INFINITA

initiate, innovate, inspire

"3 million users in one year: mobagetown – mobile games, SNS and avatars"

Version 1.2, June 18, 2007

The service: mobagetown

mobagetown, a mobile-only site combining free games, SNS functionalities and avatars/virtual items that can be purchased with a virtual currency called "Moba Gold" and mobile commerce (mobile shopping, auctions and affiliate advertising). Operated by parent company DeNa Co. Ltd., is quite possibly the most traffic-intensive and fastest-growing mobile site in the world. mobagetown is available on all three operators as an inofficial site, and is not listed on the carrier deck.

The service, which is open to anyone without an invitation, has seen explosive user growth since its launch in February 2006, has gathered more than 5 million members in a little over twelve months, and is currently generating about 400 million page views per day. mobagetown is especially popular with teenagers, but more recently, the 20ies and 30ies user segments are the demographic growth segments. While in early November 2006, 69% of all users were in their teens, 25% in their 20ies and 6% in their 30ies, these figures have changed to 53%, 34% and 15%, respectively.

The mobagetown model is to draw users with free games, get them to use the SNS functionalities as a result of playing games, which in turn motivates them to become involved in the avatar features - which is the key part of the service that mobagetown's revenue model is based on, as everything the users have to do to gather virtual currency to outfit their avatars will directly or indirectly generate revenues for DeNA by driving mobile commerce and advertising.

The report: "3 million users in one year: mobagetown – mobile games, SNS and avatars"

86 pages, 16 chapters. 18 charts, graphs and tables, more than 100 screen captures.

First published March 3, 2007. Current version 1.2 published June 18, 2007. PDF format.

Author: Christopher Billich, Infinita Inc.

Single copy license: $1,750
Corporate license (multiple users): $4,375

Our report on mobagetown provides detailed analysis of the company's history and strategy, contains a step-by-step walkthrough of every single important feature of the service itself, and provides detailed information on mobagetown's business model and financials, usage patterns and demographics. It covers the factors that have made the service a runaway success in much detail and provides insight into the inner workings into one of the world's most successful mobile services to an unprecedented degree.

The report is targeted at mobile network operators looking to partner with existing SNS, gaming and/or mobile commerce services or creating their own, content providers aiming to build successful mobile services incorporating any of these elements and, quite simply, anyone else that is trying to create addictive, free mobile services that make money.Although mobagetown is a Japanese mobile site, there is much that can be learned from it for companies active in non-Japanese markets, as only a minor part of mobagetown's success can be attributed to Japan-specific cultural or technological factors.

Please see below for the full table of contents, followed by several sample pages.

1. Summary

mobagetown is a mobile-only SNS operated by DeNA Co., Ltd. The service, which is open to anyone without an invitation, has seen explosive user growth, especially with teenagers, reaching 3 million members in the first 12 months since its launch in February 2006, and adding a further 2 to reach the 5 million user mark in May 2007. mobagetown is available on all three operators as an inofficial site, and is not listed on the carrier deck.

Different in concept from its main Japanese SNS competitors mixi and GREE not only in that is mobile-only and an open SNS, mobagetown is a tightly-knit and well-thought-through system built around free games, avatars, virtual items and playful interaction/collaboration, providing many opportunities for repeat usage reaching far beyond standard SNS functionality.

The Moba Gold virtual currency, which is necessary for outfitting the avatar and its room, is designed to drive member invitations, clicking on ads, accessing sponsor sites and mobile shopping, all of which in turn generate revenues for DeNA directly or indirectly.

In addition to its gaming and avatars elements, which form the core of the service, its SNS features include profiles, friends, diaries, photos, videos, commenting and communities, and communications trail ("footprint").

In more recent times, the site has also added editorial content such as news and weather information, as well as a feature called "Creator" that provides the users with a platform to publish and share stories, poems and novels, as well as self-produced music. Both further increase the stickiness of the site and the opportunities for communities to develop.

The service generates revenues from mobile advertising/referrals to sponsor sites (through its own mobile affiliate network called Pocket Affiliate Network, which it also provides to other mobile sites) and driving purchases on DeNA properties mobakore and mobadepa (mobile shopping) and mobaoku (mobile auctions). More recently, DeNA has introduced premium avatar items, which can be bought with WebMoney, a prepaid card internet micropayment currency, and with credit cards.

By DeNA's own accord, it is aiming to make mobagetown Japan's No. 1 mobile portal.

DeNA Co., Ltd. is a publicly traded company, listed on the Tokyo Stock Exchange.

3. Introduction: How mobagetown works

mobagetown was born from a simple idea:

"There are lots of PC websites providing free, fun, browser-based games, funded by an advertising model. Considering mobile gaming has become a mainstream product, and mobile internet usage has reached a level where a mobile advertising model is a viable alternative to subscription-based models, shouldn't an advertising-supported mobile games site have much success potential?"

Parent company DeNA developed the concept further and designed it to meet four additional goals:

1. to provide a user experience that would be much more "sticky" than just a games site, one that would make users coming back to the site again and again.

2. to design the site in a way that ensured high click-through rates for the advertising placed on the site by advertisers and DeNA (for its existing mobile sites) alike.

3. to increase revenues on DeNA's pre-existing mobile affiliate network PocketAffiliate.

4. to create a service that would not only create revenues from advertising fees, but also drive usage to existing DeNA mobile sites.

mobagetown is the result of these considerations.

The "hook" content to attract members are free, high-quality games (that user have to pay subscription fees for elsewhere), which are fun and easy to play. The games portfolio is updated continously.
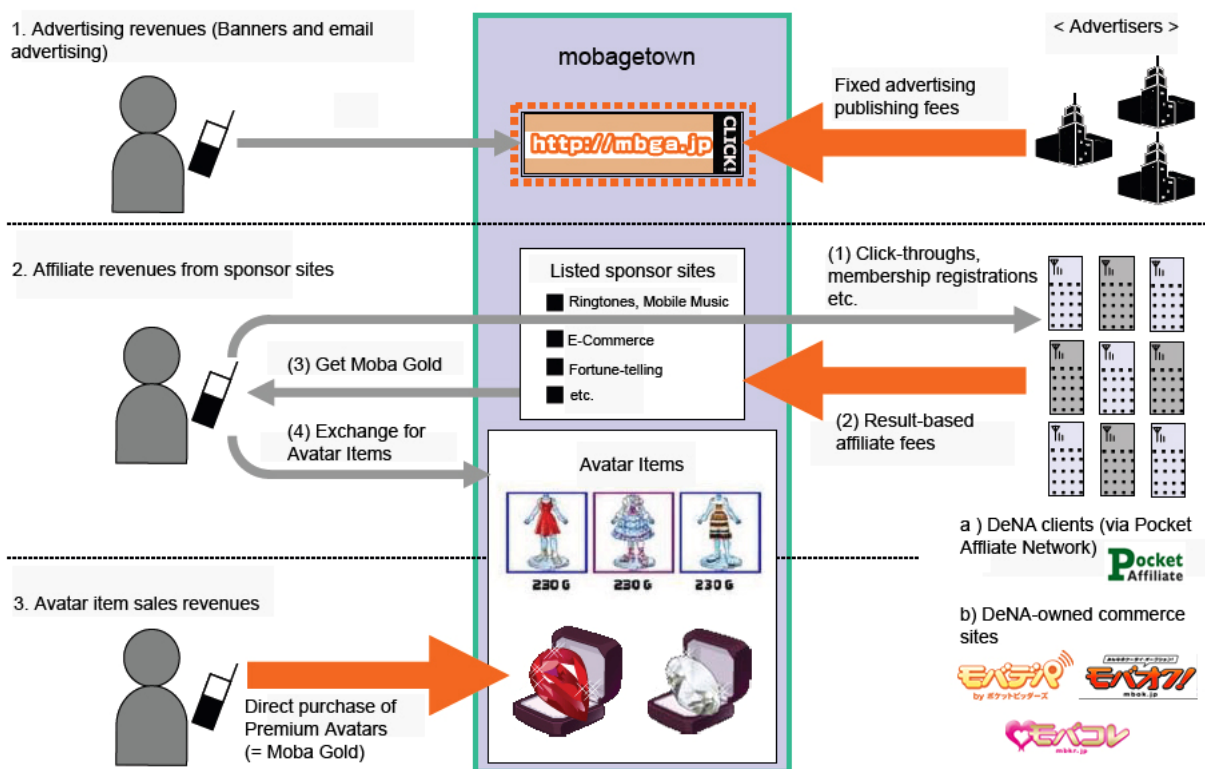

Source: DeNA Co. Ltd

In order to play these games, users have to go through an easy member sign-up process – after which they discover that by creating a member account, they have also created a profile page and joined the mobagetown SNS, which offers a variety of ways for social interaction through blogs/diaries, communities, photo and video sharing, user-generated Q&A content etc.

Also, users are represented on mobagetown by an avatar (and a room where this avatar "lives"), which can be outfitted with a seemingly endless variety of avatar items such as clothing, wallpapers, furniture, pets etc. This avatar is displayed whereever social interaction takes place on the site, creating a strong desire for users to make themselves look "cool" because other members will invariably judge them by their avatars' looks.

Naturally, these avatar items come at a price – to be paid in a virtual currency called Moba Gold, which can be obtained in a variety of ways, all of which indirectly or directly create revenues for DeNA: When a user clicks on a sponsor ad or registers as a member with a sponsor site (e.g. selling ringtones, Decomail etc.) he obtains Moba Gold – and the sponsor pays DeNA. When a user successfully invites a new member to mobagetown, thus increasing the traffic on the site, he receives Moba Gold – and DeNA gets more page views to sell. When a user spends cash to obtain Moba Gold – real money goes straight into DeNA's pocket, in exchange for a virtual good that costs the company nothing to produce.

Source: DeNA Co. Ltd

DeNA runs its own mobile affiliate network called Pocket Affiliate, which serves affiliate ads to tens of thousand of mobile sites in Japan – and to mobagetown itself, thus eliminating the need for sharing affiliate advertising revenues with a third party service (such as Google or Yahoo!).

And DeNA also operates three mobile commerce sites, two for mobile shopping (mobakore, focused on fashion, and mobadepa, an Amazon-like "Everything Store") and one for mobile auctions (mobaoku). Needless to say, making purchases on these sites makes mobagetown members Moba Gold as well.

To sum things up in one (long) sentence:

mobagetown attracts users with free games, gets them involved in using the SNS features as a result of playing the games and in order to connect with other players, which then drives them to the core of the service, the avatar and items system with its many intricate features - starting a well-designed circle of members spending Moba Gold and obtaining it by clicking on ads, registering with sponsor sites, shopping on mobakore, mobadepa and mobaoku, and spending money directly on avatar items - all of which generate healthy revenues for DeNA.

While the games, SNS, avatar and e-commerce elements have been part of the service since its launch, DeNA has more recently added two layers of services designed to encourage repeat usage even further, make the site stickier and to cop market share from other mobile internet sites providing popular content: a layer of entertainment content (music, mobile novels/stories etc.) and a layer of information services (news, weather, train schedules etc.)
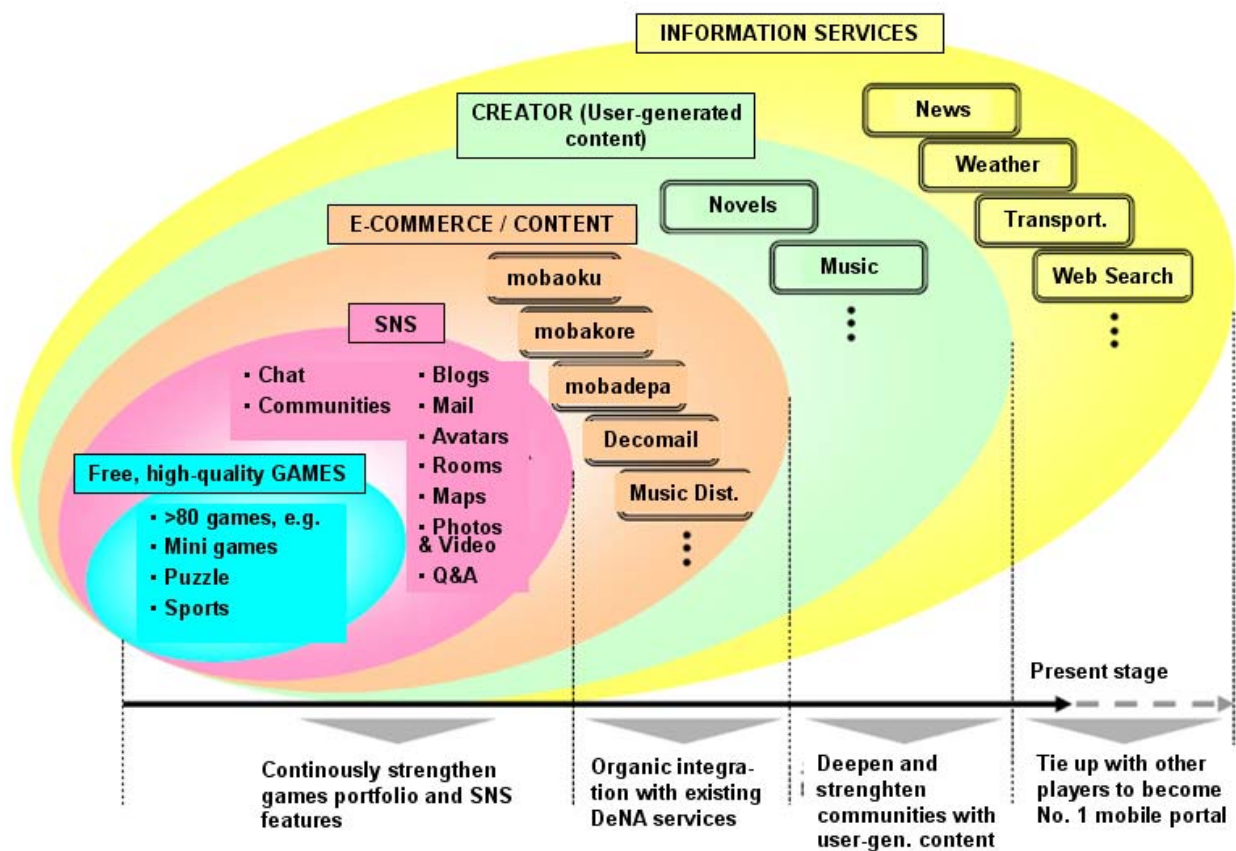
Source: DeNA Co. Ltd

With regard to the entertainment content, DeNA cleverly leveraged the "collective wisdom of the crowds" to provide a platform that lets users publish their own mobile novels and stories, as well as self-produced music.

Information services so far include news and weather, but will soon be expanded into other areas such as transportation schedules and even web search. Both layers of course provide much social interactivity, extending the SNS functionalities to include the user-generated content and information services layers as well, letting users blog about, comment on, bookmark-share and rank content.

6. <u>Avatar functions</u>

6.1. <u>Avatars and items</u>

One of mobagetown's key features are avatars and virtual items. The concept of avatars that can be outfitted with all kinds of digital accessories originally comes from computer gaming and has been relatively widespread on PC websites for years (a prime example for the Japanese market being Yahoo! Avatars, which can be used across a wide variety of Yahoo! services). It has also been introduced into the mobile space (for example, au EZ Web avatars, which can be used on various EZ Web services, and, more recently, au KDDI's Duogate PC portal page as well), but DeNA is the first company providing a service that integratesd games, SNS, avatars and a virtual currency on the mobile.

Users need Moba Gold virtual currency to outfit their avatars and the avatar's home, and they can only gather Moba Gold by processes which generate revenues for DeNA. The more users purchase items, the more Moba Gold they need. And the more Moba Gold is used, the more it raises turnover for DeNa. In other words, the "hook" to get users to buy items is the key to revenue success for DeNA.

The users' avatars are exposed throughout mobagetown in a wide variety of sections of the site - such as users' profile pages/diaries, in the friend search result lists, on screen during multi-player games when competing with others, in the games rankings, in the circles/communities, on the neighbors list in maps and so forth.

Shown here is an example of a games ranking with avatars.

© Infinita Inc., 2007

7. Maps/locational function

However, before the user can start decorating his room, he first needs to settle in a specific place. For this, mobagetown has taken the approach of creating a "virtual Japan", providing an actual graphical map of the country, containing points of interest as well as markers for restaurants, shops, post offices, train stations etc. A function that lets users search the area for points of interest etc. is available.

The map data is supplied by map provider Zenrin Co., Ltd. By taking this approach, DeNA spared itself the development effort of having to create a virtual world, while at the same time providing its users with an environment they have an existing emotional connection to because it is a virtual representation of their real-world environment.

Where users decide to make their home is completely up to them and has no connection to their address in real life. There is a very noticeable tendency among users to pick housing spots in "trendy" locations, such as – with regard to Tokyo – Harajuku and Shibuya. Once a certain number of houses is reached in a given area, the system tells users that all space has been taken.

For choosing a spot to build in, users can either manually pick a location by entering an address, train station etc., or they can choose to let their mobile phone retrieve their current locational information in the real world (through cell ID or GPS) and start the "settling" process from there.
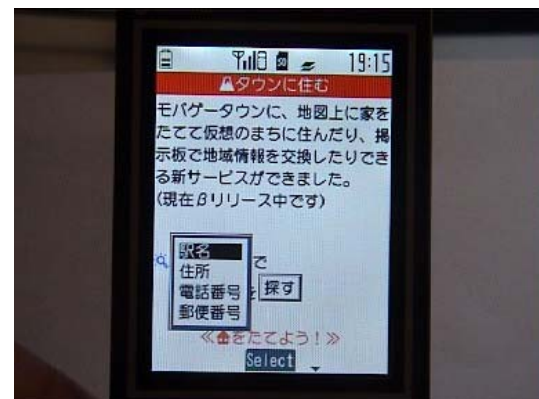
When looking for a spot to live (as well as after settling down, of course), users can also see which other mobagetown members are living in the same area ("neighbors"). Looking at this from another perspective, users can search for their friends online and see where they live, then settle in the vicinity.
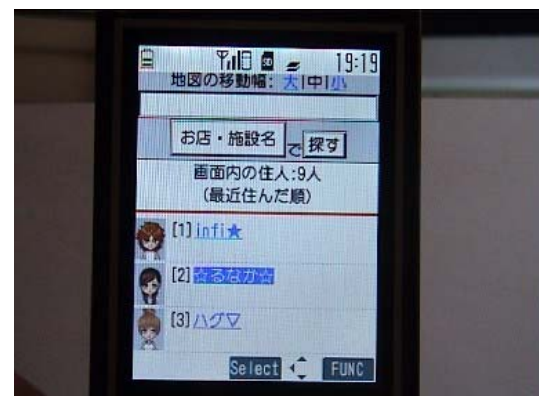
After the game is finished (usually ca. 45 to 60 seconds). the score the player just reached is displayed, as well as (if applicable) is best score up to this point.

The page also contains prominently displayed advertising.

From this page, users can also access the ranking page for the game they just played, which displays the highest-scoring players and the score, with their avatar, user name and link to profile page (more on this in chapter 8.4).

Users can navigate further down the ranking list as far as the ranking reaches.

12.2. NIKE tie-up campaign

Pushing the envelope a little further, in late April 2007 mobagetown ran a tie-up campaign with NIKE that involved two sporting goods store chains as well.

For two weeks, the avatar item shop on mobagetown offered several NIKE-branded sporting goods items, such as shoes, bags, t-shirts and other sports equipment.

By accessing a special page on mobagetown via a QR code printed on 4 different campaign stickers distributed in 124 XEBIO and VICTORIA stores across Japan, users were able to get up to four additional, exclusive NIKE avatar items that could only be obtained in this way.

Lastly, in order to encourage content contribution by users, a special blog/diary section on school sports club/extracurricular activities was installed on mobagetown. Members who contributed to this page were awarded a NIKE-branded T-Shirt for their avatar.

Source: DeNA Co., Ltd.

Order your copy today!

…to get the answers to all the important questions:

- **How does it work?** Step-by-step descriptions of all features: games lineup, SNS functions, avatars and shopping for virtual goods, maps, user-generated novels and music and editorial content (news, weather).

- **How does the service make money?** Business model analysis including fiscal year 2006 financial data on DeNA Co., Ltd. and mobagetown.

- **How does mobagetown generate revenues via mobile commerce partner sites?** See how the virtual currency model results in substantial revenues for DeNA.

- **How does DeNA leverage the site for new forms of mobile advertising?** Learn how mobagetown ties up with brands like NIKE and Coca Cola for branded entertainment content and branded avatars.

- **How do they promote it?** Detailed information on marketing strategy and communications.

- **Who uses it, and how much?** Read about how demographics and usage are shifting from hype to mainstream.

- **How do DeNA's affiliate network platform and commerce sites tie into mobagetown?** Why mobagetown is much more than just a games and SNS site.

- **How does it all tie together?** An in-depth analysis of mobagetown and DeNA strategy: From free games site to No. 1 mobile portal.

After this you will understand **why this is a service that can work in any market, anywhere.**

86 pages, 16 chapters. 18 charts, graphs and tables, more than 100 screen captures.

Current version 1.2, published June 18, 2007. First published March 03, 2007.

Single copy license: **$1,750**

Corporate license (multiple users):   **$4,375**

Download your copy at www.wirelesswatch.jp/mobile-sns/ now!

Please contact the author directly for any questions:

Christopher Billich   Email: billich@infinita.co.jp

VP Overseas Business Development, Infinita Inc.   Phone: +81-(0)3-5775-7270

306 Quest Court, 3-59-4, Sendagaya, Shibuya-ku   Fax: +81-(0)3-5775-7743

Tokyo 151-0051 Japan   Mobile: +81-(0)90-9015-3572

Web: www.infinita.co.jp/en   Skype: cbillich