Othellonia: Growing a Mobile Game – Case Study Analysis

Introduction This case study deals with Othellonia, a mobile game developed by DeNA that has seen stable growth but has since struggled with user acquisition, retention, and monetization. The company faces increasing competition in the mobile gaming industry and must make a decision as to the best approach to ensure long-term sustainability and revenue growth. This case study explores the options available and decides on the best course of action in order to ensure further success for Othellonia.

Question 1: What should the top priority for Othellonia be? Acquiring new users, increasing engagement and retention, or improving monetization?

Since the mobile gaming sector is highly competitive and Othellonia operates in a mature Japanese mobile market with narrowing addressable growth, **increasing engagement and retention** should be the top strategic priority. While acquisition and monetization are both vital to long-term success, **retention has the highest leverage effect** on both immediate and future customer lifetime value (CLV).

Why Retention Should Be the Focus Retention directly drives both engagement and monetization. According to the case data, the daily retention rate for heavy users is **99.6%**, making them the highest-value segment. In contrast, light users exhibit high churn and very low monetization. The case outlines a model where increasing daily retention rates by just **0.1%** among heavy users significantly improves their CLV. This is because of the **"twofold effect" of retention**: retained users not only generate ongoing revenue but also serve as social anchors within the game's community, further enhancing network effects.

The Challenge of High Churn Rates Mobile games face notoriously high churn rates. In Othellonia's case, **86.8%** of users churn within the first 30 days, with only **13.2%** remaining. Since user acquisition is costly (noted by high CAC), it is strategically inefficient to continually pour investment into acquiring new users who are likely to churn. Instead, investing in player retention mechanisms such

as **community events**, **better onboarding**, and **loyalty systems** yields greater returns.

Leveraging User Segments for Growth Table A in the case shows that **moderate users have a daily retention of 50%**, offering a significant conversion opportunity into heavy users. Light users, with 92.6% daily retention, are less engaged and less likely to pay, making them less effective targets for retention spending. Focusing on **moderate users** through engagement strategies (e.g., gamified incentives, better tutorials, matching systems) offers high ΔCLV.

Retention Fuels Monetization Retention naturally fuels monetization. Heavy users are **6.9% more likely to pay** and contribute over **70% of the game's revenue**. Monetization strategies such as loot boxes, premium characters, and in-game purchases are most effective when aimed at a loyal and engaged user base. **Aggressive monetization without solid retention may backfire**, as shown in the case's discussion of user backlash against perceived unfair monetization.

Conclusion Retention is the engine of sustainable growth for Othellonia. By improving user retention, particularly among moderate users with high ΔCLV potential, the company can boost monetization, extend LTV, and leverage network effects to support indirect acquisition.

Question 2: What type of promotional activity should the Othellonia team invest in? Should Yu Sasaki sign the partnership with McDonald's?

Othellonia should invest in **digital and influencer-driven community-building strategies**, rather than traditional mass marketing or partnerships with broad-market brands like McDonald's. This ensures alignment with high-value users and supports **retention-led growth**.

Community Engagement as a Growth Strategy Othellonia's early success hinged on a loyal community cultivated through **"Off-Kai" events** and organic social engagement. These events fostered identity, prestige, and loyalty among heavy users—elements that mass advertising cannot replicate. Each time a player becomes a community "celebrity," new layers of intangible value are created, reinforcing long-term engagement.

The Power of Digital Marketing & YouTube Influencers YouTube influencer campaigns, like the one featuring **Hikakin**, were significantly more effective than TV ads in reaching engaged users. Influencers add credibility and create **parasocial relationships** that drive downloads and retention. Influencer-driven growth is more targeted, with a lower CAC than mass TV promotions.

Why Mass Advertising Wouldn't Work Mass promotions (e.g., TV ads) produce **high CAC** and attract **casual users**, who contribute little revenue and churn quickly. The case shows **retention dropped** following TV ad campaigns, undermining long-term value. Mass market exposure may inflate DAU, but **not ARPU or CLV**.

Rejecting the McDonald's Partnership Despite McDonald's scale and reach, the case shows it would require **tripling Othellonia's weekly acquisition rate** to break even on a ¥15M investment. The risk: McDonald's broad appeal would attract **light users** with **low monetization potential and high churn**. Strategic misalignment outweighs volume.

Conclusion Yu Sasaki should **not** sign the McDonald's deal. Othellonia should double down on **influencer partnerships**, **targeted digital marketing**, and **events that deepen user engagement**. These tactics enhance CLV and support retention-based growth with better ROI.

Question 3: Considering the segments of users described in case Table A, what do you think is the "ideal" composition of Othellonia's customer base?

To identify the ideal Monthly Active User (MAU) mix, I translated Table A into Excel and calculated each user type's monthly revenue contribution using:

- **Daily ARPPU × 30** (to get monthly ARPPU)
- **% Paying Users × Monthly ARPPU**
- **Adjusted for retention rates**

This provided total revenue per user type, which I then normalized to assess optimal segment proportions that maximize revenue.

Findings:

- **Light Users: 4.6%**
- **Moderate Users: 24%**
- **Heavy Users: 71.4%**

This ideal portfolio prioritizes revenue efficiency:

- **Heavy users**, though few in number, deliver **70%+ of revenue**.
- **Moderate users** offer significant ΔCLV potential and can be upgraded to heavy with engagement.
- **Light users** have minimal impact on revenue and high churn.

Conclusion Othellonia should actively **convert moderate to heavy users** and maintain a loyal heavy base. Acquisition should only target users with potential to move up the value chain. Resources must prioritize increasing **retention and monetization** among existing moderate and heavy users.

Question 4: Was using an offline community management approach the right decision when launching the game? Why?

Yes. DeNA's slow and **community-centered launch strategy** laid the foundation for sustainable, **loyalty-driven growth**. Offline community management helped Othellonia achieve what mass-market campaigns could not: **deep emotional engagement** and **long-term player retention**.

The Case for Offline Community-Building Off-Kai events created social proof and identity within the player base. By investing in user recognition, DeNA built a **player-driven ecosystem** that supported high retention. Events fostered peer validation, friendships, and a **viral sense of belonging**—critical intangibles in the freemium economy.

Retention as a Competitive Advantage With **86.8%** of mobile gamers churning within 30 days, retention is critical. Offline engagement reversed this trend by embedding Othellonia into players' lives. Similar to Fortnite and Pokémon GO, a **hybrid real-world/digital experience** drove long-term commitment.

Long-Term Benefits vs. Short-Term Scalability Concerns Though initially unscalable, offline efforts were **high-impact**. They gave later digital campaigns a high-conversion base to build upon. Without an early, loyal core, mass marketing would have been ineffective and unsustainable.

Why Other Approaches Wouldn't Have Worked Mass media campaigns would have driven downloads but **not retention**. Paid ads would inflate metrics without securing long-term players. DeNA wisely chose **community-building first**, enabling cost-effective growth later via digital channels.

Conclusion The **offline-first strategy** aligned with Othellonia's **retention-centric business model**. It provided **intangible value** through status and engagement, enabling **network effects** that boosted LTV. It was the right decision, delivering **strategic depth and brand resilience**.