

# *Research on the Development Strategy of Chinese Second-Dimensional Mobile Games*

## *- A Case Study Based on Genshin Impact*

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**Abstract:** With the rapid development of technology and the continuous growth of people's entertainment needs, second-dimensional mobile games have become an undeniable force in the global gaming market, with limitless prospects and business opportunities. However, to stand out in this fiercely competitive market, it is still necessary to carefully explore the development strategies and make judgments and decisions that fit the times. This paper takes the development of Genshin Impact, a leading Chinese second-dimensional game, as a specific case, and uses the SWOT analysis method to explore its advantages, disadvantages, opportunities, and threats in development, thereby studying the current state of the second-dimensional mobile gaming industry. The research results show that Genshin Impact has the advantages of a large second-dimensional user base with strong spending power and significant resource investment by its developer, miHoYo; but also faces the disadvantage of a significant reduction in player numbers; at the same time, it encounters opportunities with the increase in residents' income and the rapid development of cloud gaming platforms; as well as threats from intense market competition and strict game regulatory policies in China. Furthermore, based on the results of the SWOT analysis, this paper provides suggestions for strengthening innovation and cooperation, increasing game publicity efforts, improving regulatory response capabilities, and expanding revenue channels, pointing the way for the future development of Genshin Impact and the second-dimensional mobile gaming industry.

**Keywords:** Development Strategy, Second-Dimensional Mobile Games, Genshin Impact, SWOT

## 1. Introduction

The concept of "second dimension" has only appeared in China in recent years and does not have an official precise definition. Its origins come from Japan's "Otaku" ACGN (Anime, Comics, Games, Novels) subculture. The development of Chinese second-dimensional games has been deeply inspired and influenced by Japan's mature ACGN industry chain. Since the explosive popularity of the second-dimensional mobile game "Million Arthur" in China in 2013, the second dimension has rapidly become a powerful and vibrant niche market within the domestic mobile gaming industry. Its characteristics include a focus on exquisite art, with a distinct Japanese animation style. Most second-

dimensional mobile games use Japanese voice actors, emphasizing plot, character design, and world-building to create a strong sense of immersion and identification. As the audience continues to expand, second-dimensional mobile games have gradually moved from a "non-mainstream" niche category to the mainstream, opening up a new world full of opportunities and challenges for the future mobile gaming market.

"Genshin Impact" is a second-dimensional mobile game developed by a Chinese company. The game is developed simultaneously on consoles, PC, and mobile platforms, released in over 150 countries and regions, supporting four types of dubbing (Chinese, English, Japanese, Korean) and 12 interface languages, boasting a wide user base. Since its launch, "Genshin Impact" has created a milestone in global revenue achievements. According to SensorTower data, "Genshin Impact" became the fastest game to reach \$1 billion in revenue from the global AppStore and GooglePlay. In December 2021, "Genshin Impact" won the Best Mobile Game at The Game Awards 2021, known as the "Oscars of the Gaming World," marking the first time an original IP game developed by a Chinese team has received this honor.

The "2023 China Game Industry Report" shows that in 2023, China's game market actual sales revenue reached 302.964 billion yuan, an increase of 13.95% year-on-year; the game user size reached 668 million, an increase of 0.61% year-on-year; the second-dimensional mobile game market actual sales revenue was 31.707 billion yuan, an increase of 31.01% year-on-year. Overall, the Chinese second-dimensional mobile game market is developing rapidly, with actual sales revenue accounting for an increasing proportion of the total game market sales revenue, making the second-dimensional mobile game market an important revenue channel for Chinese online game manufacturers.

This paper will analyze the representative miHoYo company of Chinese second-dimensional mobile games, especially the development status and existing problems of its developed game "Genshin Impact," through literature material analysis and SWOT analysis, and further propose strategic suggestions to aid the sustainable development of second-dimensional mobile games.

## 2. Literature Review

The literature most closely related to this study focuses on the development of Genshin Impact. First are the macro strategic studies. Wu Qing believes that the rapid development and global popularity of Genshin Impact are inseparable from miHoYo's strategy of vertical integration, peripheral synergy, and flanking maneuvers [1]. Qian Tongxin thinks that Genshin Impact relies on its low entry barriers and high in-game spending to attract users [2]. Li Fanyu and Hou Kai argue that the success of Genshin Impact is partly due to the strong support from its overseas fan base, and also cannot be separated from miHoYo's overseas layout strategy and its leading series of events [3]. Lestari et al. analyzed the factors that motivate Genshin Impact players to make in-game purchases, and how perceived value affects player loyalty [4]. Martijn et al. found that players choose to spend money in Genshin Impact because they have formed an emotional attachment to the game content [5].

On the other hand, literature relevant to this study also explores the second-dimension (2D) subculture. Lin Xia and Shao Jiawei analyzed the historical origins and consumer behavior characteristics of the "Moe Economy" from a 2D cultural perspective [6]. Chen Muchun deeply analyzed the driving force behind brand marketing in the 2D context, providing directions for future development of brand marketing [7]. Hu Shuhan and Hu Shuling discussed IP cultivation, positioning design, and brand IP operation and development from a 2D perspective [8]. Yang Xia and Wang Huimin explored the new business models of 2D cultural consumption in China [9]. As some countries lack a corresponding concept for "2D," the following text uses anime as a similar substitute. Fan et al. discussed the challenges and problems faced by the Chinese animation industry and analyzed the current status of the Chinese animation industry based on Porter's Diamond Model [10].

Sun Peng combined the development status of China's related animation industries and, by comparing the animation models of China, Japan, and the United States, found that China needs to explore a contemporary animation industry model with Chinese characteristics [11].

Based on the aforementioned literature, this paper's potential contributions are mainly fourfold. First, in terms of research topics, Genshin Impact, as a phenomenon-level 2D mobile game, its leading position has gradually been recognized by scholars in the industry, and its IP has a certain global influence. Although there are already a few academic papers on Genshin Impact, the topic of development strategy research for Genshin Impact is relatively novel. Therefore, this paper's research content, based on a SWOT analysis of Genshin Impact's development strategy, can effectively supplement the theoretical research on Genshin Impact's development strategy. Second, in terms of research methods, this paper uses the SWOT analysis method to explore the strengths, weaknesses, opportunities, and threats of Genshin Impact's development strategy, achieving detailed and comprehensive research on both internal and external environments of the game, providing a methodological reference for other esports industry research. Third, in terms of research samples, this paper supplements the argumentation process with real and authoritative data, which is comprehensive and up-to-date, helping to draw more precise, objective, and timely economic conclusions. Fourth, the research findings of this paper have practical significance. By analyzing the development strategy of Genshin Impact, summarizing its experiences worth learning, and extending them to the entire 2D gaming industry, this paper proposes targeted and personalized policy suggestions for the future development of the 2D mobile gaming industry, offering Chinese cases, facts, and experiences for other 2D game manufacturers around the world, helping them to quickly find the right path for further development in the future.

### 3. SWOT Analysis Method

The SWOT analysis was first introduced by Andrews of Harvard Business School in 1971 in his book "Concepts of Corporate Strategy". It is a method that comprehensively considers various factors of the internal conditions and external environment of an enterprise, conducts a systematic evaluation, and thus selects the best business strategy. This method covers the analysis of strengths, weaknesses, opportunities, and threats, and is widely used in strategic management. Senior management can analyze the external environment of the enterprise's operation based on the mission and objectives of the enterprise, identify existing opportunities and threats, assess its internal conditions, and recognize the enterprise's strengths and weaknesses through the SWOT method. With SWOT analysis, enterprises can effectively and reasonably choose strategies and implement corresponding development plans.

#### 3.1. Strengths

The large user base and strong spending power of Chinese second-dimension consumers. The pan-second-dimension users in China have approached 500 million, of which 30% are core second-dimension users. These users are mainly post-95s and post-85s, relatively young, and most of them are second-dimension fans willing to pay for their hobbies, having a strong demand and preference for second-dimension products. Therefore, this consumer group often possesses higher spending power and willingness to consume. Additionally, the main consumption of Chinese second-dimension users is concentrated in the ACGN industry, with a market size close to 100 billion RMB. Thus, the large user base and strong spending power of China's second-dimension users are foundational development advantages for second-dimension mobile games like Genshin Impact.

miHoYo's continuous and substantial resource investment in Genshin Impact. Genshin Impact was developed by miHoYo, an internet company specializing in second-dimension culture. miHoYo

planned to initiate the development of Genshin Impact as early as January 2017 and invested substantial resources towards this end. By the time the game was launched in 2020, the development time had exceeded three years, the development team had grown to over 400 people, and the development investment had surpassed 100 million USD. Since its launch, miHoYo has continued to invest a significant amount of resources in Genshin Impact, averaging 400 million USD per year, and insists on a "major update" every 42 days to ensure the game's playability and innovativeness. Through continuous increases in time, manpower, and financial resources, miHoYo has laid a solid foundation for the sustainable development of Genshin Impact.

### 3.2. Weaknesses

Significant player loss in Genshin Impact. Due to issues with lackluster innovation in game versions, Genshin Impact has experienced a mass exodus of players. According to data from the mobile advertising intelligence platform AppGrowing, the monthly active users of Genshin Impact dropped from 32.79 million in January 2023 to 19.29 million by July of the same year. Additionally, the scarcity of game activity rewards has also been a reason for players leaving the game. Specifically, after the release of a new event by the official Genshin Impact account on January 19, 2024, it lost 2.88 million "active fans" within 10 days. By January 30 of the same year, Genshin Impact's Douyin (TikTok) followers had decreased from 11 million to 8.33 million, and Bilibili followers decreased by about 210,000. In the comments section of a video posted by Genshin Impact on Douyin on January 30, many players were still calling out for quitting the game. The phenomenon of massive player loss existing in Genshin Impact is extremely unfavorable for the sustainable development of this mobile game in the future.

### 3.3. Opportunities

Increase in residents' income in China. According to data from the National Bureau of Statistics of China, in 2023, the income of urban and rural residents continued to grow steadily, with the per capita disposable income of Chinese residents reaching 39,218 yuan, a nominal increase of 6.3% over the previous year. The median per capita disposable income was 33,036 yuan, increasing by 5.3%. The rise in per capita income also led to an increase in consumption levels. In 2023, China's Engel coefficient dropped to 29.8%, with per capita consumption expenditure at 26,796 yuan, a nominal increase of 9.2% over the previous year. Among them, per capita expenditure on education, culture, and entertainment was 2,904 yuan, increasing by 17.6%. Furthermore, according to the "2023 China Gaming Industry Report" released by Gamma Data, the actual sales revenue of China's mobile gaming market in 2023 was 226.86 billion yuan, an increase of 33.802 billion yuan, up 17.51% year-over-year, setting a new record. This indicates that Chinese residents are capable of generating more consumption in gaming entertainment, providing good economic support for the further development of Genshin Impact.

Rapid development of cloud gaming platforms. In recent years, with the continuous evolution of cloud computing, the widespread adoption of fiber-to-the-home, and the rollout of 5G networks, cloud gaming platforms have experienced rapid development. The "Global Cloud Gaming Industry In-depth Observation and Trend Judgment Research Report 2023" shows that in 2022, the monthly active users of cloud gaming in China reached 84.1 million, a year-over-year increase of 35.21%, and is expected to reach approximately 180 million by 2025. Additionally, according to the China Academy of Information and Communications Technology, in 2022, the revenue of China's cloud gaming market reached 6.35 billion yuan, a year-over-year increase of 56.4%. Major game companies like miHoYo and Tencent have utilized core cloud gaming technology to allow users to experience PC game effects on mobile devices, effectively solving the pain point of mobile games being

constrained by hardware limitations and unable to run high-quality, high-frame-rate large games. The development of cloud gaming platforms has provided strong technical support for Genshin Impact to expand its market.

### 3.4. Threats

Intense competition in the second-dimension game market. The second-dimension mobile game market has experienced rapid growth since 2015, with popular games like "Love Nikki", "Onmyoji", and "Love and Producer" emerging. Since 2016, the industry has seen at least one hit second-dimension mobile game each year with monthly active users exceeding 10 million, and the number of second-dimension games with more than 100,000 users has also been increasing annually. With the resumption of game licenses in 2022, a large number of second-dimension games entered the market, including heavyweights like "Honkai: Star Rail", "Back to the Future: 1999", "Dust White Zone", and "Shine! Hevunly Stars", which was the top-grossing mobile game in Japan for 2022. The market's homogenization, marked by a plethora of second-dimension mobile games with similar art styles and fantasy world settings, has led to ever-increasing demands from second-dimension users for art, gameplay, and story. This intensely competitive market backdrop poses a significant challenge to Genshin Impact's capacity for innovation.

China's increasingly stringent regulatory policies on games. In 2016, China issued the "Notice on the Administration of Mobile Game Publishing Services", requiring that mobile games not approved by the State Administration of Press, Publication, Radio, Film and Television of China cannot be published or operated online. In March 2018, a game license freeze that lasted for more than eight months led to a general downturn in the gaming industry. In April 2019, with the resumption of game licenses, the industry re-entered a growth phase. However, in 2020, game licenses were once again tightly controlled. Coupled with protections for minors, internet regulation, and other factors, the industry entered another period of relative downturn. By the end of 2023, the National Press and Publication Administration released the "Draft for Comments on the Management Measures for Online Games". This document mentioned that online games must not set up inducive rewards such as daily login, first-time recharge, or continuous recharge. This requirement directly led to limitations on the entire game industry's development. The strict regulatory oversight of the gaming industry in China undoubtedly presents a significant challenge to the further development of the entire game market.

## 4. Conclusion

This paper has elaborated and analyzed the advantages, weaknesses, opportunities, and threats faced by Genshin Impact, a representative of Chinese second-dimension mobile games. It possesses the advantages of a large user base with strong spending power and substantial resource investment. However, it faces the weakness of significant player loss; opportunities arise from the increase in residents' income and the rapid development of cloud gaming platforms; threats include intense competition from peers and stringent regulatory policies on games in China.

The implications of this paper's conclusions are fourfold. First, strengthen innovation and cooperation. Enhance the research, development, and innovation of game content, produce high-quality original content, and provide users with high-quality products to attract consumption. Strengthen cooperation with cloud gaming platforms to break free from hardware limitations and improve user convenience and experience. Second, increase game promotion efforts. The game officials can organize Genshin Impact cosplay exhibitions offline; online, they can utilize advertising and video content creators (up-masters) on second-dimension platforms like Bilibili to promote the game, increasing second-dimension users' awareness of Genshin Impact and user stickiness. Third,

enhance the ability to dynamically respond to regulatory policies. While complying with Chinese gaming policies, use advantages in talent, technology, and capital to continuously create new competitive edges and maintain a leading position in the industry. Fourth, diversify revenue channels. Develop Genshin Impact-related merchandise, such as figures, dolls, and standees, using the Genshin Impact IP to attract user purchases, diversifying income streams and avoiding reliance on a single source of game revenue.

It should be noted that although this paper discusses the development strategy of Genshin Impact through SWOT analysis, subsequent research can still explore Genshin Impact's business strategy, innovation strategy, and management strategy through PEST analysis, 4P analysis, etc., for further in-depth study in the future.

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