and brain-computer interface. Mihoyo leads users with super scientific and technological strength and lofty future ideals in the development process to enhance their competitive advantages in multiple dimensions. Mihoyo is changing the world with "tech otakus save the world" and connecting groups with the same user attributes around the world with a rich product matrix, providing users with a sense of gaming pleasure and social acquisition.

3.2. Analysis of competitive advantages and disadvantages

3.2.1. Blueprint of product design

MiHoYo is an enterprise with numerous original intellectual properties with themes in ACG culture, for example, "Honkai: Star Rail" and "Genshin Impact". The company has released products that cover areas of games, comics, animation, light novels, and anime merchandise that facilitate the mutual enhancement of one another - this is done through emphasizing the characters, storylines, and world views surrounding the original game releases. They form an eco-system for the derivative products of the intellectual properties that pioneers the development of the whole industry.

To provide a better gaming experience for the users, MiHoYo believes in creating and, more importantly, polishing and perfecting its game products without exception. Meanwhile, MiHoYo adapts the practice of DevOps (effective combination of development and operation), which allows the company to deliver service faster and make more profits than using a third-party agent [9]. As a result, MiHoYo has attracted a group of loyal consumers, which further enhances its reputation in the industry - the loyal consumers are mostly followers of ACG culture, who are more than willing to discuss and recommend products that they are satisfied with; this forms an effective chain of spontaneous advertisement for MiHoYo's products. Besides consumers' intuitive advertising, MiHoYo also takes creative initiatives to promote and explore its intellectual properties. The company focuses more on the quality of the promotion than quantity - consumers were very responsive to the series of ads termed "You play Genshin too" by MiHoYo, for example.

Furthermore, MiHoYo pays specific attention to offline-online interactions and strives to integrate ACG culture into the real world. "Genshin Impact" first gained popularity for its supreme quality, appropriate marketing strategy, and the components of ACG culture embedded in the game. From August to September of 2022, MiHoYo hosted frequent events to celebrate the second anniversary of "Genshin," including the collaboration of "Genshin" with Pizza Hut, Hey Tea, and other renowned brands. In the collaboration between "Genshin" and Pizza Hut, the first 100,000 coupons sold out within moments of the release; a similar story happened in the collaboration between "Genshin" and Hey Tea. Discussions about these events have become one of the most popular topics on Weibo,

Douyin (China's equivalent of Tiktok), Bilibili, etc. These events benefited MiHoYo as the owner of the intellectual property (of the game content) in a twofold manner: first, MiHoYo did get a commission from the profits made in these events without much effort; second, MiHoYo and its products were able to gain more exposure and attention by collaborating with the well-known brands. The offline-online interactions have made MiHoYo a more recognized and influential contender in the game development market.

3.2.2. User terminal

A large number of users is a major competitive advantage of MiHoYo. In September 2016, MiHoYo released the mobile game "Honkai 3", and in the first month of the beta test, over five million new accounts were made, and transfers of over 500 million yuan were made. The release of the mobile game "Genshin Impact" on September 28, 2020, was a similar story. According to the data from Sensor Tower, within the first week of the initial release, transfers worth over 60 million dollars were made. The massive number of user groups and loyal fans have assured MiHoYo of its future success.

It was one of the long-term goals of MiHoYo to form an ecosystem for its products that provides technical support for the users and promotes their interactions. This is precisely what MiYouShe, the online community for MiHoYo users, has helped the company to achieve. Official agents, content creators, and users are the three vital components of this community. MiYouShe has the basic information about each game and provides assistance for the users: in particular, one can check the event calendar, necessary items needed for a certain character, and one's progress in the game. If users discover a bug in the game, they can report easily to the official agents in MiYouShe, who will fix the bug and award the users for the report. These practical functions draw more users to use MiYouShe and promote peer effects to encourage users to make more posts. For instance, users are more likely to share their understanding and strategies of the game as self-realization and even a sense of accomplishment when others approve the posts. Similarly, users get to show their unique insights by presenting unusual opinions.

In addition to the enormous number of users, MiHoYo has released the feature of daily sign-in and sign-in streaks in MiYouChe. On a given day, the users sign in to gain rewards in the games, and by achieving a sign-in bar of a particular duration in a month, rarer items are awarded to the users. This feature encourages the users to form the habit of signing in MiYouChe, which improves consumer stickiness and maintains user activity in the online community.

Lastly, MiYouShe encourages users to participate in the creation of a virtuous community through material and spiritual means. Whenever there is a new event in the game, MiYouShe will release related events such as questionnaires and small games, and participants will be awarded accordingly upon completion. To encourage recreation in the community, MiYouShe asks for submissions from users and creates polls in the community that will lead to awards given to creators in the form of game items or unique titles. Over time, this has drawn more users to participate in the events, and recreations of higher quality are presented in the community. Further, the high-quality recreations inspire more users to join the online community created by MiHoYo, which completes the positive feedback and boosts the value of MiHoYo.

3.2.3. Pricing strategy

No cost is necessary to join any game by MiHoYo or MiYouShe. MiYou coin, the currency used in this community, can only be obtained through online events, sign-in streaks, interacting under posts, etc. With these MiYou coins, the users can purchase physical merchandise and items in games and participate in lotteries. This setting may seem unprofitable, but it indirectly benefits MiHoYo in various ways-the community increases consumer stickiness, the level of interactions among users, and ultimately the values of MiHoYo as a company. As for the games released by MiHoYo, there is a substantial similarity among them - the items in the games come with charges (for example, the characters of different skins, weapons, etc.) [10]. Users and MiHoYo mutually accept that joining the game is free, while charges are imposed on selected aspects of the game, and there is no upper limit

on how much one can put into the game. Whether one pays and how much one pays are individual users' decisions and do not affect the gaming experience to any extent. This is a slick strategy since users can join the game for free, but their natural vanity and the strong desire of followers of the ACG subculture urge them to pay for items in the game. For this reason, most users have, at some point, paid for items in the game to have a better gaming experience. In turn, the case of "Genshin Impact" brought MiHoYo to a unicorn business within six months of its initial release.

3.2.4. Technology

One of the virtues of MiHoYo is to identify patterns in the market and make technical innovations accordingly. Improving online games' technical capacity constantly is one of the fundamental reasons why MiHoYo has managed to stand on its own feet in the game development industry. Hao-yu Cai, the chairman of MiHoYo, deemed improving technical capacity as the primary force that drives the company's progress, further demonstrating the company's culture of prioritizing technology. This virtue has helped MiHoYo to be top-tier in modem business administration and reinforced essential competitiveness. A positive company culture is an imperative aspect of gaining competitiveness in the industry and an important strategy for modern business administration to achieve its goals.

In addition to positive company culture, MiHoYo has a clear specialization in subdivisions of online games, namely ACG culture. Most are creators and consumers in ACG culture, from entry-level employees to management teams. As an animated game development company that advocates ACG culture, its initial motivation is to serve the followers of ACG culture, which are relatively small numbers. Nevertheless, as ACG culture has been flourishing in recent years, it has attracted more followers. "What defines a consumer of ACG culture?" doesn't seem to be a clear-cut answer for the complexity of content and subjectivity of followers. Therefore, MiHoYo has chosen not to define its target audience but instead uses its advanced technology to present the "Kawaii" subculture with high quality. This approach to not please anyone, in particular, will naturally intrigue like-minded individuals. Meanwhile, MiHoYo did not set its central theme to be completely general but has specialized in exactly one theme, which has led to remarkable intellectual properties appreciated in the market. The popularity of "Genshin Impact" proves that MiHoYo's approach is correct.

3.3. Suggestions

One of MiHoYo's strategies to thrive in the industry stresses the importance of investing in its research and improving its capacity. This is precisely why the initial release of "Honkai 3" and "Genshin Impact" already had the supreme quality seen by the consumers and others in the industry. The technological advancement of MiHoYo has made creating more content in various forms possible. While it guarantees the high quality of the games, MiHoYo has identified with depth the needs of users that arose in the new, digitized generation. The online games, as original intellectual properties of MiHoYo, are products of high-level industrialization combined with rich content adapted from ACG culture, which has inspired followers of ACG culture to become loyal users. Outside of the games, MiHoYo has created a virtuous circle to engage users - it has set up online platforms like MiYouShe, where official agents of MiHoYo encourage and celebrate consumers' recreation by sometimes integrating the recreated pieces into games.

Moreover, as mentioned, MiHoYo has a dedicated effort to make offline-online interactions with restaurants, convenience stores, and even banks in the form of collaborations. These collaborations have helped keep the games in the spotlight not only to attract more potential consumers but also to cultivate the culture of the games as original intellectual properties that will eventually become an ecosystem with high levels of consumer stickiness and activity. While it is profitable for MiHoYo to have more users, there is also a higher level of uncertainty about the behavior of specific users - for example, there was some unexpected vicious behavior during the collaboration between "Genshin" and Pizza Hut. MiHoYo should shoulder a company's responsibility in a civilized society and direct its users to build and expand a healthy, balanced ecosystem. Besides the need to build a respectable atmosphere for users, instead of solely focusing on depth, MiHoYo should try to broaden its intellectual properties' scope. Namely, "Genshin Impact" is its only prominent product. It will

undoubtedly be more beneficial for MiHoYo to release games of various themes so that the company is not just the producer of "Genshin" and can make continuous progress in the future. Without a more diverse portfolio, MiHoYo's success could be a fugitive one.

4. Conclusion

Through research, this paper believes that the competitive advantage of MiHoYo is its ability to create popular game products around well-known IP and a multi-dimensional product matrix to enhance competitive advantage. What's more, MiHoYo makes good use of its original IP, establishing a social network to gather many users and improve its stickiness. Accurate pricing, product development, and operational experience are keys to success. And at last, MiHoYo's high technology is vital, which occupies much length in other papers. However, the research still has limitations. The data collection is not comprehensive enough, and part of the context collected and integrated netizens' opinions from the forum or community, so the data-oriented information may be insufficient.

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