



**Big three:** A screen shot shows the websites of Japan's top social networking services: Gree, Mixi and Mobage Town. The firms behind the sites are currently neck and neck for social network supremacy in Japan.

## TECH\_JAPAN

### WEB

# Facebook is sidelined in Japan as social network battle heats up

By AKKY AKIMOTO

In July, the number of active users on social networking site Facebook worldwide surpassed 500 million. More than 60 percent of Internet users in the United States have signed up with the site, and its presence has reached into almost every country on Earth. You might think that Facebook is taking over the world . . . if you speak English.

There are, however, a few regions where Facebook has not been able to penetrate the market as it has in the West. China, Russia and South Korea have all developed their own popular variants of the idea. Japan also has its own social networking sites and the top three: Gree, Mixi and Mobage Town, are currently in a battle that has become so fierce that Facebook might not even stand a chance.

Both Mixi and Gree began in February 2004, when tech-savvy Japanese were discovering social networking site Orkut. Both Mixi and Gree aimed to come up with a Japanese version of the popular social networks sweeping the West.

Mixi was thought of as Japan's response to Friendster. It came about when Web startup E-Mercury took one of its engineers off their employment- search service Find Job and assigned him to creating Mixi. To everyone's amazement, the site grew quickly and now boasts 21 million users in its network. Also similar to Facebook, Mixi depends on advertising sales for profit — while its main competitors do not.

Mixi continues to be innovative. Last week, the company announced two new features: Mixi Check and Mixi Check-In. Mixi Check is similar to Facebook's Share feature, while Check-In is similar to Foursquare, geo-tagging a user's physical location on the site.

For five years, Mixi sat comfortably at the top of the social networking tree, but last month Gree announced it had 21.25 million registered users. That number made Gree Japan's No. 1 social network.

Gree's success indicates a particular quality of Japan's market. Mixi was the only site among the top three to have established its fame on PCs. But in July 2007, the number of page views on cell phones topped those coming from PCs, essentially moving the battlefield for social network supremacy. Gree's success on a mobile platform is seen as one of the reasons it topped Mixi. After losing to Mixi initially in 2004, many had thought Gree would disappear. Its comeback started in late 2006 after the site pretty much abandoned its unpopular PC version (it still exists but traffic is at 1 percent of its mobile version). Gree inked a deal with Japan's No. 2 cell-phone carrier, KDDI au, and created a mobile version of the site complete with what the Japanese call *kajuaru gemu* (casual games), simple games for cell phones, and avatars.

Gree CEO Yoshikazu Tanaka said he studied Hangame, a South Korean online game portal, for inspiration when designing Gree's mobile reincarnation. The new Gree has been hooking new users with games such as fishing and virtual pets, all of which can be played for free (but which also have content available for sale to expand the scope of the games). The gaming strategy (and a TV ad campaign) resonated with Web surfers pushed Gree to the top. Recently, the site has started adding third-party social games in addition to expanding its long list of casual games.

The game strategy is being used by Japan's No. 3 social networking site Mobage Town. The site is run by DeNA, who also run successful online auction service Bidders, and was started up in 2006. DeNA also looked to

Hangame as a model for Mobage Town. Despite its late start, Mobage Town has increased its user base to 20.48 million. One key factor in its success was enabling users to earn virtual money if they clicked on advertisers' websites. The social networking service provides their own casual games as well as third-party games. The most popular game it has at the moment, "Kaitou Royal," is similar to Facebook's popular "Mafia Wars."

Similar to the characters in "Mafia Wars," Japan's social networking sites are in a fierce competition for turf. DeNA is working with Japan's biggest website, Yahoo! Japan, to open Yahoo! Mobage, which is set to bring Mobage Town to Yahoo! Japan users. Both Mobage Town and Gree are spending copious amounts of money on TV advertising, even outdoing Toyota and Coca-Cola. The companies behind the two sites are also involved in a hiring competition, providing some workers with a maximum ¥2 million one-time bonus.

Where is all this cash coming from? While Mixi's prime source of income is advertising revenues, Gree and Mobage Town directly sell virtual items to their users. Their way of selling such items is different to the way Apple's App Store works. When purchasing something for the iPhone, customers are billed separately, which means they are able to see the charges on their credit card bill. With Gree and Mobage Town, most purchases made are folded into the user's telephone bills — essentially making them less noticeable. This approach has paid off, literally, for both companies and they have been able to lower their advertising prices in response, putting more pressure on Mixi.

However, a DeNA employee appeared at a Mixi conference last week saying Mobage Town and Mixi's services don't overlap and that some cooperation is possible. DeNA CEO Tomoko Namba has also set her target on Sony and Nintendo, hinting that they were old news. DeNA seems to be adapting a line of "you're with us or you're against us," and has reportedly told video-game developers that if they want to sell on Mobage Town, they shouldn't try to sell on Gree as well. The company has not confirmed this.

At its conference, Mixi also announced a partnership with China's Renren and South Korea's Cyworld. Initially, the three will standardize their platforms to allow third-party application providers (which Mixi calls SAPs) to run on the three social networking sites. This strategy is primarily against Facebook. It would be surprising if something big, such as a merger or an inter-platform networking feature, comes of it. This kind of thing, though, does appeal to domestic users. Facebook's global reach has been impressive, but its localization (especially in Asian countries) has been subpar. If Asia's social networking sites can step in and give the

image of being able to network internationally, that could be enough to get users interested. However, seeing the approaching ceiling of the Japanese market must have Mixi, DeNA and Gree looking to expand. Indeed, DeNA and Gree could use their profits to grow overseas. With Facebook retaining a possible monopoly in the West, it could be that Japan's social networks see Asia as their best bet to form a challenge against the online behemoth.

*Akky Akimoto writes for Asiajin.com, which is planning readers meetups in Singapore on Sept. 25, and Tokyo on Oct. 9. For details, visit [asiajin.com](http://asiajin.com). A Japanese version of this article is available on Akky Akimoto's blog at [akimoto.jp](http://akimoto.jp)*

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