

NTT DOCOMO/DeNA, Mobage Social Mobile Gaming



Experience Innovation

EXECUTIVE SUMMARY

COMPANY PROFILE

NTT DOCOMO is a leading mobile operator and growing provider of comprehensive services centered on mobility. The company serves over 58 million customers in Japan via advanced wireless networks, including nationwide 3G and LTE networks. NTT DOCOMO is also a leading developer of mobile technologies for commerce, location-based services, mobile TV, and intuitive assistance.

DeNA is an online service company and operates the Mobage social gaming platform. Mobage currently has 30 million users in Japan, with more than 1,500 game titles for smartphones, feature phones, and PCs. The company generated US\$1.3 billion in revenue in FY 2011, and is building a presence in the United States, Europe, and Asia Pacific to expand its customer base.

In 2011, NTT DOCOMO entered into an agreement with DeNA to link Mobage to its i-mode mobile web portal for feature phones and app market place for smartphones. NTT DOCOMO will look to leverage DeNA's expertise in mobile social gaming while increasing DeNA's visibility to attract new users.

The collaboration between NTT DOCOMO and DeNA is an important one, because it reinforces the revenue-generating potential of the digital games market, which reached \$11.2 billion in 2010 in the Asia-Pacific region alone. The partnership illustrates how operators can introduce a new revenue stream, reduce churn, and gain new subscribers by offering access to exclusive content in the highly competitive gaming market.

Both companies are looking to leverage each other's strengths: DeNA's social gaming expertise and NTT DOCOMO's subscriber base and billing services. NTT DOCOMO customers will be able to access new gaming content and access direct billing services for virtual goods purchased on the Mobage platform. DeNA will benefit by gaining additional visibility to the operator's Japan subscriber base, as well as its strategic alliances in key international markets.

Potential Barriers

- **Competitive marketplace.** In Japan, Mobage faces competition from GREE, Japan's premier social gaming provider. However, with a healthy growth in both revenue and average revenue per use (ARPU), an expanding catalogue of gaming titles, and the NTT DOCOMO partnership, Mobage is in a stronger position to grow in the crowded Japanese market.
- **Localizing services.** Expanding beyond Japan requires working closely with local game developers and content providers to customize for language and cultural preferences. For example, social gaming in Europe is played with friends who are already members of the social network. In Japan, the social network grows out of the gamer interaction. A strong emphasis also exists in Japanese gaming on virtual goods and avatars, and titles are often popular across different media.

Figure 1. Mobage Social Mobile Gaming



Opportunity

NTT DOCOMO is expanding its service offering by leveraging the popularity of social gaming, resulting in the introduction of new revenue channels and increased customer loyalty.

- **Differentiating from competitors.** For NTT DOCOMO, the DeNA partnership draws in new subscribers, enhances its service offering, and increases customer engagement. Additionally, the move reinforces the operator's role in content provisioning in a market increasingly dominated by app stores. It also provides the feature-phone-owning population with an ability to take part in the gaming trend and enhanced online purchasing.

- **Gaining first-mover advantage by exporting social gaming.** Digital gaming revenue is forecast to exceed \$30 billion in 2016 in Asia-Pacific alone, and 27 percent of these revenues will be generated from the mobile channel. The partnership will enable NTT DOCOMO to tap into the growing digital games opportunity in Japan, and be one of the first providers to introduce Japanese style social gaming to Europe.
- **Reducing churn and sustaining revenue growth.** NTT DOCOMO's i-mode service has been providing subscribers with services such as billing and games since 1999. But the disruptive app store ecosystem has given consumers the ability to bypass i-mode altogether. The DeNA partnership will enable NTT DOCOMO to increase service offerings and engage users beyond the virtual goods purchased via Mobage to a wider variety of mobile commerce services.

Strategic Partnership

The two parts to the NTT DOCOMO/DeNA partnership include:

- Offering exclusive DeNA games to users within Japan and Asia
- Exporting the social gaming model to Europe

The first phase of the partnership takes place in Japan. This phase involves expanding NTT DOCOMO's service offering by pre-loading Mobage as an application on more than 6 million smartphones. Additionally, it also offers Mobage through i-mode to feature phone subscribers.

In addition, NTT DOCOMO and DeNA are extending services to more countries within the Asia-Pacific region, including Vietnam, South Korea, Singapore and China. Customizing to these markets will be key to service adoption and growth. Net Mobile (an NTT DOCOMO subsidiary) will play an important role in exporting the DeNA social gaming model to Asia.

International expansion into European markets is also planned. A partnership with Net Mobile AG allows DeNA to adapt its offering to a more western audience. In addition, Ngmoco, a U.S.-based social game developer acquired by DeNA in 2010, will be instrumental in exporting Mobage to Europe. Plans are also under way to take Mobage to South America and Australia as well. However, Germany, Austria, Switzerland, and the United Kingdom are currently the primary markets under consideration.

“NTT DOCOMO users will enjoy special benefits when using Mobage, such as early access to sought-after new content and exclusive privileges for selected content, as well as easy direct billing via DoCoMo's sp-mode service for smartphones.”

—Spokesperson, NTT DOCOMO

Success Metrics/Monetization

Success metrics focus on expanding the service subscriber base and increasing revenue per user. Early indicators provide a positive outlook for the partnership:

- Mobage user growth in Japan has almost doubled from 2009 to mid-2010, from 15.10 million in September 2009 to 29.1 million in June 2010.
- NTT DOCOMO has a 59 million customer base in Japan, not counting its global subsidiaries.
- DeNA has a revenue run rate of over a \$1 billion, with 86 percent of its revenue coming from its social platform.
- ARPU from Mobage on smartphones nearly doubled in the three months after carrier billing was introduced.

In addition, monetization of the DeNA partnership provides near- and long-term gains for NTT DOCOMO:

- Revenue share for content and games downloaded
- Revenue gains from being the primary billing agent for the service
- Increase in ARPU and overall revenue by offering social games to smartphone and feature phone users
- Benefits from greater subscriber engagement and loyalty, keeping churn low and customer satisfaction high

Company Background

- [NTT DOCOMO web site](#)
- [DeNA, Mobage overview](#)

Case study source: Cisco sponsored research developed by [Ovum](#).



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