Federal State Institution of Higher Professional Education

Saint-Petersburg University

Graduate School of Management

**PROMOTION AND MONETIZATION STRATEGY FOR MY.GAMES**

**COMPANY ON THE JAPANESE MARKET**

Diploma thesis made by

the 4th year student of bachelor program,

group International Management ,

Borets Agata

****

Senior Advisor:

Department of Strategic and International Management, Candidate of Science in Economics,

**Anastasia A. Petrova-Savchenko**

Saint-Petersburg

2023

Statement about the independent character of this work

I, Agata Mikhailovna Borets, the fourth-year student of direction Management (International Management), declare that in my course of study on the topic “Strategy for promotion and monetization of mobile games in the Japanese market” submitted to the bachelor program office for public protection, does not contain elements of plagiarism.

All direct borrowings from printed and electronic sources, as well as from previously curated and final qualification works, candidate and doctoral dissertations have relevant references.

I know that according to paragraph 12.4.14 of the "Rules of Education at the GSOM SPBU Bachelor's Program" "the discovery in the WRC of the student of elements of plagiarism (contextual or direct borrowing of text from printed and electronic original sources, as well as from previously protected final qualification papers, Ph.D. dissertations without appropriate references) is the basis for the presentation of the HAC evaluation "unsatisfactory".



(Student's signature)

05.04.2023 (Date)

Table of Contents

[Introduction 4](#_Toc136469106)

[CHAPTER 1. DESCRIPTION OF THE COMPANY AND ITS ACTIVITIES IN THE JAPAN MARKET 8](#_Toc136469107)

[1.1. Company overview 8](#_Toc136469108)

[1.2. Promotional problems faced by company on the Japanese market 9](#_Toc136469109)

[1.3. Games monetization problems faced by company on the Japanese market 9](#_Toc136469110)

[CHAPTER 2. THEORETICAL ASPECTS OF THE STRATEGY OF PROMOTION AND MONETIZATION OF MOBILE GAMES 10](#_Toc136469111)

[2.1. Methods of mobile game promotion 10](#_Toc136469112)

[**2.1.1. Advertisement on mobile devices** 10](#_Toc136469113)

[**2.1.2. Collaboration with famous opinion leaders (influencers)** 11](#_Toc136469114)

[**2.1.3. Collaboration with other games** 11](#_Toc136469115)

[**2.1.4. Advertisement on television** 12](#_Toc136469116)

[**2.1.5. Organization of events and competitions** 12](#_Toc136469117)

[**2.1.6. Word of mouth** 12](#_Toc136469118)

[**2.1.7. Offline advertising** 13](#_Toc136469119)

[**2.1.8. Social media promotion** 13](#_Toc136469120)

[2.2. Monetization models of mobile games 14](#_Toc136469121)

[**2.2.1. Premium** 14](#_Toc136469122)

[**2.2.2. Freemium** 15](#_Toc136469123)

[**2.2.3. Free-to-Play (with installed payments)** 16](#_Toc136469124)

[**2.2.4. In-app advertising** 16](#_Toc136469125)

[CHAPTER 3. ANALYSIS OF THE EXTERNAL AND INTERNAL ENVIRONMENT OF THE COMPANY 17](#_Toc136469126)

[3.1. Analysis of Japanese mobile game market 17](#_Toc136469127)

[**3.1.1. PESTEL analysis** 18](#_Toc136469128)

[**3.1.2. Porters’ 5 Forces analysis** 23](#_Toc136469129)

[3.1.3 Segmentation 28](#_Toc136469130)

[3.1.4. Major spending of Japanese gamers 32](#_Toc136469131)

[3.2. SWOT analysis 34](#_Toc136469132)

[CHAPTER 4. STRATEGIC RECOMMENDATIONS FOR MY.GAMES MOBILE GAMES PROMOTION AND MONETIZATION 41](#_Toc136469133)

[4.1.My.games promotion on Japanese market 41](#_Toc136469134)

[4.2. Identification of the main directions of development 42](#_Toc136469135)

[**4.2.1 Identification of general goals and their sequence** 43](#_Toc136469136)

[**4.2.2. Recommendations on promotion and monetization of mobile games** 44](#_Toc136469137)

[4.3. Applying an algorithm to adjust or select a monetization model 47](#_Toc136469138)

[4.4. Metrics for evaluating the effectiveness of applied improvements 53](#_Toc136469139)

[Conclusion 55](#_Toc136469140)

[Literature list 56](#_Toc136469141)

[Appendix 59](#_Toc136469142)

# **Introduction**

**Research relevance**

This work is an applied project carried out for the My.games company in order to develop strategic recommendations for the promotion and monetization of products (mobile games) in the Japanese market.

This work aims to re-emphasize the importance of marketing in the virtual entertainment industry. It will be devoted to relevant promotion tools, both digital and outdoors. As well as the most effective monetization models for mobile games that allow not only to make a profit, but also to satisfy the desires of users by providing them with what they are looking for in the game. To do this, an analysis of customer behavior and paying habits of mobile gamers will be carried out.

Our modern life is unimaginable without smartphones. They have become an integral part of not only work, study and life, but also entertainment. Every day, more than a quarter (26%[[1]](#footnote-1)) of users spend 7 hours or more on their "electronic friend", that is, more than half of the time that they are awake. Another 21% spend 5-7 hours on a smartphone. Speaking about Japan about 16%[[2]](#footnote-2) of users spend from 4 to 5 hours a day in their smartphones. At the same time the percentage of people spending 10 hours and more holding their phone is almost 6%.

Of course, active smartphone users spend part of this time on entertainment activities. According to a 2021 research of “statista”, more than half of Japanese spend more than half an hour a day on mobile games on weekdays, with this figure exceeding 60% on weekends. However, consumer behavior in the Land of the Rising Sun differs in many ways from what we are used to. The mobile gaming market provides a huge opportunity for growth: Japan's population is less than half (40%) of the US population, but the mobile gaming market is not inferior to the US. The mobile gaming industry is simply completely different. Users there play much more actively and spend a lot of time in the virtual space, so the game must have a lot of content and (or) levels, to keep players attention. In addition, customer service in Japan is built with a high level of interaction, with many companies organizing online communities and phone support, which is rare in western market.

Some of the world's highest-grossing games are from Japan (like Puzzle & Dragons and Monster Strike), and most of their revenue comes from the market of origin. Japanese players are distinguished by high solvency. In the first half of 2022, the Japanese mobile player spent over $308[[3]](#footnote-3) per game on average, which is huge above the huge Chinese market index of $29, two to three times more than the Chinese and Korean markets, and five times more than in the US market, ranking fifth. Nowadays ARPU (average revenue per user) reaches $177 with average time spent per week amounting to 6,7 hours[[4]](#footnote-4). Due to high expected spending mobile game developers are willing to pay an insane amount for each install (sometimes up to $10-20) and for traditional advertising outside of mobile platforms (for example, on TV and on billboards). The launch of new mobile games is often preceded by various advertising and is accompanied by promotion on TV. However, it is worth noticing that approximate lifespan of a game is around 1-15 weeks for casual and around 12 month for mid-core[[5]](#footnote-5). Due to the high degree of saturation and the constant replenishment of the video game market with new products, it is becoming increasingly difficult to keep the attention of players.

All these factors make the Japanese market not only promising, but also dangerous. In particular, it can be difficult to adapt for a company from a radically different culture. Despite the fact that My.games has been on the market since 2018, it has not been actively promoting its games, which has led to poor brand recognition and low popularity of mobile games. This may be due to the lack of a regulatory department directly in Japan and the lack of investment in advertisement.

The relevance of the work lies in the practical need to solve the problem of the company. In addition, in the constantly changing and developing mobile games market, the need for modern tools for promoting and withdrawing funds from applications is acute. This, combined with the high growth potential of the company in Japan, is pushing data-driven analytics and using them to effectively expand audiences and brand awareness.

**Research goal** is to develop strategic recommendations for promotion and monetization of MY.GAMES mobile games in the Japanese market.

**Research objectives**

To achieve research goal the following objectives are stated:

1. Describe the company and analyze its activities globally and on the Japanese market.
2. Identify major existing promotion methods, mobile games monetization models and their peculiarities.
3. Conduct an analysis of Japanese market of mobile games and look at the dynamics of its development.
4. Conduct a segmentation of mobile game users based on the motivation to play and on the paying capacity and identify patterns of behavior.
5. Identify the major challenges that are faced by the company on the Japanese market.
6. Develop strategic recommendations for mobile games promotion and monetization

**Research object and subject**

The object of this research is a mobile game developing company MY.GAMES.

The subject of this research is My.Games’ mobile games promotion and monetization strategies.

**Research methodology**

Given that the company operates in the B2C segment, it is necessary to firstly pay attention to company's current position in the market. For this reason, it was decided to conduct an interview with a representative of My.games in order to obtain information not only about the company's activities, but also analytical data regarding gamers' preferences in genres, purchases and promotions.

In order to better understand the behavior of modern users of mobile games in Japan, it was previously decided to conduct a survey of respondents in the city of Nagoya, however, since at the moment it is not possible to conduct surveys with a sufficient number of respondents due to the impossibility of using some international social networks, for the basis was taken a survey conducted by a Japanese analytical company at the end of 2022[[6]](#footnote-6).

The next step after researching the market and buyers is the development of strategic recommendations regarding promotion channels and monetization models for mobile games.

As for the structure of work, CHAPTER 1 will cover basic information regarding the company itself, its activities in Japan, as well as difficulties in the market

CHAPTER 2 describes the main aspects of the theoretical part of the study. Based on them, further development of recommendations is based.

CHAPTER 3 is dedicated to various analyzes of the external and internal environment of the company. As well as a description of the state and trends in the development of the market and analysis of consumers.

The last CHAPTER 4 describes direct recommendations for promoting and monetizing the company's products. Moreover, an algorithm for choosing or adjusting methods for withdrawing funds is considered.

# **CHAPTER 1. DESCRIPTION OF THE COMPANY AND ITS ACTIVITIES IN THE JAPAN MARKET**

## **1.1. Company overview**

My.games is a leading global gaming company that delivers compelling mobile, PC and console games to millions of players worldwide. The company was established in 2018 and has since grown to become one of the fastest-growing gaming companies in the world. My.games is renowned for delivering innovative, immersive and engaging experiences, and has developed a number of critically acclaimed games that have won numerous awards and earned high praise from gamers worldwide. In the beginning My.games was a part of Mail.ru as a game department, however, on September 27, 2022, the company announced the sale of 100% of its gaming holding to Alexander Chachava, managing partner of LETA Capital, co-founder of My.Games Vladimir Nikolsky has left the company and continued to develop the holding. Mail.ru has contributed to the development of a company on the first steps of its existence.

With a passion for innovation and a commitment to creating the very best games for players around the world, My.games is dedicated to pushing the boundaries of what is possible in the world of gaming. The company works with some of the most talented architects, designers, artists, developers and content creators in the industry to achieve this goal, and is constantly striving to create new and exciting gaming experiences that will keep players coming back for more. Approximately 10 new project are being developed annually. The global partner network includes over 50 development studios in Russia and abroad (by September 2022). MY.GAMES Venture Capital is also actively investing and consolidating companies. In the first half of 2021, the company's portfolio included over 33 studios. The main revenue (73%[[7]](#footnote-7)) is generated by the mobile games only. Among which 30% is gained from the game War Robots (over 184 million downloads). It is as well presented on the Japanese market and is released more than 7 years ago. Other successful projects are Warface, Hustle Castle, Left to Survive.

At My.games, the mission is to create fun, immersive, and rewarding gaming experiences that bring people together from all around the world. The company is dedicated to delivering the very best in gaming, and is always looking for new and exciting ways to achieve this goal. Whether one is a casual gamer or a hardcore gamer, there is something for everyone at My.games. Company also makes an emphasis on localization of games and development of new ones based on the analysis of customer behavior on the chosen market.

According to the interview conducted with the representative of the company by the Tadviser magazine “…by the end of September 2022, the core value of the asset is employees and intellectual property. The newspaper notes that the problems in the game development market in Russia in the near future may worsen due to the introduction of partial mobilization in the Russian Federation, after which game studios began to evacuate employees from the country, including buying out entire charter flights”.[[8]](#footnote-8)

## **1.2. Promotional problems faced by company on the Japanese market**

Despite the fact that My.games entered the Japanese market back in 2018 it has a slow profit growth and lack of development in the local market. In fact, according to a company representative, the profit is bringing only 3-5 titles. This may be due to the fact that My.games has taken almost no action to promote its products. The company does not invest in any advertising in Japan and does not adapt monetization models, nor does it release games for local distribution taking into account customer behavior peculiarities.

## **1.3. Games monetization problems faced by company on the Japanese market**

According to the data obtained during the interview, My.games games have a low payback - approximately 50-60%[[9]](#footnote-9). Only two models are used for monetization: in-game advertising, a "glass ceiling" forcing players to buy power-ups in order to go further. However, according to studies, only part of the profit in the Japanese market is generated by advertising[[10]](#footnote-10). Which suggests that the company is not exploiting the full potential of its games. By not giving users the choice of what they would likely like to purchase, My.games is losing out on paying segment players.

# **CHAPTER 2. THEORETICAL ASPECTS OF THE STRATEGY OF PROMOTION AND MONETIZATION OF MOBILE GAMES**

## **2.1. Methods of mobile game promotion**

First of all, in order to choose a further course of promotion for My.games, it is necessary to understand what methods of promotion exist in the mobile games market. As well as figure out which of them are the most common and successful in Japan.

To date, I would like to focus on eight main methods for promoting games. Many developers use them in combination to reach a larger audience.

### **2.1.1. Advertisement on mobile devices**

The most common method is digital advertising. Many Japanese companies use mobile advertising such as push notifications, banners, and promotional videos to draw users' attention to their games. The smartphone penetration rate in Japan is very high, around 89%[[11]](#footnote-11). Therefore, advertising on them is the best way to attract the attention of as many potential gamers as possible. According to My.games, most of the audience of their games know about them through advertising on the Internet.

Another advantage of online advertising is its price (compared to outdoor advertising). The costs of printing and posting posters or printing and distributing brochures disappear. The company pays only for accommodation. After that, it is possible to see real-time performance statistics and, if necessary, make changes.

Moreover, this method allows company to target its audience with greater simplicity and accuracy. So it can adjust to the interests of those viewing ads and show it to those who are more likely to be interested in it.

However, this method also has a significant drawback. Since the vast majority of companies use it, over time it has developed "advertisement blindness" among smartphone users. They stopped responding to bright pop-up ads as information and began to perceive them as visual noise. Thus, digital advertising can not only have no effect, but also cause a negative reaction. For example, if it repeatedly distracted a person from their business.

### **2.1.2. Collaboration with famous opinion leaders (influencers)**

Japanese users are very dependent on the opinions of their favorite popular bloggers and YouTube channels. Therefore, collaborating with popular influencers can be a very effective way to promote mobile games in Japan. In the field of mobile games, this method is of particular importance, since the influencer can not only talk about it, but also introduce the gameplay for watchers and catch their attention. Many Japanese use streaming platforms (such as Twitch) that give them the opportunity to watch their familiar and favorite bloggers play various games. This can not only expand the audience, but also increase the trust of users.

At the same time, it is necessary to be very careful when choosing influencers, since the image of the game and the developer, as well as the targeted audience, will partially depend on their image.

### **2.1.3. Collaboration with other games**

Companies based outside of Japan often resort to this method of promotion as the market is ruled by the local ones. Based on this, developer can create a positive image and make new users interested. It also makes it easy to target the right audience. For example, collaborating with Japanese videogame developers. The main thing is to choose the right company for cooperation with the matching tone of voice.

Cross-promotion can also be an inexpensive and effective targeting way to grow ones game's audience. This strategy aims to advertise a new/less popular game across their own/other company's more popular game of similar genre/design. The goal is to attract motivated users while maintaining CPI exclusion.

As a rule, the target audience is users who are interested in this genre. It's also justified to target former users of the old game and draw their attention to the new game. Maybe they got bored with the old game and are looking for a new gaming experience, and the new game will be exactly what they were missing.

### **2.1.4. Advertisement on television**

Television to this day is one of the main sources of entertainment for the Japanese. The use of TV advertising can be quite costly, but it can have a big impact on how games are promoted. It is worth paying attention first of all to anime series and Korean dramas. Anime lovers are likely to be fans of mobile games and especially games with anime design characters. Also in Japan in the last 4-5 years there has been a trend of Korean series[[12]](#footnote-12). They provide ample opportunities for interstitials and, more interestingly, native advertising.

### **2.1.5. Organization of events and competitions**

One of the distinguishing features of the Japanese market is the great popularity of game-themed events. The cultural feature of the country is a large number of festivals associated with an infinite number of events of a different nature. This is probably what inspired the Japanese love for fan meetings. Events allow not only to attract and interest a new audience, but also to strengthen the trust of existing gamers.

### **2.1.6. Word of mouth**

In Japan, games with a high level of quality and design are very popular. Mobile game developers can achieve greater success by creating high-quality games that will be in demand by users. According to My.games, gamers often voluntarily promote the game to their social media followers, and often record entire reviews of games they like. This is a very effective promotion method and requires zero direct advertising costs.

### **2.1.7. Offline advertising**

Outdoors advertisement has a big audience coverage, however, the targeting is significantly more difficult than in the case od digital ads. In addition it requires high spending on either distribution of fliers of posters placement.

On the contrary, outdoors advertisement can be a solution against digital advertisement blindness. Especially if it is combined with special offerings or competitions.

Thus, by combining a special offer and Outdoors advertising, one can attract attention, if only because few companies in the Japanese market use this method. It will also give (potential) gamers a sense of special treatment.

The main reason to turn to offline advertising is the high population density in Asian countries. Therefore, an advertising banner or a bus with game characters driving around the city will be seen by a huge number of people. It will be prudent to use QR codes on advertising media so that the passer-by does not have to remember or write down the name and he has the opportunity to instantly find and download the game.

### **2.1.8. Social media promotion**

According to DTF[[13]](#footnote-13) the most commonly used social media platforms in Japan are:

Messenger:

* Line

Social media:

* Twitter
* Instagram
* Facebook

Search engine:

* Yahoo! Japan

Video:

* YouTube
* TikTok

TikTok and YouTube both have huge audience reach, with roughly 98%[[14]](#footnote-14) of those polled by Principle in 2023 reporting using both apps. Social platforms provide the widest opportunities for promoting games from promo videos to pop-up notifications.

Promotion of the company's products plays a key role in the development and expansion. It is necessary to find those who are interested in a mobile game so that it pays off and makes a profit. However, My.games does not currently invest in advertising. As mentioned earlier, many Japanese gamers have been enjoying My.games games and some of them have even become brand advocates by publishing reviews of games on online platforms. But this is not enough to expand the audience and build trust with the existing one. Also, one method is not enough. It is important to clearly understand the target audience of the game and what it may be interested in.

## **2.2. Monetization models of mobile games**

### **2.2.1. Premium**

The bottom line is that the user pays once upon installation. Or renews the subscription every month (year) in the case of a paid subscription. Depending on the implementation, this can become a barrier to growth or its driver. Many users will look for free alternatives, but there will be an audience that will be willing to pay for the game and generate income.

This audience is attracted by quality. Beautiful graphics, unusual mechanics, a strong story - all these characteristics increase the chances of commercial success. In other words, the game should be very different from others. And the application page is good to show this through high-quality screenshots, videos and an interesting description. The company must invest in advertising to convey to potential players the uniqueness of this game is equivalent to its cost. Also, this monetization model is more often used by developers with extensive experience and an established loyal audience, such as Nintendo. This is a recognizable brand that has been releasing high quality games for many years. This gives users the understanding that they are more likely to not be scammed.

But it is important to remember that paid games rarely go viral. Decide what is more important, popularity or a small but solvent and loyal audience.

If company has a casual game that does not differ much from its counterparts, it is better to make the installation free. Because users have too many free alternatives to pay.

By making the game a paid developer, it reduces the risk of non-payment by the player. However, this is done in opposition to the long-term profit perspective. Over 31% of Japanese gamers make in-game purchases. Of which, approximately 32% spend between 1,000 and 2,000 yen per month[[15]](#footnote-15), which is more than/equal to the price of an average mobile game.

### **2.2.2. Freemium**

Free "trial" version of the game. To access the rest of the content, one needs to pay. For example, three locations out of ten are free, 50 levels out of 100. Thus, unlike the initially paid game, the gamer has the opportunity to try it first.

Freemium games are often subject to negative reviews, as users are "lured in for free and then forced to give money." This phrase is in quotes because this only happens if the developer didn't warn about freemium or if the "trial" version was too short. Neither one nor the other should be, otherwise company will lose the audience. It is necessary to immediately share such information with users so as not to arouse distrust.

When implemented correctly, freemium is a flexible model that is pleasing to both the developer and users. Many of these games feel like a solid product even in a "trial" version. Some users stop there, and fans pay for additional content. Example: a mobile game can be played for free in its entirety, and secret endings and locations are unlocked for money. One can't go overboard with the amount of free content either, as it can render the paid version useless.

Developers in the Japanese market also often use freemium as a publicity stunt. That is, they launch the first version of the game, then add content, and after a while they announce the add-on for a fee. They do not force gamer to buy anything, but offer a new product. And users will discuss the addition.

### **2.2.3. Free-to-Play (with installed payments)**

Free-to-Play is a free to download game. Purchases (microtransactions) are often added to it. According to studies, such games are preferred by 52% [[16]](#footnote-16)of Japanese users. However, it also happens that users have a negative attitude towards microtransactions.

In-app purchases include all sorts of resources: armor, extra lives, in-game currency, and so on. But if the difference between free and paid gameplay gets too big, it becomes pay-to-win (“money to win”). This model is to the taste of Competitive segment of gamers. Since it allows them to easily defeat non-paying players.

In pay-to-win, users who pay are much stronger than those who advance by their own work. In contrast, this kills the interest in the game among users who play for the sake of fair play: there is no point in leveling when another is at the same level, just by buying armor. Especially if it's multiplayer, where players compete against each other.

Therefore, a balance must be struck. Purchases can make the game easier, but not so much that a "free" player cannot catch up with a paying player.

### **2.2.4. In-app advertising**

Also in free games earn money from ads. The developer connects to one of the advertising networks, selects the range of prices for which he is ready to place an ad. The site does the rest: it finds advertisers, adds ads to the app, and collects analytics on it.

According to Statista statistics, developers receive the main profit (58%) [[17]](#footnote-17)in the Japanese market from advertising. This shows the popularity among advertisers, and hence the prospects of the developer.

To motivate users to watch more ads, they make them rewarded ads. For viewing, they give an in-game bonus (life, currency, items). The company earns more in the advertising network, in addition, it maintains the interest of users. Bonuses make the gameplay a little easier and absolutely free, which encourages users to keep playing.

According to a My.games spokesperson, most mobile game users don't have a negative reaction to ads and would rather watch them than pay for rewards.

# **CHAPTER 3. ANALYSIS OF THE EXTERNAL AND INTERNAL ENVIRONMENT OF THE COMPANY**

## **3.1. Analysis of Japanese mobile game market**

The Japanese mobile games market is one of the most lucrative and competitive markets in the world. The market is dominated by domestic companies such as Sony, Nintendo, and DeNA, but also has a significant number of international players like Supercell, EA, and Activision Blizzard.

According to Statista analytics the mobile games industry in Japan wass valued at over $1,6 trillion [[18]](#footnote-18)in the end of 2021 , with the majority of revenue generated through in-app purchases. Japanese mobile gamers are known for their willingness to spend money on virtual items and gaming content. In big amounts. However the cost of attraction of new user is relatively high compared to European market: 10-20$ per user.

One of the unique features of the Japanese mobile games market is its strong focus on gacha games, which are games that involve the use of virtual lotteries or "gacha" to obtain rare items or characters. These games have become a cultural phenomenon in Japan and generate significant revenue for developers.

Another trend in the Japanese mobile games market is the rise of mobile esports. With the increased popularity of mobile games like PUBG Mobile, Fortnite, and Clash Royale, the esports industry has experienced significant growth in Japan. Major esports tournaments and leagues are now being organized in the country, providing further opportunities for growth in the industry.

Overall, the Japanese mobile games market is expected to continue its strong growth in the coming years, driven by the increasing popularity of mobile gaming and the unique features of the market.

### **3.1.1. PESTEL analysis**

|  |  |
| --- | --- |
| Political factor | * Stable political environment * Regulations to protect users from harmful content * Strict regulations on in-app purchases |
| Economical factor | * Third-largest economy in the world * Economy is characterized by high disposable incomes |
| Social factor | * Aging population * Technologically advanced society * Japanese are interested in social interaction and collaboration games * Trend towards mobile gaming among different age groups |
| Technological factor | * Leading countries in technology development * Game developers need to keep up with the latest technology trends * The 5G networks is expected to boost the mobile game industry |
| Environmental factor | * Mobile game industry is inherently sustainable * Mobile game development requires significant energy usage |
| Legal factor | * Strict regulations for mobile game development and operations * Intellectual property rights |

*Table 3.1. PESTEL analysis of Japanese mobile game market*

Political factor

* 1. Japan has a stable political environment, which is beneficial to the mobile game market.

The government of the country has repeatedly supported the gaming industry, and its policies contribute to the growth of this sector. This is due to Japan being one of the world's leading mobile gaming markets. According to an App Annie report, Japan is the third largest mobile game market in terms of revenue, outpaced by only China and the US. The mobile gaming market in the country is expected to grow even more in the coming years due to factors such as the increase in the number of smartphone users and the popularity of esports.

* 1. The Japanese government has regulated the mobile game market to protect users from harmful content.

The Japanese government has been paying close attention to regulating the mobile gaming market to protect users from harmful content since 2012. The government has set rules for game developers and operators. Among them: the display of appropriate age labels, warning messages and control over in-app purchases. In addition, the government is cracking down on gambling-related games (since casinos and mobile casinos are banned in the country), sexually explicit content, and other forms of malicious content. The rules aim to create a safe and healthy gaming environment. Especially for children and teenagers, who represent a significant segment of the players.

* 1. Strict regulations on in-app purchases and virtual currencies to prevent fraud and protect consumers.

The Japanese government has introduced some measures to regulate in-app purchases. Among them there are special guides on introducing loot boxes and gacha into games prepared by Japan Online Game Association - JOGA and Computer Entertainment Supplier's Association - CESA. They are designed to help developers avoid violating consumer rights by providing comprehensive information. Since the lootbox / gacha is to some extent an internal lottery, the government also obliged the developers to:

* Indicate the cost of each loot box / gacha available in the game
* Indicate all possible items / materials that the player has the opportunity to receive
* Specify the probability of getting an item of one or another level from a loot box / gacha

Economical factor

* 1. Japan has the third-largest economy in the world, which makes it an attractive market for mobile game developers.

Japan is the third largest economy in the world after the US and China. According to Statista analytics approximately 89%[[19]](#footnote-19) of the population has a phone with the ability to download mobile games. This makes the market so attractive to new developers.

* 1. The Japanese economy is characterized by high disposable incomes, which means that consumers have more money to spend on mobile games.

As of 2023, Japan ranked 12th in the list of countries with the highest disposable incomes[[20]](#footnote-20). This means that the population has money for entertainment, including games.

Social factor

* 1. Aging population limits potential mobile game players

Japan ranks first in the world ranking of aging societies in terms of the proportion of people over 65 years of age - 29.1% (36.27 million). It is significantly ahead of Italy (24.1%) and Finland (23.3%). Also for the first time in the history of Japan, among the elderly in the age group 65-69 years, the number of those who have a job exceeded 50%[[21]](#footnote-21).

According to data published this spring, the population of Japan, including foreigners living in the country on a permanent basis, decreased by 644 thousand people (0.51%) from October 2020 to October 2021, to 125.5 million. a growing trend towards a reduction in the number of people in all age categories except the elderly[[22]](#footnote-22).

* 1. Japan is a technologically advanced society with a high adoption rate of mobile technology.

There is a growing trend towards mobile gaming among different age groups, including millennials, generation Z, and older players.

High technology is widely used in Japan. It is worth noting again that almost 90% of the population have smartphones. The country has a highly developed telecommunications infrastructure that provides fast and reliable mobile Internet access. Japanese consumers have pioneered new mobile technologies, including 5G, and mobile payment systems such as QR codes and mobile wallets are widely used to make virtual purchases, including in games. Japan's pursuit of innovation and technology has led to the development of cutting-edge mobile devices such as the popular Sony Xperia smartphone and innovative wearables such as the Nintendo Switch, which has become hugely popular in Japan.

* 1. Japanese consumers are particularly interested in mobile games that offer social interaction and collaboration.

In 2022, middle-aged workers (35-45) made up 33% of mobile game users[[23]](#footnote-23). At the same time, many of them were active during the journey to and from work and during lunch breaks. The main age segment of the players is in the range from 15 to 40 years. At the same time, mostly people aged 25-40 years old are solvent. It is worth noting that a few years earlier, the age of users was significantly lower, which indicates the spread of the popularity of mobile games among different age groups.

Technological factor

* 1. Japan is one of the leading countries in technology development, which means that local mobile game companies constantly face fierce competition.

The hardware capabilities of smartphones have expanded rapidly over the past couple of years. According to Unity Technologies, more advanced mobile chipsets provide better performance with less battery consumption, delivering higher screen resolutions on average 6-inch screens.

* 1. Mobile game developers need to keep up with the latest technology trends and constantly update their games to stay relevant.

However, the rapid level of technological development not only provides more opportunities for development companies, but also forces them to constantly change and adapt. For example, in Japan, VR technologies have been actively developed. For companies, this could mean redesigning the game on a global level. It also affected the graphic design of games. Japanese users really appreciate the visual aesthetics of games and the resolution of smartphones with regular upgrades. This forces developers to take a more careful approach to the design of the visual part.

* 1. The prevalence of 5G networks in Japan is expected to boost the mobile game industry further, as it allows for better quality graphics and faster speeds.

Japanese users, according to information provided by My.games, are big connoisseurs of the visual component of the game. This is positively influenced by the fact that 5G technologies are developing, which allows one to play everywhere at high speed and with higher resolution.

Environmental factor

* 1. The mobile game industry is inherently sustainable since it is digital, and it does not produce waste or pollution. But mobile game development requires significant energy usage, which can have environmental impacts.

Direction of a country on a governmental level towards sustainable development. However, game companies do not use factories or recycle any resources that could lead to emissions and negative impact on the environment. Despite this, game companies absorb a lot of energy, which can leave some impact on the environment.

Legal factor

1. The Japanese government has established strict regulations for mobile game development and operations, including data privacy laws and regulations on in-app purchases.

The Japanese government has introduced some measures to regulate in-app purchases. Among them there are special guides on introducing loot boxes and gacha into games prepared by Japan Online Game Association - JOGA and Computer Entertainment Supplier's Association - CESA. They are designed to help developers avoid violating consumer rights by providing comprehensive information. Since the lootbox / gacha is to some extent an internal lottery, the government also obliged the developers to:

* Indicate the cost of each loot box / gacha available in the game
* Indicate all possible items / materials that the player has the opportunity to receive
* Specify the probability of getting an item of one or another level from a loot box / gacha

Since 2012, the use of "full gacha" has been prohibited in mobile games. This is one type of popular in-game lottery (gacha) in which players need to combine received items into rare items.[[24]](#footnote-24)

1. Mobile game companies must comply with these regulations to avoid legal consequences.

It is also essential to protect intellectual property rights to avoid lawsuits from competitors.

Japanese companies use many ways to protect intellectual property, these include:

* Trademarks that help distinguish the company and product in the market
* Patents for game design, mechanics, characters, etc.
* Licensing agreements and Non-disclosure agreements

### **3.1.2. Porters’ 5 Forces analysis**

As mentioned earlier, the Japanese mobile game market, being the cradle of video games, has a high market saturation. It is also worth noting the unusually high level of competition compared to the European market from “substitute apps” such as TikTok, for example. For a more accurate understanding of the current situation on the market, let's turn to the following analysis.

Porters 5 forces analysis of Japanese mobile game market

|  |  |
| --- | --- |
| **Porter Five Force** | **Intensity** |
| Competitive rivalry within the industry | High |
| Bargaining power of customers | High |
| Threat of new entrants | Moderate to high |
| Bargaining power of suppliers | High |
| Threat of substitute products | Low to moderate |

1. Competitive rivalry within the industry:

The market is characterized by a high level of competition. Companies compete both for players and for the time they spend in the game. And also for their spending on in-game purchases. A large number of domestic and international game developers vying for market share. Also, the games of companies by genre generally do not have significant differences. Like, for example, the popular RPG games in the Japanese market: Genshin Impact by “Hoyoverse” and Tower of Fantasy by “Hotta Studio” are built on the same principle and have very similar mechanics. Therefore, users can easily switch from one game to another whenever they grow bored with no efforts.

All My.games games are free to download and some of them are monetized through in-app purchases. This makes user satisfaction a key profit factor.

My.games has to compete for attention not only with international and local developers, but also with other digital channels. For example, TikTok which is able to replace the mobile game. According to statistical studies, more than 82% [[25]](#footnote-25)of the population of Japan use this platform to watch short videos.

The current environment of the mobile gaming industry is changing rapidly with innovative games released daily and new trends emerging.

1. Bargaining power of customers:

The customers in this market have a high bargaining power. The high demand for mobile games in Japan, along with the high disposable income of consumers, gives them a significant bargaining power.

In the mobile games market, many competitors have a similar product with approximately the same design and monetization. For example, Japanese gacha games, due to their huge popularity, can be found in dozens and hundreds on mobile platforms. Users easily switch between products from different manufacturers. That is, there is a constant redistribution of the market. Hence the unstable profit and the difficulty of forecasting the future income of the company. Because of this, the price of attracting one player in Japan rises to a record $15-20.

According to the information provided by the representative of My.games in an interview, the profit from one game can strongly fluctuate, which indicates a constant outflow and inflow of users.

1. Threat of new entrants:

Japan has a well-established mobile game industry, making it challenging for new entrants to gain a foothold. The existing players have the resources and expertise to enter new markets and launch new products, posing a high level of threat to new entrants.

For international or non-Japanese developers there is a cultural and language barrier forcing companies to invest in game adaptations or design.

High acquisition cost per player (according to My.games estimates, approximately $15-20 may be a reason for a company to simply not being able to cover first step spending on users attraction.

In the case of My.games, at the time of entering the market in 2018, the company was a division of Mail.ru Group, which made it possible to overcome the entry threshold at the initial stages.

The ever-changing mobile gaming market is overflowing with all sorts of offers, and in order to enter it, new companies need to offer something new.

1. Bargaining power of suppliers

The suppliers in the mobile game market in Japan are mostly to giant mobile app stores such as Google Play and Apple App Store, game engines and development tools. There is a duopoly in the supplier market, which puts game developers in a weak position and gives power to the two largest platforms to distributors.

It is also worth noting that according to My.games analytics, the App Store is the dominant platform among users, which makes it more attractive to developers and gives it more power over them.

Thus, all profits of My.games depend on these two platforms on which its games are hosted. If something changes in their policy, My.games will either have to accept it or suffer huge losses.

1. Threat of substitute products:

The availability of alternative forms of entertainment such as console games and PC games, along with mobile games, poses a threat of substitution to the mobile game market in Japan. The threat level of substitutes is high, and they could potentially reduce the demand for mobile games.

Moreover, according to My.games analysts, entertainment applications such as TikTok pose the greatest threat today. TikTok was the top-grossing non-gaming app in January 2021, according to SensorTower. It generated $128 million in user spending[[26]](#footnote-26). Like mobile games, the application is designed to give a person pleasant emotions, relax him and distract him from the difficulties of the real world.

However, the Japanese mobile games market is forecast to grow by approximately 7.17% [[27]](#footnote-27)from this year to 2027. Thus, mobile games will remain one of the most preferred ways for Japanese people to enjoy their smartphones.

Thus, we can conclude that the Japanese market is both a tidbit and a ring for game developers. A constantly changing environment can bring big benefits or big losses. High investments entail the risk of entering the market. Users are willing to spend money on virtual purchases, however, a wide range of alternative entertainment in the virtual world affects the retention rate and the cost of attracting new users. That is why it is very important to have a clear plan for the development of the company and the promotion of mobile games.

#### **3.1.2.1. Competitors analysis**

The My.games company itself stated that in the Japanese it considers all developers releasing games of the same genre its competitors. The more similarities games have the bigger the threat is that users will switch to substitute game.

In this terms the number one competitor is Finnish games developing company Supercell. In particular it is a mobile game Clash of Clans. This game has the same genre as one of the most successfully monetized My.games Rush Royal titles - strategy. The design and monetization of the game are also similar, making them interchangeable. So the player can switch to another game if he doesn't like something, or he can be the first to know about it.

* Supercell's main mobile game monetization models are in-app advertisement and free-to-play with various in-game purchases[[28]](#footnote-28). The company entered the Japanese market in 2013[[29]](#footnote-29) with the launch of its most popular title Clash of Clans. When entering the market, the company used one of the most effective methods of promotion in the Japanese market - cooperation with a local company GungHo Online Entertainment[[30]](#footnote-30). This helped Supercell not only target mobile gamers, but build a foundation for its image. After all, as it was mentioned, Japanese players tend to give preference to local developers.

Additionally, the major competitors for the company are local developers:

* Square Enix is ​​known for the Final Fantasy and Dragon Quest series. The company releases games that are closest to the largest number of Japanese players. These include single-player and multiplayer RPG games, as well as JRPG games that are Japanese-style role-playing games. Also, most of the characters are created in anime style. The most popular titles are monetized by free-to-play in-game purchases [[31]](#footnote-31)(primarly gacha which is an in-game lottery on different quality goods). Square Enix uses significant amount of promotion including digital ads, outdoors ads and collaborations with other brands (for example, with Marvel’s Guardians of the Galaxy[[32]](#footnote-32)).
* HoYoverse – Chinese developer that has two big titles one of which has been in the top popular Japanese games for more then one year (Genshin Impact) and from the 26th of May this year there is another wery promising game (Honkai:Star Rail)[[33]](#footnote-33). HoYoverses’ games are free-to-play and are monetized via in-app purchases and gacha. It conducts promotion via collaboration with other games developers (game Horizon Zero Dawn). [[34]](#footnote-34) As well as collaborating with non-gaming big companies creating events and competitions together (like in case of Pizza Hut). The fact that all customized products were sold out before the end of the event, and social networks were replenished with positive user reviews, one can judge the positive effect of this promotion. In addition company uses digital and outdoors ads.
* Playrix is ​​another competitor based in Russia. It specializes in casual games (mostly puzzles) monetized through in-game advertising. In the Japanese market, the predominant method of promotion is digital advertising.
* Sega being a Japanese developer has a strong position in the mobile games market. The company releases games of different genres including strategy, puzzles, adventures and etc. Monetization comes from downloadable content, payed game and in-game purchases.
* Other key competitors of “My.games” are local giants such as “Tencent”, “Konami” and “Nintendo”. They have consistently offered users games of various genres over the years. Most games are designed specifically for the preferences of locals. So many games have anime style characters, story development and gacha/loot box. Their main asset is the trust they have built with Japanese gamers over the years. Monetization most often consists of a combination of in-app purchases and in-app ads, and some games are paid. Companies promote their games primarily through digital advertising, as well as TV ads and collaborations.

According to information received during an interview with a company representative, one of the major competitors of My.games is the TikTok platform. Today, approximately 98% [[35]](#footnote-35)of Japanese people use this platform to watch videos. It does not release games, but the emotions one gets from using it are similar to those of playing mobile games. The user receives the same amount of dopamine. At the same time, the motivation for use also often coincides. One of the most common reasons for playing mobile apps is to kill time or relax. TikTok provides this opportunity by watching short, non-committal videos.

Any company developing games for mobile devices is a competitor for My.games. Games bring people positive emotions, help pass the time or temporarily escape reality into the world of adventure, so genres in this case do not play the first role. However, one of the key factors is the promotion of their games by a company with market knowledge and aimed at the right audience.

## **3.1.3 Segmentation[[36]](#footnote-36)**

#### **3.1.3.1. General segmentation of Japanese gamers by motivation to play**

Based on the collected data, it can be said that age or gender segmentation does not make sense. The main difference in the behavioral patterns of players is why they play the game. Therefore, segmentation based on user motivation will be the most indicative.

However, the Japanese market is one of the largest and has some special characteristics of user behavior. So, the standard segmentation based on the motivation of the players has been extended taking into account the preferences of the selected market.

1. Casual Gamers:

This segment is made up of users who play mobile games as a form of entertainment or to kill time. They prefer simple and easy-to-play games such as puzzle games, match-three games, and simulation games. Casual gamers are not very invested in the game and may not spend money on in-app purchases or upgrades. In the Japanese market such players often pay special attention to the visual component and aesthetics of the game. For example musical accompaniment.

They do not care about deep immersion and understanding of the plot. Therefore, this segment has low loyalty and retention rate of 10-20%.[[37]](#footnote-37)

Casual gamers are characterized by short gaming sessions of 15-30 minutes[[38]](#footnote-38) before bedtime, while riding the subway to work, or at lunchtime at school. At the same time, they can pause the game at any time and return to it not soon. In Japan, the train is the main transportation to work, so many workers kill time in the game.

Such players prefer simple, quick-to-remember mechanics and no challenges for the brain.

In terms of monetization, such users are reluctant to spend money, so the best model is to sell traffic in the game, and sometimes (but in rare cases) the “glass ceiling” works well - complicating levels forcing players to pay.

1. Role Play Enthusiasts:

This segment comprises users who are passionate about role-playing games (RPGs). They enjoy games with complex stories and character development. They are willing to spend money on in-app purchases to enhance their gaming experience. Japanese users of this segment are among the most enthusiastic and loyal. They are interested in the plot (lore) of the game, characters, setting, etc. Such players willingly participate in offline / online events related to the game and make purchases not only in the game, but also buy related merchandise. They also often promote games on their own initiative, such as on streaming platforms.

This gamers come to the game in order to discover something new, to study the open world, mechanics, territories and ways of character development. A significant role is played by the opportunity to challenge ones quick wits and develop in the game, revealing all its possibilities. Pump talents, special skills and combine them in all sorts of ways. They are interested in hidden nuances and unusual approaches.

1. Competitive Gamers:

This segment consists of users who enjoy competing with other players in online games. They prefer games that have PvP (player versus player) mode or e-sports events. They may spend money on in-app purchases to gain an advantage over their opponents, and in Japan, these expenses reach exorbitant figures. This is probably due to the lifestyle of gamers. In the country, among the youth, there are people who are called "hikikomori", who lead a reclusive lifestyle. Virtual interactions with people replace real ones.

Such players are a minority, they combine the desire for influence on others and for development of the skills. This gamers love rankings and events where they can show off their power by taking on other players or major bosses. To a much lesser extent, they are interested in the plot, dialogues and quests.

Defeating other players is directly related to interacting with them, so Competitive Gamers also have interest in communication (albeit not very active) as Socializers.

It is for this segment in games that there are ratings (in games where there is no direct opportunity to fight with an opponent, such quantitative indicators as the time / resources spent are compared) and tournaments. They also like "unfair play" where they can pay to beat opponents.

Competitive Gamers bring Japanese developers one of the biggest income, among them there are quite a few “whales” and even more “dolphins”. Retention rate is medium. They like to spend money on leveling up characters and strengthening them. Comparing their achievements with the achievements of other players provokes them to buy in order to overpower the rest.

1. Social Gamers:

As the name implies, these users want to socialize in the game. Exchange information about progress, chat on abstract topics and make new friends. Of course, chat becomes indispensable for such players. At the same time, they like to show off their achievements and the amount of achievements and collected resources. In other words, they are interested in popularity. Extremely important for Socializers is a sense of community.

Various offline/online fan meetings are organized for them. Such players care about their image and appearance, so they mainly spend money on Cosmetic exterior improvements that do not affect the passage of the game in any way, but make them stand out from the rest.

This segment brings little income and it is more difficult to keep them than other players. But Socializers often advertise the game among their acquaintances, and one of the invitees may turn out to be the lucrative player.

To keep them, promotions can be used, such as, for example, “bring a friend and get an exclusive item”. These gamers also include many "hikikomori".

1. Gambling Game Players:

This segment consists of users who enjoy mobile games that involve gambling, such as slot machines, card games, gacha or loot boxes. They may gamble with in-game currency or real money. Online casinos are legally banned in Japan, but that doesn't stop people from trying their luck on mobile apps. The gacha genre of games is hugely popular in Japan. Players spend money on a kind of lottery that can bring in-game items of varying quality. They often tend to develop addictive behaviors that, despite being harmful, lead to larger purchases.

1. Anime and Manga Fans:

This segment comprises users who are fans of anime and manga culture. They prefer games with anime-style graphics and characters. They are willing to spend money on in-app purchases to collect characters or items related to their favorite anime/manga series. As well as various cosmetic improvements that affect only the visual component. This segment is very sensitive to changes in trends in the animation industry. Their interest often ripples with new anime releases and a gradual decline in their popularity.

1. Collector Gamers:

This segment consists of users who enjoy collecting virtual items, such as pets, characters, or decorations in mobile games. They may spend money on in-app purchases to complete their collection or to progress faster in the game. As mentioned earlier, Japanese players pay special attention to the visual component of the content, so various kinds of artifacts or curiosities in games attract their attention.

1. Educational Gamers:

This segment comprises users who use mobile games as a tool for learning or education. They prefer educational games such as language learning games or educational simulations. They may not spend money on in-app purchases or upgrades. Therefore, in-game advertising is considered the best monetization model.

#### **3.1.3.2. Major gamers segments**

According to the analysis carried out by My.games analysts, the main players are men over the age of 20, and the most paying segment is represented by men aged 25-40.

As for the motivation of the players, the Role Play Enthusiasts segment is predominant. It includes both school-age children and adults 40+. According to the data provided by the distributors, this genre is in the lead on all platforms. It is preferred by 46% of players on consoles, 36% of players on mobile, and 32% [[39]](#footnote-39)of players on PC. The eventful plot and in-game video inserts are not only able to partially replace the real world for users, but also give an impression close to the anime so well known to the Japanese.

Also, according to the survey, for about a third of the players, the style of the characters is not important, however, more than 38% [[40]](#footnote-40)of users will prefer the game with anime-style characters. Moreover, many players are ready to play this or that game precisely because of the anime theme, regardless of its setting.

On the contrary, Social Gamers segment is relatively small in the land of the rising sun. This is evidenced by data on preferences for downloading single-player games rather than games with multiplayer mode (approximately 70% to 30% according to Japan App Trends 2022[[41]](#footnote-41)).

About a third[[42]](#footnote-42) of Japanese according to 2022 statistics are casual players and play mobile games to relax or pass the time. They are not willing to spend much money, however sometimes make purchases related to aesthetics of a game.

## **3.1.4. Major spending of Japanese gamers**

According to statistics, the Japanese market is dominated by the following genres: match-3 puzzle, puzzle RPG, racing, action RPG/MMORPG, and AR/Location-based games[[43]](#footnote-43).

RPGs among them are the most popular, so first let's look at the main spending of the paying audience of these games:

* gachas/loot boxes (98%)
* character ingredient items (94%)
* skipping wait times (90%)
* equipment items (89%)[[44]](#footnote-44)

As for the attitude towards advertising on My.games, some users are ready to view ads in the game and even click on the link. However, approximately 51%[[45]](#footnote-45) of those surveyed said that they would rather watch one long commercial (up to 30 seconds) before starting the game, rather than inserting it into the game several times.

In fact, Japanese users for the most part do not have negative reaction on advertising, because it is what makes F2P games free. Therefore, 58% [[46]](#footnote-46)of revenue from mobile games is generated by in-app ads whereas 42% in acquired from in-app purchases.

Japanese gamers, just like gamers around the world, prefer free-to-play games the most. Players have the opportunity to enjoy free content and make in-game purchases if they wish.

In this regard, the supply of F2P games is steadily growing, increasing competition. That is why it is important to understand what Japanese users spend the most money on in the game.

1. Gacha (In-game Currency)

Being a monetization model originated from Japan, today it is present in almost all 200 most profitable games on the market[[47]](#footnote-47).

The love of trying your luck is a cultural feature. Many people play games of chance and PACHINKO machines. Gacha provides the same possibilities in the virtual world. To get items in gacha, the player usually has to buy in-game currency. Also, in-game currency can be used to enhance the character, which is of interest to RPG enthusiasts and competitive gamers. But first of all, gacha is designed, of course, for gamblers.

1. Play-to-Win

In such games, users are placed on an equal footing and they do not need to measure strength, so gamers secondarily acquire cosmetic improvements: visually pleasing items, clothing for characters, and so on.

Unlike the Western audience, the Japanese pay more attention to the aesthetics of the game and are not averse to paying for it. They often make such purchases on the spot and are able to spend a large sum once, according to a representative of My.games.

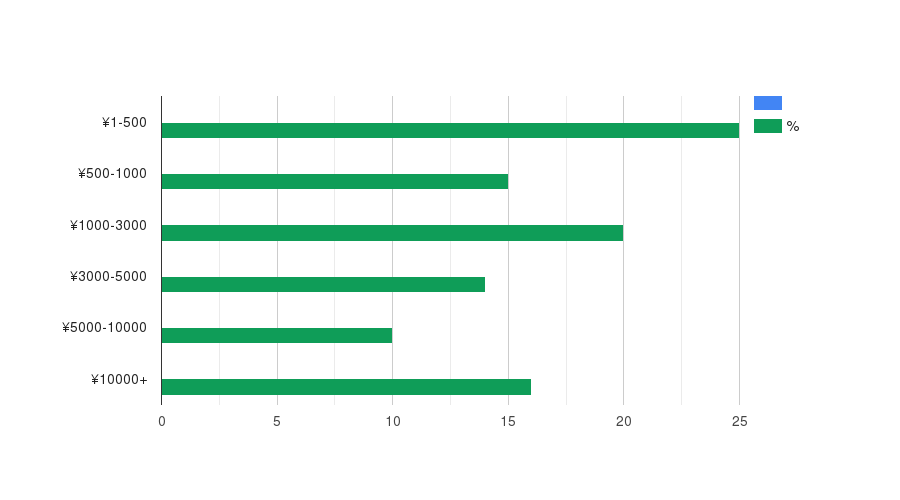
#### Pay-to-Win

#### In 2022, 24%[[48]](#footnote-48) of gamers in Japan, South Korea, and China spent on in-game purchases designed to make them stronger than other gamers. Such games are designed for the players of the Competitive segment to make purchases for "foul play" in order to feel their own superiority.

#### This is also due to the high popularity of RPG/JRPG games in Japan. And they are most often aimed precisely at this segment.

#### **3.1.4.1. Spending statistics for Japanese gamers**

According to a survey conducted in 2022 among mobile game users the most common amount spent per month is below ¥500 per person[[49]](#footnote-49). The percentage of such players was 25%.At the same time, the average value in segment range was ¥1,512 for girls and ¥1,402 for boys[[50]](#footnote-50). The remaining 60% of respondents spend at least 3,000 yen per month on in-game purchases. 16% of respondents said they spent more than 1,000 yen in mobile games in the last month, which symbolizes the large number of whales in the market.



*Pic 3.4.1.1. Monthly spending by gamers in Japan on in-app purchases*

## **3.2. SWOT analysis**

For a more detailed understanding of the current state of the company and identifying threats to activity, let's turn to the SWOT analysis of the company in the Japanese market. Based on it, the main areas for improvement will be subsequently derived through strategic recommendations.

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| 1. Diverse portfolio of mobile games such as Warface, Hustle Castle, Conqueror's Blade, War Robots and others 2. Presence of good localization of games 3. Regular updates and improvements to existing games, which leads to higher player engagement and retention | 1. Limited marketing and advertising campaigns on the Japanese market, which could hinder growth in new markets 2. Lack of understanding of Japanese regulations and legal requirements may cause compliance issues 3. Lack of a well-established mechanism for screening out unprofitable projects in advance 4. Limited presence and brand recognition in the Japanese market |
| Opportunities | Threats |
| 1. Growing demand for mobile games in Japan 2. Increasing popularity of gaming events and tournaments in Japan 3. Collaborate with Japanese game developers 4. Work with industry influencers 5. Expand the range of genres offered on the market | 1. Decline in market of mobile games in Japan 2. Tensions between Japan and Russia may adversely affect the brand's image 3. High competition caused by the high saturation of mobile market 4. High competition with supplementary applications giving the same experience for less efforts 5. Economic downturn or recession in Japan may result in decreased spending on entertainment 6. Different cultural preferences and tastes in gaming may require adaptation and customization of games. 7. Strong competition from established game developers such as Square Enix, Capcom, and Sony 8. Language barrier may hamper marketing and communication efforts |

*Table 2. SWOT analysis of My.games company*

Strengths

1. Diverse portfolio of mobile games such as Warface, Hustle Castle, Conqueror's Blade, War Robots and others

My.games has a highly diversified portfolio of mobile games as well as games for consoles and personal computers. The games are localized and are presented in big variety of genres. Including wide range of casual games and RPG(role-play-games) with different monetization models.

1. Presence of good localization of games

It is no surprise that users on different markets seek for different in-game experience and what is good for American market will most luckily not work on the Asian one. Thus a big competitive advantage of a company is its high attention and investments into localization of games. It is crucial when speaking about Asian market. According the information from interview with My.games company, games that are not translated to Japanese have nearly no chances to be positively greeted by local citizens. Poor English language knowledge is a reason. Thus My.games has a division specializing on localization of a game. As currently Korea is being one of the most profitable and promising country there are specialists that are analyzing the trends and all the information concerning changes and peculiarities in customer behavior.

1. Regular updates and improvements to existing games, which leads to higher player engagement and retention.

Regular in-game updates, new quests, characters and levels help increase retention of players. It is quite a challenge to maintain users engagement when market provides 10th of analogues of a product. On the other hand if a company manages to keep player entertained it will help create loyal players and game advocates.

Weaknesses

1. Limited marketing and advertising campaigns on the Japanese market, which could hinder growth in new markets

Company does not collaborate with any streamers or invest in needed amount of online and offline advertisement. There are streamers on Twitch platform that are according to their own habits and out of interest review games of My.games. However, trey are presented in not as big amount as needed. This is crucial to create brand recognition and of a high importance on the Japanese market. According companies’ research Asian users positively respond to fanservice. They are interested in creating a sense of community as well as participating in supplementary activities associated with the game. It is worth mentioning that company is now thinking about implementation of paper advertisement to attract new users by unusual for a digital era format.

1. Lack of understanding of Japanese regulations and legal requirements may cause compliance issues

As mentioned earlier, in My.games there is no department of specialists dealing with the Japanese market exclusively and in depth. Given that the company plans to continue to develop on it, the lack of experts in this area is a weakness and may adversely affect the company.

1. Lack of a well-established mechanism for screening out unprofitable projects in advance

According to the information provided by the company it is a common practice when at the design stage of the game, it becomes clear that it is not meant to be among those that bring the main profit. However, this is not a reason to stop development. This is mostly due to the specifics of the industry: the main costs occur at the first stages. So the studios continue to spend time and additional funds in order not to let the investment go to waste and by releasing the game to get at least something from it.

1. Limited presence and brand recognition in the Japanese market

Followed by the next weakness: low brand recognition on the Japanese market. The company has been on the market for a long time (from the very beginning of its activity), however, according to the representative of My.games, the company practically does not promote its games on it. That is why its position in the market has not changed in any significant way.

Opportunities

1. Growing demand for mobile games in Japan

According to the analytical data, the Japanese mobile games market is growing rapidly and is projected to grow by 7.17% [[51]](#footnote-51)(2023-2027). This enables the company to strengthen its position in the market and expand its customer base.

1. Increasing popularity of gaming events and tournaments in Japan

One of the features of the Japanese market is the growing popularity of events and events related to the game. Such events are designed to increase the involvement and interest of the players. They also create a sense of community, which has a beneficial effect on customer loyalty. It has a lot to do with anime culture. Also in Japan, there is such a phenomenon as a fanservice-driven mobile game (for example, the FateGo game), when players are primarily attracted by the event component.

1. Collaborate with Japanese game developers

As mentioned earlier, Japan's video game market is dominated by local developers. Thus, a collaboration with one of them would allow My.games to strengthen its position in the market and expand its customer base. It would also enable the company to gain valuable experience from a local company.

1. Work with industry influencers

Streaming services are gaining more and more popularity and influencers have more and more influence on buyers. The streaming platform Twitch in Japan has about 4.1 million [[52]](#footnote-52)viewers per month. Work with one of the influencers would be a great advertisement for My.games.

1. Expand the range of genres offered on the market

My.games has the opportunity to increase its customer base by expanding the range of genres offered on the market. As mentioned earlier, Role-Play-Games is the most popular genre, and anime culture is also very well developed in Japan. The inclusion of these components in the games would allow the company to improve its position in the market.

Threats

1. Decline in market of mobile games in Japan

Last 2022 year faced a decline in market of mobile games in Japan. In the first quarter, revenue decreased by 18%. Such changes may be associated with a gradual return to the “new normal” after a long period of self-isolation, which led to the era of prosperity for mobile games.

It did not yet have a significant impact on My.games but the smaller companies are experiencing losses or leave the market due to unprofitability. In the future situation can become critical even for companies with a stable position.

1. High competition caused by the high saturation of mobile market

The rapid development of technology and the penetration of smartphones into daily lives of Japanese makes the mobile gaming industry a very attractive platform to profit. This factor and the increased demand for mobile entertainment that has attracted 1,000th of new developers to enter the Japanese market. Since today on IOS and Android platforms it is possible to find any game of choice and 10th analogues to it, users have become more selective. High competition also forces companies to make more efforts in order to not only stay in the market but also keep the players involved to stay in line.

Many companies and independent developers create games and applications for mobile devices to meet the needs of users in various fields, including social networks, entertainment, health and fitness, travel, education, finance, etc. The Japanese market with almost 60 million players is extremely attractive. However, all this makes it very competitive, raising the entry threshold and making life difficult for newcomers to this market. The competition in the mobile app market is becoming more and more intense, and it is becoming more difficult for developers to attract users to their applications. In addition, increasing user loyalty to already installed applications makes them less likely to download new applications.

1. Tensions between Japan and Russia may adversely affect the brand's image

My.games has just successfully left Russian market in search for internationalization. So far this decision has brought mostly positive consequences as the company managed to avoid the difficulties associated with the sanctions towards Russia. However, there are some possible barriers connected with the country of origin that may arise. The association of a game with a place of foundation may negatively affect the brand image in Japan. To this day, relations between Russia and Japan remain tense and recent events do not improve the situation.

1. High competition with supplementary applications giving the same experience for less efforts

According to the interview with My.games representatives the inner research of the company show that nowadays there is a threat coming from the other application that generate the same amount of dopamine with less efforts. Among them in Japan there is TikTok platform that has gained a huge popularity among “generation Z” users. As of March 2023, over 82% [[53]](#footnote-53)of the population uses TikTok. At the same time, light entertainment in the form of short clips is increasingly competing with mobile games.

1. Economic downturn or recession in Japan may result in decreased spending on entertainment

According to «The Economist», Japan has entered a recession that will only worsen by the end of 2023. This may affect the purchasing power of the Japanese. Games are not a primary necessity, therefore, with a decrease in income, people will first of all refuse to spend on virtual entertainment.

1. Strong competition from established game developers such as Square Enix, Capcom, and Sony

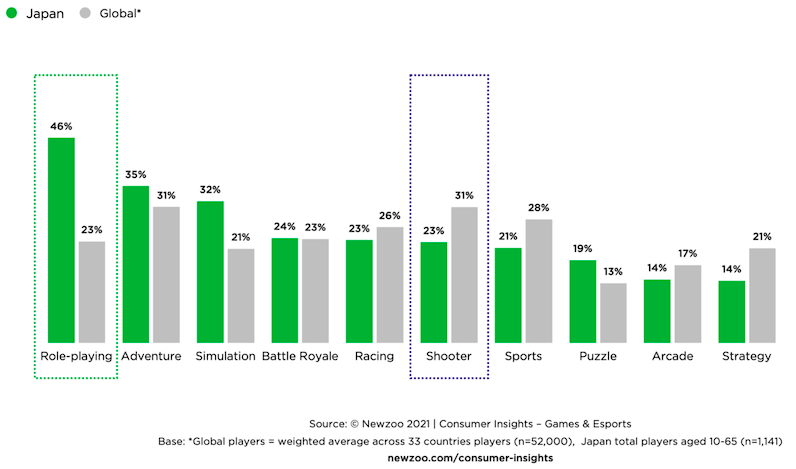
The mobile gaming market in Japan is dominated by local giants such as Sony. Users are already accustomed to them and to their games, which they like. Many users are loyal and will not change their habits.

1. Language barrier may hamper marketing and communication efforts

The results of a survey conducted in Japan showed that in terms of English proficiency among 112 non-English speaking countries, Japan ranks 80th[[54]](#footnote-54). This suggests that very few people will be willing to play mobile games in a language they don't know. According to an interview with My.games, the company translates all titles into Japanese before releasing them to the market. This not only entails significant financial costs, but also slows down the release of the game to the market.

1. Different cultural preferences and tastes in gaming may require adaptation and customization of games.

The Japanese in terms of gaming are significantly different in their preferences in genres from others/global market. Indicators of interest in such a genre as shooter and RPG show clearly. My.games games are presented in many genres, however, they still need to be adapted due to the strong gap in the cultures of the developer and the host market.



*Pic. 3.1.3.1. Most played genre on the Japanese market for last half of 2021*

# **CHAPTER 4. STRATEGIC RECOMMENDATIONS FOR MY.GAMES MOBILE GAMES PROMOTION AND MONETIZATION**

## **4.1.My.games promotion on Japanese market**

To date, the company does not invest in the promotion of the brand and its games in the Japanese market. Brief descriptive information about the products can be found on the official website or directly on the distributor platforms. However, despite the lack of official advertising, information about the most popular titles such as Rush Royal can be found both on social networks (Pic. 2.1.), as well as on streaming platforms and YouTube (Pic. 2.2.)[[55]](#footnote-55). Some users enthusiastically share their successes and talk about their experience in the game. This currently provides a small influx of new players, but the coverage is catastrophically small.



*Pic. 4.1. Review of the game mechanics of Rush Royal provided by a fan of the game in the social network LINE*



*Pic. 4.2. Rush Royal video stream cover from a YouTube*

## **4.2. Identification of the main directions of development**

As mentioned earlier, My.games has not promoted its brand and mobile games in the Japanese market until today. Therefore, most users do not have a clear understanding of what the company is like. And given the fact that the developer focuses on strategic, casual and hyper casual games, the main audience is not very profitable and the least loyal segment of players (Casual gamers). This creates a static environment for users who rarely spend money and generally spend little time playing the game. They also do not feel attached to the game and therefore do not advertise it in their social circle and are ready to switch to a substitute at any moment. Thus, by not promoting its games on the market, My.games practically deprives itself of the opportunity to attract customers who will not only generate profit, but also advertise the game among their friends and motivate other players to pay.

As the analysis showed, advertising integrations in mobile games are the most effective tool for withdrawing funds, since it is the least risky. However, the analysis of buyer behavior also showed that the emotional component plays a very important role. Largely because Japanese players often tend to make not the most rational purchases[[56]](#footnote-56).Therefore, in order to involve more players for a longer time, it is necessary to include the ability to upgrade customer experience in the game.

But it’s not enough just to offer players to pay. It is necessary to first create barriers that will be challenging enough to not leave the player indifferent and force him to make an in-game purchase.

Thus, the main goals for the company today are to attract the largest number of players and keep them. And also the use of the right barriers to passing the game in combination with suitable monetization models.

### **4.2.1 Identification of general goals and their sequence**

The next step after determining the direction of development for the company is to set more specific goals. Based on them, it will be easier to understand which of the above promotion channels and money withdrawal models will be more effective to apply to.

Based on the behavior and preferences of the players, as well as the characteristics of the most successful companies in the market, I believe that the company needs to take the following six steps:

1. Attract the attention of a large number of users
2. Get customers to download and try the game
3. Regular promotions to incentivize active usage and payment
4. Gradual introduction of barriers and motivators to stimulate purchases
5. Organizing in-game events to maintain interest
6. Organization of events outside the game

### **4.2.2. Recommendations on promotion and monetization of mobile games**

1. **Attract the attention of a large number of users**

To get started, My.games needs to attract more paying players. To do this, company needs to conduct an active marketing campaign. However, it is necessary to determine in advance the channels for disseminating information. Not only because advertising requires a large investment, but also because it is necessary to attract the right audience.

Offline advertisement

According to the findings, this advertising method is by far the best way to stand out. It also has the largest audience coverage. Such advertising, by definition, cannot include a detailed description of the game, however, at this stage this is not a key factor.

Offline ads should contain colorful images of game characters and offer a special experience to new players. It is also necessary to have QR codes that will allow to instantly find and download the game.

Also, an innovative solution that can distinguish the company's mobile games from dozens of similar ones and force a passer-by to download it can be leaflets that provide unique promotional codes for in-game resources or currency. They should also contain pictures of the characters/game design and offer a summary. As well as information about the limitedness and features of this offer. This method is designed to create a sense of superiority in a potential player and a desire to use the gift.

Advertising plays an important role. A large number of players of casual and strategy games (games of this genre are represented by My.games in the Japanese market) prefer to play during lunch breaks and on the way home/to work. Therefore, the preferred locations for placement are subway stations, subway trains, office districts, and food districts.

Collaboration with opinion leaders

Japanese gamers are largely dependent on the opinions of the celebrities they like. Also, advertising from bloggers on social networks is the main channel for brewing players into the game.

Firstly, it will allow the audience to learn more about the game itself. Developer also needs to provide special promotional codes/gifts when downloading the game directly after watching the influencer's review.

Secondly, it will allow My.games to more accurately target the audience. Since the influencer audience in the mobile gaming industry is video game lovers.

Thirdly, it will create a trusting relationship between the developer and the audience through the influencer. A game that has been tried and advertised by a popular blogger is more likely to be accepted by a potential player than a game advertised by the company itself.

The most suitable platforms are TikTok and YouTube. These are the most commonly used platforms targeting the 18-40 age group.

1. **Get customers to download and try the game**

To make customers download a game, developer needs to offer them something in return or offer a unique gaming experience. Since the main titles of My.games do not differ significantly from other games of the same genre and design, the developer must offer players something that he cannot get in substitute games.

These can be, as mentioned earlier, promotional codes for receiving gift in-game resources or discounts upon registration. My.games can also offer a free subscription trial period or battle pass for games like Rush Royal. The free trial period will give the player the full enjoyment of the game. It can also stimulate him to renew his subscription in the future.

1. **Regular promotions to incentivize active usage and payment**

Further, it is necessary to remind the player about the existence of the game as often as possible in order to motivate him to turn to it, and not to its alternative. For this, the most effective use of digital advertising, including in social networks.

This will remind the player of the presence of the game when he, out of boredom or on business, will open social networks or just an Internet browser.

The most suitable platforms are Line, TikTok and YouTube. The most popular messenger in Japan is a great channel for game reminders. And platforms like TikTok and YouTube are most often used to kill time and relax. This is the most appropriate time to remind about the game.

1. **Gradual introduction of barriers and motivators to stimulate purchases**

Now let us focus more on monetization. After the player has downloaded the game, realized that he is interested in it and has achieved some success in it, it is necessary to start putting up obstacles to complicate the process and stimulate in-game purchases.

For strategy and casual games, it is preferable to use a "glass ceiling" that makes it difficult to pass subsequent levels without paying. However, casual games can also use ads as a cashout model. And also offer users cosmetic improvements. They are especially popular among Japanese gamers who appreciate the aesthetics of the game.

It is also worth considering that cosmetic improvements are very popular if there is a possibility of communication between players. Since many commit them precisely in order to stand out from the background of others.

In the case of games with multiplayer, it is imperative to make available the purchase of in-game currency and amplifiers that will allow players to accelerate progress and surpass their opponents.

1. **Organizing in-game events to maintain interest**

To keep players engaged, My.games needs to regularly add something new to the game. This does not mean changing the gameplay or game design. The developer must constantly offer its users new levels / characters / locations / storylines. Thus, the game should be regularly developed and offer the gamer new content.

In the case of casual games, the gradual complication of the game mechanics and the addition of new levels would be preferable. Since there are many such games on the market, it is important to offer a large amount of new content so that the player does not switch to another title.

New locations and characters are best added to RPGs, strategy games and simulations. In these, players tend to pay more attention to the visual aspect of the game. It is important for them that the irga changes from time to time and gives them new territories for research and challenges.

Events also have to offer time-limited experience and rewards. This will serve as a motivator to enter the game every day and spend more time in it to collect as much as possible benefits that it offers.

Such events can also become an informational occasion and motivate gamers to share their successes on social networks by advertising the game.

1. **Organization of events outside the game**

Finally, organize offline events or activities related to the game to increase loyalty and create a community. As mentioned earlier, Japanese gamers react very positively to such events and willingly participate in them.

For example, it can be an offline game-themed meeting, where guests can purchase exclusive products related to the game. As well as chat with other players and share impressions and experiences.

These events often provide players with the opportunity to try out new things, such as previewing new characters or previewing new locations for the game.

Also provide special in-game gifts that the user can only receive by visiting such an event.

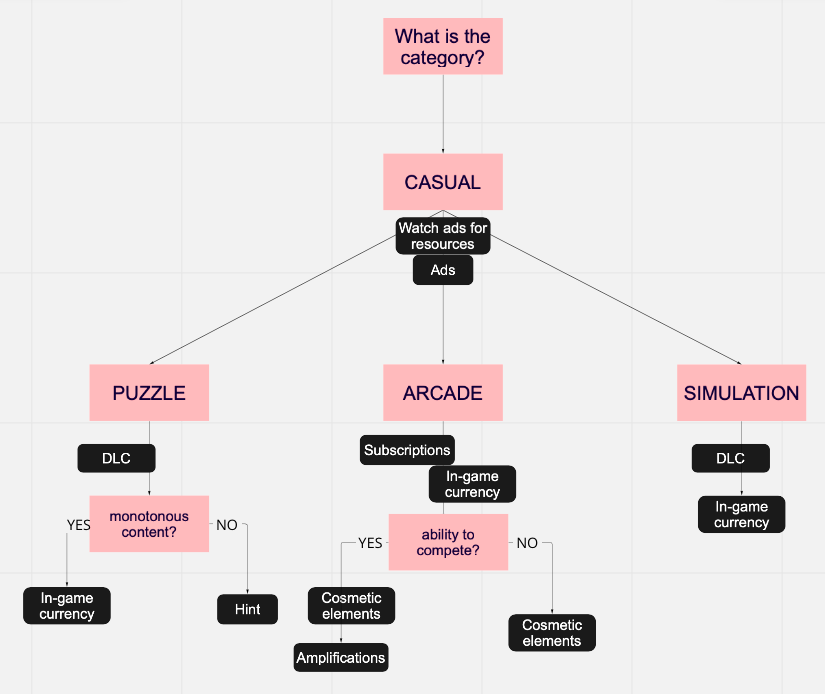
This will create loyal customers. It will also give the players a special attitude towards themselves, which will make the game stand out against the background of other similar ones.

All the above recommendations are designed not only to increase the visibility of the company's mobile games in the Japanese market, but also to adapt the monetization model in the most efficient way to get more profit. In such a large market, companies need to make themselves known and draw attention to their products. And then do everything possible to retain players and stimulate them to make in-app purchases.

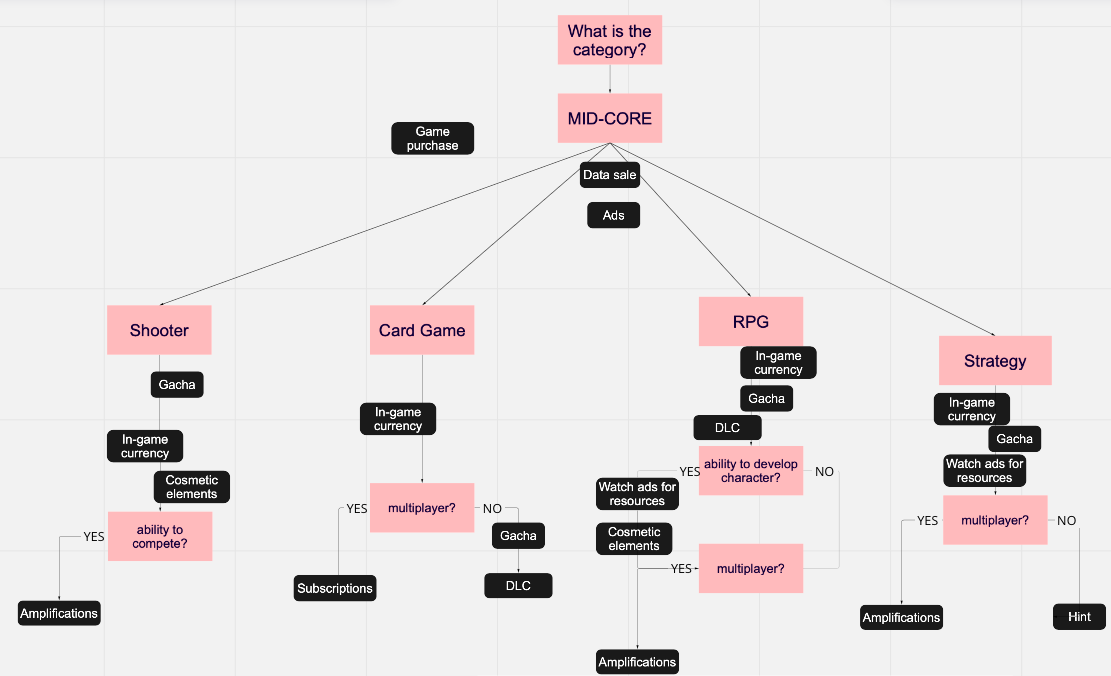
## **4.3. Applying an algorithm to adjust or select a monetization model**

Also, directly to select or adjust the methods of monetization of a mobile game, My.games can refer to the algorithm for choosing such a model proposed by me in the work “Mobile games monetization modeling: the case of the US market”. It is built on the analysis of the main segments of the game's players, as well as information about the design of the game.

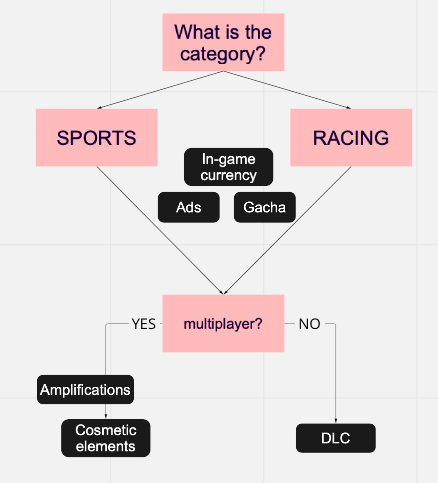
The first step involves selecting the most appropriate monetization model (model combination) based on the game genre:



*Pic.4.3.1. Monetization method choosing algorithm (casual); by author*



*Pic. 4.3.2.. Monetization method choosing algorithm (mid-core); by author*



*Pic. 4.3.3.. Monetization method choosing algorithm (sport & racing); by author*

After the developer has included a cashout model in the game design, it is necessary to analyze the users. Without directly launching the application, this can be done by analyzing the game of other companies of the same genre or their earlier games with successful monetization. It is also possible to carry out Soft-launch.

For analysis, a list of characteristics describing the activities of gamers in the game is used. This will allow My.games to understand which segment has more players.

1. Progress of mechanics exploration
2. Length of gaming session
3. Frequency of gaming sessions
4. Usage of daily bonus (if presented)
5. Position in the rating of players and its retention
6. Attempts to challenge other players (if possible)
7. Attempts to improve lvl passing results or reach maximum
8. Resources obtained
9. Achievements completed
10. In-game currency stored
11. Amount of friends
12. Amount of account info published (seen by other users)
13. Cosmetic items obtained

|  |  |
| --- | --- |
| RPG Enthusiasts  (Explorers) | * **Progress of mechanics exploration - HIGH** * Length of gaming session – HIGH * Frequency of gaming sessions – HIGH * Usage of daily bonus (if presented) – MED/HIGH * Position in the rating of players and its retention – LOW * Attempts to challenge other players (if possible) – LOW * Attempts to improve lvl passing results or reach maximum – LOW/MED * Resources obtained – MED * Achievements completed – MED * In-game currency stored – MED * Amount of friends – LOW * Amount of account info published (seen by other users) – LOW * Cosmetic items obtained – LOW |
| Competitor  (Fighter) | * Progress of mechanics exploration – LOW/MED * Length of gaming session – MED/HIGH * Frequency of gaming sessions – MED/HIGH * Usage of daily bonus (if presented) – HUGH * Position in the rating of players and its retention – HIGH * **Attempts to challenge other players (if possible) – HIGH** * Attempts to improve lvl passing results or reach maximum – MED * Resources obtained – LOW/MED * Achievements completed – LOW * In-game currency stored – LOW/MED * Amount of friends – MED * Amount of account info published (seen by other users) – MED/HIGH * Cosmetic items obtained – LOW |
| Collector  (Achiever) | * Progress of mechanics exploration – LOW/MED * Length of gaming session – MED/HIGH * Frequency of gaming sessions – MED/HIGH * Usage of daily bonus (if presented) – HIGH * Position in the rating of players and its retention – LOW/MED * Attempts to challenge other players (if possible) – LOW * Attempts to improve lvl passing results or reach maximum – HIGH * Resources obtained – HIGH * **Achievements completed – HIGH** * In-game currency stored – HIGH * Amount of friends – MED * Amount of account info published (seen by other users) – MED * Cosmetic items obtained – LOW |
| Socializer | * Progress of mechanics exploration – LOW * Length of gaming session – MED * Frequency of gaming sessions - LOW * Usage of daily bonus (if presented) – LOW/MED * Position in the rating of players and its retention – LOW * Attempts to challenge other players (if possible) – LOW * Attempts to improve lvl passing results or reach maximum – LOW * Resources obtained – LOW * Achievements completed – LOW * In-game currency stored – LOW * **Amount of friends – HIGH** * **Amount of account info published (seen by other users) – HIGH** * Cosmetic items obtained – HIGH |
| Casual | * Progress of mechanics exploration – MED * **Length of gaming session – LOW** * **Frequency of gaming sessions – MED** * Usage of daily bonus (if presented) – LOW/MED * Position in the rating of players and its retention – LOW * Attempts to challenge other players (if possible) – LOW * Attempts to improve lvl passing results or reach maximum – LOW * Resources obtained – LOW * Achievements completed – LOW/MED * In-game currency stored – LOW * Amount of friends – LOW * Amount of account info published (seen by other users) – LOW * Cosmetic items obtained – LOW |

*Table 4.2.1. players evaluation; by author*

The next step is to directly choose a monetization model.

From the previously presented monetization models, the most suitable ones for the segment are selected in the table:

1. Game as purchase
2. Additional content
3. Cosmetic elements
4. Amplifications
5. In-game currency
6. Gacha
7. Subscription
8. Show ads for in-game resources
9. Constant ads (removal can be purchased)
10. Sale personal data

|  |  |  |
| --- | --- | --- |
|  | High efficiency: | Medium efficiency: |
| RPG Enthusiasts  (Explorers) | * Additional content * Subscriptions * Sale personal data | * In-game currency * Game as purchase |
| Competitor  (Fighter) | * Amplifications * Gacha | * Sale personal data * Show ads for in-game resources * Constant ads (removal can be purchased) |
| Collector  (Achiever) | * In-game currency * Gacha | * Show ads for in-game resources |
| Socializer | * Cosmetic elements * Constant ads (removal can be purchased) | * Sale personal data |
| Casual | * Show ads for in-game resources * Sale personal data | * Constant ads (removal can be purchased) |

*Table 4.2.2. possible monetization based on players evaluation; by author*

Segments such as Gambling and Anime are in particular interested in a significant feature.

So Gambling players will respond positively mainly to gambling features of a game (gacha). Anime fans are interested in specific character designs and games. And also in relativity / similarity with the existing anime / manga.

**Possible implementation for My.games**

So, using the example of one of the My.games titles presented on the Japanese market - "Street Brawlers: Tower Defense", let's consider the possibilities of using this algorithm.

* This game has the Card+Strategy game genre. In-app purchases include:Premium pass
* In-game currency
* Resources

Using the algorithm, we see that the following monetization models are preferable for this game:

* In-game currency
* Gacha
* Amplifiers

Already at the first stage, it is clear that the company is currently not using the full potential of the game. So she is unlikely to get Gambling players and, more importantly, one of the most profitable segments - Competitors (Fighter).

Further analysis, unfortunately, is not possible due to closed access to game statistics of purchases and player activities.

## **4.4. Metrics for evaluating the effectiveness of applied improvements**

There are many methods for evaluating the effectiveness of changes implemented in the game. However, I would like to focus on three:

1. Installs

The number of installed applications. For this, the company does not have to request special analytics. This data can be found on the distributor platforms - Apple Store and Google Play.

To evaluate the effectiveness of paid traffic, My.games will need to focus on the Conversion Rate advertising metric. If 1000 users clicked on the ad, but only 100 of them ended up downloading the app, then the CR would be 10%. The averages of this indicator fluctuate slightly depending on the genre. The average rate varies from 2% to 3%[[57]](#footnote-57).

1. CPI

The consumer price index is calculated from the cost of advertising correlated with the number of downloads. This indicator will help determine the most effective promotion methods and allow the company to focus on them.

It should be noted that in the Japanese market, the price of attracting one player is much higher than in the European market, therefore, when analyzing, it is worth taking into account not only the company's earlier performance, but also not forgetting about the specifics of the market.

1. Sessions & Average Session Duration

Session is the time the user spent in the mobile app. ASD - Average Session Duration - is the average session time over a period of time.

ASD = Total session duration for the period / total number of sessions for the same period. An indicator that reflects the distraction of users and their interest in content.

Often the result is very different groups. For example, one user segment plays frequent but short sessions, while another launches the game 3-4 times a month and spends more than 2 hours each time. If one adds other metrics, such as ARPU / ARPPU, then becomes easier to understand which of these groups pays better, which one is worth attracting, and which one to focus on when releasing updates.

1. Average Transaction Value

ATV = Total amount of purchases / number of purchases.

Reflects the average cost of in-game purchases for the month (or the selected period). It will help to understand whether the monetization model is chosen correctly and divide the players into segments according to solvency

These metrics must be used in combination to obtain more accurate data. It is also necessary to regularly check reviews on the site and platforms of distributors. Often, users themselves report what they liked and what they did not.

# **Conclusion**

In the process of writing this bachelor thesis, an analysis of the mobile games market in Japan was conducted as well as the activities of the developer company “My.games” within this market. The result of the work done is the developed strategic recommendations for the promotion and monetization of mobile games, which will remain relevant for the company, at least for the next six months / year. During the analysis, the following conclusions were drawn:

* The mobile gaming market in Japan is attractive and provides ample opportunities for growth and development.
* Buyer analysis reveals positive buying behavior and growing interest in mobile games among vary age groups
* One of the problems that exist in the market is the wide presence of games with a similar design.
* A series of unstructured interviews revealed potential reasons for the company's low competitiveness as well as distinctive features that company possess
* Environmental factors are quite severe and require great efforts for development and attraction of buyers

Also, based on the results of the analysis, an indicative plan for promoting monetization was drawn up and the following recommendations were presented:

* Focus on attracting a large amount users to install a mobile game through active promotion to reach the largest audience
* By providing special offers and quality regularly updated content, retain users on the first stages
* Build trust and increase customer loyalty with Japan's most effective promotion and retention methods
* Introduce barriers into the game to keep players engaged and encourage in-app purchases

The proposed recommendations and analytical information about the market and buyers will allow the company "My.games" to increase awareness of users about companies products and increase the profit from games in this market, at least within the considered product category, and will also allow to accelerate the development in the Japanese market in the long term, despite the challenges caused by external and internal factors.

## **Literature list**

1. Andreas Rauscher, Daniel Stein, Jan-Noël Thon / Comics and Videogames : From Hybrid Medialities to Transmedia Expansions / Andreas Rauscher, Daniel Stein, Jan-Noël Thon // Abingdon, Oxon : Routledge. – 2021
2. Borets Agata / Mobile games monetization modeling: the case of the US market / Borets Agata // SpB 2022
3. Central European Journal of Operations Research – Mar 2023, v. 31, iss. 1, pp. 165-90
4. Finan, Dorothy / Idols you can make: The player as auteur in Japan's media mix. // New Media & Society. – May2023, Vol. 25 Issue 5, p881-897. 17p.
5. Global Mobile Gaming Market to 2027 - Consumer Mobile Usage Habits Foster Growth in Mobile Gaming Market / [Electronic resource] / ResearchAndMarkets– Apr 04 2022 — Access mode: https://www.businesswire.com/news/home/20220404005478/en/Global-Mobile-Gaming-Market-to-2027---Consumer-Mobile-Usage-Habits-Foster-Growth-in-Mobile-Gaming-Market---ResearchAndMarkets.com
6. Hololive and Square Enix Collaboration on Marvel's Guardians of the Galaxy Initiates Next Week [Electronic resource] / Noisy Pixel – Oct 22 2021 — Access mode: https://noisypixel.net/hololive-square-enix-collab-marvels-guardians-of-the-galaxy/– resource access date – Apr 2023
7. Hypercasual games: how to improve retention for your mobile games in the East and West [Electronic resource] / GamesInductry.biz – Jul 26 2022 — Access mode: https://www.gamesindustry.biz/hypercasual-games-how-to-improve-retention-for-your-mobile-games-in-the-east-and-west#:~:text=Player%20churn%20is%20typically%20much,below%2010%25%20for%20hypercasual%20games.– resource access date – Apr 2023
8. Jinju Lee, Jin Suk Park, Jeonghwan Lee / The Impact of Multimarket Competition on Innovation Strategy: Evidence from the Korean Mobile Game Industry. / Jinju Lee, Jin Suk Park, Jeonghwan Lee // Journal of Open Innovation. – Mar 2020, Vol. 6 Issue 1, p1-15. 15p.
9. John Wiley & Sons, Inc. Strategic Management Journal / John Wiley & Sons, Inc. – Apr 2022 –
10. Mark J. P. Wolf / Video Games Around the World / Mark J. P. Wolf // Cambridge, Massachusetts: The MIT Press. – 2015
11. Mia Consalvo / Atari to Zelda : Japan's Videogames in Global Contexts // Cambridge, Massachusetts : The MIT Press. – 2016
12. Mihovil Grguric / Monetizing Mobile Games in Asia: Best Practices for 2023, March 6, 2023 [Electronic resource] / Udonis. – Apr 04 2022 — Access mode: https://www.blog.udonis.co/mobile-marketing/mobile-games/monetizing-mobile-games-in-asia – resource access date – Apr 2023
13. Mike Rose / Supercell aims to replicate its mobile success in Japan [Electronic resource] / Game Developer – June 18, 2013— Access mode: https://www.gamedeveloper.com/business/supercell-aims-to-replicate-its-mobile-success-in-japan#close-modal– resource access date – Apr 2023
14. Mochizuki, Takashi / Nintendo Chills Mobile Ambitions After Animal Crossing Success. / Mochizuki, Takash // Bloomberg.com. – Jun 21 2020 / pN.PAG-N.PAG. 1p.
15. Molly Taylor / Genshin Impact is getting a Horizon Zero Dawn crossover [Electronic resource] / PCGamer – Jul 22 2021 — Access mode: https://www.pcgamer.com/genshin-impact-is-getting-a-horizon-zero-dawn-crossover/# – resource access date – Apr 2023
16. Nakamura, Yuji / Japan's Digital Casinos Are Closing. / Nakamura, Yuji // Bloomberg Businessweek, Issue 4592, p22-23. 2p. 1 Color Photograph. – Dec 11 2018
17. Nakamura, Yuji / Square Enix Soars After Unveiling Its Own Take on Pokemon Go. / Nakamura, Yuji // Bloomberg.com. – Jun 3 2019, pN.PAG-N.PAG. 1p.
18. Nakamura, Yuji / The good times are over for japan s loot box style gaming bonanza. / Nakamura, Yuji // Bloomberg.com. – May 11 2018 / pN.PAG-N.PAG. 1p.
19. Nick / Which 15 Countries Have The Most Twitch Viewers? [Electronic resource] / VisualByImoulse – Sep 6 2021 — Access mode: https://visualsbyimpulse.com/countries-most-twitch-viewers-top-15/#– resource access date – Apr 2023
20. Official site of a company “GungHo” [Electronic resource]. — Access mode: https://www.gungho.co.jp/en/ – resource access date – Apr 2023
21. Official site of a company “HoYoVerse” [Electronic resource]. — Access mode: https://www.hoyoverse.com/ru-ru– resource access date – Apr 2023
22. Official site of a company “Konami” [Electronic resource]. — Access mode: https://www.konami.com/en/– resource access date – Apr 2023
23. Official site of a company “Nintendol” [Electronic resource]. — Access mode: https://www.nintendo-europe.com/Important-information-about-Nintendo-s-operations-in-Russia-May-31st-2023--2393864.html – resource access date – Apr 2023
24. Official site of a company “Square Enix” [Electronic resource]. — Access mode: https://www.square-enix.com/– resource access date – Apr 2023
25. Official site of a company “Supercell” [Electronic resource]. — Access mode: <https://supercell.com/en/> – resource access date – Apr 2023
26. Oliver Chiang Japanese Social Games Company DeNA Makes As Much Money As Facebook, Is Aggressively Expanding In The U.S. [Electronic resource] / Oliver Chiang // Forbes – Sept 24 2020 — Access mode: <https://www.forbes.com/sites/oliverchiang/2010/09/24/japanese-social-games-company-dena-makes-as-much-money-as-facebook-is-aggressively-expanding-in-the-u-s/?sh=4fc254e62a8f> //
27. Perisic, Ana; Pahor, Marko Clustering Mixed-Type Player Behavior Data for Churn Prediction in Mobile Games // Springer – Mar 2023
28. PR Newswire / Facebook and GameRefinery launch mobile gaming report: 'Genre and great games - Understanding Audiences and Designing Better Mobile Games' / PR Newswire // PR Newswire US. Nov 8, 2020.
29. PR Newswire / MY.GAMES Announces 33% Revenue Increase in Q3/ PR Newswire // PR Newswire US. Oct 26, 2020.
30. Schick, Shane / InMobi: App interstitial ads converting for developers, publishers. / Schick, Shane // Fierce Developer. – Oct 26 2013, p1-1. 1p.
31. Scott Baird / Dragon Quest Of The Stars - Paid Subscription Services Explained [Electronic resource] / TheGamer – Feb 25, 2020— Access mode: https://www.thegamer.com/dragon-quest-of-the-stars-paid-subscription-services-explained/– resource access date – Apr 2023
32. Shibuya, Akiko Teramoto etc. / Long-Term Effects of In-Game Purchases and Event Game Mechanics on Young Mobile Social Game Players in Japan. / Shibuya, Akiko Teramoto etc. // Simulation & Gaming. – Feb 2019, Vol. 50 Issue 1, p76-92. 17p.
33. Supercell: Don't make monetization your number one priority [Electronic resource] / Game Developer – July 24, 2020— Access mode: https://www.gamedeveloper.com/business/supercell-don-t-make-monetization-your-number-one-priority– resource access date – Apr 2023 Vol. 43 Issue 4, p792-821
34. Максим Лаба - директор по росту клиентов Nativex / Рынок мобильных игр в Японии: раскрываем секрета успеха / Максим Лаба // Apptractor – Sep 12 2022

## **Appendix**

My.games interview questions

-Who does my.games consider its main competitors in the Japanese market?

-Are there any specific political / legal / cultural factors that somehow complicate the work in this market?

-How is targeting organized and how is the audience attracted at the earliest stages of the game?

-Which segment of paying players are most targeted by the monetization models in the Japanese market? (whales/dolphins/minnows)

-What are the most profitable (Japanese market) my.games monetization models?

-What genres of mobile games are the most popular in the Japanese market?

-Have there been any changes in the genre/monetization model/target audience since the release of the game?

(If yes)

Were they successful? Did it help make the game more profitable?

-Does my.game use any mechanisms to force non-paying users to start paying?

-What is the average user lifetime in the game? LTV?

-In what language does a game need to be released in order for it to be successful? Is it important for users - English or Japanese?

-Which platform is more popular - android or ios?

-Target player profile for the company?

-Advertising tolerance of the average Japanese player?

-Can you give examples of games (any, not necessarily your own) that were unsuccessful in the Japanese market? Why did it happen?

-What difficulties has the company encountered when entering the market and recently?

-What is the internal structure of the company?

-Information about the company (because of the lack of information in the public domain): strengths / weaknesses, development plans, threats.

-Tell us about marketing, corporate governance of the company?

-What are the company's plans for development in the global market and the Japanese market?

-What do you think are the competitive advantages of My.games?

-Who is considered a competitor by my.games and who is not, why?

-How do you see the development of the mobile games market in the future, how can you adapt to this?

-Are the players changing, from your point of view, in which direction?

-How to deal with "advertising blindness"?

1. https://explodingtopics.com/blog/smartphone-usage-stats [↑](#footnote-ref-1)
2. https://www.statista.com/statistics/1028679/japan-duration-use-smartphone/ [↑](#footnote-ref-2)
3. https://www.thinkwithgoogle.com/intl/en-apac/collections/sports-and-gaming/ [↑](#footnote-ref-3)
4. https://allcorrectgames.com/insights/japan/ [↑](#footnote-ref-4)
5. https://www.devtodev.com/education/articles/en/446/game-market-overview-the-most-important-reports-published-in-june-2022 [↑](#footnote-ref-5)
6. https://www.nippon.com/ru/japan-data/h01509/ [↑](#footnote-ref-6)
7. https://www.tadviser.ru/index.php/Компания:My.Games [↑](#footnote-ref-7)
8. https://www.tadviser.ru/index.php/Компания:My.Games [↑](#footnote-ref-8)
9. Interview in appendix [↑](#footnote-ref-9)
10. https://www.statista.com/outlook/dmo/digital-media/video-games/mobile-games/japan [↑](#footnote-ref-10)
11. <https://www.statista.com/topics/4594/smartphones-in-japan/#:~:text=The%20smartphone%20penetration%20rate%20among,people%20in%20their%20everyday%20lives>. [↑](#footnote-ref-11)
12. https://www.data.ai/ru/insights/market-data/the-rise-of-tv-advertising-for-mobile-games-in-japan/ [↑](#footnote-ref-12)
13. https://dtf.ru/gamedev/143973-kak-prodvigat-mobilnye-igry-i-prilozheniya-v-yaponii-koree-i-kitae [↑](#footnote-ref-13)
14. https://us.principle-c.com/blog/apac/youtube-trends-in-japan-and-everything-marketers-should-know/ [↑](#footnote-ref-14)
15. https://www.statista.com/statistics/1185309/japan-mobile-game-in-app-purchase-experience/ [↑](#footnote-ref-15)
16. https://4108351.fs1.hubspotusercontent-na1.net/hubfs/4108351/Modern%20Mobile%20Consumer%20-%20App%20Discovery%20and%20Monetization%202022/ironSource%20Modern%20Mobile%20Consumer%202022\_%20App%20Monetization%20Report.pdf?utm\_campaign=Modern%20Mobile%20Consumer%202022&utm\_medium=email&\_hsmi=223586522&\_hsenc=p2ANqtz-8BNCQ0-KueUWEd1DuVfeskx6H5N7IBsLylsiczdkjQK9GSQREuNFw2gM28NpeAqsXlKzrlCZIj69HEq7lPqfD3UfPxOQ&utm\_content=223586522&utm\_source=hs\_automation [↑](#footnote-ref-16)
17. <https://www.statista.com/outlook/dmo/digital-media/video-games/mobile-games/japan> [↑](#footnote-ref-17)
18. https://www.statista.com/statistics/1065117/japan-mobile-and-social-game-market-size/#:~:text=The%20market%20size%20of%20mobile,yen%20in%20the%20previous%20year. [↑](#footnote-ref-18)
19. <https://www.statista.com/topics/4594/smartphones-in-japan/#:~:text=The%20smartphone%20penetration%20rate%20among,people%20in%20their%20everyday%20lives> [↑](#footnote-ref-19)
20. https://worldpopulationreview.com/country-rankings/disposable-income-by-country [↑](#footnote-ref-20)
21. https://www.weforum.org/agenda/2023/02/world-oldest-populations-asia-health/#:~:text=Which%20countries%20have%20the%20oldest,and%20Italy%20%7C%20World%20Economic%20Forum [↑](#footnote-ref-21)
22. https://www.worldometers.info/world-population/japan-population/#:~:text=The%20current%20population%20of%20Japan,the%20latest%20United%20Nations%20data. [↑](#footnote-ref-22)
23. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwij0uD30Zv\_AhUGy4sKHWz8BFcQFnoECA4QAQ&url=https%3A%2F%2Firep.inc%2Fblog%2Finsight-of-mobile-gaming-insutry-in-japan%2F&usg=AOvVaw1GHhxTtqA4ES5h0ADMAj8l [↑](#footnote-ref-23)
24. https://www.blog.udonis.co/mobile-marketing/mobile-games/monetizing-mobile-games-in-asia [↑](#footnote-ref-24)
25. https://www.ajmarketing.io/post/top-20-tiktok-influencers-japan-2021#:~:text=In%20Japan%2C%20TikTok%20has%20taken,16.7%25%20of%20the%20entire%20population! [↑](#footnote-ref-25)
26. https://www.ajmarketing.io/post/top-20-tiktok-influencers-japan-2021#:~:text=In%20Japan%2C%20TikTok%20has%20taken,16.7%25%20of%20the%20entire%20population! [↑](#footnote-ref-26)
27. https://www.statista.com/outlook/dmo/digital-media/video-games/mobile-games/japan [↑](#footnote-ref-27)
28. https://www.gamedeveloper.com/business/supercell-don-t-make-monetization-your-number-one-priority [↑](#footnote-ref-28)
29. <https://www.gamedeveloper.com/business/supercell-aims-to-replicate-its-mobile-success-in-japan#close-modal> [↑](#footnote-ref-29)
30. https://supercell.com/en/careers/regional-marketing-seoul/1171539/ [↑](#footnote-ref-30)
31. https://www.thegamer.com/dragon-quest-of-the-stars-paid-subscription-services-explained/ [↑](#footnote-ref-31)
32. https://noisypixel.net/hololive-square-enix-collab-marvels-guardians-of-the-galaxy/ [↑](#footnote-ref-32)
33. https://www.similarweb.com/apps/top/google/store-rank/jp/all/top-grossing/ [↑](#footnote-ref-33)
34. https://www.pcgamer.com/genshin-impact-is-getting-a-horizon-zero-dawn-crossover/# [↑](#footnote-ref-34)
35. https://us.principle-c.com/blog/apac/youtube-trends-in-japan-and-everything-marketers-should-know/ [↑](#footnote-ref-35)
36. Mobile games monetization model choice​: the case of US; by Agata Borets; 2022 [↑](#footnote-ref-36)
37. https://www.gamesindustry.biz/hypercasual-games-how-to-improve-retention-for-your-mobile-games-in-the-east-and-west#:~:text=Player%20churn%20is%20typically%20much,below%2010%25%20for%20hypercasual%20games. [↑](#footnote-ref-37)
38. https://www.google.com/url?sa=i&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=0CAIQw7AJahcKEwi4guuR7Jv\_AhUAAAAAHQAAAAAQAg&url=https%3A%2F%2Fwww.quora.com%2FWhat-is-the-average-playing-time-for-online-casual-games&psig=AOvVaw2cOXA1-tE\_zOKaGqPKFnzn&ust=1685494939266018 [↑](#footnote-ref-38)
39. https://app2top.ru/analytics/newzoo-igrovoj-ry-nok-yaponii-zarabotaet-22-1-mlrd-k-kontsu-goda-193587.html [↑](#footnote-ref-39)
40. app2top.ru [↑](#footnote-ref-40)
41. https://info.liftoff.io/japan-mobile-app-trends-report-2022?\_gl=1\*sn8laa\*\_gcl\_au\*MTEwODUzMTE4NC4xNjg1NDU2ODA2&\_ga=2.84426203.391214118.1685456806-1541501031.1685456806 [↑](#footnote-ref-41)
42. https://liftoff.io/ru/blog/casual-gaming-apps-dominate-the-japanese-gaming-market/ [↑](#footnote-ref-42)
43. https://www.blog.udonis.co/mobile-marketing/mobile-games/monetizing-mobile-games-in-asia [↑](#footnote-ref-43)
44. https://www.facebook.com/gaming/ [↑](#footnote-ref-44)
45. https://liftoff.io/ru/blog/casual-gaming-apps-dominate-the-japanese-gaming-market/ [↑](#footnote-ref-45)
46. https://www.statista.com/outlook/dmo/digital-media/video-games/mobile-games/japan [↑](#footnote-ref-46)
47. https://www.nippon.com/en/japan-data/h00871/ [↑](#footnote-ref-47)
48. https://liftoff.io/ru/blog/casual-gaming-apps-dominate-the-japanese-gaming-market/ [↑](#footnote-ref-48)
49. https://www.statista.com/statistics/655110/japan-smartphone-gamers-spending-mobile-games/ [↑](#footnote-ref-49)
50. https://www.nippon.com/en/japan-data/h00871 [↑](#footnote-ref-50)
51. https://www.statista.com/topics/5679/mobile-gaming-in-japan/#topicOverview [↑](#footnote-ref-51)
52. https://visualsbyimpulse.com/countries-most-twitch-viewers-top-15/# [↑](#footnote-ref-52)
53. https://www.statista.com/statistics/1077406/japan-tiktok-penetration-rate-by-age-group/ [↑](#footnote-ref-53)
54. https://www.nippon.com/ru/japan-data/h01509/ [↑](#footnote-ref-54)
55. https://www.last-dragon.work/zrush.html [↑](#footnote-ref-55)
56. Interview with the company representative in appendix [↑](#footnote-ref-56)
57. https://www.is.com/community/blog/iap-conversion-rate/#:~:text=What%27s%20considered%20a%20good%20IAP,tablet%2C%20App%20Store%20vs [↑](#footnote-ref-57)