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The development of a digital marketing strategy to gain active mobile game users in Japan

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<p>Japan is the world's biggest spender on mobile apps. This makes it an attractive market, but entering the Japan market is very difficult for Finnish mobile software developers. The goal of this thesis is to identify possible constraints that limit mobile game companies in the Japanese market, and analyze the means of increasing brand awareness and acquiring active game players. The focus is on finding the key elements required for building a digital marketing strategy targeted towards Japanese customers.</p> <p>In the literature review, marketing theory, consumer behavior and digital marketing strategy are reviewed in the light of the Japanese market. Research method applied is exploratory research mainly using secondary data available in Japanese language sources. The latest trends in Japanese mobile software industry are analyzed with a special focus on usage of digital media as a marketing tool. As Japan has fast changing trends in the mobile game industry, only up to date information sources were used.</p> <p>The findings include evidence that the Japanese market has features that differentiate it from the rest of the world. Based on research, an outline of a marketing strategy for companies intending to enter the Japanese market is described.</p>	
Keywords	Digital marketing, Mobile game, Consumer behavior, Customer relationship management, Social media service, Japan, Localization, User acquisition, User retention.

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1 Introduction

In my current position as a communication and social media specialist, my responsibilities include promoting Angry Birds games and characters through digital platforms including rovio.com, angrybirds.jp and social media channels like Twitter and Facebook. Digital marketing is an essential tool that helps companies to achieve, for instance, simple and effective communications with consumers. Unlike traditional marketing, social media can maximize engagement with consumers. New technology has changed the way of communications between companies and consumers (B2B), and consumers and consumers (C2C). Rovio Entertainment Ltd. is an entertainment media company based in Espoo, Finland. It is well known as the creator of the globally successful Angry Birds franchise. Rovio's success has continued since the first Angry Birds game was released in the late 2009. Along with its global success, Rovio has also expanded its business areas to the Asian market including Japan. According to Rovio's official financial report for 2013 announced in April 2014, total consolidated full-year revenue was amounted to €156 million. Earnings before interest and taxes (EBIT) were €36.5 million and net profit after tax was €26.9 million. (2014: Rovio Entertainment Reports 2013 Financial Results). The year 2013 was Rovio's a foundation-building year entering new business areas, such as animation and video distribution and shifted to new business models in games. (2014: Rovio Entertainment Reports 2013 Financial Results).

A challenge within my current position is to influence and acquire new users with the aid of digital marketing thus this thesis has the goal of identifying the factors that could help the acquirement of users for Rovio Entertainment in Japan. Another goal of my thesis project is to determine an impact of localization and how an international company like Rovio should adapt to the Japanese ways of doing marketing and promotion activities and increase

visibility and gain popularity through digital forms in the competitive Japanese mobile game market.

2 Introduction of Japan

Japan is one of Asian-Pacific countries and consists of islands located between the Pacific Ocean on the east and the Sea of Japan on the west, lying off the east coast of Asia. The country is composed of 47 prefectures with a population of 127.52 million. The population of Japan is ranked tenth in the world and it is 1.8 percent of the world's total. (2013: The Statistical Handbook of Japan). However, the population has fallen off in recent years due to declining birth rate and rapidly growing aging society. These demographic changes in the population have a great effect on its labor market and economic conditions in coming future. For instance, Japan raised the consumption tax from 5% to 8% from April in 2014 in order to support growing social welfare spending for the elderly.

The capital city of Japan, Tokyo is the center of governmental, financial and industrial activities, leading Japan's economy. Many headquarters of domestic and branches of foreign firms are located in Tokyo. Tokyo is a business center influencing the capital and credit in Japan and the also the rest of the world.

The Japan's post-war economic reforms helped the nation's industrial development and expansion in many areas, such as automobile and consumer electronics appliance industries, which also includes the video game industry. This rapid growth had continued until the economic bubble burst in the early 90's. Japan's video game industry was established during this economic growth period between 1973 and 1983. (2014: Game Studies Organization). From the launch of Nintendo's Family Computer in 1983, the video game market expanded rapidly and three companies, NEC Home Electronics (NEC), Nintendo and Sega Corporation dominated the market until Microsoft and Sony Computer Entertainment (Sony) joined in as major players in the market during the 90's and 00's. (2014: JETRO). Today Japan's game industry and its market have been shifting from console games to mobile games with high smartphone

penetration rate. In addition to the major players from video game industry, a great multitude of mobile game companies have been established.

Japan is the third largest economy in the world with GDP of 5.96 trillion USD (2012: World Bank) after China surpassed Japan's economy in 2010. Japan is listed as the third largest stock exchange in the value of Asian shares traded in the world. (2013: World Exchange Organization). This offers lots of business opportunities considering the large size of the market. Despite the declining population, the Japan's entertainment business is still developing and targeting the young generation.

However, entering the Japanese market is not simple. To make it happen, an excellent business plan, sufficient market knowledge about the country and practical experiences in the market are required, which includes social, political and technological factors. Japan is sometimes considered almost closed from foreign firms due to the complexity of understanding it. Serving as evidence is the fact that there are very few foreign companies listed in Japan stock exchange. (2013: Tokyo Stock Exchange). Even so, many foreign firms have taken the challenge to enter the Japanese market. Taking a look at Finnish mobile companies for instance, Rovio Entertainment, Supercell and Frogmind are recognized in App stores in Japan. Rovio's market entry to Japan was in the early 2012; however, the company did not have its marketing entry strategy and social media plan.

3 Literature review

The aim of literature review is to build theoretical framework for a digital marketing strategy and justify the author's research process, terminology and theory are logically equivalent. The review begins with definitions of marketing and consumer behavior and later focuses on digital marketing model in full detail.

3.1 Marketing

Marketing is essential activity in business, no matter the product and the target market. Marketing activities establish value between a company and customers resulting in fulfilling their needs and increasing their satisfaction. (2013: Kotler, Armstrong, Harris & Piercy 5). In marketing, a company aims to maintain a strong and long-term customer relationship keeping the mutual benefits of a company and customers - value reaches to their targeted customers and value from those customers returns to the company in exchange. (2013: Kotler, Armstrong, Harris & Piercy 5). Marketing is in recent years no longer defined in the old sense of marketing such as selling and buying. It is redefined, as a process to meet customers' needs, wants and satisfaction. (2013: Kotler, Armstrong, Harris & Piercy 5). The main role of marketing is, hence, attracting new customers by offering promised value and satisfying them. (2013: Kotler, Armstrong, Harris & Piercy 5).

Once the customer acquisition is successful, next focus is delivering sustainable satisfaction and retaining existing customers. (2013: Kotler, Armstrong, Harris & Piercy 4). In order to achieve the customer acquisition, a five-step model is applied in the marketing strategy to create profits and customer equity. (Figure 1) (2013: Kotler, Armstrong, Harris & Piercy 5).

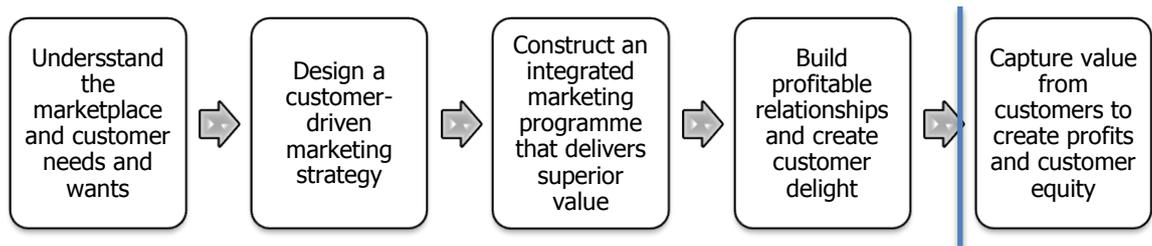


Figure 1. A simple model of the marketing process (2013: Kotler, Armstrong, Harris & Piercy 5).

It is important for a company to provide differentiated value proposition to customers in order to consent them the purchase decision. Business competition is tough and customers as decision makers hold strong power in terms of their choice of product. Instead of targeting broad customer segments, to begin with the customer-driven marketing strategy, a company needs to decide what customers to serve and how to serve these customers best, which is determined in the market segmentation. (2013: Kotler, Armstrong, Harris & Piercy 8).

3.1.1 Market segmentation

Market segmentation defines customers and divides them into different groups. Segmentation is based on geographic, demographic, psychographic and behavioral factors. The goal of market segmentation is to specify groups of potential customers and to meet their distinct needs. (2013: Kotler, Armstrong, Harris & Piercy 51). By knowing a specific market segment, a company understands the segment well, and the segment will accept the customer value in a similar way to a given set of marketing efforts. (2013: Kotler, Armstrong, Harris & Piercy 51).

3.1.2 Target market

After defining the market segment, a company is about to enter one or more marked segments. (2013: Kotler, Armstrong, Harris & Piercy 51). Market targeting is a key to win the competition because it can cause the greatest customer value and sustain it for a long span. (2013: Kotler, Armstrong, Harris & Piercy 51). Market segmentation and targeting is a set of processes of evaluating customer groups who most likely become regular customers. (2013: Kotler, Armstrong, Harris & Piercy 52). If a company is a new to the market, it can focus on a single segment. Furthermore, if a company is already successful in a certain segment, it can seek to expand to more segments. (2013: Kotler, Armstrong, Harris & Piercy 52). To make a right decision how to enter the market, company's resources and product line-ups are taken into consideration.

3.1.3 Market positioning

Market positioning is a conscientious activity intended to occupy a desirable and sustainable place relative to competing products in the customers' minds. (2013: Kotler, Armstrong, Harris & Piercy 52). Adding extra value to customers and creating strengths of products is always a big challenge, but very important. (2013: Kotler, Armstrong, Harris & Piercy 52). In the process of the positioning, a company identifies possible customer value differences that are competitive advantages on which to build the position. (2013: Kotler, Armstrong, Harris & Piercy 52) In general, a company sets a lower price or creates product differentiation in order to increase the attractiveness of its products. (2013: Kotler, Armstrong, Harris & Piercy 52). This way a company appeals to the reasonable motive to customers and customers have the best option to buy a specific product with more value among other competitors. (2013: Kotler, Armstrong, Harris & Piercy 52). Having identified the market segment, target market and marketing positioning of service or a product, companies create a marketing strategies on the elements of Marketing Mix.

3.1.4 Marketing Mix

Marketing Mix is planned after the overall marketing strategy is determined. The 4Ps were originally introduced by Jerome McCarthy (1960) and is also called Marketing Mix. (2012: Chaffey & Ellis-Chadwick 258). The marketing mix is a set of tactical marketing tools that a company meets the four elements, right *product*, at the right *price*, in the right *place* and applying right *promotion* – the four Ps. (Figure 2) (2013: Kotler, Armstrong, Harris & Piercy: 53).

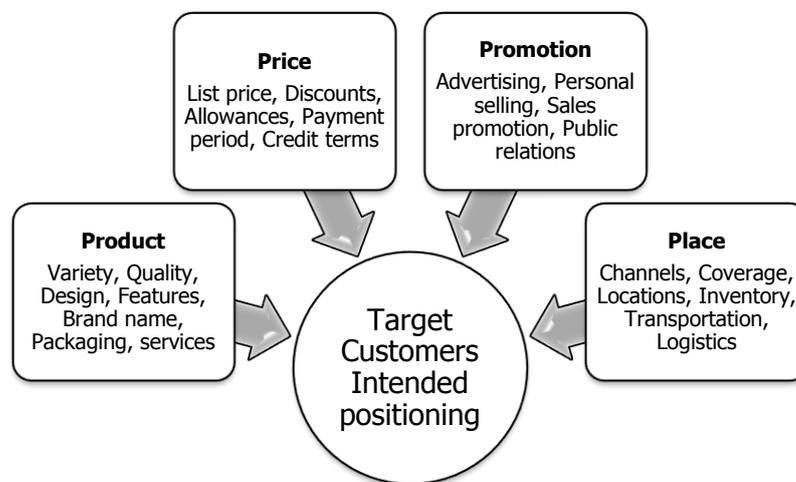


Figure 2. The four Ps of the marketing mix (2013: Kotler, Armstrong, Harris & Piercy 53).

In the development of marketing mix, a company mixes each different element together into the marketing strategy and influences the demand for its product. (2013: Kotler, Armstrong, Harris & Piercy 53). The study concentrates on customers' needs and wants from the product, the product strength and differentiation from competitors, the place where potential customers search the product, and the perceived value of the products. (2013: Kotler, Armstrong, Harris & Piercy 53).

3.2 Consumer behavior

3.2.1 The consumers' decision-making process

Consumer behavior is the study of the consumers' decision-making process on how consumers select, purchase and evaluate products or services, which also includes the psychological or sociological influences. (2013: Solomon, Bamossy, Askegaard & Hogg 3). Understanding consumer buying behavior helps a company make a decision on market positioning. (2013: Kotler, Armstrong, Harris & Piercy 145). A company needs to know what factors influence the consumer's decision-making process before starting marketing activities. (2013: Kotler, Armstrong, Harris & Piercy 145). Consumer purchases are influenced mainly by cultural, social, personal and psychological characteristics. (Figure 3) (2013: Kotler, Armstrong, Harris & Piercy 146). These factors usually cannot be controlled by marketers. (2013: Kotler, Armstrong, Harris & Piercy 145). A company, which is preparing to enter the global market, also needs to adapt the consumer behavior in the target region and respect it in order to achieve success.

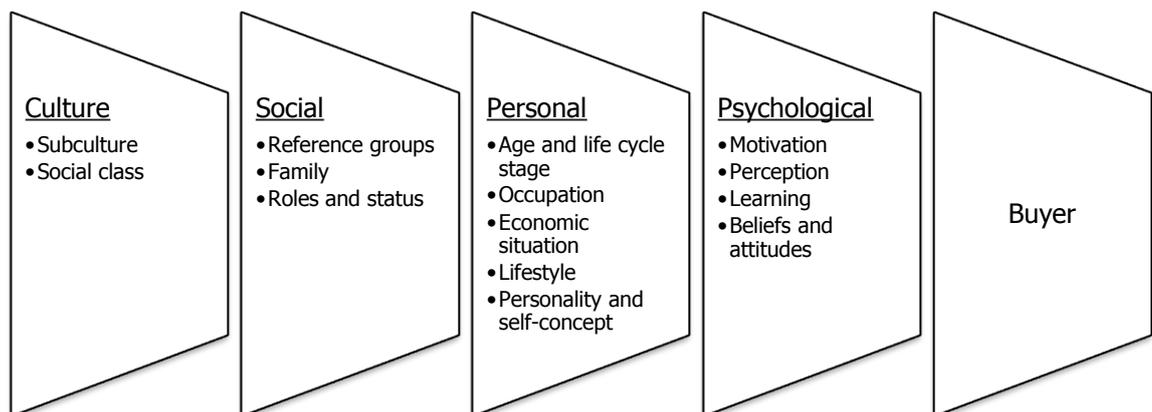


Figure 3. Factors influencing consumer behavior (2013: Kotler, Armstrong, Harris & Piercy 146).

3.2.2 The buyer decision process

The buyer decision process refers to how consumers make a purchase decision. Consumers generally go through a process for their purchase decision, which consists of five stages: need recognition, information search, evaluation of alternatives, purchase decision and post purchase behavior. (Figure 4) (2013: Kotler, Armstrong, Harris & Piercy 161). From the problem recognition to the purchase decision stage, it takes a long time to reach an actual action of buying products. (2013: Kotler, Armstrong, Harris & Piercy 161). Despite this theory in consumer behavior, customers often skip or reverse some of these steps depending on their needs and occasions. (2013: Kotler, Armstrong, Harris & Piercy 161).

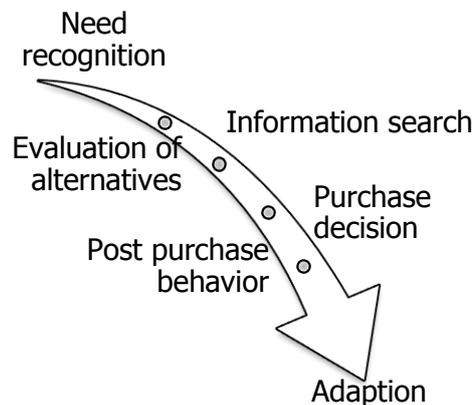


Figure 4. Buyer decision process (2013: Kotler, Armstrong, Harris & Piercy 161).

Stage 1: Need recognition

Consumers' needs are set in motion by either internal stimuli as the person's normal needs (need recognition) or external stimuli as the person's needs influenced by an environment, for instance an advertisement (opportunity recognition). (2013: Kotler, Armstrong, Harris & Piercy 161) (2013: Solomon, Bamossy, Askegaard & Hogg 342).

Stage 2: Information search

Information is collected from personal sources, commercial sources, public sources, and experimental sources through different ways. (2013: Kotler,

Armstrong, Harris & Piercy 162). Word of mouth is one of the biggest influences for consumers in the information search. (2013: Kotler, Armstrong, Harris & Piercy 162).

Stage 3: Evaluation of alternatives

Comparison with different products based on the information they collect from various resources. (2013: Kotler, Armstrong, Harris & Piercy 162). Consumers use careful calculations and logical thinking for brand choices by narrowing down to selected brands. (2013: Kotler, Armstrong, Harris & Piercy 162). Product differentiation is a key point in the decision process in terms of style, price, warranty and performance. (2013: Solomon, Bamossy, Askegaard & Hogg 359).

Stage 4: Purchase decision

The factors for the purchase decision are the purchase intention and purchase decision influenced by others' opinions or unexpected events. (2013: Kotler, Armstrong, Harris & Piercy 163).

Stage 5: Post purchase behavior

Evaluation stage for purchased items to measure whether customers are satisfied with a purchase. (2013: Kotler, Armstrong, Harris & Piercy 163). The importance of delighting consumers is to establish a profitable consumer relationships and values and to constantly influence consumers to return to the brand. (2013: Kotler, Armstrong, Harris & Piercy 163).

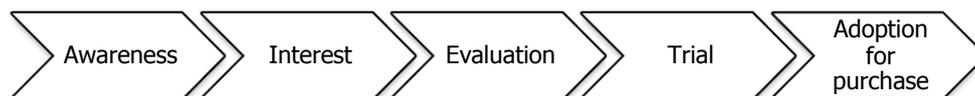
3.2.3 The consumers' decision-making process for new products

The process of consumers' approaches to new products is different from existing products. New products are defined as goods and services that differ significantly in their characteristics or intended uses from products previously produced by the firm. (Organisation For Economic Co-operation and

Development). In the consumer perspective, new products are an innovation; any goods, services or ideas become conscious to be new to potential customers. (2013: Kotler, Armstrong, Harris & Piercy 164) (2013: Solomon, Bamossy, Askegaard & Hogg 582). New products here mean the latter and are found and purchased by consumers in the adoption process. The adoption process explains how consumers are aware of new products for the first time and make a decision whether they adopt them or not. (2013: Kotler, Armstrong, Harris & Piercy 164).

If an innovation is successful, it spreads through the population from a few consumers to a large number of consumers. (2013: Solomon, Bamossy, Askegaard & Hogg 582). The role of marketers in the adoption process is to help consumers take the first step and move on to each step until the adoption - marketers make cause and effect. (Figure 5) (2013: Kotler, Armstrong, Harris & Piercy 164). Understanding the cause leads to control over the effect, and this will gain the customers' loyalty after the purchase decision is made. (2014: Smart Insights).

5 stages in the adoption process



Stage 1 Awareness: The consumer becomes aware of the new product but still lacks information about it.

Stage 2 Interest: The consumer seeks information about the new product.

Stage 3 Evaluation: The consumer considers whether trying the new product makes sense.

Stage 4 Trial: The consumer tries the new product on a small scale to improve his or her estimate of its value.

Stage 5 Adoption for purchase: The consumer decides to make full and regular use of the new product.

Figure 5. Five stages in the adoption process (2013: Kotler, Armstrong, Harris & Piercy 164).

3.2.4 Adopting innovations

Each consumer takes different steps to try out new products in the time of adoption of innovation. Diffusion of innovations refers to the process of spread new products, services or ideas. (2013: Solomon, Bamossy, Askegaard & Hogg 582). In order to describe the different individuals, the consumers are categorized into five adopter groups (Figure 6); *innovators* who are the first to try the innovation, *early adopters* as opinion leaders who adopt new ideas early in their communities, *early majority* who try the innovation before the average person, *late majority* who are skeptical of change but take it, and *laggards* who are very traditional and conservative for testing new products. (2013: Kotler, Armstrong, Harris & Piercy 164 & 165). Marketers typically target innovators and early adopters hoping them to influence the late adopters who are the majority in the population. (2013: Kotler, Armstrong, Harris & Piercy 165).

Yet, the rate of adoption is influenced depending on products: some take overnight to be recognized and others can take years. (2013: Kotler, Armstrong, Harris & Piercy 165). Moreover, initial and ongoing costs, risk and uncertainty, and social approval are other factors to consider, which have a strong impact to the new product adoption rate. (2013: Kotler, Armstrong, Harris & Piercy 165).

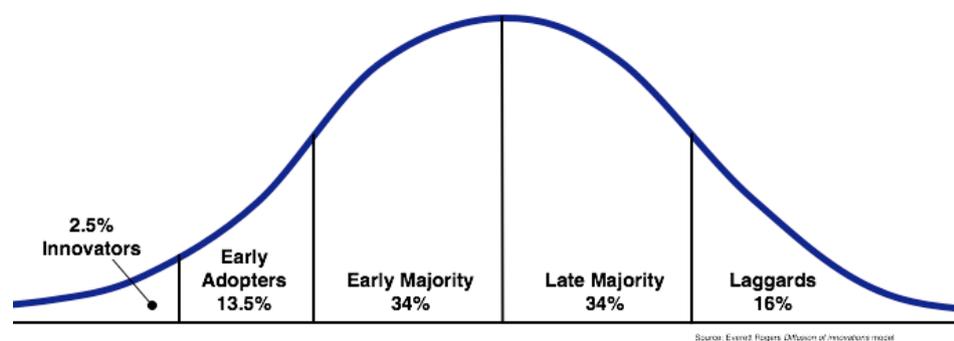


Figure 6. The traditional bell curve of diffusion of innovation (AltaStreet Insights).

3.2.5 Diffusion of innovation

Influence to the new product adoption can be created by a form of communications strategy through communication tools. To spread awareness of product to new audiences, potential innovators or most equivalent segments should be defined. (2012: Chaffey & Smith 251). Most equivalent segments can be either commercial relevant buyers, who are most likely to make actual purchase or/and amplification relevant buyers, who may possibly purchase a product later. (2012: Chaffey & Smith 251). As there are always limitations of time and resources, focusing on the audience and reaching them can give the best return on investment. (2012: Chaffey & Smith 252).

3.2.6 The consumers' decision-making process for new products through Internet

The consumer's decision-making theory that has been discussed can also apply to new purchases made through the Internet. The figure 7 (2012: Chaffey & Ellis-Chadwick 84) is a summary of how the Internet can impact on the buying processes for a new purchaser. Robinson et al. (1967) developed the typical stages, which a prospective customer passes through in the buying process. Berthon et al. (1998) talked over conjecturally on the communications effectiveness of using a website in the process, established a similar analysis. (2012: Chaffey & Ellis-Chadwick 84). Internet marketing techniques help achieve communication objectives that are to create brand awareness to targeted customers. That also assists the customers to adopt product or service through digital marketing channels. (2012: Stafford, Marketing Communication Blog). A breakdown of the buying process through the Internet is shown in Figure 7. (2012: Chaffey & Ellis-Chadwick 84).

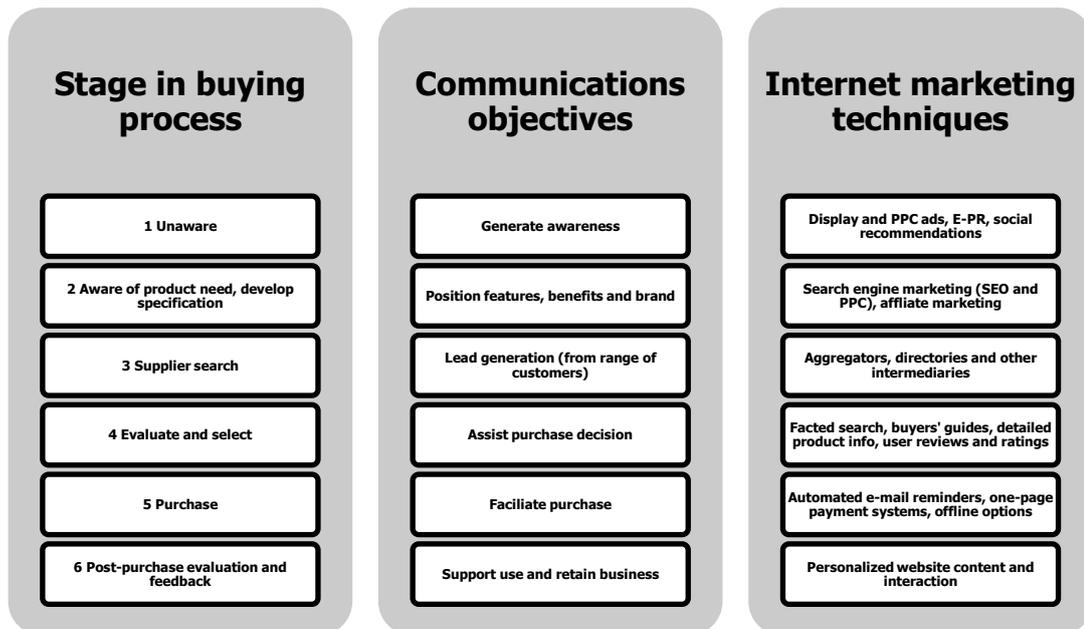


Figure 7. A summary of how the Internet can impact on the buying process for a new purchaser (2012: Chaffey & Ellis-Chadwick 84).

1. Consumer: unaware. Company: generates awareness (of need, product or service)

Brand awareness can be developed by means of PR and mentions in the media such as offline advertising, display advertising or paid search marketing. (2012: Chaffey & Ellis-Chadwick 84 & 85).

2. Consumer: aware of need, develops specification. Company: position features, benefits and brand

When a consumer is aware of his/her need, s/he moves on to study on expected features and benefits from a product itself or by using search engines. (2012: Chaffey & Ellis-Chadwick 85). Thus, consumer awareness is increased in this stage through search engine marketing and affiliate marketing. (2012: Chaffey & Ellis-Chadwick 85).

3. Consumer: supplier search. Company: generate leads (engage and capture interest)

The website that provides the product information can be the best medium to help consumers find the information sought. (2012: Chaffey & Ellis-Chadwick

86). Consumers' search methods should be carefully considered from search engines, aggregators or affiliate intermediaries. (2012: Chaffey & Ellis-Chadwick 86).

4. Consumer: evaluate and select. Supplier: assist purchase decision

To attract new buyers, the websites should carry a large amount of content with a low cost that helps in persuading the customer and increasing brand awareness especially when consumers do not yet recognize the product. (2012: Chaffey & Ellis-Chadwick 86). (2012: Chaffey & Ellis-Chadwick 87).

5. Consumer: purchase. Company: facilitate purchase

Once a customer adds a product to his/her shopping basket and has made a purchase decision, the company should encourage them to make an order immediately. (2012: Chaffey & Ellis-Chadwick 87). The important components to increase conversion rates and incentive for buying are usually security guarantees, delivery choices and free delivery offers. (2012: Chaffey & Ellis-Chadwick 87).

6. Consumer: post-purchase evaluation and feedback. Company: support product use and retain business

The Internet can boost the customer retention. Internet realized value-added services such as free customer support, direct feedback from customers, direct sales via e-mails and customer purchase behavior monitoring from cross selling and repeat selling. (2012: Chaffey & Ellis-Chadwick 87).

3.3 Japanese consumer behavior

It is often said that Japanese consumer behavior is unique and somewhat different from the Western consumers. Social and cultural factors have the substantial impact on Japanese consumer behavior. Japanese people want to be a part of a group or a community and keep a strong consciousness of Japanese identity. Despite distinctive indigenous culture in Japan, tracing

Japanese history, we see that “Japanese spirit combined with Western learning” was widely promoted during the Meiji Restoration in 1868. (2007: Yomiuri Marketing Perigee). The similar case was also known during Heian period (794-1185) when people followed “the Japanese spirit imbued with Chinese learning”. (2007: Yomiuri Marketing Perigee). Japan is a closed country; on the other hand, people are interested in taking foreign influences and trying out new innovations. This has become Japanese consumers’ tradition and is often called, “Hybridity of the Japanese culture”. (2007: Yomiuri Marketing Perigee).

3.3.1 Japanese consumer characteristics

Primary factors of Japanese unique consumer characteristics and behaviors are interpreted accordingly (Figure 8) (2007: Yomiuri Marketing Perigee):

- **High expectation for product quality:** Product selecting criteria are very strict among Japanese consumers in general. It is because they are willing to pay high prices for quality products such as expensive and exclusive brands that are essential rather than aspirational. (2010: McKinsey & Company). A famous P&G’ diapers case for instance, Japanese home-stay wives are the most difficult testers as they rarely give positive feedback to new diapers in focus group research. (2007: Yomiuri Marketing Perigee). This implies to P&G that if Japanese wives accept product quality, the rest of the world will accept it accordingly. (2007: Yomiuri Marketing Perigee). Moreover, Japanese consumers have keen eyes on small defects on new products. This behavior is due to strict quality control standards in Japan. (2007: Yomiuri Marketing Perigee).
- **Constant trend changes:** Japanese people love new products, always seek freshness of food and get interested in new line of products and store openings. For instance, Japanese like full model change of their cars in every four years and minor change in every two years, while

Americans want a full change every six years and Europeans every eight years. (2007: Yomiuri Marketing Perigee). Japanese people are trend-oriented, changing their preference time to time.

- **Product variation:** Japanese consumers prefer product variation to similarity. (2007: Yomiuri Marketing Perigee). Their satisfactions are fulfilled with a wide variety of goods in stores. (2007: Yomiuri Marketing Perigee).
- **Interest in famous brands:** Japanese people have a strong passion for famous and luxurious brands. Sales of Louis Vuitton Moet Hennessy (LVMH) in Japan were 26% in 2006 and 22% in 2007 of their total sales despite the low exchange rate of the yen against euro. (2007: Yomiuri Marketing Perigee).

Structure of unique Japanese consumer characteristics

Process	Condition	Example	Influential factor
Before making a purchase decision	Variety of alternatives	<ul style="list-style-type: none"> • Anything can be purchase objectives • Preferred product variation 	Bigger scale of awareness
When making a purchase decision	Strict selection criteria	<ul style="list-style-type: none"> • Various factors considered (quality, brand image, etc.) • Quality is extremely important 	Aesthetic sense
After making a purchase decision	Variability to selection results	<ul style="list-style-type: none"> • Fluctuating product selection by time to time 	Decision by feelings Collectivism

Figure 8. Structure of unique Japanese consumer characteristics (2007: Yomiuri Marketing Perigee).

Buying behavior patterns are usually divided into two types "feel" and "think". (2007: Yomiuri Marketing Perigee). Japanese people's buying behavior is based more on their feelings especially when purchasing brand or luxury products. (2007: Yomiuri Marketing Perigee). Japanese consumers have a strong passion for brands relying on their "feel" assessment. (2007: Yomiuri Marketing Perigee). But when it is about to enter a purchase decision stage, their behavior is changed to "think" carefully looking into the quality assurance. (2007: Yomiuri Marketing Perigee). Thus, Japanese consumers evaluation is especially evolved in the *purchase decision* stage. Many Japanese consumers do not always go through the purchase step theory addressed in the previous section instead skip some of the stages. (2007: Yomiuri Marketing Perigee).

3.3.2 Trends born from collectivism

Japanese consumers tend to select products with their sense or taste without objective judgment. (2007: Yomiuri Marketing Perigee). It is also because they are strongly influenced by others' behavior following a same pattern of the purchase manner. (2007: Yomiuri Marketing Perigee). Japan's homogenous society and its collectivism influence consumer behavior, which is a part of Japanese social behaviors. (2007: Yomiuri Marketing Perigee). Their selfless devotion making a living is for their family members and community rather than for individual links to their interdependent construal self-characteristics. (Figure 9) (2007: Yomiuri Marketing Perigee). Japanese collectivism also affects lack of self-reliance so that Japanese people can easily depend on somebody else's decision. (2007: Yomiuri Marketing Perigee).

Hence, characteristics of the Japanese selfless devotion causes Japanese consumer behaviors that people depend on others' decision-making process in the buying behavior. (2007: Yomiuri Marketing Perigee). A lack of the self-reliance creates a sense of certainty - they think that they made a right

purchase decision because everyone else did the same, which results in interdependent construal self. (2007: Yomiuri Marketing Perigee).

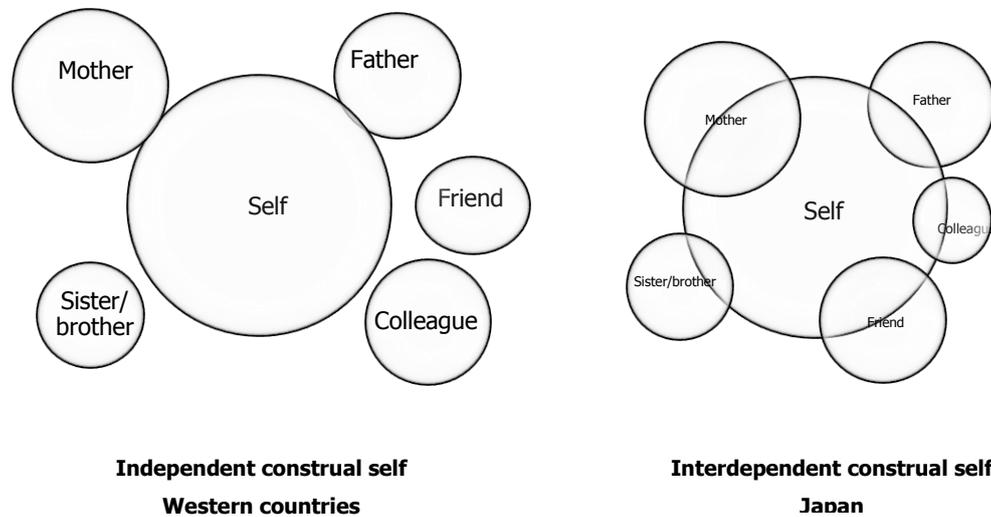


Figure 9 .(Markus, HR., & Kitayama. S. (1991). "Culture and the Self: Implications for Cognition, Emotion, and Motivation." *Psychological Review*, 98. 224-253.) (2007: Yomiuri Marketing Perigee).

3.3.3 How to deal with difficult Japanese consumers

Consuming experience and knowledge have become much richer that takes the consequences of more complicated consumer behavior. Companies are expected to present concept creation and proposal to deal with these new age consumers. (2007: Yomiuri Marketing Perigee). Nintendo usually do not rely on consumer research when developing new games. This is because they believe that they know how to develop the best game concept. (2007: Yomiuri Marketing Perigee). Product concept refers to a developed idea for new products that meets customers' high expectation on quality, performance and features against a normal product. (2013: Kotler, Armstrong, Harris & Piercy 279). The new product concept that a company creates is thus essential to produce the best products to their consumers and to create something different from the existing products.

Customer competence can be another angle to satisfy difficult Japanese consumers. (2007: Yomiuri Marketing Perigee). The concept of core competence was introduced by C.K. Prahalad and Gary Hamel two business academics in 1990. (2008: Economist). This idea is underlined the potential access to a wide variety of markets. (2008: Economist). Moreover, the significant contribution to the perceived customer will benefit the end product and the barrier against competitors applying a complex harmonization of individual technologies and production skills. (2008: Economist). In this idea, a company exploits resources of customers' knowledge on consuming experiences and develops new products with them. (2008: Economist). Although the concept creation is lead by companies, consumers' participation in the products development process is still primal means especially to survive in the competitive Japanese market. (2007: Yomiuri Marketing Perigee).

3.4 Digital marketing strategy

Today in digital age, marketers face challenges of consumer behavior. They constantly attract consumers and influence consumer behavior in daily basis in the desired direction through a system of incentives and rewards. (2011: Media Buzz). The challenges require marketers to interact with potential consumers by engaging in conversation, identifying interested customers and converting them to make a final purchase decision. (2011: Media Buzz).

Marketing environment has become more sophisticated in recent years with constant technology development and changes. Direct marketing has shifted to the digital while the traditional model of a TV commercial approach is obsolete with more information and more choices. (2008: Japan Inc.). The digital age is also providing new ways to study consumer behavior that helps us find a potential audience. (2008: Japan Inc.).

Companies are required to select the most relevant innovations to invest, and to adopt the mainstream of up-to-date digital technology. (2012. Ryan & Jones 4). The innovations include the Internet and the software applications that work on different platforms and devices such as the desktop, mobile, tablet, etc. (2012. Ryan & Jones 4). Today's new media have new forms of marketing such as paid placement in search engine, keyword-targeted and pay-per-click advertising and social networking service. (2012. Ryan & Jones 4). In fact, more money has been spent in online advertising than TV since 2009. (2012: Ryan & Jones 98). Hence, marketers' knowledge perpetually needs to be updated in accordance with the technology developments.

Digital marketing is defined as:

Achieving marketing objectives through applying digital technologies. (2012: Chaffey & Ellis-Chadwick 10).

However, digital marketing is not only about technology but also about people: technology is only interesting from a marketing perspective, yet it has an impact on connecting companies with consumers, building customer relationships and managing sales. (2012: Ryan & Jones 4 & 11). A good example to prove this is the diffusion of smartphones that allows people to connect to the network whenever, wherever and however they want to that changed the world forever. (2012: Ryan & Jones 5). The aim of the digital marketing is to integrate people and technology that results in customer engagement and satisfaction.

3.4.1 Why a digital marketing strategy is needed?

Marketers need to build a digital marketing strategy. It is because building a digital marketing strategy helps business maximize the relationship between brand and customers. (2012: Ryan & Jones 19). It gives us a great opportunity of increasing consumer engagement and retention with a wider audience

through digital channels using the latest digital technology. (2012: Ryan & Jones 19). Digitally adopted marketing approaches can capture customer feedback in real time, that create deeper, dynamic, sophisticated and cost-aware basis to understand and adapt to customer needs. (2013: Hathway Management Consulting). Marketers; at the same time, should utilize the potential complexity of any digital marketing campaign aligning with the business goals for mutual advantages between companies and customers. (2012: Ryan & Jones 19).

3.4.2 Defining a digital marketing strategy

A digital marketing strategy emphasizes the context of the business, analyzing competitors' online activities, anticipating the digital technology outlook and enabling productive customer relationships through new digital extended over a long period of time. (2012: Ryan & Jones 22). The strategy is defined by market analysis and persuasion on the different component of the business. (2012: Ryan & Jones 23).

Foundation of a digital marketing strategy ensures the business success if the right technology, skills and infrastructure are in place, and if companies reach and fulfill the customers' expectations based on online consumer behavior. Goals and key performance indicators (KPIs) are set, which refers to a type of performance measurement to define and evaluate progress towards the goals. (2012: Ryan & Jones 23). As the service is provided on the spot, once a company fails to engage with customers, and is unable to retain and fulfill their expectations, it can no longer keep the interest of the customers. (2012: Ryan & Jones 25).

Push and pull marketing strategy refers to customer engagement activities that can provide clearly contrasting objectives and techniques in the digital marketing. (2013: Hathway Management Consulting). A push strategy is a

promotion technique that is pushing the product/service through marketing channels such as periodic paid mass media campaigns or direct selling to final consumers. (2013: Kotler, Armstrong, Harris & Piercy 432). In contact, a pull strategy means that a producer conducts its marketing promotional activities such as sharing valuable information toward final consumers and inducing them to buy the product. (2013: Kotler, Armstrong, Harris & Piercy 433). The pull strategy focus is more about responding to customer needs and interests at any point of the buying cycle. (2013: Hathway Management Consulting).

Facebook is, for example, useful for the push strategy because it can profile personal information and push recommendations to targeted customers. (2013: Hathway Management Consulting). On the other hand, Twitter can be used in the pull strategy that a customer proactively agrees to receive further information as a viable means of marketing. (2012: Chaffey & Ellis-Chadwick 325) (2013: Hathway Management Consulting). The diagram (Figure 10) shows that digital marketing can take a similar role to traditional marketing activities; however, it is still in a set of activities within a continuum of the adoption process. (2013: Hathway Management Consulting).

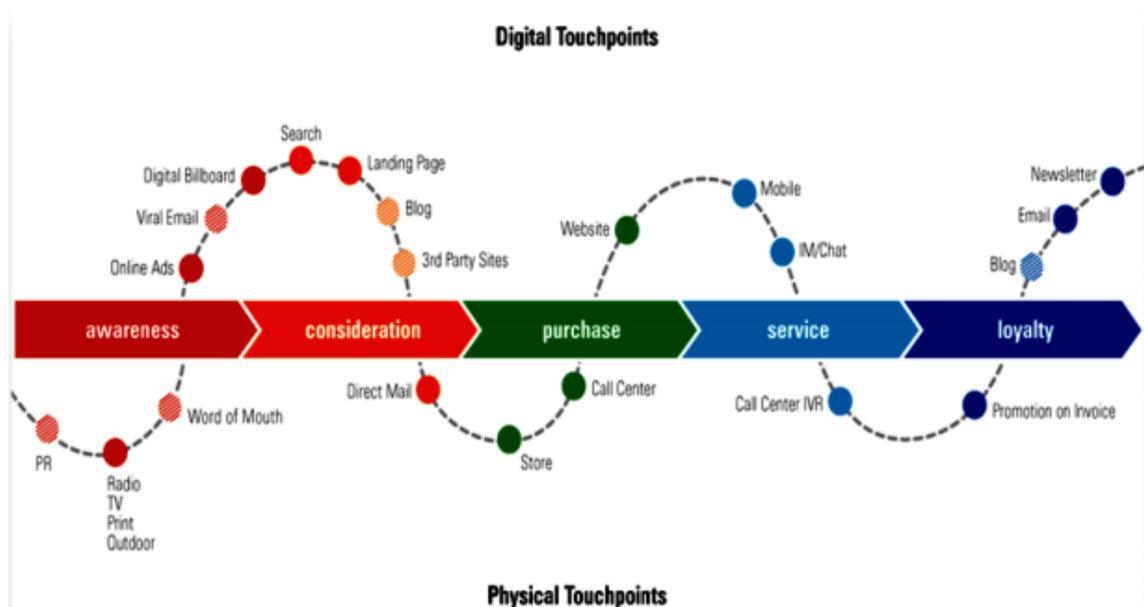


Figure 10. Digital and Physical Touchpoints (2013: Hathway Management Consulting).

3.4.3 Marketing Mix in a digital marketing strategy

Marketing mix can be applied to a digital marketing strategy that helps companies build a strategic framework from different elements of product offerings, and understand factors influencing the demand for products. (2012: Chaffey & Ellis-Chadwick 258). It is especially useful for benchmarking process because a company can compare the existing service with competitors in the target markets; furthermore, it can identify the best strategic approaches and bring them into strategy development work. (2012: Chaffey & Ellis-Chadwick 258).

As the 4Ps of Product, Price, Place and Promotion have been already introduced, it is an essential part of formulating and implementing marketing strategy. Now they are extended to the 7Ps, which includes three sub elements: People, Process and Physical evidence that provides more opportunities for marketers with the digital media. (Figure 11) (Booms and Bitner, 1981). (2012: Chaffey & Ellis-Chadwick 258).

Product	Promotion	Price	Place	People	Process	Physical evidence
Quality	Marketing communications	Positioning	Trade channels	Individuals on marketing activities	Customer focus	Sales/ staff contact
Image	Personal promotion	List	Sales support	Individuals on customer contact	Business-led IT-supported	experience of brand
Branding	Sales promotion	Discounts	Channel number	Recruitment	Design features	Product packaging
Features	PR	Credit	Segmented channels	Culture/ image	Research and development	Online experience
Variants	Direct marketing	Payment methods		Training and skills		
Mix		Free or value-added elements		Remuneration		
Support						
Customer service						
Use occasion						
Availability						
Warranties						

Figure 11. The elements of the marketing mix (2012: Chaffey & Ellis-Chadwick 258).

Product: A product that delivers tangible benefits and leaves the customers with a genuine perception of value. (2012: Ryan & Jones 29 & 30). Marketers ensure that a product and entire customer value chain is associated with a product in the digital environments. (2012: Ryan & Jones 30).

Promotion: Promotion means both online and offline for directing brand visibility as well as new customer acquisition and customer retention. (2012: Ryan & Jones 30). The following diagram shows the main elements of online digital media, which are major forms of necessary online promotion. (2012: Ryan & Jones 30).

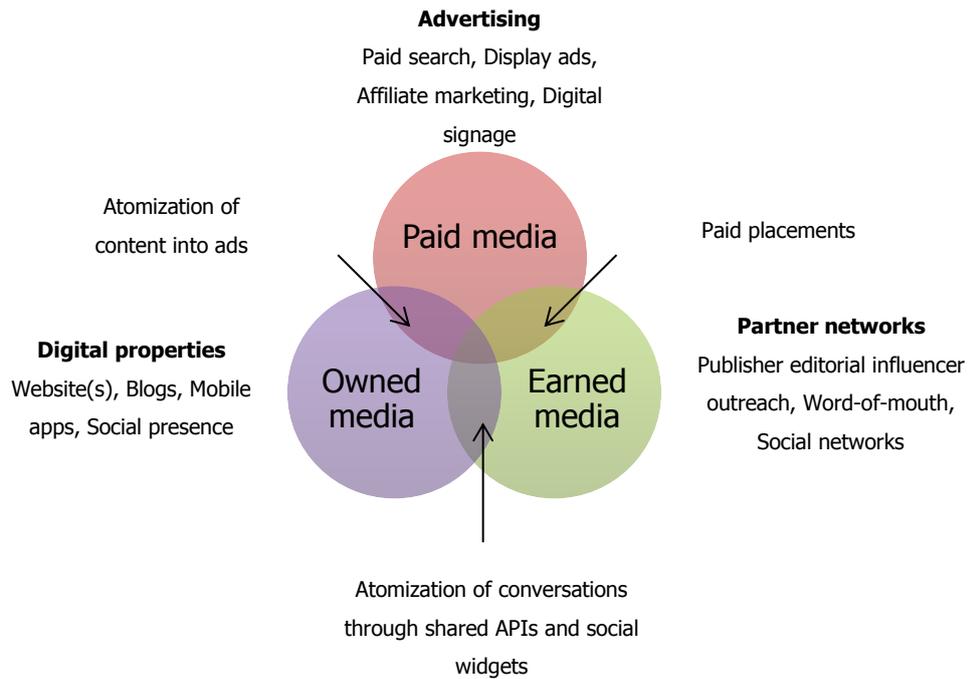


Figure 12. The intersection of the three key online media types (2012: Chaffey & Ellis-Chadwick 11).

Price: Online price-comparison reveals the value of the product/service. Thus, price must be set transparent in digital market. (2012: Ryan & Jones 29).

Place: Approximately the 2 billion-plus people around the world who wish to be connected through online devices. (2012: Ryan & Jones 29). For the Japanese market, distribution in right platforms and online communication tools, which are locally accepted, should be selected for successful exposure of brands.

3.4.4 Key elements of online promotion on digital marketing

- **Owned media**

Own media refers to the media that owned and manage by the brand including a company's own website, blogs, e-mail list, mobile apps or other social presence. (2012: Chaffey & Ellis-Chadwick 11). The aim of an effective website is making informed decisions about website design in a digital marketing context. (2012: Ryan & Jones 38 & 39). Setting up a community service on its own site can gain registered members and create direct marketing opportunities such as email marketing and conduct user analysis from the information and data available. (2012: Chaffey & Ellis-Chadwick 354). Communities are best suited to high-involvement brands whether the purpose of having communities is for B2C or B2B. (2012: Chaffey & Ellis-Chadwick 354).

- **Page design and content planning**

Page design proposes an appropriate layout of page elements to meet the goals of finding-ability and usability including the elements of the title, navigation, and content for the best user experience. (2012: Chaffey & Ellis-Chadwick 405). Content design involves managing text, rich media, audio and video content through print and digital media at mobile platforms aimed at engaging customers and meeting business goals. (2012: Chaffey & Ellis-Chadwick 406).

- **Usability:** Simple and functional design gives site users effective and smooth online experience. (2012: Ryan & Jones 40).
- **Accessibility:** Website should be equally accessible to all users. (2012: Ryan & Jones 40).
- **Effective web content:** Web content should be tailored towards the targeted audience. Effective message always maximizes attention. (2012: Ryan & Jones 50).

- **Paid media – search engine marketing**

- o **Search engine optimization (SEO)**

Search engine optimization (SEO) is a cost effective technique that helps the data collection on people's relevant search keywords and brings traffic to the highest position in the organic listings on search engines. (2012: Chaffey & Ellis-Chadwick 491). The most effective SEO refers to knowing what optimum keywords are used to find the products, services or information, in which people type and for which people searching in the search engine. (2012: Ryan & Jones 66).

- **Combination of short-tail and long-tail keywords:** The high trafficked (short-tail) key words contains one or two words, that have a high cost per click, but have low conversation rates, as those keywords are usually too common to specify certain products. (2012: Ryan & Jones 70). Long-trafficked (long-tail) keywords consisting of four, five or more words have a low cost per click, yet are not so competitive. (2012: Ryan & Jones 70). Long-tail keywords have a higher conversion rate because they are very specific and can suggest the further searching online purchase cycle. (2012: Ryan & Jones 70).
- **Good titles and unique meta description:** HTML tag in the header section of the code on each of the webpages called the title tag. (2012: Ryan & Jones 71). This is important because it is one of on-page factors by the search engines to rank the page. (2012: Ryan & Jones 71). Meta description is placed under the page title in the Search Engine Results Pages (SERPs) and helps boost the click-through rate (CTR) because a well-written description will appeal to users. (2012: Ryan & Jones 72 & 73).
- **Content on the site:** Content should be always unique, relevant, informative and differentiated from the competitors. It includes graphics, animations,

videos, banners and good copy in the text as well as appropriate keywords. (2012: Ryan & Jones 73).

- **External and internal links:** Search engines have to rely on the search engine's algorithm that is the quantity and quality of references or links to that page from other web pages. (2012: Ryan & Jones 75). If the links appear globally and lead to an individual page, the collective vote of confidence for that page becomes higher, and the page is judged as important by the search engines. (2012: Ryan & Jones 75).

- **Pay-per-click search advertising (PPC)**

Paid search (pay-per-click) marketing (PPC) is Internet advertising that search engines by relevant text display sponsored ads links to the natural listings such as Google AdWords, or banner ads are afflicted on third-party sites. (2012: Chaffey & Ellis-Chadwick 491). PPC can create a sponsored result immediately when users type in the selected keywords; it exposes the site in the SEPRs while SEO takes months to set up. (2012: Ryan & Jones 82).

- **Affiliate marketing and strategic partnerships**

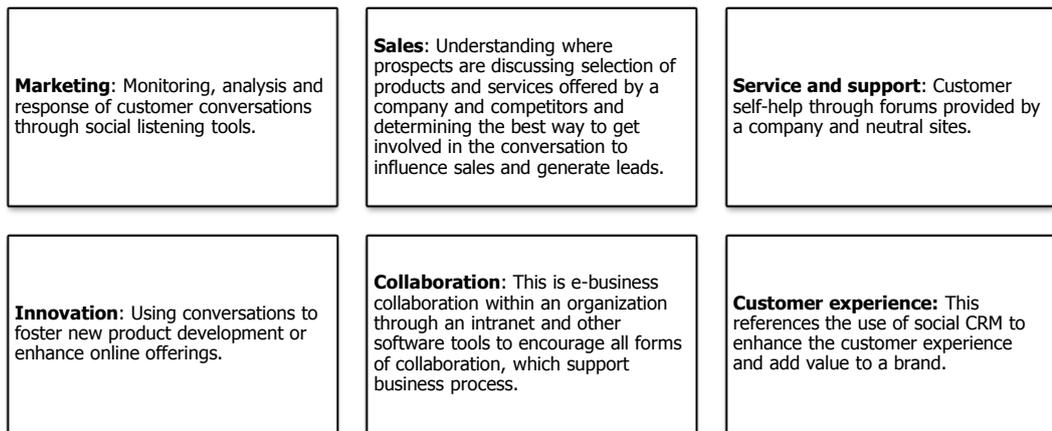
Online partnerships are today's essential marketing mix that include link building, affiliate marketing and online sponsorship as PR functionality. (2012: Chaffey & Ellis-Chadwick 515). Building strategic partnerships in the website can raise large volumes of traffic to the site, which will maintain long-term partnerships with suppliers by promising a revenue share of business accruing from the campaign; thus, for a healthy ROI. (2012: Ryan & Jones 199).

- **Social media**

Social media marketing is an important part of digital marketing which motivates customers to keep proactive communications on the companies' own website, and social presences, blogs and forms. (2012: Chaffey & Ellis-Chadwick 535). The proliferation of social media is an extension of increasing levels of Internet usage and the penetration of the Internet access. (2012: Ryan & Jones 155). Social media marketing can tell a company's customers' actual voices on their interests or feedback to the product/ service whether the companies get involved or not. (2012: Ryan & Jones 155). Those conversations occurring in communities should be used to improve the customer engagement and relationship. (2012: Ryan & Jones 155). The social media marketing can increase the reach of the brand and get valuable traffic to owned sites. In addition, particular keywords used in the social posts can help the search visibility. (2012: Ryan & Jones 158).

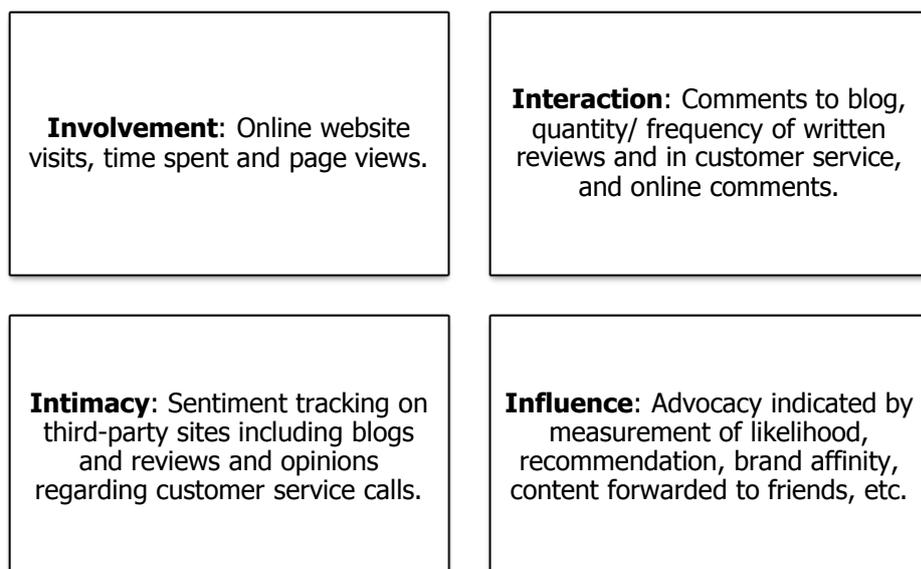
3.4.5 Customer relationship management (CRM)

Electronic customer relationship management (E-CRM) refers to maintaining customer relationship development by applying digital communications technologies such as website and online social presences that direct continuous sales revenue from the customer retention through online service. (2012: Chaffey & Ellis-Chadwick 314). Social CRM have been developed with various online approaches studying on how companies utilize social media services to develop customer relationships and its value. (2012: Chaffey & Ellis-Chadwick 314). The scope of social customer insights is divided into six different areas: (2012: Chaffey & Ellis-Chadwick 314).



- Customer engagement

Customer engagement is the brands engagement with customers that companies are interacting with their customers through diverse online media incentives and maintaining the sustainable customer engagement with the purpose of brands diffusion and more profitable relationships. (2012: Chaffey & Ellis-Chadwick 319). Customer engagement consists of four main sections and the engagement rate can be measured by data collected both online and offline: (2012: Chaffey & Ellis-Chadwick 319 & 320).

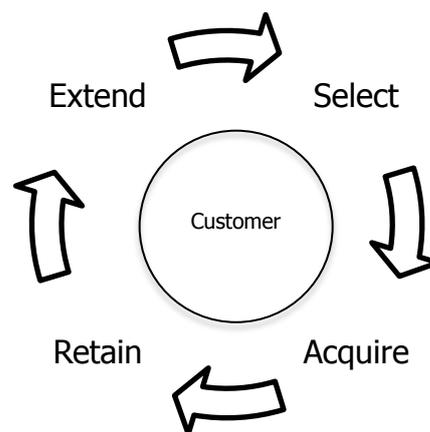


- **Virtual communities and social networks for CRM**

Community means society where people seek a certain goal and share common interests and purpose within the online community. It gives the opportunity for people who are like-minded individuals to gather in an ideal community. (2012: Chaffey & Ellis-Chadwick 353). Online virtual communities can create focused content that provides the rich information about the brands, attracts new visitors, and substantiate interaction between B2B and B2C in social networks. (2012: Chaffey & Ellis-Chadwick 353). The community can develop customer loyalty together with the growing community, and acquire the purchasing power from advertisers. (2012: Chaffey & Ellis-Chadwick 352 & 353). Most popular and well-known social media platforms for companies are Facebook, Twitter, YouTube and others such as Google+, LinkedIn, Tumblr, etc.

- **Customer lifecycle management**

Customer lifecycle management is to measure the position of CMR in the lifecycle; how companies invest in digital marketing to maximize the revenue. (2012: Chaffey & Ellis-Chadwick 323). The customer lifecycle is consisted of select, acquire, retain and extend stages: (Figure 13) (2012: Chaffey & Ellis-Chadwick 323 & 324).



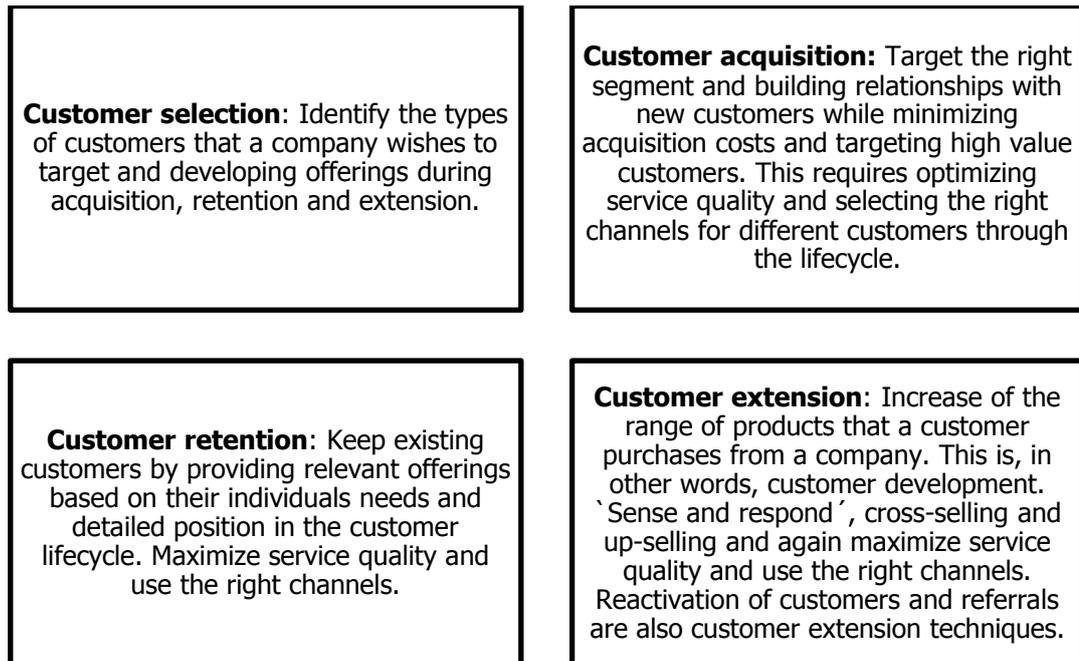


Figure 13. The four classic marketing activities of customer relationship management (2012: Chaffey & Ellis-Chadwick 324).

3.4.6 Mobile marketing

Mobile marketing is developed digital marketing methods in recent years that is applied to reach out the target consumers. Unlike traditional device like PC, mobile devices give consumers quick access to relevant information and services in a mobile-optimized version of the site whenever using mobile or tablet devices. (2012: Ryan & Jones 216). Furthermore, for game makers and app developers, ad is one of the most important revenue sources. They determine each ad format with its various benefits depending on app genres, and should deploy it based on the defined marketing strategy. (2013: mobyaffiliates). For instance, advertising network (ad network) representing many websites in selling advertising, allowing advertising buyers to reach broad audiences relatively easily through run-of-category and run-of-network buys. (Marketing Terms).

Mobile ad formats

- **Banner ads:** Banner ads are the most common old mobile ad banner format. It is versatile and simple. While banners can be good for advertisers' brand awareness and visibility, they certainly don't produce the best CTRs. (2013: mobyaffiliates).
- **Rich Media Ads:** Rich media mobile ads include various types of ads such as animations, or short video clips that have a more engaging experience than a typical banner, or static interstitial. (2013: mobyaffiliates). Good things are that they have a good engaging experience, are versatile and provide high CTR. However, they can be somewhat intrusive.
- **Interstitial ads:** Interstitial ads are full-screen ads that appear at intervals within the app. They attempt to grab a user's undivided attention. (2013: mobyaffiliates). They are engaging ads with a lot more flexibility, especially with high quality artwork and powerful copy that lead high impressions and conversions. (2013: mobyaffiliates). On the negative side, interstitial ads are highly intrusive and may annoy some users.
- **App lists (App walls):** App lists (app walls) are interstitial-style ads with a full screen that offers a variety of different apps to install in one ad. (2013: mobyaffiliates). App lists are usually optional; viewing them is not mandatory unlike many other types of mobile ad formats. Therefore they give high CTR because they are non-intrusive. They are very good for cross promotion, but app lists have lower impressions for publishers and more competition for advertisers. (2013: mobyaffiliates).
- **Video ads:** Video ads are in-app mobile video. They focus attention and are good for brand visibility. A poorly made ad; however, can ultimately

frustrate users and cause them to close and stop using the app altogether. (2013: mobyaffiliates).

3.4.7 Localization

Localization of websites is tailoring of website design and information for prioritized individual countries according to the market's needs. (2012: Chaffey & Ellis-Chadwick 389). In order to fulfill customer-centricity, the website is localized to meet different product needs by language localization and cultural adaptation. (2012: Chaffey & Ellis-Chadwick 389). This requires more than simple language translations since promotion concepts and approaches are not always universal. (2012: Chaffey & Ellis-Chadwick 389). The data shows that 88% of managers at multinational companies stated that localization is important, 76% of them saying that it is important specifically for carrying out international customer satisfaction. (2012: Chaffey & Ellis-Chadwick 390).

Mashable emphasizes that companies need to fulfill following key points including the translation and adaptation of content for foreign markets. (2011: Mashable).

Visual aid: Images used in the website are always appropriate for a website intended for a target audience considering cultural sensitivity and risk assessment. This way we can build trust and earn customer loyalty.

Adapt and Adjust: The style and design of a well-localized site stays consistent with local norms. For instance, western websites look much cleaner and simpler compared to Japanese ones, which requires more visuals and information.

Language translation: Localization is all about going global. Translating all of the content on the site into another language might be the best way to strengthen the international appeal.

(Source: 2011 Mashable).

In terms of mobile apps localization, Japan's smartphone app revenue surpassed the U.S. in 2012, which proves that gaming is the largest category of demand with social media on the rise. (2014: InMobi). Thus, all apps need to be released the localized version of apps because Japanese culture and the nature of the app ecosystem are very different from the other countries. (2014: InMobi).

3.4.8 Measuring digital marketing success

Digital marketing is not just defined as a prescriptive medium but many other variables involved in its activities. (2012: Ryan & Jones 97). Companies need to understand what online advertising works well for their business, and learn from the performance results. (2012: Ryan & Jones 97). The most successful marketing means making an efficacious investment and testing and refining the digital marketing to maximize return on the investment (2012: Ryan & Jones 97 & 98). The current Internet marketing migrated performance-based advertising and pay-per-click and pay-per-acquisition models that companies pay for traffic or actual conversion gained through a particular advertising channel. (2012: Ryan & Jones 97). The measurement of the digital marketing performance can be seen through owned website in real time, and the user behavior can be recorded online after being exposed to an ad. (2012: Ryan & Jones 97). Performance results are identified by web analytics. Quantitative metric can measure the performance using conversion rates, number of site visitor numbers and actual enquiries and engagement levels such as sums of shares and comments. (2012: Chaffey & Smith 568). Quantitative metric can value customer satisfaction scores and influence from feedback collected from users. (2012: Chaffey & Smith 568).

3.5 Mobile app marketing

Marketing mobile game applications is still new to some marketers. At the same time, the demand for promoting mobile apps continues to grow. Due to the rapid growth of mobile app market, app marketing guidelines and instructions are constantly changing and updated. Most of theories of mobile app marketing are introduced by technology related media and bloggers, who can instantly react to the market changes.

App Store Optimization (ASO) is one of important mobile app marketing concepts to make an app stand out from a large number of apps available in an app store and help assist potential customers to find a specific one among other competitors' products. ASO refers to the process of optimizing mobile apps to achieve effective search results and reach high visibility in an app store. (2013: KISS metrics). The optimization should focus on keyword research and targeting based on potential customers' needs and wants, a deep understanding of target customers. (2014: GAMASUTRA). Furthermore, an app's name, app icon design, app screenshots in an app description page, app description and finally app ratings are also essential elements to maximize ASO in mobile app marketing. (2013: apptamin). Typically majority of app users find apps through app store searches; thus, the most effective method to increase ASO's results is to list outstanding game titles and potential keywords, which should be related to an app, its genre and category. (2013: KISS metrics). This is why AOS is important for mobile app marketers. Hence, AOS should be always monitored and improved at all times in association with an app's ranking fluctuations in an app store.

3.6 Japanese consumer mobile app purchasing behavior

Japan is one of the largest mobile app markets in the world. (2014: AppAnnie). With the transition period from feature phones to smartphone, Japanese

consumers dependency on mobile devices became more obvious than before. (2014: AppAnnie).

Smartphone is a smart mobile device, which includes advanced functions similar to personal computers, and provides integrated computer technology such as information management, mobile calls, email sending, and Internet access. (Business Dictionary). Mobile devices dependency increased addition to mobile Internet applications (mobile apps) and that has grown digital application usage such as digital book publishing, mobile games and communication apps. (2014: AppAnnie). This resulted in creating the new generation of smartphone users in Japan.

In terms of Japanese smartphone app usage, there are many interesting insights that show how and what makes Japanese people to purchase mobile apps. "Smartphone addiction" has become a popular word in Japanese media in recent years. This refers to smartphone users who depend on mobile devices in most of their activities. These smartphone users interact with people only through mobile devices or social networking apps. A sudden rise of smartphone addiction is associated with increasing social functions and elements in mobile apps. (2014: President). Behind of smartphone addiction is Japanese lifestyle and collectivistic society.

- **Popular multiplayer games** - Most popular game genre in Japan is Massively Multiplayer Online Role-Playing Game (MMORPG), which is a type of online role-playing game with a large amount of people playing simultaneously. MMORPGs have caused mobile phone overuse in some cases. (2014: President). In MMORPG, a player needs to team up with other players in order to make progress on certain tasks and needs to work with the team on a daily basis. (2014: President).
- **Freemium game** - Freemium or Free to Play (F2P) refers to a business model for online mobile games, in which the game developers do not

charge the player for downloading the game yet earn revenue from advertisements or in-app-purchases. (Techopedia). Most of Japanese popular mobile games are F2P and include mechanisms such as daily log-in rewards that induce players to come back and play everyday. (2014: President). Because these games are accessible to minors and may in fact target them, minors making purchases on parents' credit card without getting permission has been controversial. (2014: President).

- **Social Networking Service** - Social Networking Service (SNS) is an essential daily communication tool among Japanese smartphone users. Japanese SNS app called LINE, which is a messaging app on mobile phones, has become the most popular instant messaging app among young users. LINE features real-time "already read" confirmation function that users can see when messages are read by a friend in a chat. (2014: President). In Japanese manner, when a user has read a message, s/he needs to reply to the sender immediately. Otherwise, users consider this as being ignored. Communication through LINE is simple and convenient; at the same time, LINE users are easily ostracized by other users if they do not follow rules on online communications. (2014: President). Due to such obligations in SNS, many users are stressful and under pressure to be active. As a result, they compulsively check messages on mobile devices. (2014: President). Another feature is group chat, where people can send messages to everyone in the same group. Users can have several group chats among different friends groups chaining them to using LINE app as the main communication tool in daily life and consequently number of LINE users has increased and even turned into smartphone addiction. (2014: President).

4 Methodology – mobile marketing and mobile game marketing

The purpose of doing research is to collect research topic related information through logical and scientific methods and gain insights of the research that provides a new theory with new findings. (2012: Malhotra, Birks and Wills 7). By conducting the research, it can give right answers to the research questions and support to make the research decisions. There are two types of research designs that can be applied: exploratory and conclusive, and two different types of marketing research techniques to be understood in the conclusive design.

Exploratory design aims to provide insights of marketing phenomena and understand the nature of it using small samples. (2012: Malhotra, Birks and Wills 87). It collects preliminary information in either qualitative or quantitative methods that helps define the problem and suggest hypotheses. (2013: Kotler, Armstrong, Harris & Piercy 114). Examples of doing the exploratory research are expert survey, secondary data collection and qualitative interviews. (2012: Malhotra, Birks and Wills 87). Conclusive design targets specific hypotheses and its relationship examinations consisting of descriptive research and casual research. (2012: Malhotra, Birks and Wills 87). Descriptive research in the conclusive design describes market characteristics or functions by the prior formulation of specific research questions and hypotheses with large samples. (2012: Malhotra, Birks and Wills 90). Another technique in the conclusive design is causal research that is applied to obtain evidence from assumption of causal relationships, which is called cause-and-effect relationships. (2012: Malhotra, Birks and Wills 97). This requires formal research and scientific concept of casualty. (2012: Malhotra, Birks and Wills 371).

Exploratory research is appropriate in cases where a problem is precisely defined and a relevant course of action can be identified. (2012: Malhotra, Birks and Wills 86). Furthermore, secondary data can provide important background information of the market and statistical support before starting primary

research. (2012: Malhotra, Birks and Wills 86). Exploratory design can also identify the action necessary to solve problems. Thus, it is suited to exploring the Japan's market information on smartphone usage, social media service as a communication tool and mobile game industry.

Observation research is also applied as a part of the Japan market study. These observations are based on my work experiences at Rovio. As a part of my job, I have tracked behavioral patterns of mobile game players in Japan and also obtained information about the phenomenon of Japanese consumer behavior in this field. Observation research refers to a systematic data collection approach that researchers apply their senses to examine people, objects and events in natural settings or naturally occurring situations. (2012: Malhotra, Birks & Wills 350). This includes my opinions and observations following my working experience in the mobile game industry.

4.1 Research design

Exploratory research design examines the different explanations for the communications usage trends in Japan, and aims to make a decision on a digital marketing strategy to gain active mobile game users in the market. Data collection mainly focuses on publication research including data from secondary research such as online sources currently available in Japan. The following information sources are taken into the study:

- Survey of Communication Usage Trend in Japan
- Smartphone penetration rate and ownership ratio in Japan
- Social media platform trend in Japan
- Smartphone game market size and its share in Japan

4.2 Reliability of the research

The research is meant to bring the consistency in results, and that refers to reliability. (2005: Proctor 208). Validity stands for the degree to what is supposed to be measured is what is actually measured. (2005: Proctor 208). Therefore, reliability and validity do not always influence each other. It may increase the reliability when more number of the tests is conducted; however, it will not necessarily increase its validity at the same time. (2005: Proctor 208).

All of the secondary research used in this section is from credible secondary sources, which are conducted either by the Japanese government's coordination or well-known market research agencies whose studies are often used in public research analysis of its related industries. Due to the fast-changing trends in the Japanese market, the data validity can only be maximized during a limited period of time, more precisely until the revised test is released. Thus, it has limitations on accuracy due to a time lag between the research period and analysis. Another disadvantage of the secondary research is possible bias to the results as an external party with a different purpose and assumptions collected the data.

4.3 Limitations in the research

There are limitations in the research that may influence the results for data findings. The study is limited to due to inability to do primary research in the Japanese market regarding this topic. Moreover, there are also constraints considered in this research, time management problems and financial issues. Working on the thesis in Finland while studying the Japanese market restricts the researcher to carry on the project objectives, such as hosting focus group or street interviews in Japan. In order to conduct primary research, it requires a certain budget and adequate time for the market investigation. Other limitation taken into account is lack of access to information about Rovio's Japan strategy.

A new country director for Japan was recently hired in September and the Japan specific strategy has been not yet presented; thus, the Japan business direction cannot be reflected into the research in time.

4.4 Online data sources

4.4.1 Survey of Communication Usage Trend in Japan

The Japanese Ministry of Internal Affairs and Communications has held a survey called Communications Usage Trend, randomly targeting over 20 years old householders in Japan via direct mail since 2002. Aim of this survey is to measure the diffusion of Internet use and to understand the Japanese marketplace better. From the results of Communications Usage Trend Survey 2013, the current and latest Japan's communication trends can be determined, and the current Japan's technology situation examined.

The aim of this survey is to ask questions to targeted households regarding the ownership of communication tools and devices used regularly. The questionnaires begin from the ownership and usage of specific communication devices and move on to the actual Internet usage, environment and security, which consist of various multiple-choice questions.

4.4.2 Smartphone penetration rate and ownership ratio in Japan

Hakuhodo, who is one of the oldest Japanese publishing and public relations agencies in Japan, held a public survey in February 2014. This survey is a periodical online investigation on Japanese smartphone users with 1000 samples from high school students to elders up to the age of 69 years old. The initial screening investigation was held targeting 10,000 samples from a list of their Smart Device Business Center. Respondent rate to the survey is 100% according to the Hakuhodo research report.

The questionnaires with qualitative multiple-choice test questions take into account of the demographic information including respondents' gender, age and residential address.

4.4.3 Social media platform trend in Japan

Nikkei Research Inc., one of Nikkei Group, is a market research provider with various survey methods in Japan. Social Media User Survey 2013 is an online survey (qualitative research) conducted by Nikkei Research that outlines social media and smartphone usage research in Japan in order to understand each user's characteristics. The goal of this survey is to take correct steps for Internet marketing in coming years. Research has been conducted since 2010. The year 2013 mainly focused on four most popular media services – Twitter, mixi, Facebook and LINE in addition to Google+ and LinkedIn (see appendix 1).

4.4.4 Smartphone game market size and its share in Japan

Cyber Z is a Japanese marketing company specialized in smartphone advertising and its marketing research. Cyber Z conducted a smartphone market research in corporation with Market Research & Consulting Company called SEED PLANNING and Japan Online Game Association (JOGA). The research focuses on ads spending of the following three mobile game categories, smartphone games, smartphone native apps and smartphone native apps, and digs into the insights of that during a given period between January and December of 2013 in Japan (see Appendix 2).

5 Research results

The market penetration of digital channels is growing rapidly. This encourages mobile game companies to maximize online consumers reach and retention. Next is the analysis on Japanese digital market trends. The research results identify the factors that could help the acquirement of mobile game app users.

5.1 Survey of results in Communications Usage Trend in Japan

5.1.1 Situation of Internet utilization

The number of Internet users and the diffusion rate in 2013 had increased in succession from the previous year. From the year 2012, approximately 420,000 new users are added (0.4% of increase). In total, approximately 96.52 million people access to Internet in Japan. The Internet use situation according to the devices, 59.5% of people use Internet on the computers at home, 42.8% of people use on mobile phones and 34.1% of people use on the computers at a place other than home. 34.1% of people are smartphone users. (2013: Communications Usage Trend Survey).

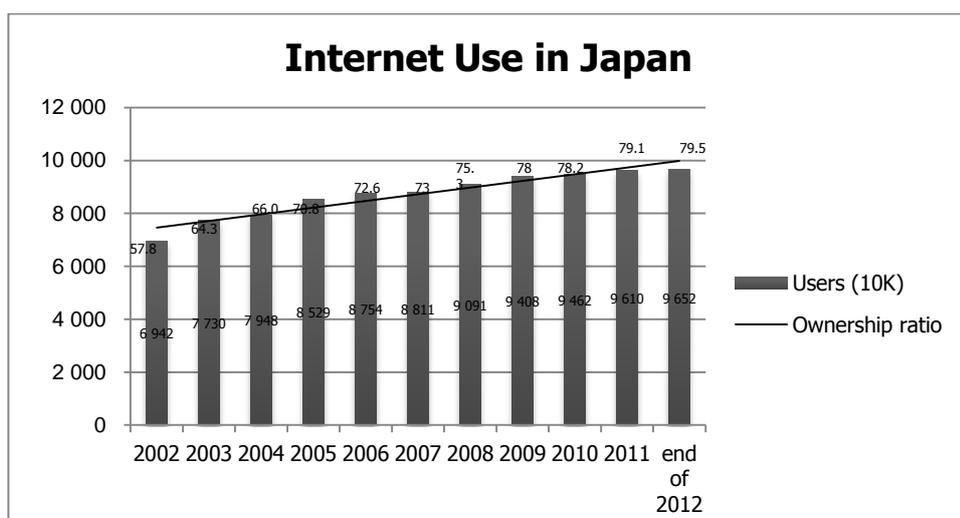


Figure 14. Internet Use in Japan (2013: Communications Usage Trend Survey by Ministry of Internal Affairs and Communications).

Majority of Japanese people enjoy Internet service in their free time mainly at home. Figure 15 shows that smartphone and tablet penetration rate has been increasing toward the year 2014 while computer ownership ratio has been going down.

Internet use by different devices from the year 2008 to 2013

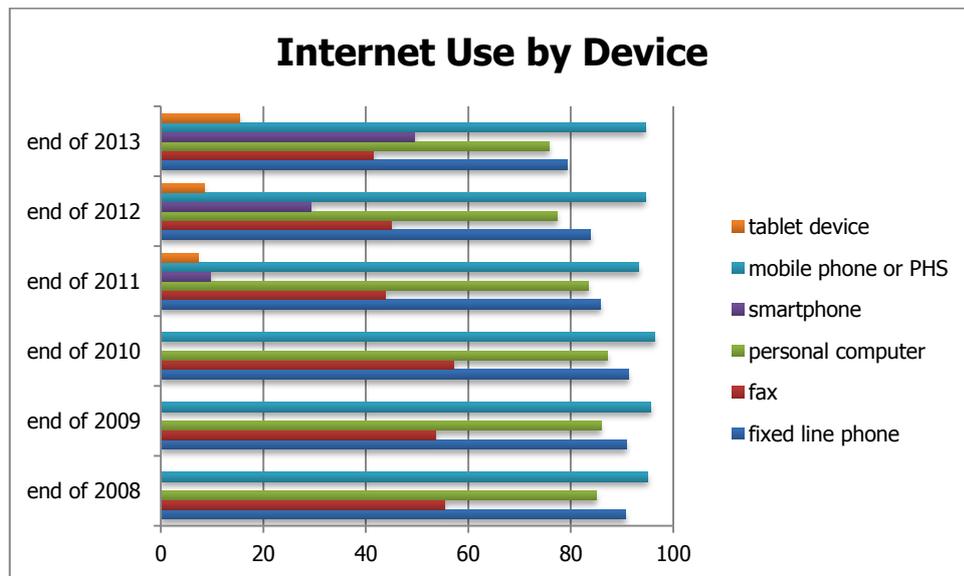


Figure 15. Internet Use by Device (2013: Communications Usage Trend Survey by Ministry of Internal Affairs and Communications).

Age between 15 and 29 appears to have the highest smartphone penetration rate (Figure 16). This anticipates that more and more young people will use the Internet through smartphone devices in the near future. Now the analysis moves forward to the specific data related to the smartphone penetration rate in Japan.

Internet use by different age groups in 2013

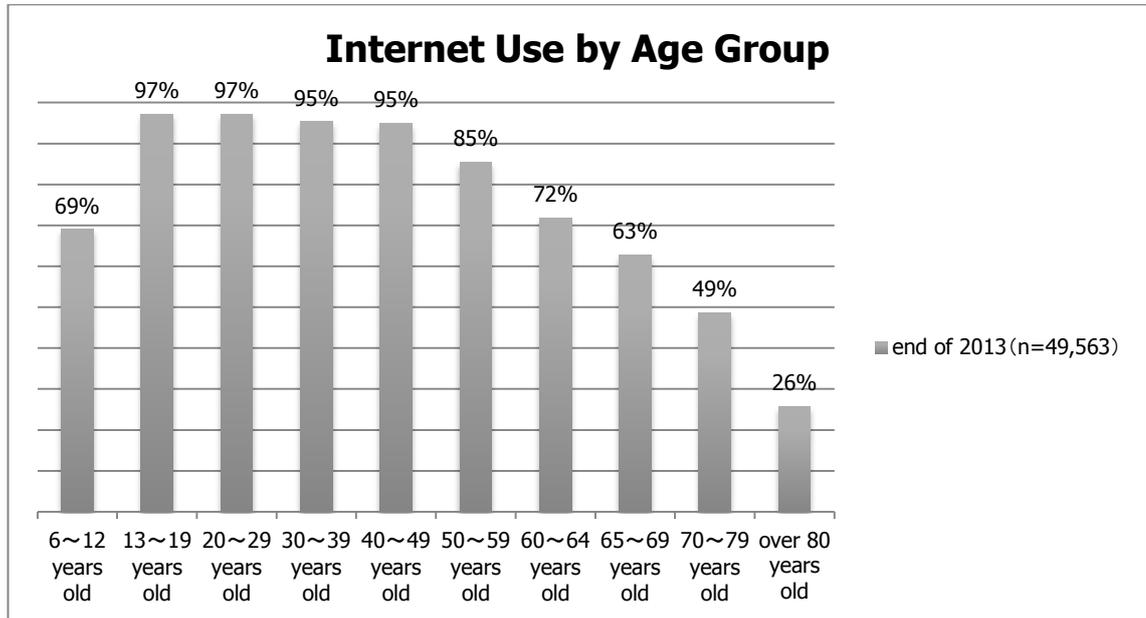


Figure 16. Internet Use by Age Group (2013: Communications Usage Trend Survey by Ministry of Internal Affairs and Communications).

5.1.2 Smartphone penetration rate

- From feature phones to smartphones

Internet is an essential daily service that connects people any time across the world. While smartphone penetration rate has been saturated in western market, the penetration rate has been dramatically growing in Japan since the year 2013 (Figure 17). The smartphone trend has just reached to the Japanese market because three big telephone communications operators, NTT Docomo, au by KDDI and Softbank have ended the transformation period from feature phones to smartphones. Moreover, Japan's smartphone penetration impacts the mobile gaming industry, which will be explained later in this research.

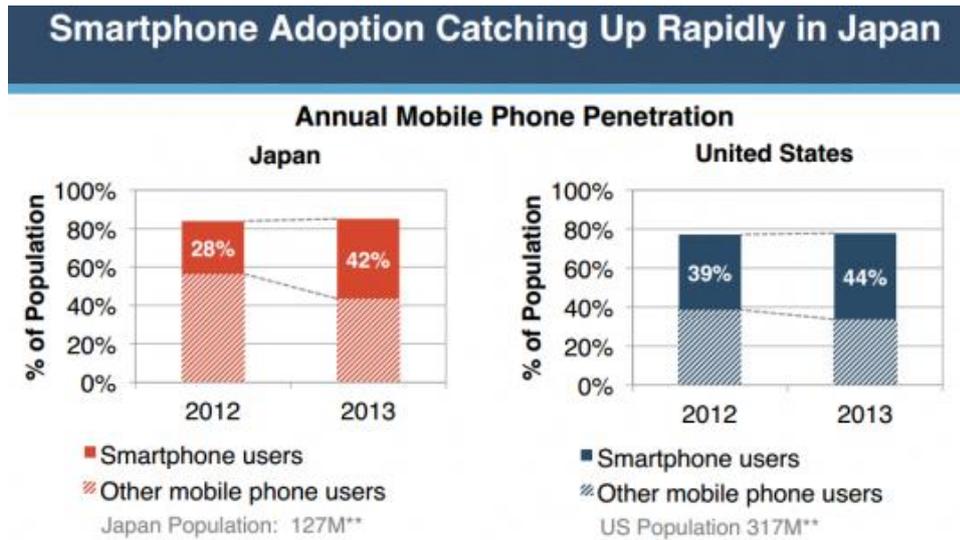
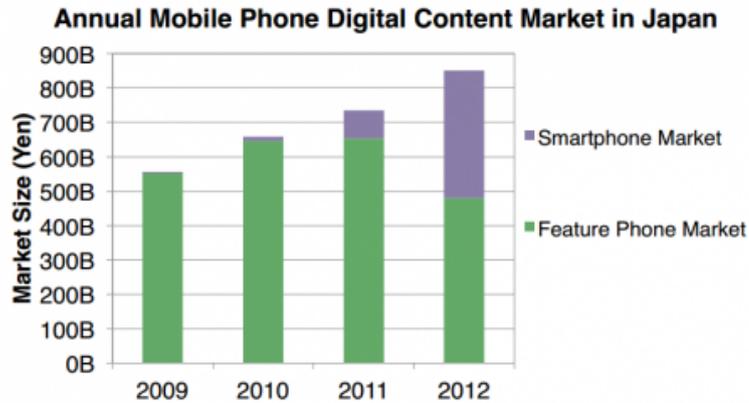


Figure 17. Smartphone Adoption Catching Up Rapidly in Japan (2013: eMarketer, Inc.).

Galapagos Effect is often heard when it describes Japanese consumer behavior - they enjoy their own life style and ignore the global trends entrance to the Japanese market. (2013: Euro Technology). The term *Galapagos Syndrome* comes from "Galapagos phones" which is Japanese feature phones introduced in Japan in 1999, which is much earlier than other countries. (2013: Euro Technology). This phenomenon appeared in the Japanese consumer behavior with Japanese feature phones. As its name implies, feature phones have quite many advanced features such as camera function, emails, wallet etc. before smartphones became globally popular. Japanese consumers had already enjoyed advanced technology, and because of these advanced mobile functionality in Japanese phones, it delayed Japanese people to try out the new smartphones such as iPhone (Figure 18).

Mobile Digital Content Market Already Strong in Japan



Source: Mobile Content Forum, Japan, August 2013

Figure 18. Mobile Digital Content Market Already Strong in Japan (2013: Mobile Content Forum, Japan).

Smartphones ownership ratio

The result revealed an increase in smartphone ownership ratio, which is 2.09 points higher compared to the previous survey in November 2013. The current Japanese smartphone ownership ratio is approximately 58.1 %. Compared to the result from Communications Usage Trend Survey by Ministry of Internal Affairs and Communications, the smartphone penetration has kept growing since the end of 2013. The figure 18 shows that the smartphone ownership ratio has reached more than 50% since November in 2013. This shows that the smartphone ownership surpassed the feature phone.

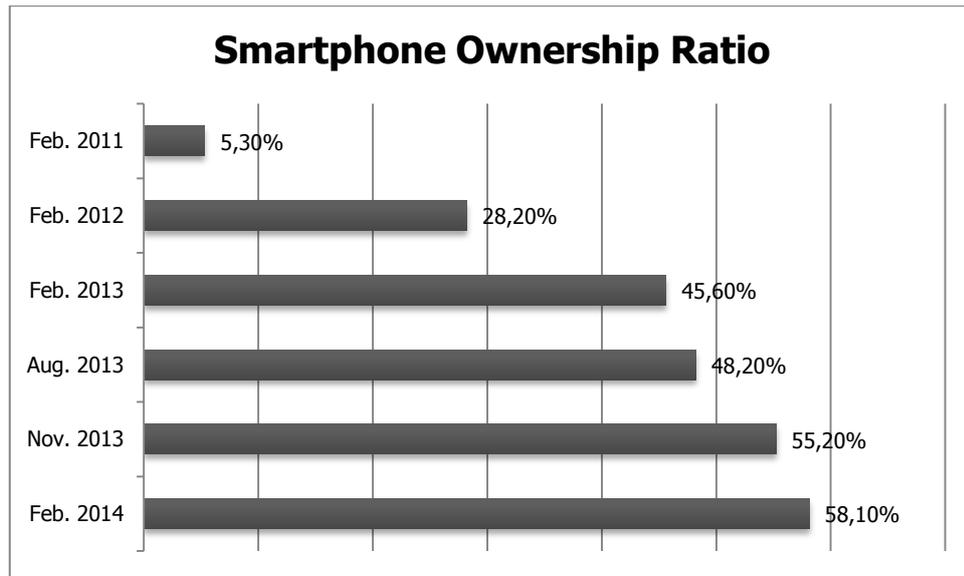


Figure 19. Smartphone Ownership Ratio (2014: Hakuholdo Smartphone Users Survey).

Smartphone Ownership Ratio by Age

A similar result to Communications Usage Trend Survey by Ministry of Internal Affairs and Communications can be found in the Hakuholdo's Smartphone Users Survey. Teens are with the highest smartphone penetration rate, and currently over 80 % of them own smartphones (Figure 20). Thus, a smartphone in Japan has become an essential communication tool especially for the young generation.

The survey results clearly prove the very fast smartphone penetration growth in Japan. Age between 15 and 29 are with the highest smartphone penetration rate. Smartphone has become mainstream of a communication tool among the younger generations and a regular part of their daily lives.

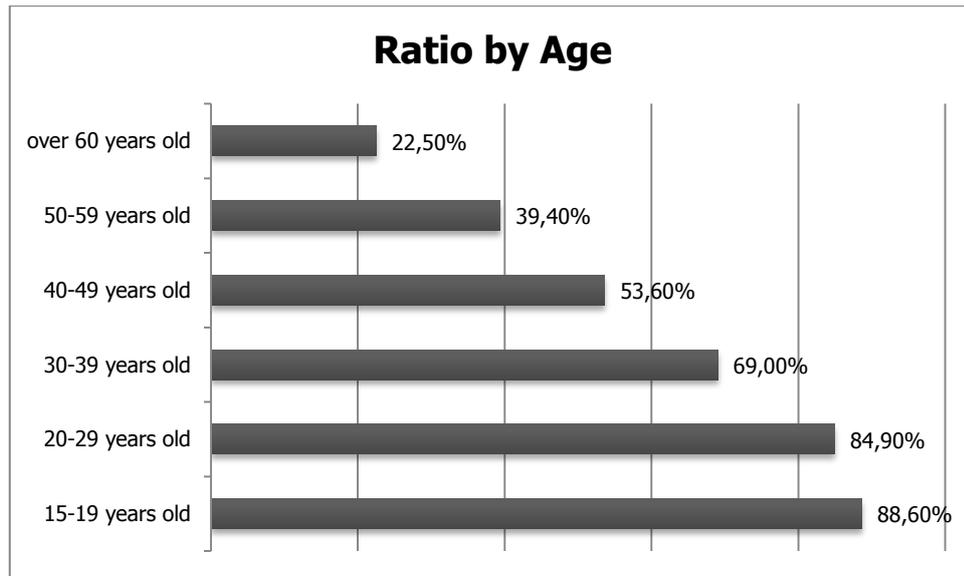


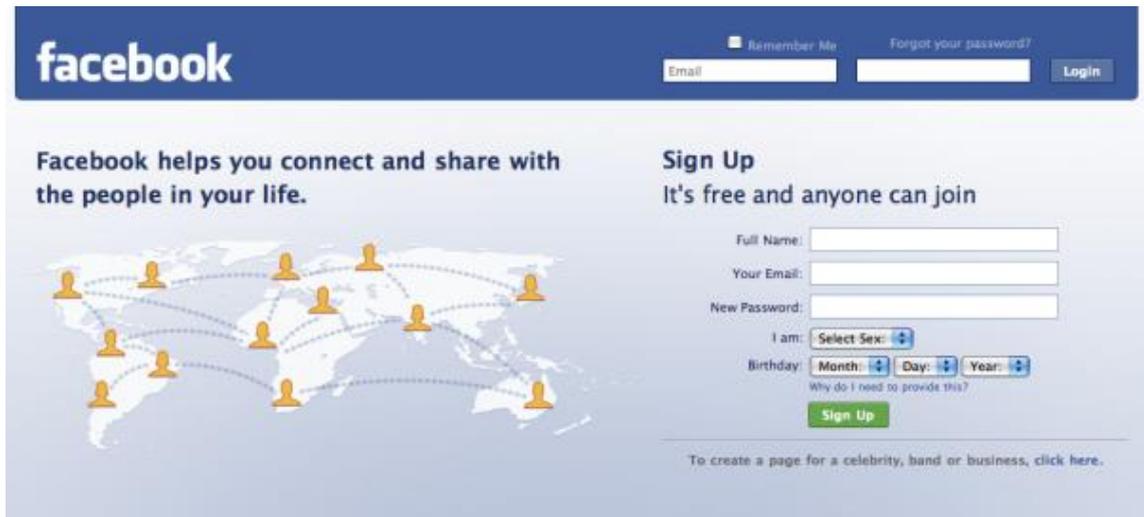
Figure 20. Smartphone Ownership Ratio by Age (2014: HakuHodo Smartphone Users Survey).

5.1.3 Social media platform trend in Japan

- Social media diffusion rate and utilization rate

Japan is one of the leading countries in the adoption and development of social media platforms. From social online games to social media services, Japan has developed its own social media networks and platforms trends. With the growth of smartphone penetration, Japanese people are willing to adopt new technologies and use social media communications as the most convenient tool in their modern lifestyle. Facebook, Twitter and LINE have become the big players in recent years in Japan. This section focuses on each social media's primary features and examine each service from the point of Japanese users' views.

Facebook



Screenshot of Facebook service login page

Facebook, the world biggest social networking service, provides features of various options to link text, pictures, links, videos based on users' personal information and their needs. Advantages of using Facebook for corporate users are simple communications that realizes instant chat with their fans, various advertising options and quick campaigns and events with external applications in Facebook. With Facebook, companies can increase their brand visibility and acquire new customers as well as collect customer information. Facebook has 1.19 billion MAU meaning Monthly Active Users and 0.87 billion MAU in mobile device while MAU has reached 22 million in Japan. (2013: Gaiax Social Media Lab). The figure 21 shows the main Facebook users in Japan who are between twenties and thirties.

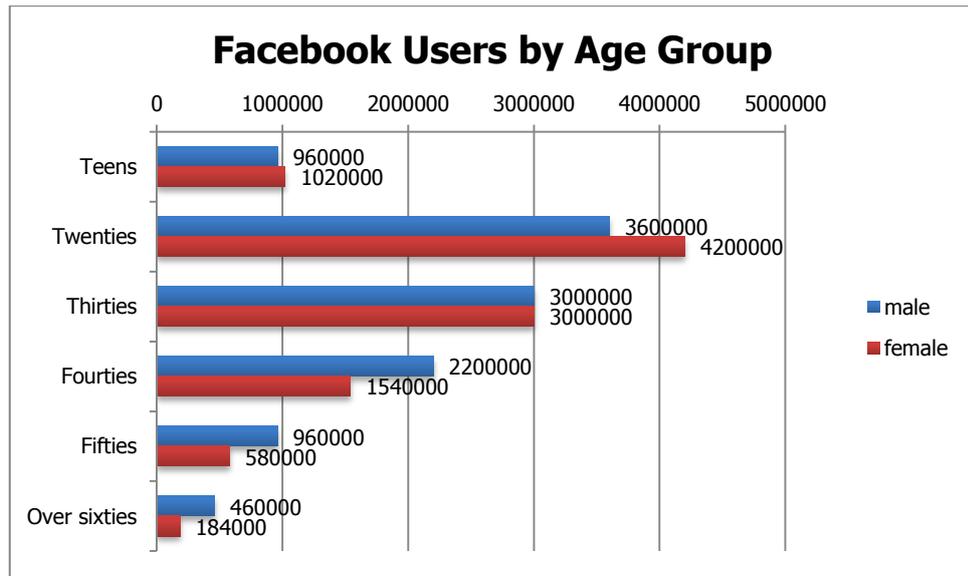


Figure 21. Facebook Users by Age Group (2014: Social Media Marketing Lab).

Twitter



Screenshot of Angry Birds Japan Twitter official account

Twitter is an online social networking service that users can send a short message within 140 characters called “tweet”, read tweets sent by other users and interact with Twitter users all around the world. Twitter has 23 billion MAU globally and 20 million MAU in Japan, which is the second biggest social networking service in the world. (2013: Gaiax Social Media Lab). It is fairly popular among Japanese SNS users because it is an open community but does

not require them to reveal their real names. Tweets are very convenient to post as they are shown on Internet. Advantages of using Twitter for corporate users are the quick information reach to all followers in real time and are instant customers' feedback collection. Twitter is ideal for corporate users especially for customer engagement purpose such as sale information, coupon giveaways and proactive customer support.

LINE



Screenshot of LINE official website

LINE is currently a big hit SNS in Japan as their service is free; it also includes phone calls and text messages among users. LINE offers various images called stickers to use while messaging. The service focuses on a closed community unlike other SNSs. Advantages of using LINE for corporate users are revolutionary features such as push notification that helps reach users in real time, availability of official account for targeted users and high conversion rate for downloading coupons. LINE has 490 million users and 52 million users and 34 million DAU meaning Daily Active Users in Japan. (2014: Media Guide LINE). The data collected from LINE official website indicates user segments. As it shows, main users in Japan are female whose age is below thirty years old.

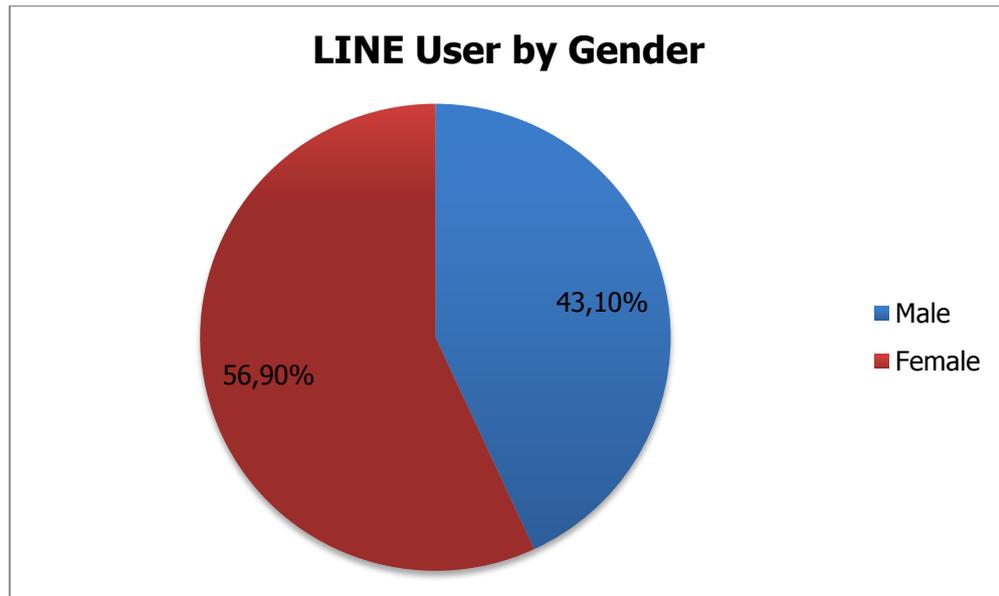


Figure 22. LINE user by Gender (2014: LINE media guide).

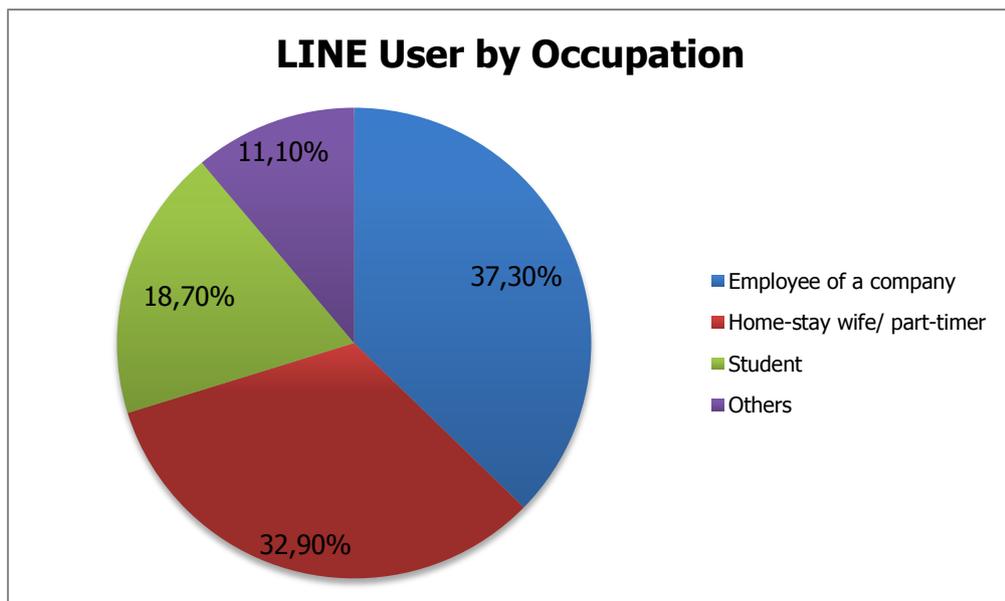


Figure 23. LINE user by occupation (2014: LINE media guide).

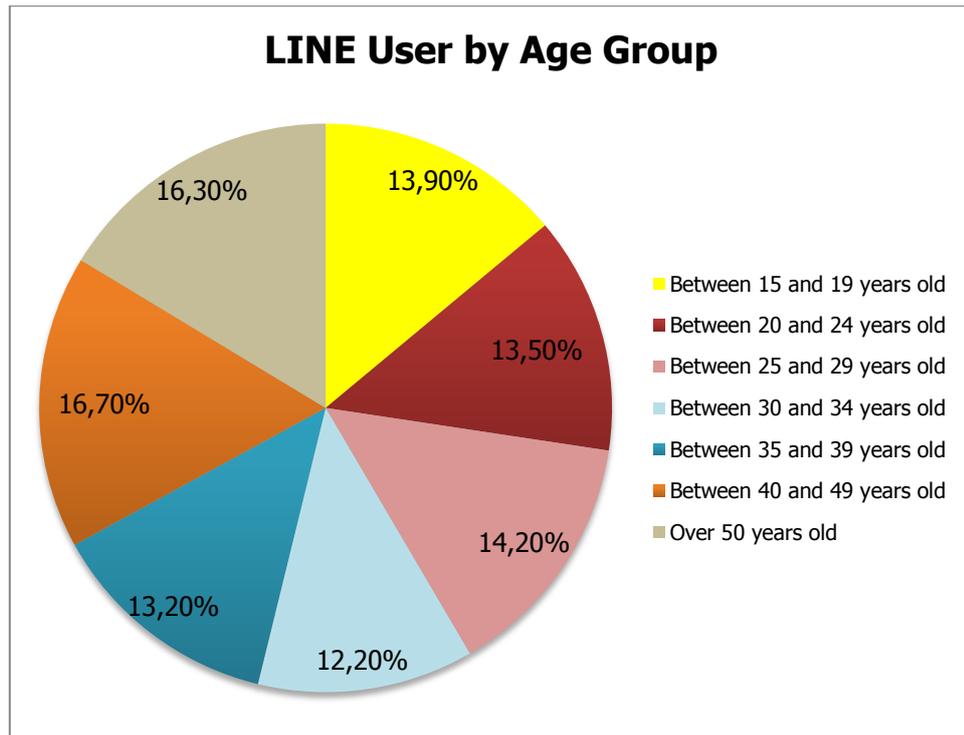


Figure 24. LINE user by age group (2014: LINE media guide).

mixi



Screenshot of mixi service login page

mixi is a Japanese online social networking service founded in 2004 and used to be the most popular SNS in Japan until new service such as Facebook, Twitter and LINE were introduced in the Japanese market.

The figure 25 shows the diffusion of Facebook at peak in 2013 while LINE has become the most popular communication tool in Japan according to the survey result.

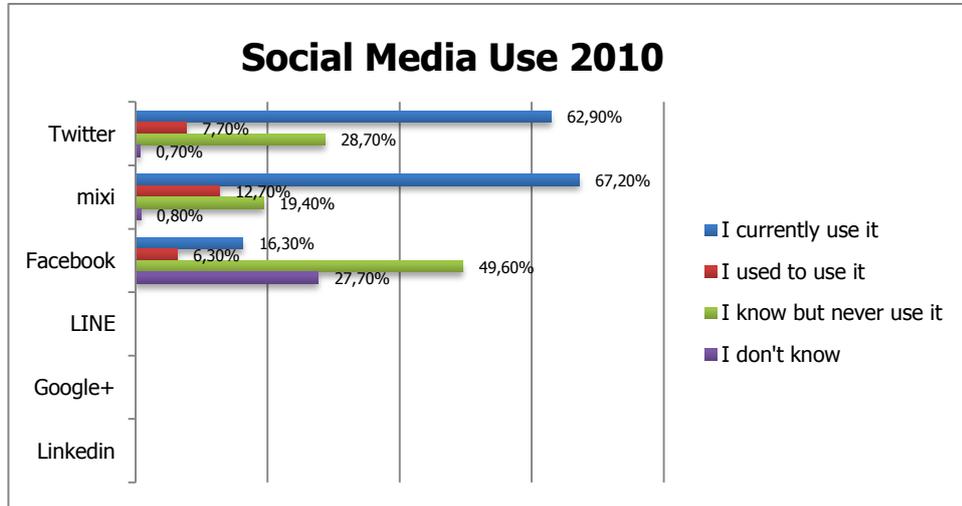


Figure 25. Social Media Use 2010 (2013: Social Media User Survey by Nikkei Research).

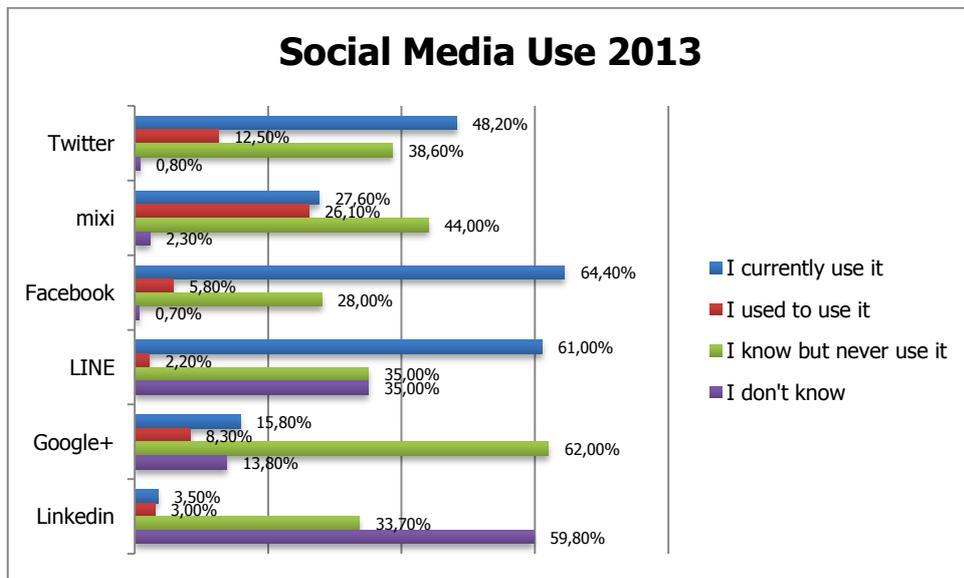


Figure 26. Social Media Use 2013 (2013: Social Media User Survey by Nikkei Research).

Furthermore, the number of active SNS users who post content more than once per week has been increased with the high penetration rate of LINE service. On the other hand, the frequency of access to Facebook has slightly decreased and the frequency of access to mixi has even worse. Twitter is still a popular SNS

service in Japan because it allows users to meet new people and communicate with them without revealing personal information unlike Facebook. Twitter stands out for the information sharing in general, which attracts casual users. mixi used to be a pioneer of social networking service in Japan, yet communication service users have shifted from mixi to one of the most popular channels, LINE. A distinguishing characteristic of LINE is that it is a closed community where people do not need to interact with strangers.

Facebook became a popular marketing tool among corporate users and public officials. This is due to the increase of company official accounts and influence of the social media activities in general. (2014: Web Advertising Bureau).

A summary of the utilization rate of social media channels:

- The number of twitter users has declined by 50% in the past two years.
- The number of mixi users has also been decreased to less than 30% of the total users.
- The number of Facebook users has been increased, which refers to 64,4% the top in the utilization rate; however, this increase has been slow down from the year 2013.
- The number of LINE users has been increased and over 60% of people use LINE service. This is because LINE's main functionality is private communications with people in a contact list.

Daily access frequency to social media channels indicates people's communications behavior now shifting SNS service from one to another.

- Twitter users are leveling off.
- mixi users are getting less active during the past 3 years.
- The number of Facebook users declined from the year 2013.
- LINE access frequency 10% has been increased.
- Google+ users are leveling off.
- LinkedIn users have declined during the past 2 years.

- LINE has the biggest social media market share in Japan while other SNS services are losing their users.

5.2 Mobile game industry in Japan

Getting insights of mobile game industry in Japan is a must. Competition for Intellectual Property (IP) and Identification (ID) gets harder after video game consoles new generation introduced such as PlayStation 4 and Xbox, and due to rapid smartphone application growth and changing game industry. (2013: Famitsu). Focus is not only on constant new IP creation but also capture new customer IDs for business expansion such as social game in network platforms. (2013: Famitsu).

Casual and light users who used to play console games started shifting to mobile games. Because of this, mobile game companies focus on their targeted customers to casual gamers. This includes those who have just started using smartphones. Moreover, Japan's game industry employs the free-to-play (F2P) business model. This movement has changed the landscape of game development even in western countries.

5.2.1 App purchase decision

According to the research conducted by media called Inmovb, typically 87% of Japanese smartphone users download apps in 30 days after having started using their smartphone devices, and 97% of them proactively try to discover new apps to download. (2014: Inmovb). 34% of them usually find apps via mobile ads while majority of people discover apps by browsing the app store, recommendations from acquaintance or official websites. (2014: Inmovb). App purchase or download decision is affected by more app store reviews than price. (2014: Inmovb). In Japan influential ads, which are context-aware and specific apps recommended, have the power to lead smartphone users to download

apps based on their current consumption and preferences. (2014: Inmovb). The research also shows that 37% of smartphone users have made in-app-purchases, most often for F2P mobile games. (2014: Inmovb).

5.2.2 Market size and market share

Cyber Z announced the research results in March 2014 that smartphone games have surpassed more than 50 % of Japanese domestic game market. (2014: Cyber Z).

Rough estimate of smartphone game market size in 2013

Rough estimate of smartphone games market size was 546,8 billion yen in 2013. Compared to the previous year 2012, it had expanded with 178%. Smartphone games have reached over 50% of the entire domestic game market share. As the number shows, it is 2.2 % more than the consumer game software market, which was 253.7 billion yen. Smartphone browser games have deep-rooted in so-called card games, yet F2P games have dominated the market and gained the increased number of users. (2014: Famitsu).

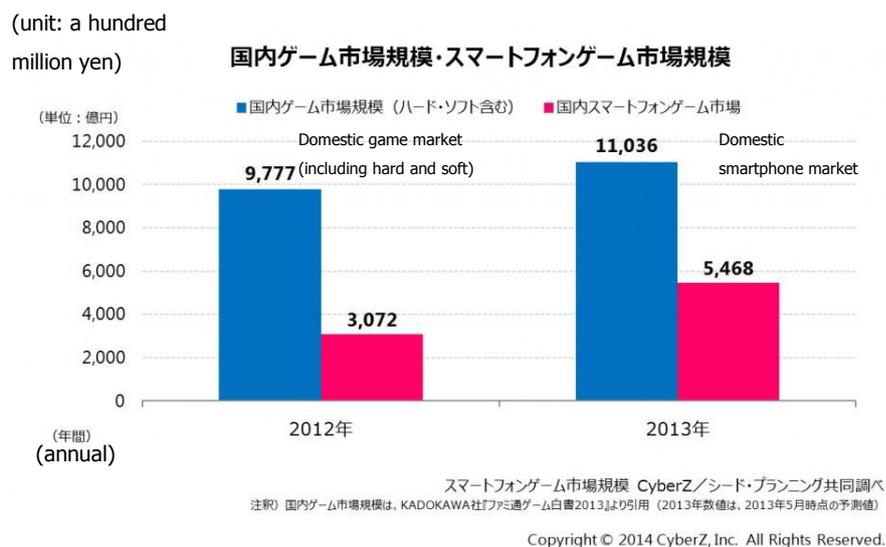


Figure 27. Domestic smartphone game market size (2014: Cyber Z, Inc.).

Smartphone native app market trend

Rough estimate of smartphone native app market size in 2013 was 317,8 billion yen. Compared to the previous year 2012, the increase is 237.2%. User acquisition was quite successful thanks to paid advertising such as various review sites, TV commercials and smartphone advertisement. (2014: Famitsu). Smartphone app users are sustained for a medium and long terms, and many of those users tend to pay fixed amount of charges in the game. As a proof of this, the market size of smartphone native apps has been dramatically expanded. (2014: Famitsu).

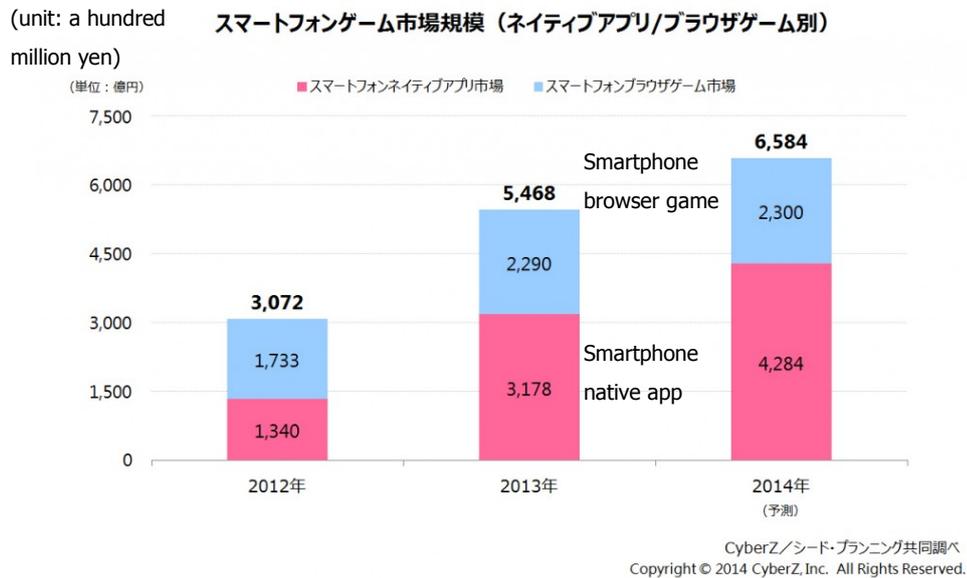


Figure 28. Smartphone native app market trend (2014: Cyber Z, Inc.).

Smartphone browser game market trend

Rough estimate of smartphone browser game market in 2013 was expanded to 229 billion yen. Compared to the previous year 2012, the increase is 132.2%. Most of browser game users have shifted to smartphones from feature phones. The acquisition of the browser games from the feature phones to the smartphones was quite successful. It is because graphics, usability and communication environment are mostly accepted by the native apps such as

App Store and Google Play. (2014: Famitsu). Cloud-based games have spread; at the same time, a new possibilities for browser-oriented games environment is also expected. (2014: Famitsu).

Rough estimate of smartphone game market in 2014

Rough estimate of smartphone game market in 2014 is 658.4 billion yen. Compared to the previous year 2013, the increase is 120.4%. Along with the increasing smartphone diffusion rate, the number of smartphone game users is also expected to increase. Since the early 2014, proactive promotional activities such as TV advertising by game companies have been making a strong impact on the continuous user acquisition. (2014: Famitsu).

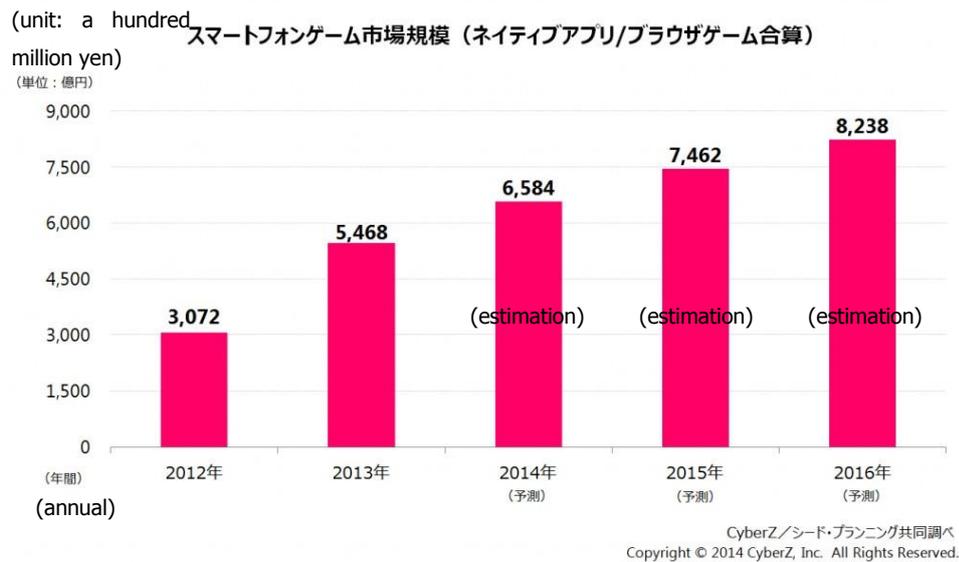


Figure 29. Rough estimate of smartphone games market (2014: Cyber Z, Inc.).

Future trend

Rough estimate of smartphone market in 2016 is expected to reach 800 billion yen. Smartphone game market will keep a high growth rate in the background of the high smartphone penetration. Smartphone content industry in Japan is very internationally high competitive and still developing. (2014: Famitsu).

5.2.3 Big players in the mobile app market in 2013

Japan is now #1 country in App Store revenue combined iOS App Store & Google Play monthly app revenue. (2014: App Annie). The picture indicates that eight out of twenty top publishers are Japanese whose business model follows the F2P mobile games.

#1	<u>GungHo Online</u>	<u>Japan</u>
#2	Supercell	Finland
#3	King	UK
#4	<u>LINE</u>	<u>Japan</u>
#5	Electronic Arts	US
#6	GREE	Japan
#7	CJ Group	South Korea
#8	<u>DeNA</u>	<u>Japan</u>
#9	Kabam	US
#10	Gameloft	France
#11	<u>COLOPL</u>	<u>Japan</u>
#12	Storm8	US
#13	Zynga	US
#14	<u>SEGA</u>	<u>Japan</u>
#15	Caesars Entertainment	US
#16	<u>BANDAI NAMCO Games, Inc.</u>	<u>Japan</u>
#17	<u>CyberAgent</u>	<u>Japan</u>
#18	Big Fish Games	US
#19	WeMade	Korea
#20	Disney	US

(Source: 2014: App Annie)

5.2.4 Smartphone app spending in Japan

This App Annie Japan Spotlight report (Figure 30) describes that Japan has not only overtaken the United States for app store revenue, but also shows no signs of abating in its growth with future trends in smartphone penetration. (2013: App Annie). Revenue combined both iOS App Store & Google Play monthly app revenue is the world #1 and is growing in the steep slope.

Combined iOS App Store & Google Play Monthly App Revenue

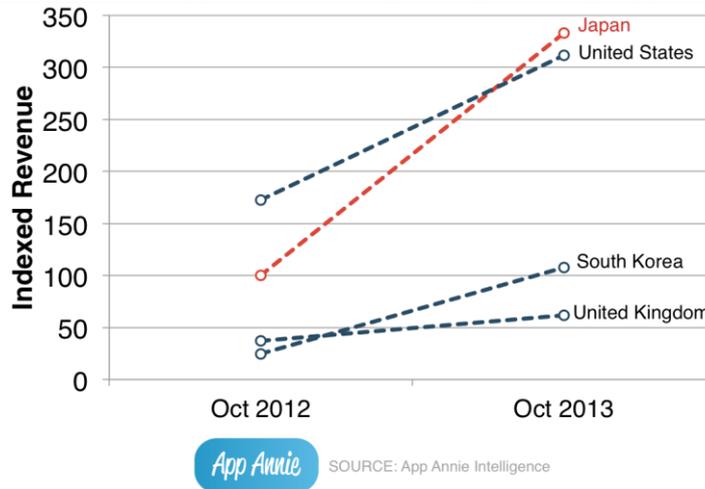


Figure 30. Combined iOS Apple Store & Google Play Monthly App Revenue (2013: App Annie Intelligence).

Explosive Growth in Games Drove Japan Revenue

Combined iOS App Store and Google Play Monthly App Revenue

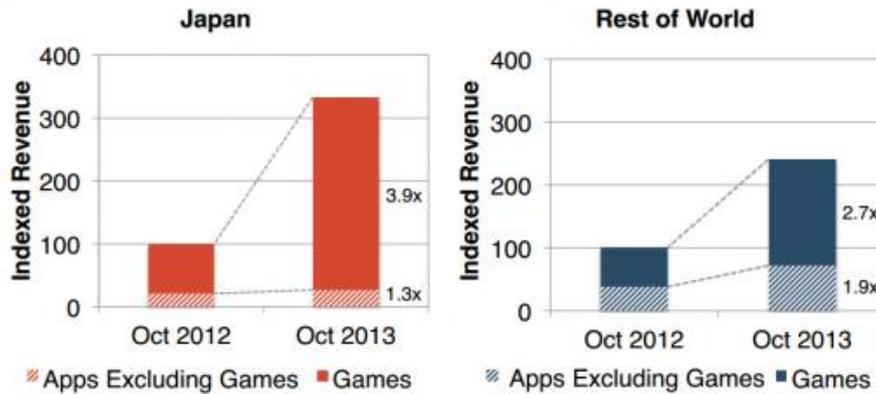


Figure 31. Explosive Growth in Games Drove Japan Revenue (2013: App Review).

5.2.5 Smartphone ads spending in coming years in Japan

Smartphone ads spending in 2013 was 165.2 billion yen. The growth was at high level, which recorded 190.3% increase compared to the previous year. In 2013 telecommunications companies had expanded LTE and high-speed lines, which accelerated smartphone users to access to digital contents such as video, e-books, music and games. In addition to this, e-commerce also

developed digital services targeting smartphone users. As a result, smartphones became priority communication devices, and companies started reinforcing marketing activities focusing on smartphone users. Demand for smartphone ads was also increased. (2014: CyberZ).

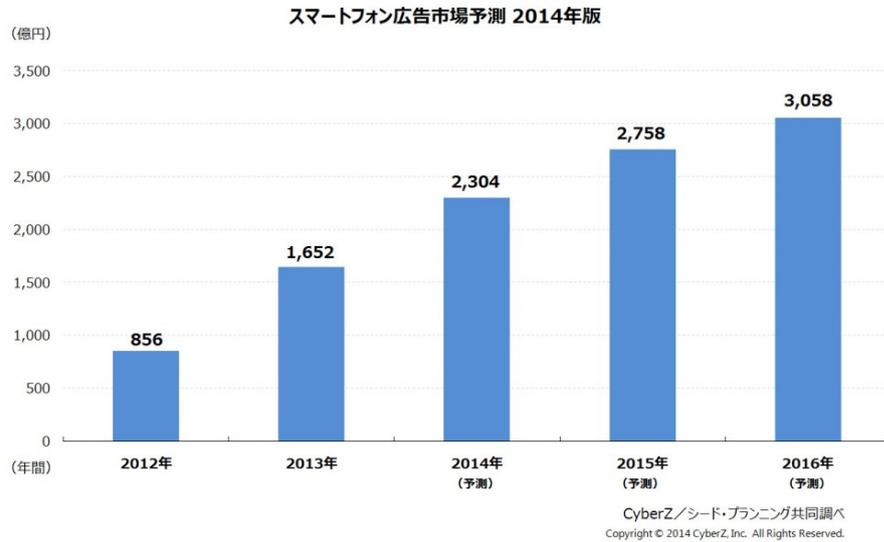


Figure 32. Forecast of smartphone advertising (2014: CyberZ).

6 Conclusions

The research results proved that the Japanese market has its own set of values in culture and technology; therefore, Japanese consumers do not always follow the technology trends dominating the rest of the world. In keeping with the facts, marketers should familiarize themselves with the development of Japanese trends, correspond to them and persuade Japanese consumers to accept products and service for their needs with a Japan specific marketing strategy. This is usually achievable if the marketing strategy aims to adapt to the Japanese market; therefore, localization is the key to the competition in Japan.

Localization in this case does not only mean language translations. Marketing and promotional activities including website design, language and cultural adaptation and effective communications through social media platforms should be accommodated to the local manner, which can attract Japanese audiences and increase reach to potential customers. More precisely, for those companies which want to have power to arouse interest from the local audiences it is crucial to adopt the locally popular social networking services such as LINE, Facebook or Twitter in accordance with current mobile social communications. These tools help companies build a Japan's local community. Community is where majority of Japanese people gather, exchange information and share common interests of products and services. Building own community is fairly important in order to fit into the Japanese culture of collectivism. This way, the brand can have more visibility in wider groups of consumers, and social networking service can increase an impact by mouth-to-mouth advertising and bring more traffic to owned media or/and app stores to boost a number of downloads. Moreover, daily involvement in affairs with targeted audiences and interactions with them through online media can influence the popularity of products and services among the demanding Japanese consumers.

Regardless of Japanese language skills, digital marketing strategy needs to include a local competitor analysis to develop a competitive strategy. Marketers must understand local competitors in order to trace the current trends in online marketing and online advertising models in the equivalent industry. Competitor analysis can identify potency of market positioning and provide good points for strategies for building a company's target objectives. The strategy also has to include Japan's digital technology outlook such as smartphone optimization based on the local consumers' demands and the mobile games anticipation following the daily gross ranking on mobile games in Japan. In fact, Japan has become the world biggest ads spender along with a high smartphone penetration rate. This explains that the organic reach to the target consumers is not enough. In such a competitive market like Japan, paid advertising should be planned carefully to help bands sell and promote products and service without causing risk of spending large amounts of money for ineffective advertisements.

From that fact, having a set amount of marketing budget is crucial. Expanding business area in Japan needs to cautiously assess the chance of success in making new marketing investment decisions. In digital marketing, consumer retention and conversion can be maximized by paid placement in search engines, keyword-targeted and pay-per-click advertising as well as mobile ads. Investment will be depending on a company's overall business success whether they want to aim a short-term success or the long-term. If a company seeks the potential of brand and game development, they need constant investment in key areas such as mobile ads and keep sustainable brand engagement and retain existing customers.

Furthermore, a company has need of a good balance between push and pull marketing strategy. This implies the periodic paid mass media campaigns in the push marketing acquiring new customers while the pull marketing sustaining the existing customers by fulfilling customer needs and interests in the buying cycle. Needless to say, setting up a specific goals and KPIs is very important.

This allows a company to measure the effects especially from paid ads. Predetermined goals and KPIs also help in planning future campaigns based on the success of previous campaigns and decide on overall digital marketing strategy. The performance can be monitored through the owned media or number of game downloads in real time using web analytics. Monitoring fan engagement levels from feedback or comments shared is also useful.

Finally, succeeding in the Japanese market entry is unlikely to materialize without localization of the mobile game itself. The research shows that the Japanese are the world highest spenders on mobile apps combining both iOS App Store & Google Play store. Mobile game localization requires app translation into Japanese language. Top charts in app stores consist solely of games, which have a Japanese language version. Japanese people do not play games, which are not available in Japanese. Language barrier must be removed by offering translated game apps to the local users.

7 Recommendations

7.1 Marketing steps to distribute F2P games in Japan

Findings from the research can be utilized for executing mobile game marketing strategy. In this section, I would like to provide useful tips how to enter the Japanese market and describe marketing steps to distribute F2P games and acquire active users in the Japanese market. Successful F2P games focus on a monetization strategy that requires specifying the user acquisition and conversion. The recommendations are intended mainly for Finnish game developers who are planning to release games in the competitive Japan's mobile market.

Understanding Japanese consumer behavior, business and technology

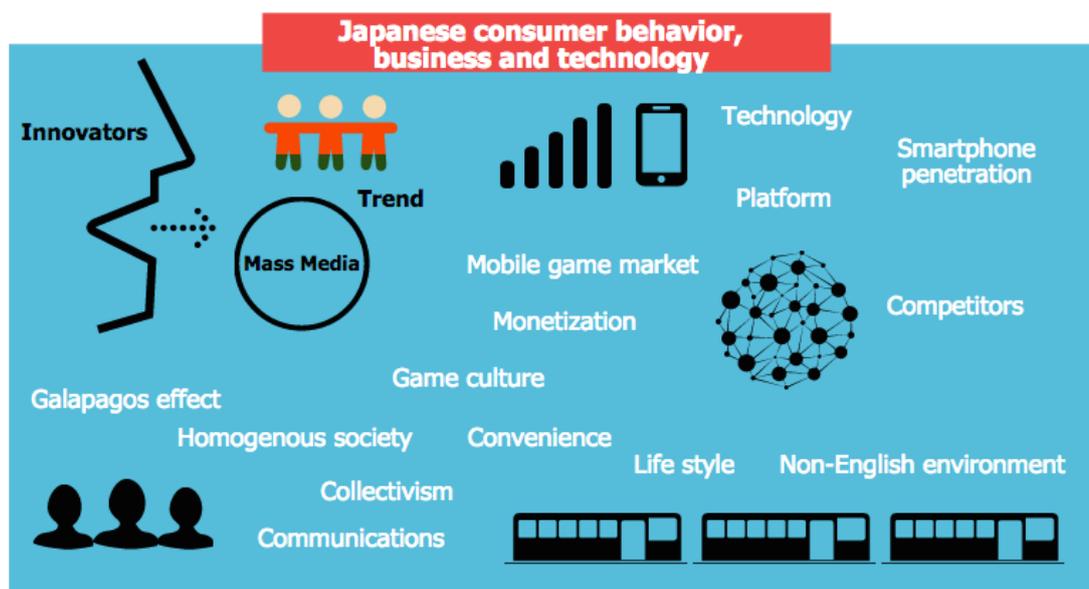


Figure 33: Japanese consumer behavior, business and technology created by Makiyo Rönkkö.

Japan is a homogenous society and its collectivism influences Japanese consumer behavior. Japanese people's selfless devotion usually interrupts the product diffusion process from an individual to another individual. Japanese consumers are less likely to follow global trends. Sometimes called the

Galapagos effect, the Japanese market is quite big itself and consumers enjoy domestic products and services available within the country in their mother tongue. This isolates Japanese consumers from the rest of the world. Due to the large variety of products and services made domestically, Japanese consumers are less eager to try something new coming from abroad. This is even less likely if it is introduced in a language only very small minority understands, like English.

As a famous Japanese proverb says, "Deru kui wa utareru (The nail that sticks out gets hammered in.)" meaning standing out from the crowd invites trouble for oneself. This refers to the Japanese society where people are living in groups and follow others. New cultural phenomena are created by innovators, who spread the information to the populace through mass media. Market segmentation and targeting can be decided by following what are currently popular mobile games among a certain group, and if getting on the trend is possible, positioning the product there. It is no exaggeration to say that getting in on an existing boom and making products for an existing trends is far easier than creating a new boom. Creating a new trend or a boom in Japan nearly always requires heavy investment on expensive marketing through mass media. Media in Japan have tight control on information channels, as most people get their information from media companies. This also raises a question to game developers: which they want to target: a niche or mass market.

In terms of technology trends, iPhone users have been increasing dramatically after three big telephone communications operators, NTT Docomo, au by KDDI and Softbank, have started offering iPhones in price competition. This resulted in lower monthly costs of using iPhones and the number of users has increased; at the same time, iPhone's brand value is recognized as fashionable and trendy among young adults. Game gross ranking is also different dependent on devices, either smartphones or tablets or both. Taking this into consideration,

game developers have to make a decision on which platform to go to, either iOS or Android or both.

Due to Japanese people's life style such as using public transport service in daily basis in big cities, the smartphones have become the most favored communication tool for the majority of people. They do daily communication with friends and family and online shopping via their mobile devices. Market penetration of smartphones is high. Considering the amount of mobile game use, smartphone optimization is a must and should be included in the digital marketing strategy.

Planning how to distribute mobile games in Japan

Target players and good monetization strategy



Figure 34: Target players and good monetization strategy created by Makiyo Rönkkö.

In marketing it is essential to define a segment to enter. Likewise, it is important for marketers to set a target group of players to whom a game to be appealed before the game's pre production begins. Targeted players are usually

categorized into light, middle and hard-core players. In terms of monetization, potential money spenders are defined in order to align with monetization strategy with focus on how to motivate users to spend money for a game. Players can be either majority of casual users who spend a little money or minority of hard-core users who spend a lot. This also links to game genre what type of games to be made in addition to game features such as a single player mode or also for social multiplayer.

Organic reach to Japanese audiences is almost impossible unless a game itself is good enough to appeal to Japanese game players. Good F2P games for Japanese players means user-friendly that keeps a good balance between free content and with in-app-purchases. Games should be designed to retain players with a good degree of player satisfaction that players can progress a game through levels without being forced to spend lots of money.

It is strongly recommended for marketers to monitor and analyze top Japanese game developers/ publishers and gain their know-how on cost allocations to their marketing activities. At the same time, it is important to see how they make games listed in the top charts. In the current competitive mobile market, making revenue only through in-game ads is not longer enough to survive in Japan's app stores. Thus, main revenue should be come from in-app purchases that can be realized by sustaining DAU.

KIPs can be set by key metrics such as total number of downloads, total number of unique users and user spending rate as well as user inflows and behavior. KIPs change as the game moves from pre-launch to release.

Game localization

Developing localized version of game apps and distributing them is a priority to start appealing to wider Japanese audiences. Typically Japanese consumers tend to like Japanese style of visuals and appearance of the story in mobile

games such as manga (Japanese comics) expressive style. This is a key element to raise Japanese players' interest and convert them to players.

If game localization is difficult to handle by a developer, there is an option to develop mobile games in cooperation with Japanese local app developers or game app publishers. These local professionals can help foreign game developers to develop new localized games or localized versions of old games and publish them in the market. At the same time, Japanese developers can provide their know-how on how to enter the market in exchange of revenue share. As the mobile F2P business model has dominated the Japan market for several years while it is still new to western countries, carefully thought-out F2P monetization is also the key to releasing successful mobile games in Japan, which can be learned from the local game partnerships.

There are two approaches to releasing a game in Japan:

- ✓ **Game is developed, distributed and marketed by own company to Japan.**
 - Pros: 100% of control over the product development and marketing planning as well as revenue from sales.
 - Cons: needs of resources and professionals (at least a game developer, marketer and customer support), who know the Japanese market and its business structure.
- ✓ **Game is developed, distributed and marketed in cooperation with Japanese game developers/ publishers.**
 - Pros: product development and marketing planning with local professionals, who know the Japanese market structure and its business structure.
 - Cons: revenue share with partners and less control over the product development and marketing planning.

Local partnership can help boost the brand exposure and sustain business opportunities in the market for a long period. Partnership also applies to in-

game cross promotions and digital marketing campaigns with game developers/publishers of existing game titles.



Key visual of Rovio's "Angry Birds Epic" and Japanese game developer GungHo's "Puzzle and Dragons" in-game collaboration promotion.

Localized marketing and promotion

Marketing and promotion in a Japanese local manner is a must. As the research shows previously, the number of corporate users of social media has been increasing in Japan due to more alternatives of digital marketing approaches such as shifting to mobile-optimized version of a site and the increase of instant customer communications opportunities. Many of Japanese competitors in the mobile game industry use their own social media accounts and boost their reach and visibility in order to get traffic to their main sites or app stores. Localized text will also help SERP.

Building digital marketing strategy

Digital marketing strategy is employed from the period from before the game launch to after the game release on the market. Periods are divided into before, at, and post game launch.

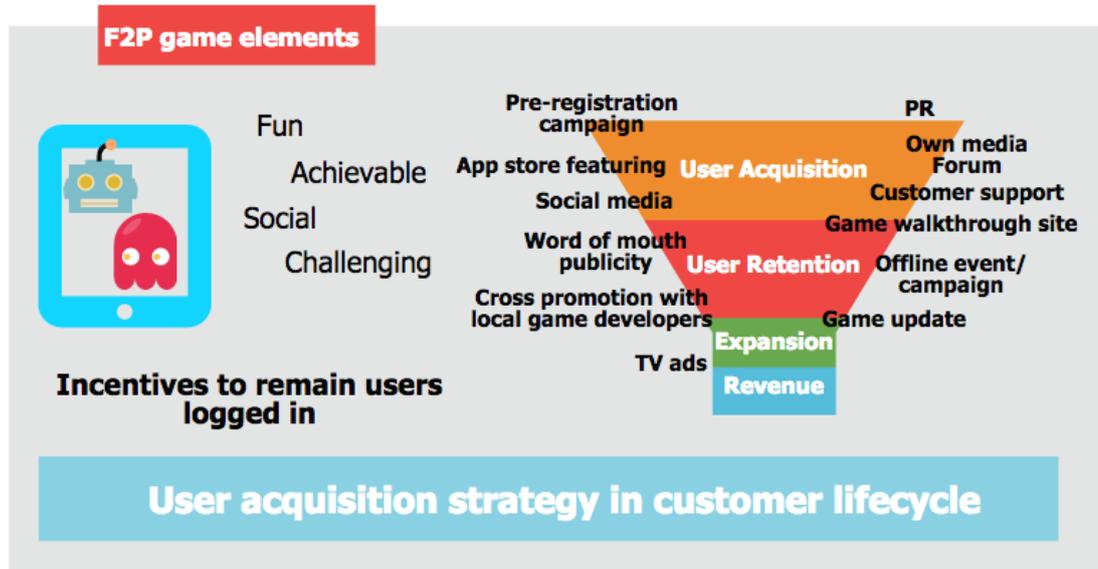


Figure 35: F2P game elements created by Makiyo Rönkkö.

User acquisition and retention

(Before launch)

- Pre-registration campaign

Pre-registration campaign is the most popular mobile game promotion for user acquisition in Japan before the game launch. The campaign captures potential users and let them register the game with their email address in an official site or landing page during a limited time of the campaign period. Pre-registration offers a special reward on the game release day for those who have registered before launch, such as free in-game currency or rare characters or items. Recently it has become common to also offer additional rewards to those who make a Twitter or Facebook post about the game and its pre-registration campaign. This way, game visibility will increase among potential users and equivalent media will mention and spread the information to wider audiences. In addition, it arouses users' general attention and expectation of a game during the pre-launch period. Needless to say, free give-away items and incentives such as small quests/challenges can activate and retain users if the initial user acquisition is successful.

(At launch)**- App store featuring and PR**

To get games featured in a front page at app stores, first of all a game should be good and appeal to App Store or Google Play. These stores get revenue from mobile game sales. Therefore, for app stores, featuring games means investment of limited space on the front page. The game should be therefore attractive to app stores, such as including features from latest Android or iOS version or high revenue potential.

(After launch)**- Strategic PR activities on own media and social media channels**

Media coverage will help boost exposure of new game release. Sending out press release to equivalent media and providing information of game release in own media and social media channels can influence famous game bloggers and technology and innovation related site to write about the game announcement and content. The information will diffuse throughout social media networking service such as Twitter. Word of mouth will make an either positive or negative impact on observation interpreted among audiences at the game launch.

Starting an own community site, forum, social media channels and maintaining them are a must that can create player engagement opportunities for high-involvement brands to players. Forum, for example, can provide focused and specific content with in-depth information about the brand, and will retain existing players and sustain customer loyalty.

- Incentives and user motivation

Sustaining daily active users means that a game is designed to be fun, challenging, and achievable and has either addictive or indispensable element. Giving rewards from progress, virtual daily/weekly gifts from the daily game log-ins and offering collectable characters/items can sustain players' motivation to keep playing. Those incentives are to keep the players logging in. Social functions as social interactions in a game and a community forum with other players are also key features. Game content can be improved based on players'

needs and wants, which are usually analyzed by players' behaviors and customer reviews on app stores and by following the related game forum and feedback in social media's comment sections.

Putting lots of effort for the user retention is more critical in the post-game launch. Once users become inactive and remove a game from their devices, it is very difficult to convince them to start again. Retaining players is more focused than to activate them after launch.

- **Activate new users**

In order to continue retaining existing users, it is essential to boost awareness through online ads for a certain period of time based on set KPIs. KPIs are metrics such as number of initial downloads, DAUs/MAUs, and rate of in-app purchase spending per users. After achieving initial KPIs, many Japanese companies start using TV commercials. TV ads can keep a game attractive and interesting to existing users; at the same time, it can increase awareness of the game brand towards the mass of the potential game players and have a great chance to convert them to play it. For those who cannot afford high marketing and ads costs such as TV commercials, advertising budget can be allocated to relatively inexpensive yet effective paid media such as the game walkthrough site, game review site and game review videos. These media sites are usually ran by the most popular game review media. Majority of Japanese mobile game players are following these media sites and social media channels to get the latest information related to mobile game apps. Future budget allocation can be decided based on return on ads spending.

- **Localized customer support service**

Keeping good customer support quality in Japanese language is priority to retain users. This helps grow the local community and increase fan engagement level through virtual community and social media service. Most e-mail inquiries should be answered within 24 hours, and technical issues such as server errors should be informed immediately to players in social media channels in 24/7. As

game players have invested their time and money on playing F2P games, in return, companies need to offer loyalty and satisfaction to their customers. Good customer support service will develop customer value by E-CRM.

- **Cross promotion with Japan local partners**

Cross promotion is another important marketing activity to boost game exposure in Japan. Strategic partnerships help link building, affiliate marketing and PR activities, and acquire new game users in Japan. For instance, Rovio did an in-game collaboration with GungHo Online Entertainment, Inc. two times that Angry Birds-themed special level was placed in Puzzle & Dragons. Thanks to the partnership with the top gross listed game and its cross promotion, it dramatically increased Angry Birds visibility through digital marketing activities. In-game banner ads in the Puzzle & Dragons game were placed during the collaboration period that increased downloads of Free Angry Birds at App Store from 449th to 25th for a day between November 18 and 19, 2013. Affiliated banners realized large volumes of traffic to the Angry Birds website and Twitter accounts as well as to the app downloads. Right after the joint press release was out, “アングリーバード” (Angry Birds) became the second mostly searched keywords in Google Trend in Japan.



Angry Birds characters in Puzzle and Dragons game.



Puzzle and Dragons characters in Angry Birds Epic game.

Expansion

- Re-targeting

Based on the KPIs, new investment for ads spending is planned. Media boost can maximize ROI if a company provides value to players and players bring values by being engaged in-app purchase spending. Performance of each ads spending should be tracked down so that a company can find out what types of campaigns are the most effective.

- Game updates and new game release

Constant game updates are necessary. New game content, weekly challenges and giving-away collectable items can keep players active and interested. Whenever there is a new update or campaign and news regarding them, the information should be effectively delivered to players via own media and social media channels as well as in-game banners and paid media site. The digital marketing strategy should always focus on the current position on the market in the product life cycle. When a game is about to lose DAUs, and game updates are no longer effective, a company can turn around and start developing a completely new game, of course only if financial forecast seems healthy.

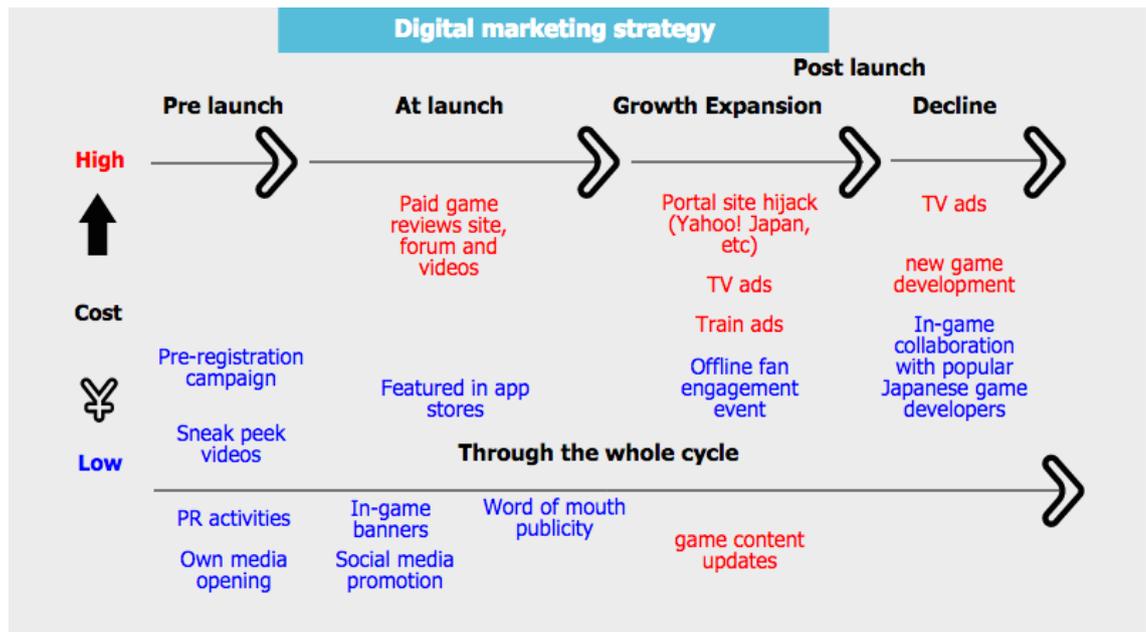


Figure 36: Digital marketing strategy created by Makiyo Rönkkö.

Regardless of the great moneymaking opportunity in the Japan's mobile game market, the market has been saturated by huge number of new game app releases and game developers have to face challenges from many competitors. On the other hand, F2P game concept is still new to Finland. Due to the extremely congested market in Japan, it is unlikely that a single game can appeal to a wide range of players without heavy investment on paid promotion.

Every company has to remember that entering the Japanese market with F2P games needs to have a strong commitment most likely has to take a risk of short-term loss before getting a long-term revenue stream. Successful mobile games are no longer just about innovation within the freemium model but require a carefully thought-out strategy of adding value and good game experiences to players in exchange of money. The key is how to engage, retain and monetize players.

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Appendix

- Appendix 1. Social Media User Survey 2013 by Nikkei Research Inc.

- Total sampling number is 10,767.
- Sample criteria are men and women whose ages are over 18 years old.
- The questionnaires consisting of multiple-choice questions approach to discover each targeted social media service's utilization rate and frequency by asking if respondents know each service and have ever used it.
- Sample criteria were over 20 years old until 2012.
- Targeted media in 2012: Twitter/ mixi/ LINE/ Pinterest/ GREE, Targeted media in 2011: Twitter/ mixi/ Facebook/ Myspace, targeted media in 2010: Twitter/ mixi/ Facebook/ Myspace.

- Appendix 2. Mobile game categories

- **Smartphone games:** This refers to smartphone apps that can be played on smartphone and tablet devices. (2014: Famitsu).
- **Smartphone native apps:** This describes games can be downloaded through app markets such as App Store and Google Play. This is also called game applications software including web applications. (2014: Famitsu).
- **Smartphone browser games:** This refers to games that can be played on a game portal on web browser in smartphone devices. In general, it is called "Gawa native" in Japan. Although apps are native apps, in-app-purchases are from browser platforms. Thus, this is categorized as browser games. (2014: Famitsu).

- Appendix 3. Smartphone Ownership Ratio by Gender

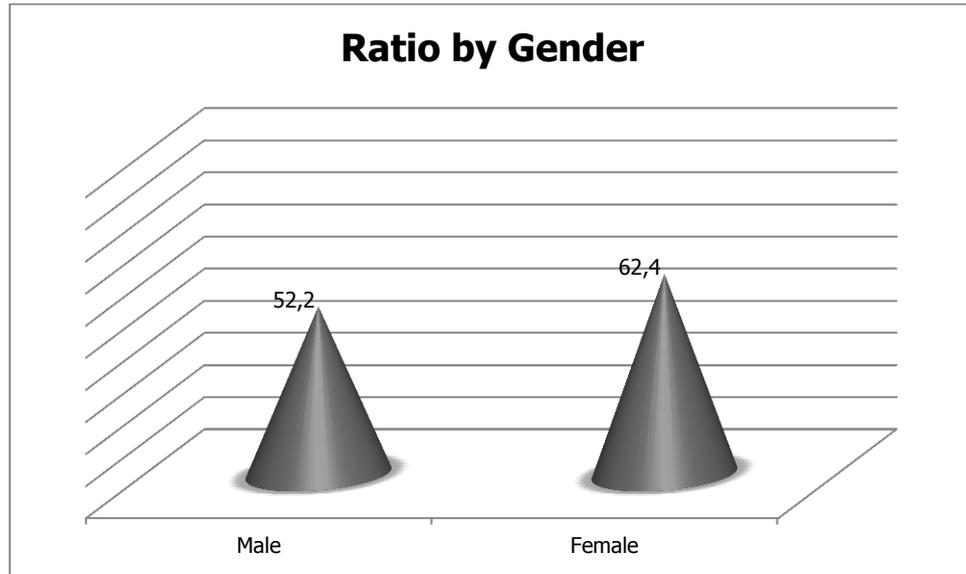


Figure: Ratio by Gender (2014: HakuHodo Smartphone Users Survey).

- Appendix 4. Social Media Use 2011

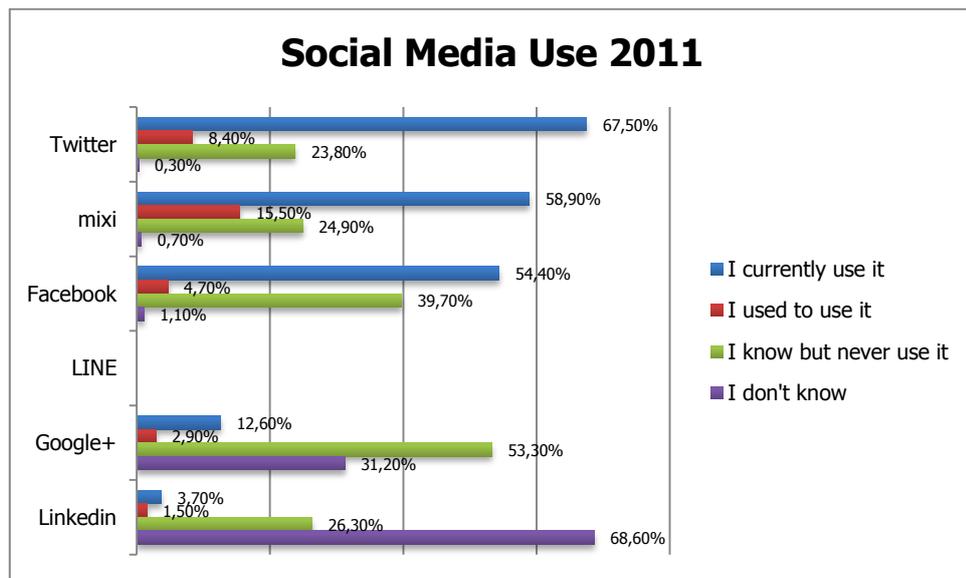


Figure: Social Media Use 2011 (2013: Social Media User Survey by Nikkei Research).

- Appendix 5. Social Media Use 2012

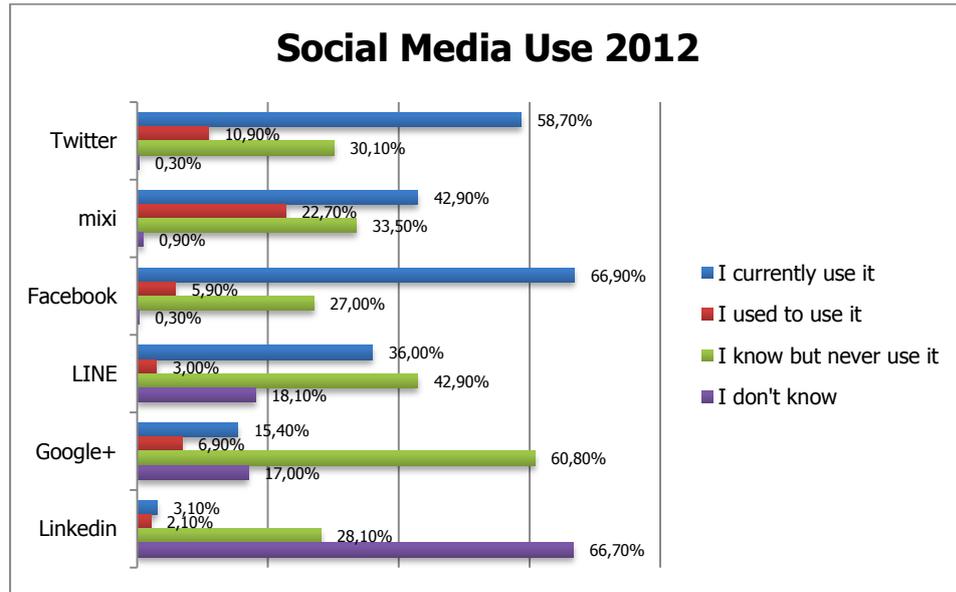


Figure: Social Media Use 2012 (2013: Social Media User Survey by Nikkei Research).