

Analysis Of Tencent's Product Policy

Ningkun Liu *

Department of Institute of International Exchange, Shandong Agricultural University, Taian, China

* Corresponding Author Email: liu.ningkun.681478@hotmail.com

Abstract. When a business has problems with marketing, sales, and growth, the root cause often lies in the product or product policy. If the product policy is wrong, it may cause a lot of troubles for the business. Today we use Tencent as an example to analyse the role of product policy in the company's success. The case of Tencent is used to explore how appropriate product policies can enhance a company's brand image and customer loyalty.

Keywords: Tencent, product policy, SWOT-Analyse, PEST-Analyse, customer.

1. Introduction

1.1. Problem definition

With the continuous progress of science and technology and the development of the digital age, the Internet has penetrated into every aspect of our lives and become indispensable, and as a technological tool, it has a far-reaching impact on all levels of society. 2024 On 22 March, the China Internet Network Information Center released its 53rd statistical report on the development of the Internet in China, which shows that in December 2023, the number of Internet users in China reached 1.092 billion, with an Internet penetration rate of 77.5 per cent. Through the Internet, companies and individuals can overcome geographical boundaries and conduct business and communication on a larger scale, for example, people can find out about what is happening in the world without leaving their homes. And the internet also allows people to buy more of their favourite goods, which often makes people's lives easier, e.g., most people prefer to order a takeaway meal to take home when it's raining or on a hot day. The advent of the internet has also enriched people's daily lives and changed the way they socialise and converse. People now use social media platforms (e.g., Facebook, Tiktok, etc.), to share their lives and daily interactions with others. And more and more people are choosing to play online games to pass the time and have fun. With the development of the Internet, new consumer potential burst, the digital economy continues to develop, while many Internet-related enterprises rapid development, in which Tencent as an Internet industry in the company is naturally grasping the Internet development trend of the times, since its establishment in 1998, has become China's top three Internet technology companies. On 30 Jan 2024, data research company Quest Mobile released its annual report on China's mobile Internet for 2023, which lists 12 companies with more than 500 million total users, of which Tencent tops the list with 1.221 billion users, which means that more than 12 out of 14 Chinese people are Tencent users. Tencent will reach an operating revenue of 609 billion RMB and a net profit of 157.7 billion RMB in 2023.[1] Tencent's revenue sources can be divided into four segments: Value-added services, fintech and enterprise services, online advertising and others. Of these, value-added services accounted for the largest share of revenue sources at 49 per cent, with the value-added services business mainly benefiting from social network and online game revenue. Tencent's full-year 2023 financial report clarifies that gaming revenue was 179.9 billion yuan, an increase of 5.4 per cent year-on-year. This piqued my interest to learn more about Tencent's online gaming policy and how they manage to make such high profits. In this article, Tencent's online games will be analysed to understand Tencent's product policy in terms of revenue development.

1.2. Objective

The aim of this paper is to provide the reader with a clear understanding of how Tencent has managed to capitalise on the trends of the times in the internet age, build an internet technology company and become highly profitable through the online gaming industry. Tencent's product policy is analysed by understanding Tencent's success factors and the reasons for the company's high profitability. In this context, two questions arise: What are Tencent's success factors? How do Tencent's online games have a positive impact on other industries?

1.3. Structure of the work

The first chapter of this thesis has three subsections. The problem definition serves as an introduction and roughly describes the background of the thesis and the topics and content to be analysed. The objectives describe the aims and research problems of the bachelor thesis, and the general structure of the thesis and the general content of each chapter are presented in the structure of the thesis section. The second chapter is the theoretical part, which is divided into three subsections, namely 2.1, 2.2 and 2.3. Chapter 2.1 contains the definition and purpose of product policy. Chapter 2.2 is divided into three further subsections. The first sub-chapter 2.2.1 is a definition of customer groups. The second subchapter 2.2.2 deals with the differences between various customer groups. The last subchapter 2.2.3 explains and defines customer segmentation.

In the third chapter, the communication software 'TIKTOK' is analysed with the help of the SWOT analysis and the PEST analysis. The third chapter is divided into three parts: 3.1, 3.2 and 3.3. Subsection 3.1 describes what a SWOT analysis is. Subsection 3.2 then explains the PEST analysis and gives examples of the individual influencing factors. In the last subsection of 3.3, TIKTOK is analysed with the help of the two analyses presented above. In the fourth chapter, Tencent's online game is analysed using the two analysis methods that proved useful in the third chapter. Subsection 4.1 is an introduction to Tencent, which describes the background knowledge of Tencent and forms the basis for the following analysis. Tencent's online game is analysed using the SWOT analysis in subsection 4.2 and the PEST analysis in 4.3. The final chapter consists of three parts: 5.1 Key findings and conclusion, 5.2 Limitations of this thesis and 5.3 Open questions for future research. In the last chapter, the entire thesis is summarised once again by briefly concluding the most important parts of each chapter and answering the research questions raised in the first chapter. And finally, I will outline the shortcomings and problems that I have identified in the course of my research.

2. Theoretical foundations

2.1. Product policy

2.1.1 Definition of product policy

Product policy is a central aspect of a company's marketing mix that relates to the development, design, marketing and sale of products. It includes decisions about what to produce, how much to produce, how to market the product and how much it should cost. A successful product policy can help a company to gain a competitive advantage in the market.[2] A company can gain a decisive advantage by choosing the right products and strategies. It can also promote customer loyalty by fulfilling customer wants and needs. It involves making decisions about what to produce, how much to produce, how to market the product and how much it should cost. A successful product policy can help a company to gain a competitive advantage in the market. A company can gain an advantage by choosing the right products and strategies. It can also promote customer loyalty by fulfilling customers' needs and desires.

2.1.2 Objective of product policy

The aim of product policy is to solve customers' problems with the right products at the right time. Companies want to increase their market share maximise sales and profits and thus secure their

economic success. Other objectives may also include increasing brand awareness, optimising production processes or spreading the economic risk.

2.2. Customer groups

2.2.1 Definition of customer groups

Customer groups are groups of customers with similar characteristics. These characteristics make it possible to better understand the individual customer groups and their needs in order to subsequently design suitable marketing campaigns.[3]

2.2.2 Differentiation of customer groups

Customer groups are formed according to the principle of customer segmentation. Customer groups include all current customers in the customer base as well as potential future customers. Customer segments, on the other hand, are only formed on the basis of the current customer base. Customers can be analysed on the basis of five aspects: Demographic characteristics, psychological characteristics, Behavioural characteristics, Needs and motivations and Media usage, and they can be divided into different customer groups.[5]

Customer segmentation can then also be carried out using RFM analysis. RFM analysis is a customer grouping method that focuses on three important dimensions of customer behaviour: When did customers last buy (Recency), how often did they buy (Frequency) and how much did they spend in the process (Monetary Value). With RFM analysis, a company can classify its customer base according to these three criteria and thus gain a better understanding of their behaviour and needs.

2.2.3 Customer segmentation

Customer segmentation means: you analyse the entirety of (potential) customers, identify individual groups in which the individuals within the group have the same (homogeneous) characteristics that are important for the purchase and are therefore likely to exhibit the same purchasing behaviour. The aim is to address and support the respective customers in a way that suits the group and its characteristics.[4] They should be treated according to the group-specific needs. The members of a group should then show the same reactions or the same purchasing behaviour. Sales and marketing can focus their activities on individual groups, achieving better results in terms of sales and turnover and often saving money because marketing resources are utilised in a more targeted manner.

3. Stand der Forschung

3.1. SWOT-Analysis

SWOT is made up of the words Strengths, Weaknesses, Opportunities and Threats.

The SWOT analysis is an instrument for the strategic planning and positioning of a company. It compares the strengths and weaknesses as well as the opportunities and threats of a company.

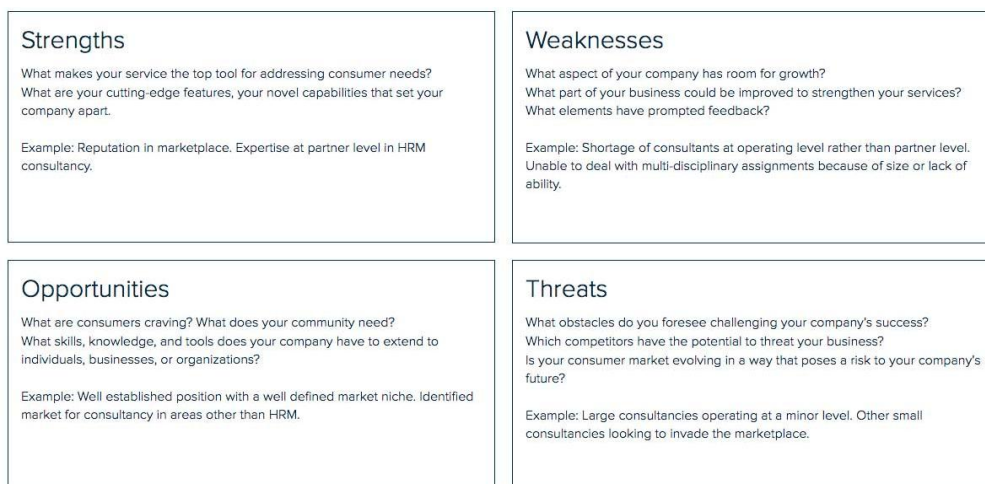


Fig. 1 The SWOT analysis

3.2. PEST-Analysis

The PEST analysis has its origins in strategic corporate development. There are a total of 4 influencing factors that can be used to identify the impact that external developments can have on a company's strategies or individual projects. political influencing factors: future elections, legal rules or regulations, penalisation or rewarding of individual company branches, influence of corporate strategy on the project, possible loss of project promoters. economic influencing factors: Economic developments, purchasing power, globalisation, dependence on donors, economic risks. socio-cultural influencing factors: trends, age and customer structure, taboo topics, effects of the team structure, interpersonal stumbling blocks. technological influencing factors: Impact of new technologies, possible technological new effects, competitive access to alternative technologies, uncertainties of new technologies in the project, technological dependencies.

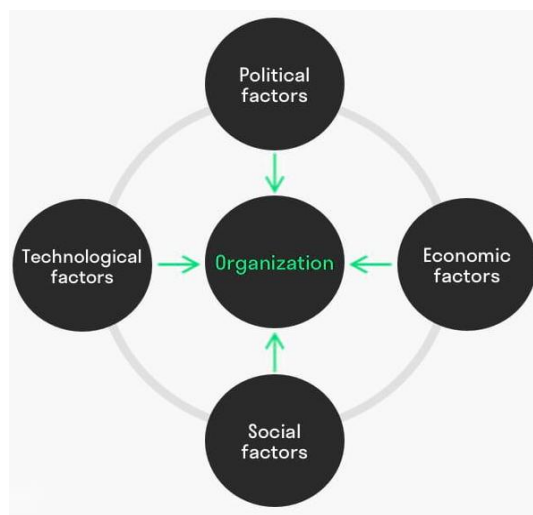


Fig. 2 The PEST analysis

3.3. SWOT analysis and PEST analysis in the area of communication software

This section confirms that the two analyses, SWOT and PEST, can also be applied to analyses with communication software.

3.3.1 Analysing with SWOT analysis

Communication software usually has a wide user base. In terms of age, the people who produce the work and the audience includes all age groups; in terms of professional content includes students,

teachers, general workers, craftsmen and various professional groups, while this communication software has been constantly revised and updated to maintain its user base, a loyal customer. At the same time, communication software can meet the different needs of users. The content published in each social software covers almost every aspect of people's daily life, such as sports, beauty, food, learning, good recommendations, travel and entertainment, etc., no matter what kind of information the user wants, in the software, he can be satisfied with the answer.

Lack of originality protection. The phenomenon of plagiarism is very serious in many communication softwares, from content, creativity and even scripts, there is a large amount of plagiarism, and many communication softwares have no management and punishment mechanism for plagiarists. Plagiarists face no consequences except for messages from their fans. This lack of protection for original works leads to the loss of enthusiasm for originality, and once the content of the software is no longer new, the user level of the software is greatly reduced. Product quality is unstable. In 2018, the number of users of many communication softwares has exploded, and their traffic and influence have attracted the attention of capital. But whether the monitoring of content creation is insufficient or the quality of the surrounding products is lacking, this is a major shortcoming for social software and users. The performance of mobile intelligent terminals is constantly improving. Since 2010, the development of mobile intelligent terminals has been very fast, and the network technology has also evolved, from 2G, 3G, 4G to today's 5G, our network speed is getting faster and faster, and at the same time, the tariffs are relatively lower. The improvement of the hardware of mobile intelligent devices has created very favourable conditions for people to use communication software.

Fragmentation of leisure and entertainment time. In modern life, the pace of life is getting faster and faster, which means that people's patience and time are very short. The high intensity of work and the pressure of life make it difficult for people to devote long hours to leisure and entertainment activities. The lack of entertainment time means that the choice of entertainment programmes is very limited. In this case, the advent of communication software has brought people an excellent choice. At the same time, the convenient way of video sharing is also popular among people. **Serious homogenisation of communication software.** The success of an innovative model of communication software leads to many other communication software products starting to imitate it and thus become competitive. An increase in the number of homogenised products on the market is likely to lead to public fatigue and a refusal to download and use such software. Such a competitive environment is extremely unfavourable for communications software. **Insufficient user acceptance.** In the new era, mobile intelligent terminals and the Internet business are developing rapidly, the media information industry is gradually entering the colourful era of new media, and 'constant change' has become a characteristic and trend, and short videos with relatively simple and boring content can be presented to the public in many videos information accesses. If this problem cannot be solved in the course of future development, it is difficult to avoid the fate of many social software to be replaced. For the current communication software, continue to maintain a diversified strategy and a high degree of innovation, for the professionalism of personnel requirements are very high, and the lack of professional talent reserves, will also become one of its uncertainties.

3.3.2 Analysing with PEST analysis

(1) Political influencing factors:

With the advent of the Internet era and the era of big data and new media, the state has paid more and more attention to the problems that arise or have arisen in the new media. A number of regulatory authorities have issued a series of notices aimed at strengthening the guidance and supervision of the online audiovisual sector to ensure its healthy and benevolent development. For example, on 4 January 2019, the China Association of Internet Audiovisual Programme Services published the Code for the Management of Internet Short Video Platform and the Rules on Content Auditing Standards for Internet Short Videos. The communication software adheres to the guidelines and is well regulated so that it can benefit from the guidelines.

(2) Economic drivers:

In the more than four decades since the reform and opening-up in 1978, China's economy has experienced rapid growth. According to the National Bureau of Statistics, China's annual gross domestic product (GDP) in 2023 was RMB 1,260,582,000,000, a year-on-year increase of 5.2 percent. The Engel coefficient for urban and rural residents in China was 29.8 per cent in 2023, a decrease of 0.7 percentage points compared to the previous year. This also shows that China's residents are gradually demanding other aspects of life in addition to satisfying their basic needs. With the emergence of a consumption-orientated society, people's demand for cultural life is growing and so is their dependence on communication software.

(3) Socio-cultural influencing factors:

The emergence of visual culture has strongly influenced the development of short videos. Compared with simple text and pictures, the presentation form of many communication softwares is more diverse, for example, many communication softwares present the content in the form of short videos, which are more easily understood and accepted by users. The development of the Internet has greatly changed the way people consume information, and audiences are more inclined to take the initiative to obtain content that suits their interests and preferences. Many people are used to communicating and shopping with each other through communication softwares, which increases customers' dependence on communication softwares.

(4) Technological influencing factors:

Technology is advancing and remains innovative. Many communication softwares are constantly innovating and optimising their technology to increase customer satisfaction by improving the customer experience.[6]

4. Analysis of the Tencent case study

In diesem Abschnitt wird die Produktstrategie von Tencent anhand von SWOT und PEST analysiert.

4.1. Introduction of Tencent

Tencent Games started as a QQ game platform in 2003, and after more than a decade of development, it has become one of Tencent's four major online platforms and the largest online game community in China. As a leading company in the Chinese game industry, Tencent Games has developed or represented a number of games that have attracted the attention of Chinese gamers since their launch. Although Tencent was founded in China, its product strategy has a global perspective. Tencent's products and services are not only successful in the Chinese market, but are also widely recognised around the world. For example, Tencent's games have achieved great success in overseas markets. Tencent's product strategy focuses on continuous innovation, with new products and iterations of existing products.[7] Tencent attaches great importance to the role of data in product decision-making. With the help of big data and artificial intelligence technologies, Tencent is able to analyse user behaviour in order to precisely understand user needs and adapt product strategies accordingly. When developing games, for example, Tencent uses data analysis to optimise game design and improve user loyalty and payment rates.

4.2. Analysing with SWOT analysis

Product quality is one of the most important success factors in the mobile games market. Tencent continuously optimises and improves the quality and user experience of its games to increase user satisfaction and loyalty. Tencent focuses on game innovation and has collaborated with well-known national and international game publishers to launch new game products. For example, Operation Wilderness, a 3D shooting game for mobile phones launched by Tencent Games in collaboration with Tencent Games, a renowned US game manufacturer, has been unanimously praised by users since its

launch. Tencent Games invests little in technological research and development. According to statistics, Tencent Games has only six products in the TOP20 list in the field of mobile game research and development. The gap between other game manufacturers and Tencent Games in the area of research and development is relatively small. Due to the close connection between the various business units within Tencent, close synchronisation is required in the choice of publishing methods, advertising forms and content progress, which puts a greater burden on funds, technology and design, resulting in enormous pressure on the company in terms of capital, technology and manpower. Investments overseas are beginning to bear fruit. By 2023, international games will account for 30 per cent of revenue. International games are expected to grow at a CAGR of 11 per cent from 2023-25. With the development of society, people's pace of life is getting faster and faster. Tencent has launched various types of small games that can better adapt to the increasingly fast pace of life and better meet people's need for quick entertainment in less time. The number of online games on the market is large and complicated, and there are many similar products with great competitive pressure. Domestic game companies such as NetEase also use their own advantages to operate online games and compete with them for the relevant industry market. The improper handling of social responsibility and public interest leads to a low social evaluation of online games. The analysis of Tencent's games has found that the industry and society as a whole have many bad comments on Tencent's games.

4.3. Analysing with PEST analysis

4.3.1 Political influencing factors:

With the advent of the internet age and the new media era of big data, state regulation of online games is becoming increasingly strict.

4.3.2 Economic influencing factors:

China's urban and rural residents 2023 Engel's coefficient fell by 0.7 percentage points compared to the previous year. This also shows that our citizens are gradually demanding other aspects in addition to satisfying their basic living needs. More and more people are being entertained by online games, and the market for games will continue to grow.

4.3.3 Socio-cultural influencing factors:

For a long time, the public has had a bad impression of online games. Since ancient times, there has been a saying that 'ambition is lost in gaming', and so online games have been criticised by many people, and even the industries related to online game copyright have been affected. It is difficult to change this concept in the short term, which is not conducive to the development of online games. As society evolves and progresses, the time people spend on entertainment in their lives is fragmented, which has led to Tencent's mini-games becoming even more popular among users.

4.3.4 Technological influencing factors:

As one of the first Chinese companies to enter the Internet field, Tencent's technology in the Internet field is very mature. In 2007, Tencent invested more than 100 million yuan to establish the Tencent Research Institute (TRI), the first Chinese Internet research institute, in three locations - Beijing, Shanghai and Shenzhen - to conduct independent research and development of basic Internet technologies. This has given a huge boost to the research and development of online games.

5. Summary

5.1. Key findings and conclusion

From the above analysis, it can be concluded that Tencent's product policy is fully in line with the PEST and SWOT analysis models. For example, one of the strengths of the SWOT analysis is that Tencent's focus on innovation accurately reflects the product innovation policy in the product policy.

From the PEST analysis of social factors, in addition to the normal time-consuming games, Tencent will also develop small games with short duration and easy operation to adapt to the fragmented entertainment time of people nowadays. This reflects the policy of product diversification in the product policy. Tencent's product policy has therefore contributed significantly to the success of Tencent's products, marketing strategy and overall revenue.

5.2. Limitations of this work

The corresponding analyses in this article are based on data from before 2024 and are analysed for the current situation, so there are some time limitations. Changes over time lead to changes in all the factors analysed, so everything analysed in this article relates to the immediate situation.

5.3. Open questions for future research

So, what should Tencent do next to maintain the current good momentum and adapt to the market changes? We can find that Tencent has carried out one technological innovation after another to meet the development of the times, and continues to meet the needs of customers, improve the quality of its services, improve the content of its products, and respond to the economic situation and people's ideology, which are also indispensable factors for the success of Tencent's product policy. It remains to be seen how a company like Tencent can maintain its success and sustainable development in the face of the global economic downturn and the ever-changing international landscape.

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