

CHAPTER V The Analysis of Tencent Marketing Strategy

This section will examine the company's marketing strategy. To understand its strategy, SWOT and STP analysis will be used. STP analysis will explore the company's market segmentation, targeting and positioning.

5.1 SWOT Analysis

- Strengths

-Strong distribution network: Tencent has a strong relationship with its dealer which really help the company to promote the company's services and reach profitable market.

-Good returns on capital expenditure: Tencent mostly are successful at launching a new products or services. It creates new revenue streams for the company and results in generating good returns on capital expenditure.

-Automation: the company has a production system that is automatic, controlled and directed. It makes the production is more efficient at both cost and time. It also allows the company to scale up or scale down the production based on market's demand.

-Strong brand name and owned intellectual property rights: Tencent is known and trust by a lot number of people which make the company could enter into a new market more faster and also having intellectual property rights, makes the competitors or new entrants could not imitate the services or products because of legal protection.

-Skilled labour force: Tencent has many expertise under its team which makes the company could run more effectively producing diverse innovation which also results in unique product offering to the market.

- Weaknesses

-High sales inventory: Tencent is not really good on its demand forecasting which lead to higher inventory that put in-house and in channel which lead to higher cost. Demand forecasting is the use of historical sales data to analyse the expected forecast of customer demand (Yeboah, 2018).

-Cashflow and current assets problem: The company has higher current liabilities compared to its current assets. Tencent's cash flow is also lack of planning which could possibly generate unnecessary borrowing and higher up the number of liabilities. Tencent also has property by rent, which adding the cost of the company.

-High employee turnover rates: Tencent has higher employee turnover rates which means that employee who leaving the job is larger than its competitors. When this happens, the company have to do extra training and development which again adding extra cost to the company (Yeboah, 2018).

- Opportunities

-Higher internet and e-commerce users: in 2019, the internet users around the world has reached 4.388 billion people from the total population of 7.676 billion people (We Are Social Inc, 2020). This situation creates bigger opportunities for Tencent company that provide internet value-added services. Tencent has more chance to expand its market even larger to various country.

-Social media existence: currently, many people using social media almost every day. They are searching things and review of products through social media. It helps the company to reach the market more easily by applying its marketing strategy (Chandler, 1962).

-Legal barriers is lower: the Chinese government announced tax rate reduction for the industry also giving a subsidy on the sale of environmental friendly products. By given this remission, it open up the opportunity for Tencent to have less cost in production also could sell environmental products or services to its market.

-Transportation cost decreased: Lower shipping price make the company do no need to pay very expensive do send the product to the customers which impact in higher profit for Tencent.

-Improve in education: the quality of education and training institutes is stronger recently, it gives Tencent opportunities to gain more skilled workers to support its company.

-Technological development: Technology has been develop very rapidly and have even better quality. It enables the company to do every business activities more faster and reduce unnecessary cost.

- Threats

-Lower consumer spending: China's consumer showed decrease in its consumer spending for the past 18 month caused by there is trade war fear experienced by the consumers. It predicted by the experts that Chinese consumer tend to save more money and spend less on non-staple goods (Tang, 2019).

-Changing in demand and consumer behaviour: community preferences is always changing over time. And for every company, including Tencent needs to always able to identify the market needs and do innovation in order to gain competitive advantage.

-Intense competition: although the players in the same industry is not very massive because the barriers for new entrants is quite high, but the competitors are also big companies that have high capital and capabilities to compete. The barriers to exits from the industry is quite high, making the existing firms in the industry will still run its business even at the lowest profit. Tencent's competitors regularly upgrade their technology as well as its marketing strategy. It is a potential treat for Tencent that must be reminded (Jiang & Zheng, 2010).

-Exchange rates: since Tencent run its business in many different countries, exchange rates is important aspect to the business stabilization. However, the exchange rates is always fluctuating and affect Tencent's performance.

Table 5.1: Tencent SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> -Strong distribution network -Good returns on capital expenditure -Automation -Strong brand name and owned intellectual property rights -Skilled labour force 	<ul style="list-style-type: none"> -High sales inventory -Cashflow and current assets problem -High employee turnover rates
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> -Higher internet and e-commerce users -Social media existence -Legal barriers is lower -Transportation cost decreased -Improve in education -Technological development 	<ul style="list-style-type: none"> -Lower consumer spending -Changing in demand and consumer behaviour -Intense competition -Exchange rates

5.2 STP Analysis of Indonesia Marketing

5.2.1 Market Segmentation

Tencent segmented its market differently based on its products/services type. Indonesian behaviour is more open in accepting new technology, this lifestyle making Indonesia, with such a big population becomes a target for many digital companies. Tencent has various services and product that offers to the market. And each product and

services serves different market segment. For messaging apps, WeChat has users that spread quite evenly from 19 to 45 years (Prayogo, 2018). And, they spend above 30 minutes per day on WeChat. Messaging apps is mostly use by younger generation in which only 4.3 percent users aged above 46 (Statista Research Department, 2020).

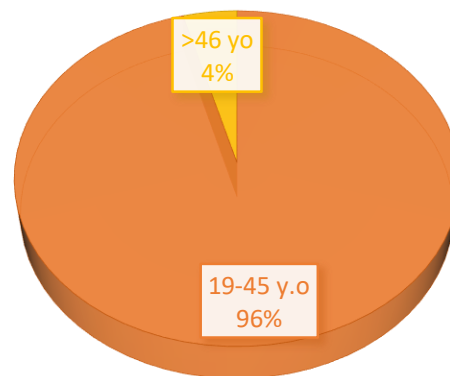


Figure 5.1: WeChat Segmentation Based on User's Age

Source: Statista Research Department, 2020

On the other hand, Tencent do more segmentation on its games. For professional gamers, Tencent offers Sura and Gun Gods games (Huang, 2013). These games have limited time to finish one level before continue to the next level. It also needs to pay weapons to win the game. Required money to get the weapon is way for Tencent to get profit. Whereas for non-professional game player would not willing to pay weapons that they even cannot touch in real life. That is why Tencent segmented these games to more professional game player. Whereas for Tennis Games or QQ speed are casual games for non-professional game players. Tencent also did market segmentation on sex, in which more action games, which contain some violent are more for male players because female players usually play games that more relaxing. For example, PUBG, Wangzhe/Honor of Kings and Ring of Elysium are action games established by Tencent (Putra, 2020). Whereas, WeChat mini games, like Happy Ball, Tanqiu Wangzhe are Tencent's non-action games that popular in the market (Wdd, 2018).

Table 5.2: Tencent's Market Segmentation on Games Products
(based on gender & gamers professionalism)

Segmented Market	Products
Professional Gamers	Sura & Gun Gods Games
Common Gamers	QQ Speed & Tennis Games
Segmented Market	Products
Male	Action Games; PUBG
Female	Mini Games / Non-action Games

5.2.2 Market Targeting

Tencent president Martin Lau Chi-ping stated in the gathering of more than 500 Tencent-backed companies that, “ In the past, our investment sectors were mostly focused on video games and content, as well as the frontiers of science and technology. However, in the future, we will pay more attention to smart retail and payment platforms with the development of Tencent’s WeChat mini-app ecosystem” (Chen, 2020). Until 2019, Tencent targeted its company to focus on video games users which in fact, it gave biggest source of revenue percentage to Tencent and the company succeed to achieve the biggest game company in the world (Li, 2018). In this year, 2020, Tencent continues to expand the company by targeting on younger generation because the fact that 96% of all WeChat users are aged between 19-45 years old which means most of this age group already has an income. In a month, they will do at least once digital transaction, in which it will give larger opportunity as Tencent wants to expand the company by doing smart retail and offers payment platforms (Editor, 2015).

5.2.3 Market Positioning

As top company in China, Tencent continues to expand their market and try to positioned its market in the right target. In the past, Tencent positioned its market in gaming services which makes the company to be the largest gaming company in the world. Since, Tencent managed to see the opportunity of internet users and also the increase in people who shop online, they planned to position its market on smart retail industry. It would be done by open up cooperation and investment from many entrepreneurs in the related industry to help achieve the market position to become the leading company in smart retail industry. This

process started in January 2020 (Chen, 2020). Tencent strive to incorporate social responsibility to its products and services also help and collaborate with digital industries to upgrade and promote technology to create sustainable development society. Tencent hopes its new market positioning will bring good impact from the society through technology.