

2022-12-31

miHoYo: the open-world journey of an Otaku

This work was made openly accessible by BU Faculty. Please [share](#) how this access benefits you. Your story matters.

Version	Published version
Citation (published version):	G. Stoller. 2022. "miHoYo: The Open-World Journey of an Otaku" Academy of Asian Business Review, Volume 8, Issue 22022, pp.33-60. https://doi.org/10.26816/aabr.8.2.202212.33

<https://hdl.handle.net/2144/45419>

Boston University

miHoYo: The Open-World Journey of an Otaku¹

**Gregory Stoller, Allison Li, Jingyi Wang,
Man Pok Bob Yuk, & Rebecca Trang²**

In this case study, we analyze the key factors to growth, success, and maintenance of the Chinese gaming company, miHoYo. Before the company's mission, culture, and future goals were established, there was much trial and error. From financial difficulties to figuring out innovative marketing strategies, miHoYo truly found their niche and exhibited that all throughout their company, products, and people. Battling against gaming giants like Tencent and NetEase, miHoYo managed to define their target audience and market purely to what they call 'tech otakus'. Evident in their storyline and character development process, miHoYo places a large emphasis into its characters. The gacha system paired with charming characters make it so users have no choice but to spend money. But there's a nuance here. Unlike other mobile / online games, many of the upgrades are optional. It's all a matter of how much a user is tempted to upgrade; marketing at its finest. Additionally and with endless updates and new worlds to explore, miHoYo quickly achieved international success, actively engaging with users through social media platforms and appealing to global audiences through culturally respectful advertisements. Although faced with financial difficulties in the early stages and harsh criticism from users about plagiarism, miHoYo managed to stay true to the company vision and continue developing as one team. Now rebranded as HoYoverse, the company strives to take gaming to the next level by investing millions into their research and development. miHoYo recognizes the importance of virtual reality in gaming to increase sensory feelings and enhance the gaming experience. For this reason, the company partnered with a hospital to research brain-computer interfaces hoping to create a virtual world in which people are willing to live in by 2030. What started as a project funded by competition scholarship money turned into three founders paving the way towards ground-breaking technologies in the gaming industry.

Keywords: miHoYo, Otaku, Gaming Industry, Anime and Manga, Research and Development, Innovation, Company Culture

¹ This case study is the revised version of the previous draft which was chosen Silver Medalist Winner of the Top 10 best cases in the AAB's World Asian Case Competition 2022 (WACC 2022).

² Gregory Stoller is a Faculty Member and Team Advisor, Senior Lecturer of Questrom School of Business, Boston University (email: gstoller@bu.edu).

Allison Li is a Student, Questrom School of Business, Boston University (email: all23@bu.edu).

Jingyi Wang is a Student, Questrom School of Business, Boston University (email: jiwang@bu.edu).

Man Pok Bob Yuk, Questrom & College of Arts & Sciences, Boston University (email: yukm@bu.edu).

Rebecca Trang is a Student, Questrom & College of Arts & Sciences, Boston University (email: rtrang1@bu.edu).

The video game industry has dominated the global market over the last decade. The free-to-play PC game market revenue and mobile game revenue generated \$29.2 billion and \$93.2 billion in 2021, respectively. With technology advancing faster than ever, the gaming industry is set to see a rise in revenues, profits, and players. Amongst the top five countries in the gaming industry in terms of revenue, three out of five are in Asia, with China, Japan, and South Korea in 1st, 3rd, and 4th place respectively.

The gaming industry bloomed in the Asia-Pacific region through arcade games initially. With Pac-Man being very popular worldwide, East Asian countries such as China, Japan, South Korea, and Taiwan saw an opportunity to expand outside of their respective countries. Afterwards massive multiplayer online games (MMOGs) became popular, so Korean game companies developed diversified content in this space including well-known games such as Maple Story and Crazy Racing Kart Rider. In the late 2000s, it was difficult for video games in Asia to succeed purely in their domestic markets so cross-country collaboration needed to occur. Korea would license their game products to countries like Taiwan who would change the game to adhere to a market strategy that would succeed in Taiwan. Since 2004, China has also developed games for the Taiwanese market. This was a successful collaboration due to cultural proximity between the two territories resulting in lower licensing fees.

MMOGs from East Asian countries did well once they hit the international market, however, it's not as simple as just releasing the game. After speaking with a senior marketing manager at Epic Games, we learned that various games could do well in one country but not in another. For example, the online game, Zelda, was incredibly successful in the United States but never sold well in Japan. Cultural differences and language barriers can be reasons why this occurred. Video game developers must consider cultural barriers to entry when deciding where and when to release a product. Games like Pokémon Go which originated in Japan were widely successful since the game could be played from anywhere in the world and different characters would show up depending on where you were located, making the game even more exciting for players since many were determined to catch them all.

There are approximately 665 million players in China alone, which makes up half the population. That number only grew throughout the pandemic, most families being forced to stay indoors. However, it's gotten to the point where children's' physical and mental health are negatively impacted, gaining a severe video game addiction. Even with the ban of gaming consoles from 2000-2015, the

rise of mobile gaming took place and now it's even more robust with the increased availability of smartphones and 5G internet. The government has placed harsh restrictions on the gaming companies but has now started placing stricter restrictions on the players. In 2019, China announced that gamers under the age of 18 weren't allowed to play from 10 p.m. to 8 a.m. and could only play for 90 minutes during the weekdays (5). In August 2021, that regulation was tightened to restrict players from playing throughout the entire school week and only for an hour on Fridays, weekends, and holidays, becoming the world's strictest limits of video games. Additionally, while minors under 16 years old only account for 2.6% of Tencent's earnings, China continues to impose limitations on minors' spending on games to around 400 yuan (\$62) a month. To enforce all these rules, China plans to require minors to register with their real names, require gaming companies to ask the same, and implement random facial scans to ensure minors are not illegally using an adult account. One restriction that remained in full effect is on content; there are multiple times when the approval process for new games is delayed due to the various censorship rules or due to revisions to the content.

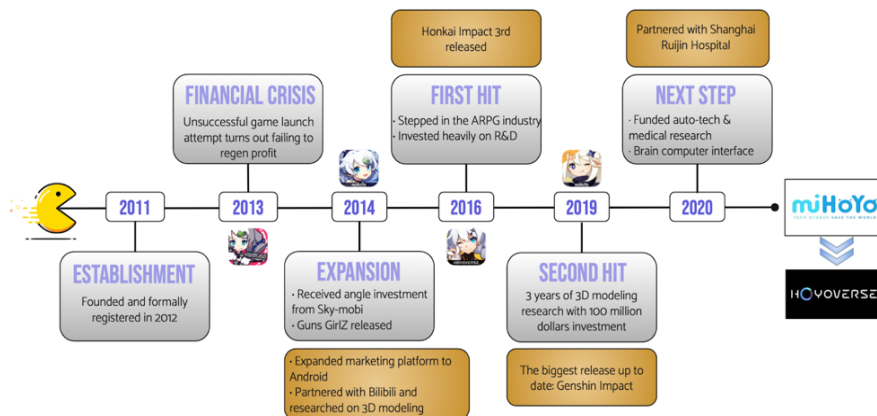
With routine video game crackdowns, gaming companies are at the mercy of the Chinese government affecting innovative game development and inability for the firm to recover funds for future evolution according to an interview conducted with a NetEase product manager. He added that for a game to launch, the Chinese government must issue the game a market license or 'version number', but within the last several years that number has declined greatly, negatively impacting all gaming companies. On the other hand, China's government realizes the potential to utilize the gaming medium to promote Chinese culture and economic growth especially with the latest release of Genshin Impact in 2020, achieving high economic success. China places almost no limitations on foreign investments and overseas activities, yet still upholds various policies for domestic companies and even higher barriers of entry for foreign gaming companies. According to an employee at Tencent, the gaming giant aggressively invests in gaming and talent overseas; that way new ideas and perspectives are brought into the Chinese development process to strive towards remaining at the top. He also explained how overseas investments and expansion still require careful evaluation of success in foreign markets and the company's own goals.

Why miHoYo

miHoYo is a highly successful startup company known for their gacha style of gaming. With less than 10 years of record, the company transformed from a nearly bankrupt enterprise into a worldwide leading game industry. As an ACG

(Animation, Comics, and Games) pioneer, miHoYo is committed to superior gaming technologies and development. Its competitive and strategic initiatives make it an interesting brand that is worth studying. Research and analysis of the company's humble beginnings, the pivotal intentions towards growth, and the innovative mindset on developing new technologies can help us learn about the methodology of successful companies in almost every aspect. It would broaden our scope of knowledge and deepen our thought process, which is essential to becoming the next generation of leaders in the world.

Figure 1
Major Milestones and Turning Points



Timeline

HoYoverse (formerly miHoYo Co., Ltd) was founded in 2012 by three Shanghai Jiaotong University students Liu Wei, Cai Haoyu and Luo Yuhao who decided to develop games based on their love of anime. Headquartered in Shanghai, China, the company is mainly concentrated in the fields of mobile games development and comics production.

Before miHoYo was officially established, the team began its journey in 2010 as one of the many pioneers in China focused on ACG development. Their goal was to find and serve the emerging population of otaku users in China who shared a vision in the online gaming and anime industry.

In 2011, Cai Haoyu and his team developed a game engine called “Misato” and received a 200,000 RMB (\$30k) scholarship award in the Chinese Academy of Sciences Technology Innovation Competition. The engine is based on Adobe Flash that can be used to achieve 2.5D effect. In the same year, miHoYo studio launched its first mini game on the iOS platform; FlyMe2theMoon, which is named after the

ending music of TV animation “Evangelion”. Despite not making a huge profit in return, the game is still considered as a successful startup.

In 2012, miHoYo was formally established and registered. In order to attract investments, Liu Wei, the co-founder of miHoYo participated in an entrepreneurial project competition sponsored by the Shanghai University Student Science and Technology Entrepreneurship Foundation. He ranked third in final and received a 100,000 RMB (\$15k) interest-free loan from Bank of China as well as a six-month office lease term. Afterwards, the company launched their first mega project; *Zombiegal Kawaii*. However, due to the game’s single player style setting, which hindered the growth of profit at the stage of upgrade and maintenance, the game turned out to be an unsuccessful commercial product.

This result had a devastating impact on miHoYo’s financials in 2013 to the point where the company didn’t even have the funds for corporate maintenance or development, thus facing the risk of bankruptcy. Luckily, that year miHoYo received and accepted its first and only angel investment of USD 150k from Sky-Mobi for an exchange of 15% stake share in the market.

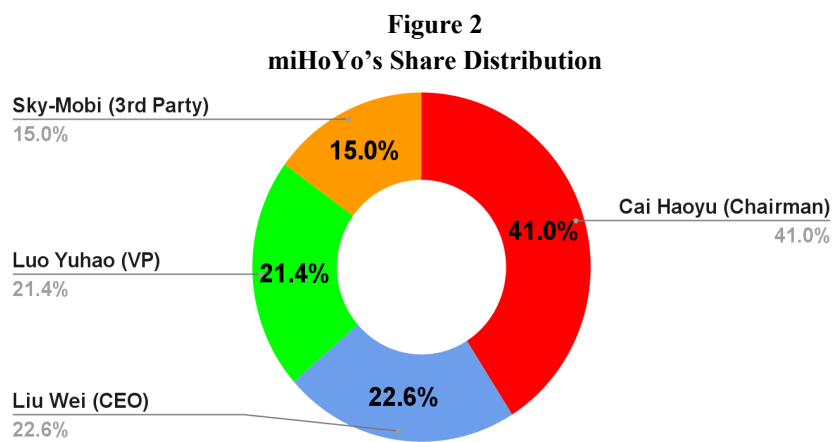
In 2014, miHoYo expanded its marketing platform to Android with the support from one of China’s biggest animation websites, Bilibili. Since the B-site contains a huge base of animation, comics, and ACG fans (animation, comics, gaming), this helped the company to advertise and distribute its latest gaming release without spending much on advertising, one of which includes its second mega project, *Guns GirlZ*, a 2D mobile shooting game. This time, the game was launched successfully with a positive return on sales and marketing percentage. Instead of spending their sales and revenues on corporate growth and maintenance, miHoYo invested all the money back into their R&D, testing something new, 3D modeling. Up to this point, there were only seven people in the company.

In October 2016, *Honkai Impact 3rd* was officially announced. For miHoYo, this game showed huge technological improvements. *Honkai 3rd* is a 3D Action Role Playing Game (ARPG) with sophisticated animation graphics and character design that works on a mobile device. These technological innovations and successful marketing strategies have paved the way for miHoYo to launch their biggest investment up to date, *Genshin Impact*.

It took miHoYo 3 years and up to 100 million dollars of investment into this project before the game was launched in 2019. This game follows the single character story-line model. Combined with their latest 3D modeling technology and multiplayer gaming features, it has become one of the most popular games in China and in the world’s mobile gaming industry.

Financial Data & Achievements

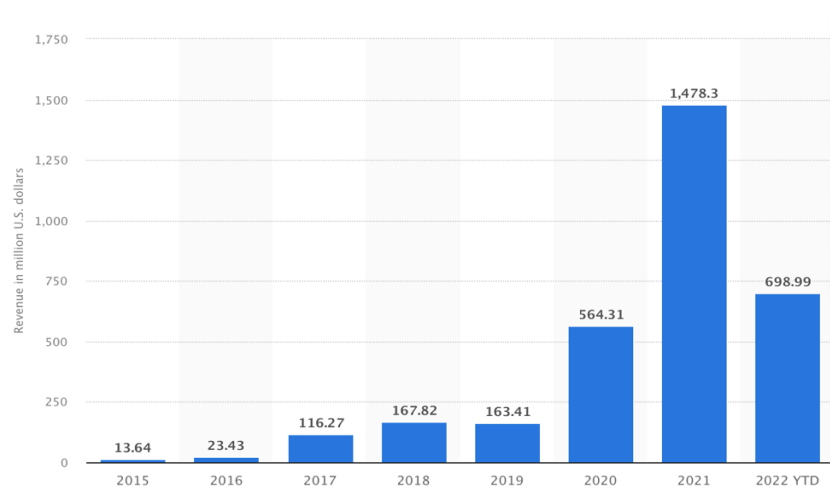
miHoYo Co Ltd, is an early-stage venture company that hasn't been listed yet in the market. Cai Haoyu, the chairman of the board, controls 41% of the company's shares. CEO Liu Wei and Vice President Luo Yuhao are the company's second and third largest shareholders. The two of them together control 44% of the shares. The remaining 15% belong to a third-party company called Sky-Mobi who sponsored miHoYo during its financial crisis in 2013. (Figure 2)



(Source: Chinese Q&A Website, Zhihu)

After receiving the 1,000,000 RMB (\$150k) donation from Sky-Mobi, the company decided to focus their efforts on product research and development rather than seek additional funding. From 2014 to 2016, miHoYo's revenue was 103 million RMB (\$15.4M), 175 million RMB (\$26.1M), and 424 million RMB (\$63.3M), respectively. Their net profit was 65.63 million RMB (\$9.8M), 127 million RMB (\$19M), and 273 million RMB (\$40.8M) respectively. In three years, their total net profit has increased by 577%. (Figure 3)

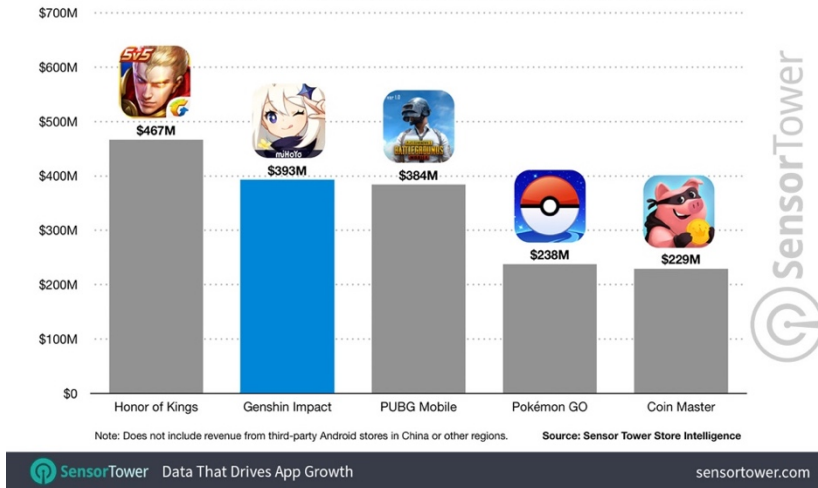
Figure 3
Annual Mobile Revenue Generated



(Source: miHoYo worldwide from 2015 to 2022)

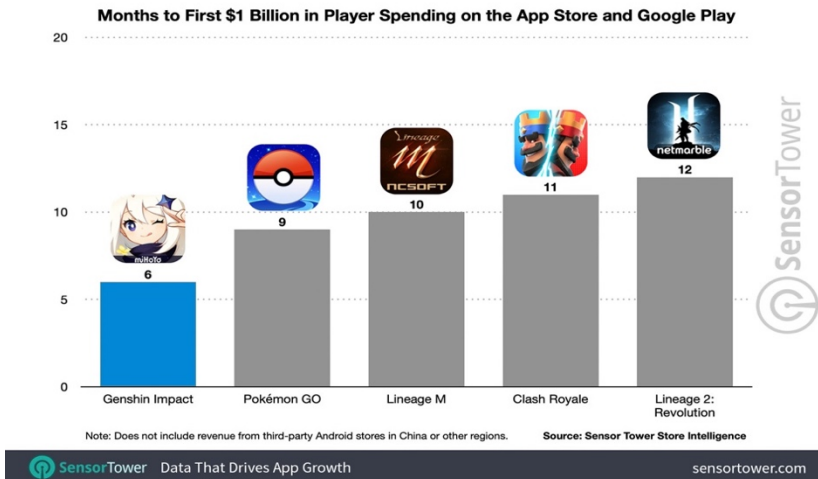
Riding on their series of successes, miHoYo attempted to go public. However, due to their over-reliance on a single IP game series, the market became skeptical of their competitiveness. This is the reason why miHoYo started to develop their new IP game series, Genshin Impact. After three years of hard work and \$100 million of investment, the game's beta version was released in 2019. According to the Sensor Tower report, Genshin Impact alone has on average generated more than \$3 billion globally, making \$1 billion every six months since it was officially launched in 2020. In fact, after the game was released in September, it accumulated \$60 million in just the first week, and by the end of its first month, the number rose to \$245 million. Due to its insanely high revenue generated in the first 2 months, Genshin Impact was ranked the No.2 revenue generating mobile game worldwide (Figure 4). At the same time, it became the fastest game to reach \$1 billion in player spending in the Apple app store and Google Play (Figure 5).

Figure 4
Worldwide Mobile Games Revenue Sep.28 ~ Nov.28, 2020



(Source: SensorTower)

Figure 5
Months It Take to Achieve \$1 Billion in Player Spending



(Source: SensorTower)

Currently, miHoYo plans to spend \$200 million every year on Genshin Impact’s game development and maintenance. According to a Chinese Q&A website, Zhihu, 29% of miHoYo’s revenue comes from China, 28% from Japan, 18% from the US.

Uniqueness to Other Case Studies

This case study is unique due to its focus on miHoYo's strategic decision making and company history. It highlights how the company's resilience and dedication allowed them to persevere through their failures and achieve success as one team. Many case studies on miHoYo focus solely on the success of Genshin Impact and the reasons why it became so popular. What they are missing is what the company went through before the release of Genshin Impact. We believe the hardships and perseverance through those challenges leading up to the launch of this game are integral to their success as a company today. Their values stand strong until today which can be seen in the firm's current projects and future aspirations.

Key Strategies

miHoYo has achieved high success with their games not only because of its high-quality graphics and gameplay, but also because of their marketing strategies, revenue model, unique targeting strategy, and company culture.

Omnichannel Marketing Strategy

miHoYo has an extensive range of advertising channels. They currently use an omnichannel marketing strategy, adopting various online and offline channels. They are extremely active on a variety of social media channels and content platforms which pay for advertising and promotion, resulting in a large following. The main social media channels and content platforms for English speaking audiences include Facebook, Twitter, Instagram, YouTube, Reddit, etc. For example, miHoYo has over 5 million subscribers on YouTube, 3.75 million followers on Facebook, and 2.68 million followers on Twitter, which shows its influence and popularity not only in China but also globally. Its followers and subscribers have drastically increased about 600% since 2020. In addition, it also recruited gaming influencers to play the game, stream content, and encourage their fans to try the game via YouTube and Bilibili (a video content platform like YouTube in China).

miHoYo's marketing strategy consists of a three-wave visual promotion. Its games have clear advertisement process trends: pre-release, release, and post-release. For the pre-release, its visual media directs viewers to the registration page to download the game for free. Then, on the day of the release, miHoYo launches

over 400 different visual advertisements to promote the game in order to ensure gamers from all over the world can see the advertisements and download the game. As for the post-release, miHoYo publishes several media advertisements featuring the newly released storyline and characters from the game. miHoYo's marketing strategy not only raises awareness for the new games, but also captures the attention of video game enthusiasts worldwide.

In addition to online marketing channels, miHoYo also uses offline advertisements to maximize exposure. For example, it uses out-of-home (OOH) advertising and guerilla marketing by having creative and novel advertisements on buses and subway posters. Secular, they capitalized on effective scrutiny of "media buy trends, advertising channels, and creative analysis." See Appendix 2 for more information. It attains global exposure mainly through Google Ads and Bilibili. For example, in 2020 miHoYo introduced a "wish feature," leveraging the gacha system and "forcing" users to increase their balance and buy game characters or weapons. This omnichannel approach was so effective F2P recouped its marketing and development budget "less than two weeks after its launch," and even inspires "a largely female player based form fan communities they gather for events were players dress up."

Creative Analysis

miHoYo's advertisements on social media platforms are customized. Due to its massive advertising volume, miHoYo placed an emphasis on diversification and quality of their advertisements by varying the format, content, and visuals, to attract potential players with different impression points. miHoYo performs creative analysis for advertising customization. It understands that players in different regions have different cultures, values, and preferences. Therefore, based on the cultural preferences, players in different countries have varying character preferences. By doing market research and player analysis, miHoYo found that the most popular character in western countries is Amber, a more mature female character, while gamers in China prefer Qiqi, a cute zombie character. Additionally, miHoYo provides customized advertisements for different religions to show respect and maximize the effectiveness of the advertisements and promotions.

Revenue Model

miHoYo has a very interesting revenue model, which is extremely different from western gaming companies. Take Genshin Impact as an example, as a F2P game, Genshin Impact earns revenue from its in-game store where players can purchase Genesis Crystals, the in-game currency, with real money. By using the Genesis

Crystals, players can make in-game purchases for materials, resources, and tickets for the gacha system, a very common profit-earning strategy. To explain further, when players use a ticket for the gacha, they are exchanging the ticket for a chance to obtain a character or item/equipment in the game with a fixed probability. The nature and mechanism of gacha could be seen as a form of gambling as it is fully based on luck. Many F2P games also utilize the gacha system because of its lucrative profitability from the wealthy who cannot simply buy their desired character, but instead need to go through the system and test their luck. The gacha system balances the game fairness and experience for all users. In less than two weeks after Genshin Impact's launch, several data sources confirmed that the game made more than \$100 million, which recouped its developmental and marketing budget. A prominent business analyst, Ahmad from Niko Partners, said that Genshin Impact was "without a doubt the most successful launch for an original IP from a Chinese dev," and the gacha system is a successful way to drive long-term player retention and revenue growth.

Technology and Visual Strategy

miHoYo possesses outstanding technology and visual strategies. "I always believed that renewing and advancing technology can catalyze the evolution of entertainment," CEO Liu Wei said in an interview with Apple's Japanese App Store (translated via Reddit). Genshin Impact's soundtrack is exceptional. The soundtrack in the game was recorded by the Shanghai Symphony Orchestra, the Tokyo Philharmonic Orchestra, and the London Philharmonic Orchestra, which also performed the music for the Lord of the Rings trilogy. By recording soundtracks all over the world, the game experience makes players feel like they're playing a full-fledged console title on their mobile phones – except it's all free. BigHit Entertainment does something similar through their pop-up stores and exhibitions across the world that appeal to consumers visually. The HYBE Insight Museum is a great example as it features audio recordings of the artists to be played while moving through the exhibits as well as dance practices and sound boards to give fans an inside look into the hard work that goes into creating music.

In addition, Bluehole, a Korean game development company, lacked creativity and didn't perform frequent updates, which led to the loss of consumers and threatened the sustainability of their games. The importance of continuously creating new content and outputting frequent updates can be crucial to a gaming company's strategy. miHoYo is committed to creating an open world, where there are many episodes for users to play through and various in-game places for users and characters to explore. In the stunning, vast open-world, players can travel

everywhere and expect to find something new and wondrous. miHoYo values building a long-term relationship with players as it is still continuously creating new episodes and stories in the coming years; its story is far from over. When launched, Genshin Impact's 1.0 version consisted of a lengthy prologue and the first act, which didn't conclude until the next update version. The players could always experience new stories and regions in the open world. Therefore, it is not like other games, which have a clear start and end. By doing so, it increases the player retention rate and game loyalty since there are always new themes and episodes.

With any type of game creation, the most important aspect is to ensure playability for the end user. miHoYo's founder made its company slogan as "Tech otakus save the world", 'otaku' being defined as a person who has hobby-related interests that might be regarded as obsessive, particularly in the fields of anime and manga. Out of the 665 million video game players, miHoYo has cleverly decided to focus purely on targeting otakus, hence the company slogan, which came from the founder's own enthusiasm for anime and manga. This is very evident in the games they released; in 2014, miHoYo's first hit game Guns Girls and in their latest release, Genshin Impact, which observed international attention and success. According to Cai, they had one simple mission: to serve male gamers' yearning to bond with virtual female characters in a game. Therefore, placing a large emphasis on girls during the game development process. Liu Wei, miHoYo cofounder, attributed much of its success to their monetization strategy of betting on gamers' willingness to 'pay for their love' of the characters rather than paying to climb the ranks.

Table 1
miHoYo's SWOT Analysis

Strengths	Weakness
<p>* Representation of cultural diversity. Since games such as Genshin Impact have many different cultures in itself, it attracted potential players from all over the world.</p> <p>* Stable and periodical updates with a variety of contents. which helps players not to get bored and extends the life cycle of the game.</p> <p>* Attractive and multi-faced character stories. Strong storylines and live characters make players take on the roles of in-game characters and get involved into the game.</p>	<p>* Relatively poor adaptation to foreign languages. Since the games are originally released in Chinese, it is easy for the translation to lose the original meaning of the dialogues, and sometimes the phrases of the heroes would disappear due to the adaptation difficulty.</p> <p>* Games are not applicable for Mac systems. Even though they have high quality optimization on iOS and Android, it still makes the company lose lots of potential customers.</p>
Opportunities	Threats
<p>* Virtual reality release. As VR is becoming more popular, the open world and new technologies allow the company to create games in virtual reality.</p> <p>* Collaborations with well-known gaming and digital companies. Since miHoYo's signature game Genshin Impact is extremely popular, collaborations with other companies would benefit both sides and bring a win-win situation to increase profits and exposure.</p>	<p>* Increasing competition. The success of miHoYo games and technology bring a lot of competitors towards miHoYo.</p> <p>* Problems of foreign laws. During miHoYo's global expansion, the laws of different countries might affect the release of content on the game.</p>

The company mission, marketing, and monetization strategy all contribute to their huge success in audience targeting, gaining a competitive edge, and investing in the future of their company. By recognizing their unique talent in story development and creating characters that are culturally diverse, miHoYo can maintain their competitive edge against increasing competition and attract a global audience, opening doors to collaborations with successful domestic and international gaming companies.

Success Factors

“Otaku” Save the World

“Tech otakus save the world” is miHoYo’s company slogan. There is a large group of anime and manga otakus in China and other Asian countries who are obsessed with games containing female anime characters. This cute, lovely art style and aesthetic appeals more to the Asian gaming culture, which vastly differs from the realism of Western-style games. miHoYo noticed the potential opportunities for profit in this large otaku market. miHoYo cleverly focuses purely on targeting otakus by serving male gamers’ yearning to bond with virtual female game characters, and successfully releases various hit games such as Guns Girls and Genshin Impact. The “otakus” strategy of betting on gamers’ willingness to ‘pay for their love’ of the characters is one of the most important factors for miHoYo’s huge success in the gaming industry, which helps it occupy the large and profitable Asian otakus market and rapidly gain the largest market share.

The Open World

miHoYo’s success is inseparable from its innovation and the differentiation from other traditional gaming companies. The open world is its most innovative and special feature compared to other gaming companies. Since miHoYo really pays attention to gamers’ gaming experience and satisfaction, it is committed to create its own open world to provide gamers with more impressive experiences. Unlike other RPG games that require gamers to grind side quests, the possibilities are endless in miHoYo’s games such as Genshin Impact. It offers a never-ending amount of content, and players can do whatever they would like to do in the game without any enforcement. And by updating new episodes and stories all the time, miHoYo successfully gains long-term attractiveness and relationship with its gamers. Therefore, the open world is another important factor for miHoYo’s success by increasing its gamer loyalty and retention rate all the time.

Like the gaming industry, media content delivery companies like Bytedance are also improving their user experience to be more personalized. Their product display will be based on user’s past viewing history and interactions, essentially creating more customized applications to make users feel that they are being cared for and respected, while the company maintains a good engagement with its users.

Art and Visual Design

Another major factor of the soaring success of miHoYo would be its outstanding

art design ability. miHoYo's character design team is committed to make every character different from each other by creating unique personalities and backstories. Besides the unique setting of each character, every character is also designed with its own distinct abilities and skills to make it a viable character for players to buy and play. It's important to note that Asian-style games tend to create characters that reflect the facial features of the Asian community while the Western-style games take facial features from Western people. In both cases, these facial features aim to make the characters feel personable to their target players and make them more inclined to pay to get them.

Free-To-Play

miHoYo develops high quality games that are free to play. Users don't have to pay for access, but the cost invokes when the player wants to purchase skins and characters in the game for better user experience. This marketing strategy allows miHoYo to attract many users for its initial launch, allowing the company to retrieve abundant user data and analysis. This helps the company to make tweaks and improvements on the game itself and lays the foundation for later game development and maintenance. In addition, free game access gives consumers the opportunity to decide whether the game is worth playing. Usually, games in the market apply a fixed cost on their product and once the consumer pays it, it's a sunk cost that can no longer be revoked. Players don't get to try the game until they purchase it which can lead to more negative responses if the game turns out to not be worth the price.

Challenges

Financial Difficulties

miHoYo's Co-founder Liu Wei once said, "Dream does not come before persistence; It is because of our persistence that we can realize our dream". In 2013, miHoYo's first mega project, *Zombiegal Kawaii*, was released. The game attracted some otaku users but didn't bring much profit and was designed entirely based on the developer's objective understanding of ACG culture. The team didn't pay much attention to customer experience and the actual profitability of the game, which had a devastating impact on miHoYo's 2013 financials. The founder, Wang Xing, of MeiTuan, a Chinese consumer product shopping platform emphasized, in that same year, that it is important to be "customer-centric", after securing a leading market

position due to many unprofitable enterprises that exited the market. miHoYo inevitably failed due to their lack of focus on the user experience and faced heavy repercussions. During an interview with "Global People" and "V-station" in March 2021, Liu Wei himself described the moment as a period of doubt and despair. It was in a time when no one believed in ACG's potentials, and the company was at the brink of bankruptcy. Workers were earning 4000 RMB (\$600) per month, which is half of their original paycheck. Despite having the struggle, the team chose to stay due to their love and passion for the ACG domain. People at miHoYo stayed strong and decided to ignore the corporate financial crises, they held tight to their budget and survived with only half of their paycheck for almost an entire year. Meanwhile, they devoted all their attention to market research and development, launching the Guns GirlZ project in 2014 that finally brings them back to life. Such courage is nowhere to be found unless the company has strong corporate values and cultural foundations that inspire its workers.

Nintendo faced similar challenges during the video gaming crash of 1983-1985. The market was plagued with rubbish games due to the dependence of third-party developers. Nintendo solved this problem by creating high-quality game consoles. miHoYo used a similar strategy with Genshin Impact making it a priority within the company and this ultimately led to success as mobile downloads reached all-time highs.

Public Doubt on Plagiarism

While miHoYo has achieved great successes especially with Genshin Impact, after their initial launch, critics accused them of the close similarity to The Legend of Zelda: Breath of the Wild. In an interview with Playstation Universe, a developer at miHoYo explained how the game is highly regarded amongst all the developers and inspired the team to make Genshin Impact an open-world RPG. However, the developers explain that the main storyline, character creation, and user experience are all original and unique. Once users begin the Genshin experience, they will soon find that the core gameplay revolves around building a team of characters and engaging in a combat system, which varies from player to player as they interact with different elements of the game. miHoYo's developer also admit that there were many challenges from the relative youth, inexperience the developers had. However, the team stayed motivated to create a cross-platform, open-world game to the best of their abilities. As the game is still ongoing and much of the world to reveal, the team vowed to stay dedicated throughout the process of development.

Future of the Gaming Industry & Recommendations

The future of the gaming industry is undoubtedly virtual reality and augmented reality. In the interviews with managers and employees in NetEas and Tencent, they mentioned the importance of virtual reality and augmented reality. Many game companies believe that the biggest trend in the future is a full-real immersive virtual world, and then it meets or partially meets the definition of metaverse. (Tencent, Interview) Some of the current VR game functions are still limited by the device, which makes it impossible to optimize the game experience. But once the technology is mature, this gaming experience will be giving a more direct sensory stimulation as compared to computers and mobile devices. (NetEase, Interview) Metaverse is also the future. As content creation is important for gaming production, the future would focus more on making the public become content creators and share their content created. Besides this, cloud gaming is also becoming more popular right now, and gaming companies are trying to find better technologies for cloud gaming because games can come down to the second for a win, so the internet needs to be fast. Therefore, 5G matters a lot, and internet access needs to be faster to reduce reaction time and avoid delay between pressing and back out to the players.

Specifically, for miHoYo, it depicts its future as, by 2030, creating a virtual world in which one billion people around the world are willing to live. According to Game Grape, on December 1st, 2020, Shanghai Zero Unique Technology Co., Ltd. was established, which is jointly held by miHoYo and Baoliang Lv, a professor in the Department of Computer Science and Engineering at Shanghai Jiaotong University and Haoyu Cai's master thesis advisor. The main scope of the new company is medical research and experimental development, animation, and game development, etc. This is miHoYo's long-term layout for brain-computer interfaces. In March 2021, miHoYo and Ruijin Hospital reached a strategic cooperation, jointly building the "miHoYo Joint Laboratory of Encephalopathy Center of Ruijin Hospital". Baoliang Lv, the director of the brain-computer interface and neuromodulation center of the hospital, will serve as the center lab administrator. According to the official website of Shanghai Jiaotong University, the joint laboratory aims to study the development and clinical application of brain-computer interface technology. Therefore, besides being a gaming company, miHoYo is also reaching different areas and industries to broaden its business scope and gain more core and novel technology in the society.

miHoYo is already one step ahead when it comes to the metaverse. After rebranding themselves as HoYoverse, they intend to diversify their product portfolio and create their own metaverse. This shows miHoYo's dedication to innovation and their ability to adapt their strategies to changing times. Mobile gaming is also something that many experts believe will continue to gain popularity since mobile phones and devices are becoming accessible in different parts of the world. With miHoYo's edge in the industry already due to the success of Genshin Impact, they are in a good position to focus their efforts on the next big mobile game.

Conclusion

As discussed, miHoYo's latest game release has set a new quality standard for the general mobile gaming industry. Such remarkable achievement is accompanied with thousands of hours of hard work that is hidden behind each character, each story line, and each frame that you see while playing the game. Their omnichannel inspired vision in creating a world "for the otaku and by the otaku" has supported them for nearly 10 years. Co-Founder Liu Wei once talked about a game called "Journey" that inspired him. In the game, when players pass through the snow field, they will certainly fall, and they must wait for another player who follows them to pull them up. The scene when all the players finally arrived at the end, gliding through the sand with the backdrop of the sunset in the background reminds him of his original passion when he started the business. That same concept was embedded into the company culture so each person working at miHoYo shares the same pride and passion towards game development and discovering new technologies. Every year, new ideas, trends, and concepts affect what is output by gaming companies, often which distract them from focusing on the user experience and their ambitions to innovate the next best thing. However, the one thing that stays constant is miHoYo's core values; that is to serve the tech otakus and challenge themselves to design, experiment, and facilitate growth within society. The mission leads the people and people lead the world and serves a strong reminder, with practical lessons other aspiring companies can emulate.

(Received October 28, 2022; Revised December 14, 2022; Accepted December 14, 2022)

References

- AsiaQuest, “Digital Wallets Gain Profit from Gacha Games,” June 2021. <https://aqi.co.id/en/news/game-gacha-jadi-sumber-cuan-dompot-digital>
- Bagdasarov, Garri, “Discussing the Unique Free-To-Play Model of Genshin Impact with Developer ‘miHoYo’ on Launch Day,” PlayStation Universe, September 2020. <https://www.psu.com/news/discussing-the-unique-free-to-play-model-of-genshin-impact-with-developer-mihoyo-on-launch-day/>
- Brow, Elain, “Genshin Impact 3.0 Update Improves Characters and Gameplay Significantly,” August 2022, <https://www.itechpost.com/articles/113277/20220824/genshin-impact-3-0-update-brings-characters-movability-significant-improvement.htm>
- Chapple, Craig, “Genshin Impact Generates Close to \$400 Million in First Two Months, Averaging More Than \$6 Million a Day,” Sensor Tower, December 2020. <https://sensortower.com/blog/genshin-impact-first-two-months-revenue>
- Chapple, Craig, “Genshin Impact Generates \$2 Billion on Mobile in First Year,” Sensor Tower, September 2021. <https://sensortower.com/blog/genshin-impact-mobile-two-billion-revenue>
- Chee, Eric, et al. “How Nintendo Became One of the World’s Largest Electronic Game Companies: Secret of Success.” *Academy of Asian Business Review*, Dec. 2020, <https://doi.org/10.26816/aabr>.
- Chen, Junyu. Personal interview. May 2022.
- Chen, Laichi, “The Rise of the East Asian Gaming Industry: A Value-Added Chain Among the East Asian Game Companies During 2000-2010,” *SAGE Journals*, February 2022. <https://journals.sagepub.com/doi/full/10.1177/20594364221074422>
- Chen, Lim-Li, et al. “Bytedance: The Road to Success of a Global Influential Social Media Platforms Creator.” *Academy of Asian Business Review*, Dec. 2019, p. 88. www.aabworld.org/board/down.php?board=article&id=73&cnt=1.
- Game 8, “Genshin Impact 3.0 Release Date, Characters, and Banners | Genshin Impact,” October 2022, <https://game8.co/games/Genshin-Impact/archives/380573>
- Game World Observer, “In-depth analysis of Genshin Impact’s marketing and advertising strategies with SocialPeta,” December 2020. <https://gameworldobserver.com/2020/12/16/genshin-impact-advertising->

promotion-strategies

“Genshin Impact Earns \$2 Billion After “Unheard of” Success in First Year,” BBC, September 2021. <https://www.bbc.com/news/newsbeat-58707297>

Global People Video, “Wei Liu, Founder of miHoYo, Speaks Out | It is Not Because We See Hope that We Preserve, But Because of Persistence We See Hope,” Hao Kan, March 2021. <https://haokan.baidu.com/v?pd=wisenatural&vid=1353259003902453133>

Guo, TongXin. Personal interview. May 2022.

Haldane, Matt, “China vs Video Games: Why Beijing stopped short of a gaming ban, keeping Tencent and NetEase growing amid crackdown,” South China Morning Post, November 2021. <https://www.scmp.com/tech/big-tech/article/3156540/china-vs-video-games-why-beijing-stopped-short-gaming-ban-keeping>

Kong, Shawn, “How a \$100 Million Video Game Broke Even 2 Weeks After Launch,” Better Marketing, October 2020. <https://bettermarketing.pub/how-a-100-million-video-game-broke-even-2-weeks-after-launch-96b557d7f408>

Liao, Shannon, “China Restricts Young People to Playing Video Games Three Hours a Week,” The Washington Post, August 2021. <https://www.washingtonpost.com/video-games/2021/08/30/china-video-games-kids-ban-weekday/>

Lin, Guanxiu, et al. “A Decade of Meituan-Dianping’s Development: What Makes a Brand Stand Out from The Crowd?” Academy of Asian Business Review, June 2020, <http://www.aabworld.org/board/down.php?board=article&id=80&cnt=1>.

Oh, Yongjin, et al. “Bluehole: Bluehole’s Spectacular Success in the Video Game Industry,” Academy of Asian Business Review, December 2018. <http://www.aabworld.org/board/down.php?board=article&id=56&cnt=1>.

Orihuela, Daniel. Personal interview. May 2022.

“PC Games Market Size Worth USD 31.52 Billion by 2028 | PC Games Industry Expected CAGR 1.3% | Vantage Market Research,” GlobeNewswire, May 2022. <https://www.globenewswire.com/en/news-release/2022/05/23/2448225/0/en/PC-Games-Market-Size-Worth-USD-31-52-Billion-by-2028-PC-Games-Industry-Expected-CAGR-1-3-Vantage-Market-Research.html#:~:text=The%20PC%20Games%20market%20was,2028%3B%20based%20on%20primary%20research.>

- Rousseau, Jeffrey, “Newzoo: Mobile game revenue generated \$93.2bn in 2021,” *gameindustry.biz*, January 2022. <https://www.gamesindustry.biz/articles/2022-01-20-newzoo-mobile-game-revenue-generated-usd93bn-in-2021>
- Saranya, “What’s Next for China’s Gaming Industry?” Observer Research Foundation, October 2021. <https://www.orfonline.org/expert-speak/whats-next-for-chinas-gaming-industry/>
- Tassi, Paul, “You Think ‘Genshin Impact’ Is Pay-To-Win Gacha Anime Trash; You Are Wrong,” *Forbes* September 2021. <https://www.forbes.com/sites/paultassi/2021/09/04/you-think-genshin-impact-is-pay-to-win-gacha-anime-trash-you-are-wrong/?sh=286a9039593a>
- Thomala, Lai Lin, “Annual Mobile Revenue Generated by miHoYo Worldwide from 2015 to 2022 YTD,” *Statista*, May 2022. <https://www.statista.com/statistics/1265527/mihoyo-annual-app-revenue/>
- “Top 10 Countries/Markets by Game Revenues,” *newzoo*, accessed by June 2022. <https://newzoo.com/insights/rankings/top-10-countries-by-game-revenues>
- Turazashvili, Tatia, et al. “Big Hit Entertainment: Soar with Multi-Labels Integration, Social Platforms and Innovations.” *Academy of Asian Business Review*, June 2021, <https://doi.org/10.26816/aabr>.
- “What Does “Otaku” Really Mean?” *Merriam-Webster*, May 2021. <https://www.merriam-webster.com/words-at-play/what-does-otaku-mean-in-japanese>
- Wood, Austin, “Genshin Impact 3.0 is better than most open-world games and it's totally free,” September 2022, <https://www.gamesradar.com/genshin-impact-30-is-better-than-most-open-world-games-and-its-totally-free/>
- Valens Research, *Dynamic Marketing Communiqué: Make an IMPACT: Step into a world of imagination with these visual advertisements! [Thursdays: FYO!]*, December 2021, <https://www.valens-research.com/dynamic-marketing-communicue/make-an-impact-step-into-a-world-of-imagination-with-these-visual-advertisements-thursdays-fyo/>
- Wunderman Thompson, *Transcendent Retail: APAC*, *Jing Daily*, July 2021, <https://jingdaily.com/wp-content/uploads/edd/2021/07/Transcendent-Retail-APAC-2021.pdf>
- Ye, Josh, “How Genshin Impact’s Chinese Creator miHoYo Found Success with Otakus Willing to ‘Pay for Love’,” *South China Morning Post*, October 2020. <https://www.scmp.com/tech/start-ups/article/3105111/how-genshin-impacts-chinese-creator-mihoyo-found-success-otakus>

Yellow Bees, “Liu Wei, Co-Founder of miHoYo - The Creator of Genshin Impact,” YouTube, June 2021.
https://www.youtube.com/watch?v=_Vy_UVXWoUY

Appendix 1: Interview Summaries

Interview Summary: NetEase Inc.

Interviewer: Man Pok Bob Yuk

Interviewee: TongXin Guo (Product Manager)

Date of Interview: Jun 3, 2022

When asked about the gaming industry in China, PM TongXin Guo expressed great concern towards the current domestic gaming environment. Specifically, he pointed out two major obstacles that hinders the growth of the current gaming industry. First, supervision of the minor is getting stricter, and the restriction on game time has a negative effect on users. Second, he mentioned the version number policy (copyright) which is in a tightening situation in China. The stricter the game regulation is, the less copyright game developers may get. This will lead to game developers lacking new projects, unable to recover funds, and thus can't deposit good projects in the future. Creating a vicious cycle.

When asked about the game development and marketing strategy, he differentiates the section into two parts. First is game distribution, and it's all about advertising the product, marketing channel promotion. The second is game development. He pointed out that the early gaming industry in China paid more attention to the efficiency of game distribution. Sales and development were done separately. Most games on the market in the early days were pirate games. It wasn't after classic games like Fantasy Westward Journey, and League of Legends was launched that finally raised the cost of plagiarism, manufacturers now pay more attention to the game design instead of market promotion. Therefore, miHoYo is so successful in China as they devoted so much time and money invested into their product.

Finally, when we asked about his opinion on whether NetEase will consider miHoYo as a major competitor, he said that it depends on the market. If it's the general gaming market that we are comparing, there is no doubt that miHoYo will become one of NetEase's biggest competitors. But from the perspective of game sub-categories, NetEase follows a more traditional card MMO style, but Yuanshen is working on an open world style of gaming. In this case, the two sides are completely unrelated.

Interview Summary: Tencent

Interviewer: Jingyi Wang

Interviewee: Junyu Chen (Employee)

Date of Interview: May 27, 2022

When asked about the gaming industry in China, Junyu Chen mentioned that China's gaming market is with a uni-multipolarity model, “one super strong more stronger”. The one superpower is Tencent. “More stronger” means the many other strong gaming companies, including older traditional brands such as NetEase, Top Two, Shanda, etc. and new companies such as miHoYo and Yinjiao. These new companies use relatively new game concepts and stronger technical strength to cut into the market.

He also mentioned that the government impacts companies' and gaming content's growth a lot as the Chinese game market is heavily oriented by policy. One factor is the version number (marketing license), as you must rely on the market license issued by the government to launch the game. But the government has not issued any version numbers for a long period of time, which is not good for all companies. Also, there are lots of restrictions on content. Some content that skirting the rules and laws is not approved or reduced, and political, pornographic, and religious content is not allowed to occur.

For miHoYo, he thinks it is a very successful company. It has invested so much to cultivate a huge self-research team that many or most domestic companies have not cultivated. It also created Genshin Impact, which has both content and technical barriers. It is ranked as the third in the China domestic game market even though it is still a very new company, which is amazing. It also has Yuanshen's technology, mature R&D team, accumulated open-world R&D technologies, etc., which is something that many traditional Chinese game companies do not have, and is envied by outsiders. And Tencent does see miHoYo as a competitor. miHoYo has many capabilities and technical accumulation that even Tencent does not have, so there is no doubt that Tencent will regard him as an opponent.

It's worth noting that Genshin Impact 3.0 debuted in August 2022 featuring highlights such as “the Sumeru region, Dendro element, three new characters, three banner reruns, two new artifacts, seven new weapons, and new quests.” A couple of patches were necessary but character mobility has been improved as well as sound effects and general animation. Reviews have been positive. According to one journalist, “The secret sauce that really makes Sumeru stand out is that it's built more like a 3D platformer than previous regions... Sumeru is more fun to explore in an interactive and kinetic way.”

Appendix 2: Teaching Notes

Significance & Focus of Case Study:

This case study focuses on analyzing the key choices that ultimately led miHoYo to their biggest failures and successes. This firm started off with only 3 founders and has grown into a huge threat to gaming giants like NetEase and Tencent. Through their unique marketing tactics, focus on R&D, and revenue model, miHoYo was able to attain global recognition with their latest release of Genshin Impact. Innovation was always at the forefront of miHoYo's core values, and they are doing much more than just furthering the technology within the gaming industry. Through this case study, you will learn about the technical strategies behind miHoYo's success, their history, and the one key strategy that continued the legacy the founders wished to build.

Major Lessons & Implications for Students:

After reading this case, students should be able to identify the major milestones of miHoYo and the significance of having a strong company culture. They should have a strong understanding of how miHoYo's marketing strategies including their omni channel marketing approach, their design decisions made through consumer research, and their three-fold phase approach for new game releases. They should be able to identify miHoYo strengths and weaknesses and how their opportunities and threats shape the future of the company. Lastly, they should understand the financial situation of miHoYo over time and infer why the company made the decisions they made moving forward. This will help them understand not only the gaming industry, technical strategies, and struggles that come with developing a new product, but also the non-technical aspects of communicating the core values of the firm. For students hoping to start their own businesses in the future or striving to work for a top firm, this is a great opportunity to learn from a company that had a rough start but has achieved global success due to their technical strategies and pure grit.

Teaching Tips:

Have the students read this case as homework the night before.

1) To kick off the discussion, begin by asking your students: How did miHoYo set themselves apart from tech giants like NetEase and Tencent?

* Once they respond, have them think about how miHoYo's strategies could be applied in other contexts.

* For example, Ikea utilizes a similar strategy by targeting their products towards a niche audience. They understand that consumers care about the home furniture experience and have modeled their stores in a way that allows consumers to imagine Ikea products in their homes. They are also an international company that

has been able to break into some of the toughest markets including the United States.

2) Then ask them: Why did miHoYo have a rocky start? How did they get out of that rough patch?

* Highlight what their financial situation was before and after Genshin Impact. Ask them how Genshin Impact became so successful. Be sure to touch on company culture, consumer research, and their release strategy.

* You could take this one step further and ask them for other solutions or examples.

3) Lastly, ask them where they think miHoYo is headed towards. What is the best strategy for miHoYo moving forward?

* This question doesn't have a definitive answer, it should prompt students to think beyond the case and allow them to have an open discussion about their own knowledge of the gaming industry or ideas they have about the future.

Highlight the key takeaways at the end of the case to ensure students leave with major lessons learned.

1) Many companies focus on the technical strategies that will bring profitability and wealth to the firm but focusing on upholding the culture and people will cultivate strong community in times of hardships, which may end up saving the firm.

2) They achieved great success and also left several positive digital footprints which other future companies, irrespective of their industry, can learn from and potentially emulate in the future.

Appendix 3: Three Wave Promotion

Three Wave Promotion

According to Valens Research, Visual Media is “easy to process, increases brand awareness, and builds audience appeal.” They were effective due to the use of “custom creative”, and utilizing three waves of visual promotion in the form of “pre-release, release, and post release.” Game World Observer provided similar analysis around the same three wave approach. Over a two month period they employed a warm-up, public beta, and then the actual new version release. The effectiveness of their approach is through frequency and immediate analysis. On September 7, they announced their intentions to whet people’s appetites, quickly analyzed their trends, and then later that same month capitalized on the success through the beta itself; one month later they actually released the game but augmented it with advertising to in the author’s opinion “keep the game hot.” They also achieved effective global exposure through present day ‘guerrilla marketing’ in the form of Google Ads and Bilibili. Of course, nobody could have predicted that Covid was soon to occur and cause more people to be at home, thereby further strengthening their marketing resolve.

