

# The Impact of the COVID-19 Pandemic on the International Marketing Strategies of MNE's: A Report on the Konami Company and 'YuGiOh!'

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## **Abstract**

Within this report, the notion of COVID-19's emergence and its impact on the international marketing operations of MNE's shall be investigated. To investigate COVID-19 pandemic's impact on MNE's and their internationalisation operations, the international entertainment company Konami shall provide the basis for evidence within this case study report. Due to Konami operating within a myriad of industries to varying ranges of success, the author has chosen to focus on the company's international marketing strategies of their trading card game brand, 'YuGiOh!'. As to investigate this the report shall initially develop upon the Konami company portfolio in terms of their 'YuGiOh!' brand and their international marketing operations. To continue the report shall investigate the impact of COVID-19 on the trading card game industry as a whole and how companies such as Konami were affected by the implications of COVID-19 within their industry. Furthering from this, the various influences and implications of COVID-19 on Konami and their 'YuGiOh!' brand shall be explored in detail and how they caused Konami to transform their international marketing activities from COVID-19's emergence until now and into the future.

**Keywords:** COVID-19, MNE's, International Marketing Strategy, International Marketing Operations, Konami, YuGiOh!

## **Introduction**

International marketing is a key factor in the success of all MNE's and their ability to compete on a global scale. All international marketing activities need to be planned and be precise from their conception through to their delivery, due to the sheer importance it holds over the performance potential of the company. However, what is an MNE to do when their entire international marketing operations are thrown into disarray through the emergence of circumstances, posing industry-wide influence, completely out of their control? In 2020, such a phenomenon happened with the COVID-19 pandemic, with industries of every kind all over the world being impacted by its arrival; with many companies' operations being forced to change or halt entirely. This included impacting the international marketing operations of MNE's.

To explore the effect of the COVID-19 pandemic on international marketing operations, this report shall review the international marketing activities of the Konami company, and their international marketing strategy, with a focus on their international marketing operations surrounding their tabletop trading card game (TCG) 'YuGiOh!'. As to substantiate the findings and conclusions made within this report, the internal and external factors present throughout COVID-19 and how they have either persisted or permanently changed the way Konami approaches its international marketing operations shall also be investigated. Also being investigated is that of Konami's new 'YuGiOh!' tournament format unveiled during the COVID-19 pandemic, 'Remote Duels', and as to whether the remote format invigorated Konami's internationalisation efforts. Further substantiating evidence shall come through an analysis of the industry Konami inhabits, and the immediate and residual effects of COVID-19.

## **Company Portfolio**

The Konami company holds a great deal of historical success and has been a constant innovator in the industries it operates within. Konami inhabits a variety of industries, with the company producing products and services such as videogames, tabletop games, mobile games to varying levels of success on an international scale. Established in 1969 by Kagemasa Kozuki, with its headquarters based in the Chūō ward of Tokyo in Japan; the company has also developed several subsidiary companies, each producing recognisable products within specialised industries across the globe (Konami, 2022).

The company has seen large multinational success in its TCG products under the brand 'YuGiOh!', developed and produced by the Konami subsidiary, Konami Digital Entertainment (Konami, 2022), which has grown to be one of the most recognisable TCG's as well as boasting a high market share of the TCG market, and continuing to grow each year (Batchelor, 2019). The company utilises many varying marketing techniques to market 'YuGiOh' on a multinational level, with a strong focus on the physical, in-person retailer and event marketing, as well as utilising effective digital marketing through channels such as that of social media platforms and video streaming websites (Nelva, 2021).

### **How COVID-19 Impacted the TCG Industry?**

The emergence of COVID-19 brought heavy implications for the TCG industry and the companies and consumers who inhabit it. Due to countries all over the globe going into lockdowns, with citizens being forced to stay in their homes and certain companies being unable to open to the public; TCG companies saw disruptions in consumers and profits. This is evidenced by Moyses in the following statement, 'Konami's Sports and Gaming & Systems divisions saw a revenue decrease of 43% and 48% respectively' (Moyses, 2021). TCG's such as 'Magic: The Gathering' saw a loss in players due to the pandemic, due to the inability to meet and play; however, this caused a further residual effect (Gordon, 2020). Due to TCG companies and their main channels of distribution, official tournament stores (OTS), saw a loss in profit as OTS's were forced to attempt to stay afloat as their operations were halted throughout lockdowns. OTS's are a key component in the TCG industry, with the retailers being the most influential channel of distribution for TCG companies across the industry (Pananond, 2013). Therefore, when OTS's were forced to close, the TCG industry saw a great loss as their main source of income and marketing were no longer viable throughout lockdown; therefore, forcing companies to pivot how they operated to maintain competitiveness. As the industry leaned further towards the mobile gaming TCG platforms as a means to retain an interest in their respective brands continue to market their TCG's towards a healthy profit, such as that of Konami's TCG 'YuGiOh!' (Van Bruggen et al., 2010). However, despite the disruptions to OTS's and their viability as an internationalisation channel and the decline in TCG player numbers, Konami continued to push to increase the global market share of 'YuGiOh!' through 'Duel Links', with Konami even citing the mobile gaming platform as revenue leader for the company (Konami, 2021).

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An area of the globe whereby TCG companies such as Konami experience a great deal of success and popularity is that of the United States, with 'YuGiOh!' being the third most popular TCG in the US (Herring, 2020). The US saw a great impact by COVID-19, with the country entering multiple lockdowns and seeing an economic decline as a result of companies being forced to halt operations and even close down entirely. This was also felt in the US TCG industry, as not only did the country experience the disruption to OTS's discussed prior, but also the industry saw struggles in meeting consumer demand. With TCG manufacturers operating at reduced levels, the rate as to which TCG products such as 'YuGiOh!' drastically reduced, causing stores such as Target and Walmart to sell out of TCG products quickly, even as soon as they were stocked in-store; with supply chain issues in the US still being experienced by Konami today (Michael, 2021). Causing surges in retail and resale prices of booster packs, boxes and single cards, the industry saw a creeping rise in consumer cost, as well as retailer cost when attempting to purchase TCG stock (Mostaghel et al., 2019). However, the US economy saw a fall in the average income of US citizens during the COVID-19 pandemic as unemployment rises and causes those unemployed to remain even longer out of work with that persisting through to the present day (Hokayem, Krohn and Unrath, 2021), causing TCG's to turn from a hobby into a luxury for consumers affected.

### **The Decline in OTS's, Konami's Inability to Host Physical 'YuGiOh!' Events and the Impact on Konami's International Marketing Strategy**

A determinant in Konami's international capabilities and their marketing strategy of 'YuGiOh!' is that of the inability to hold physical events due to the COVID-19 lockdowns that occurred worldwide. 'YuGiOh!'s marketing relies heavily on Konami's ability to hold events such as that of the Yu-Gi-Oh Championship Series (YCS), whereby the company can market new deck archetypes and entice players, new and old, to purchase the new booster boxes being released at that time. Due to the 'YuGiOh!' TCG competitive landscape being constantly updated with new cards, deck archetypes and card ban lists being released internationally to level the competitive playing field; new cards are released, and old cards are reprinted to control the competitive usage of cards. However, these new cards would often be premiered and showcased via events like 'YCS', whereby consumers can observe and experience the latest arrivals and reprints (Gu, Park and Konana, 2012). A further driver in the marketability of the TCG is that of meetings within the 'YuGiOh!' community between community members, whether that be at events, OTS's or even community

members' homes, 'YuGiOh!'s marketing communication effectiveness relies heavily on word of mouth and physical representation as a means of promotional distribution (Fam et al., 2011).

OTS's globally took a heavy hit due to the COVID-19 pandemic, with many struggling to remain operational due to their inability to operate at a profitable capacity. This was problematic for Konami, as the company heavily relies on OTS's to market 'YuGiOh!' products, as well as being a large source of income for Konami with OTS's being their most influential channel of distribution of 'YuGiOh!' products (Fam et al., 2011). Therefore, with countries Konami retail their TCG entering lockdowns causing an inability internationally market through in-person events; Konami developed a solution in the form of 'Remote Duels'. This format held a strong focus on OTS hosting to also replenish their main channel of distribution's operational competencies (Pananond, 2013). As a method of ensuring competitive legitimacy through the 'Remote Duel' format, OTS's were given the opportunity by Konami to host 'Remote Duel' tournaments. This not only created income for OTS's through Konami subsidising prizes and financially assisting OTS's to ensure they held the capabilities to host tournaments in the new format but also positively stimulated Konami's marketing capabilities (Pananond, 2013). The new format served as a way for consumers to use the new products, as well as view them in a competitive setting; allowing for Konami to digitally market 'YuGiOh!' products in a tournament-like setting consumers were previously accustomed to.

However, Konami furthered their potential marketing outreach to go beyond the previous 'YCS' method of marketing 'YuGiOh!' products using the 'Remote Duel' format as a driver (Taylor et al., 2020). Due to the new format holding strong competitive viability, Konami was able to hold tournaments of 'YCS' level prestige without being geographically locked by region because of 'Remote Duel' being a digital method of marketing. Konami developed the 'Remote Duel Yu-Gi-Oh! Championship Series' (RDYCS), with tournament matches being streamed worldwide via platforms such as YouTube, with the tournament format's success allowing for further usage by Konami beyond 2021 (Konami, 2021). This served as a new form of digital marketing for Konami, allowing the outreach of events to no longer to be geographically locked by the region their held but rather reach and promote 'YuGiOh!' to audiences worldwide (Van Bruggen et al., 2010). RDYCS's inception allowed for 'YuGiOh!' to be marketed internationally without geographical or nation-specific boundaries through its use of digital media as a marketing distribution channel (Van Bruggen et al., 2010). The broadened marketing communication outreach and international

marketing capabilities permanently transformed the way Konami marketed 'YuGiOh!', as 'Remote Duels' and RDYCS's being hosted alongside regular OTS tournaments and YCS events with the easing of COVID-19 restrictions allowing for events to begin taking place again (Taylor et al., 2020).

### **Konami's Supply and Manufacturing Issues and Their Implications**

A company's ability to market its products effectively internationally, especially concerning Konami's 'YuGiOh!' and its reliance on physical in-person marketing, is heavily influenced by its ability to supply its product. A company that holds an immediate supply of their product or can manufacture to that output can effectively utilise their international channels of distribution to the fullest (Mostaghel et al., 2019). As a company cannot market that of which manufacturing cannot deliver capably to consumers (Mostaghel et al., 2019). However, throughout the pandemic, Konami saw issues in the production of their 'YuGiOh!' product, as the printing of cards became difficult due to supply and manufacturing issues (Michael, 2021). This led to 'YuGiOh!' products at the initial stages of the pandemic and even, in some cases, in the present to become scarce and difficult to purchase for both OTS's and individual consumers alike. This shift in the international environment and the inability to effectively supply 'YuGiOh!' products in line with the surge of demand caused Konami to alter how they priced and distributed their products (Yadav, Pareek, Mittal and Jayaswal, 2021). 'YuGiOh!' has often been one of the cheaper TCG options to consumers, marketing itself at a lower cost than that of other TCG's such as the 'Pokémon' TCG, and therefore this shift in price was somewhat unwelcomed due to the inability to distribute supply at an effective level (Sheehan, 2021). Furthermore, this resulted in a knock-on effect whereby OTS's were being charged more to stock 'YuGiOh!' products by Konami, whilst stocking fewer products at one time due to the supply issues. Due to the increase in price and lack of stock visibility in retail stores and OTS's, 'YuGiOh!' and TCG's, in general, garnered a reputation of being an expensive hobby for consumers, with casual consumers being incapable of purchasing more highly sought-after products (Tamburro, 2021), no matter how much Konami marketed otherwise. This trend has continued to the present day and still impacts Konami's ability to market 'YuGiOh!' as their main channel of distribution and main source of place promotion in OTS's were hindered in their ability to operate at a profitable level that met the demand of consumers (Michael, 2021).

### **'YuGiOh!' Duel Links as a Transformation Driver**

Due to the aforementioned inability to physically play the TCG, the company saw a shift in focus to that of their other 'YuGiOh!' product, "YuGiOh! Duel Links". Otherwise referred to as Duel Links, it is a streamlined approach to the 'YuGiOh!' TCG, being played on PC and mobile devices online against other players or solo against the game's A.I. An increase in demand for mobile 'YuGiOh!' by players of the TCG led to an influx of downloads and active users for Konami's mobile game. Due to the TCG growing in complication since its initial inception, 'YuGiOh!' has yet to see the same level of success as its initial beginning years (Buckingham, 2007) as further consumers departed from the TCG at the advent of the 'Pendulum Summon' and 'Link Summon' mechanics in the past decade, as well as the competitive space is heavily influenced by what cards are most effective at the time (Goodall, 2020).

However, Duel Links presented simplicity that current consumers and potential consumers yearned for, whilst still providing level competitiveness the TCG has become known for. This presented itself as an internal driver for the company to transform a larger portion of its marketing focus to that of Duel Links, as the platforms increased viability throughout the pandemic gave Konami the potential to retain TCG consumers, as well as entice new players. Due to 'Duel Links' not being constrained by a need for physical elements to play and relying only on either a phone or PC and stable broadband connection, the mobile platform was able to be marketed to a broader target audience; by focusing on its low level of entry in terms of cost and experience (Hofacker et al., 2016). This transformation was further reinforced by the rise in mobile gaming consumers, rising '40% from pre-pandemic levels' (Perez, 2021). This is due to mobile gaming's channels of distribution and place of promotion being store applications readily available to all consumers of smartphones; allowing for users to download mobile gaming applications with ease (Hofacker et al., 2016). The 'Duel Links' platform was marketed on social media platforms such as Instagram and Facebook, as their heaviest user traffic came through smartphone application users (Tiago and Veríssimo, 2014); therefore meaning Konami's mobile gaming platform was being advertised to potential consumers internationally on a device they could install the platform with ease (Lavanchawee, 2013). 'Duel Links' saw success through the influx of mobile users and Konami's mobile marketing, with the platform consistently growing in profits each year on an international level (Nelva, 2021).

## Conclusions

In conclusion, the COVID-19 pandemic greatly impacted and influenced the international marketing operations of MNE's, such as that of Konami and the TCG industry they inhabit. Through causing major economic disruptions both within the industry and on a general global scale; companies such as Konami had to adapt their international marketing strategies to continue operation on a multi-national level in a profitable manner. Regarding Konami, the company effectively understood how OTS's being their main international channel of distribution and marketing space of their product required support if they were to continue operating, resulting in a positive symbiotic relationship between the two entities at the initial stages of the pandemic and the future. With the company seeing a great deal of external influence on their 'YuGiOh!' products and their marketability, the company was able to effectively shift its pricing, distribution and marketing strategies to stimulate the TCG's profitability throughout the pandemic and to the present day. Konami was also able to effectively pivot its focus of marketability and provide a further resource to that of their Duel Links platform, as the product saw a rise in viability and demand throughout the pandemic; with the platform seeing stronger marketing and support for the mobile platform.

To conclude, it can be regarded that Konami and their TCG 'YuGiOh!' were able to not only survive the COVID-19 pandemic but also use the pandemic as an opportunity to stimulate a level of growth in both the physical TCG and their mobile platform. However, the company still struggles to maintain consistent manufacturing and meet consumer demands to a degree (Michael, 2021), the company effectively supported their most influential channel of distribution and marketers. By supporting OTS's, the accessibility and popularity of the physical TCG stimulated once again, allowing the potential for 'YuGiOh!' to regain its losses in consumers, as well as for Konami to recuperate on the financial implications that arose through the financial support toward the TCG's competitive space.

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