

# McDonald's Japan: AR and IoT Marketing Strategy with Pokémon GO

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## Abstract

This business case introduces the marketing campaign launched by McDonald's Japan in July 2016, using the new smartphone version of the popular game Pokémon GO, whose extraordinary success attracted the attention of social platforms, businesses, and academic audiences. The alliance between McDonald's Japan and Niantic-Pokémon is a good example of the social impact of modern games based on geolocation and augmented reality, and how this can embody new business models and marketing strategies. For McDonald's Japan, this alliance attracted a large number of new consumers to its restaurants at a trivial cost. The results for the company were immediate and significant, driven by the community of 3.4 million game subscribers in Japan: it received 1.5 to 2 million daily visits across its 3,000 locations, had an estimated sales increase of 22%, and earned an increase in market capitalization of 9.8%. This marketing strategy connected the underlying culture of the former players of the first Pokémon GO for Nintendo DS with the values of the McDonald's brand, attracting to the restaurants a new segment of customers aged from their mid-30s to their 40s as well as their children.

**Keywords:** Business strategy; Marketing strategy; Gamification; Mobile app; Internet of things; Big data; Augmented reality

## Introduction

Pokémon GO is a free, augmented reality and geolocation-based mobile game, launched on July 6, 2016, by Niantic Inc. for mobile IOS and Android devices (Supplementary file - Exhibit 1). A year after its launch, Pokémon GO drove 500 million visitors to sponsored locations worldwide, among which McDonald's Japan was the first official sponsor. During its peak period in 2016, Pokémon GO influenced more than 2,000 visitors daily to visit each one of the about 3,000 active McDonald's stores in Japan, resulting in estimated daily visits due to Pokémon GO of 1.5 million. Statistics indicate that the highest business traffic was recorded in the afternoon and evening hours, even going into the late night, when the Pokémon GO characters were available at McDonald's locations. This indicates that gamification with Pokémon GO gave each McDonald's store the opportunity to serve an extra 2,000 customers per day.

Pokémon GO is an example of the social impact of social games on modern-day business marketing, as "the popularity of Pokémon GO offers a golden opportunity for marketers" [1]. The average iPhone user spent 33 minutes 25 seconds on Pokémon GO on July 1, 2016, while one Facebook user spent 22 minutes and 8 seconds and a Twitter user 18 minutes and 7 seconds [2,3]. For a company such as McDonald's that depends on foot traffic, the game achieved the ultimate challenge of moving individuals. Moreover, Pokémon GO changed the social structure of McDonald's target consumers [4]. For children accompanied by their parents, those between 30 to 40, and young people between 15 and 24, the game drew to the streets people who would otherwise be riveted to their TV screens or the computer with a game console in their hands.

The announcement that McDonald's Japan was to become the official sponsor of Pokémon GO initiated a 9.8% growth in the company's stock a few months after its launch. Nintendo share prices more than doubled in two weeks since the release of the game [5]. Basically, Pokémon GO revolutionized social gaming and it continues to come up with new ways in which to help a business reach its target consumers through effective location-based advertisements. For example, the recent Pokémon GO festival held in Yokohama attracted an estimated two million individuals to the city [6]. Over time, the

Pokémon GO and McDonald's association influenced the company's sales and revenue to grow by double digits. However, financial analysts argue that Pokémon may not be an effective tool for driving sales over the next year. One thing is clear, though: the customers Pokémon GO brings to the business today will remember the service they received [7].

There are two definitions of gamification among many that are relevant for this business case from the marketing strategy perspective: "The use of game-thinking and game mechanics to engage users and solve problems" and "The use of game elements and game-design techniques in non-game contexts" [8,9]. Gamification has been used for multiple purposes: 26.3% of systems focus on customers and 30.4% on communities. According to El-Khuffash, "When targeting customers, it is generally to increase customer loyalty, engagement and in the end, revenues [10]. When targeting communities, usually it is to use the power of groups to accomplish objectives (social, personal or otherwise). When employees are targeted, it is usually to increase employee engagement or to make business processes more efficient and open."

McDonald's was one of the first companies in the past 30 years to use gamification, even before the term was coined, or mobile phones or the Internet of Things (IoT) existed. A good example is the use of the board game Monopoly in 1987, which became a great success in attracting customers to restaurants and increasing customer loyalty: "McDonald's consumers have admitted going to eat there every day to collect the tokens for the Monopoly board" [11]. According to Adamou [11], who compiled several business cases about gamification and McDonald's, "McDonald's really are the masters of Gamification, marketing and spin. If you want to get involved with Gamification, just ask yourself what McDonald's would do!"

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One of the largest and most successful gamification campaigns, Pokémon GO, was started by McDonald's Japan, attracting millions of visitors to restaurants across the country, increasing sales by double digits, significantly increasing market capitalization, and monopolizing mentions in the world media. Pokémon GO is no exception, as Japan has long been exporting cultural products worldwide [12]. The original idea of such an extraordinary marketing campaign was created by the Chief Marketing Executive at McDonald's Japan, during his visit to Pokémon Nintendo on March 3, 2016. In the interview conducted for this business case McDonald's CMO said:

"We actually had relationships with Pokémon for the Happy Meal. There, they introduced me to the new game Pokémon GO. I already knew we should go with this because of the following reasons. First, I was a player of Ingress. It's a game, the base game which has a bit of Pokémon GO. That's why I could easily imagine how Pokémon could become a hit. Second, we're targeting quite a huge number of consumers. It got to 60-70% of the Japanese publics coming to McDonald's at least once in the past six months [before September 2017]." ... "Actually [Pokémon GO] is very good for targeting consumers at mid-30s to 40s. You know, those in their mid-30s to 40s have grown up with Pokémon, meaning we don't need to explain to these people how you play, what a Pokémon's name is, or how the Pokémon will evolve, and so on. That's why this is very good for us in terms of culture, in terms of how would see the branding, and also target wisely. Third is the business; a good point for me from this game is we don't have to touch anything in our operations." (McDonald's CMO, 2017) [13].

We can frame Pokémon GO in terms of the enabling technologies in the game, such as mobile devices, smart sensors, geolocation, augmented reality, IoT platforms, and big data. However, it is equally important to understand its success—as McDonald's CMO envisioned it in terms of the culture built by the previous Pokémon game history and the engaged community of latent fans, who easily connect with McDonald's culture in Japan as well [14].

### **Pokémon GO: A Game Designed to Drive Customer Traffic**

Pokémon GO launched on July 6, 2016, achieving 28.5 million users per day by July 13 of the same year (Supplementary file - Exhibit 2); by August, the app had reached 100 million devices [15]. Over the year after its launch, the game acquired millions of subscribers: around five million players per day worldwide according to ComScore data and over seven million according to data by Wandera [15,16]. Based on ComScore data, there were about 750 million downloads for Pokémon by June 8, 2017. As of June 19, the game had 65 million active monthly players [17].

In Japan, Pokémon GO has 3.4 million subscribers nationwide. With the majority of Pokémon players in Japan being between 18 and 40, McDonald's Japan is likely to obtain endless financial benefits and possibilities from Pokémon GO gamification. Indeed, 34% of gamers lie in the 18-34 age bracket. By February 28, 2017, Pokémon GO had around 3,500 sponsored locations with 2,000 PokéStops and 500 Gyms at McDonald's locations [18]. It held a real-world event, the Pokémon GO park event in Yokohama city, in August 2017. The event attracted two million players and the organization managed the most successful live event to date in Yokohama, learning from the disaster of the Pokémon GO Chicago festival, where 20,000 enthusiastic visitors "quickly soured as they reached Chicago Grant Park to find long lines and the game only rarely working throughout the day" [6].

The revenue generated by Pokémon GO is massive. In the first 90 days, it amounted to USD 600 million, reaching USD 1.2 billion at the end of the first financial year after its launch. Despite the stagnation of Japanese markets, Pokémon GO is highly likely to change sales and customer traffic for McDonald's restaurants. Additionally, a New York pizza restaurant owner said his business grew by 75% after paying Pokémon developers USD 10 to have a dozen Pokémon GO characters in his stores [2]. Similar results were observed for McDonald's Japan. In the first week of launch, McDonald's stock rose by an unexpected 9.8% on the Tokyo Stock Exchange and sales grew by an estimated 22%. With Pokémon GO developers planning to launch Pokémon GO 3 in the future, a new wave of excitement is building among players. Therefore, through the marketing campaign with Pokémon GO, McDonald's can expect at least a 22% increase in sales and similar growth in daily revenues.

The cost of Pokémon GO marketing campaign is minimal and depends on the business activity the game generates. Basically, the cost of an activity ranges from USD 0.15 to 0.5 per unique visit to sponsored locations. This implies that to generate 2,000 visitors to each one of its locations, company expenditure is between USD 300 and 1,000. Considering that Pokémon GO generates on-location marketing, target consumers have to visit the business location. At \$0.15 per visit, the sponsorships could have generated \$75 million in revenue for Niantic, while the high range of \$0.50 would have generated \$250 million. Given that McDonald's Japan could have included 3,500 stores, that price would mean that at the game's peak, the company has paid out roughly \$900,000 per day to Niantic for the Pokémon GO sponsorship at \$0.15 per visitor, or \$3 million per day at \$0.50 each [18,19].

### **McDonald's sponsorship of Pokémon GO**

The utilization of Pokémon GO driven customer traffic by McDonald's Japan has a wide scope for the company. Therefore, it is important that the project is analyzed critically to measure its benefits over risks. After the publicity obtained by the Pokémon GO sponsorship in Japan, the company received an immediate surge in the number of daily customer visits. As previously mentioned, within weeks of the game's launch, the company was receiving 1.5-2 million visitors daily across its 500 locations in Japan. Over the six months to September 2017, about 60-70% of Japanese people visited McDonald's at least once. Pokémon GO's initial influence translated into a 26.6% increase in the company's same-store sales during its peak period in July 2016. Sales per customer rose by 15.3% from the same month a year earlier [20]. If the game is to retain its current active subscription base, the company can expect to achieve an average increase in sales of 15% compared with before the Pokémon GO surge.

The expected payout for such project is a few weeks: "57% of visitors who come to a [small] local business that is also a PokéStops due to a Lure being active are likely to become customers" [21]. Pokémon GO is a pay-per-activity business with a high cost of USD 0.99 [22]. As a result, it is a low-risk project. Stakeholders should expect at least a 20% payout within a few weeks of deployment. The US digital agency Huge operated The Huge Café in Midtown Atlanta as a lab to test the effects of innovation on customers. The company made a limited investment in Pokémon GO in the form of in-game currency for a week to attract Pokémon creatures to their specific location. As a result, sales were 27.4% higher than the daily average, with an ROI of 400% across the week [23].

In general, the major risk involved is that the company may not become well known within six months or so. However, it stands to

lose little, since there is no direct investment in the game. Therefore, it can adopt new-generation games based on the traffic they attract to business locations.

## Marketing Campaign Definition

### Background information

According to Yang and Wenxia [24] “Pokémon GO not only brings a revolutionary change to the industry of online games but also affect people’s daily life with Augmented Reality (AR) technology, which will definitely cause transformation of business models” [24]. The general assumption that most individuals make when approached with a marketing gamification proposal is that it is just a customer loyalty program. Although it cannot be a solution to all marketing challenges and concerns, it can be a crucial part of a marketing campaign if done right [25].

Pokémon GO is an AR game that uses an IoT platform as well as other enabling technologies, such as geolocation (GPS), smart devices and cloud computing, among others [26-29]. The game developers, Niantic, in collaboration with Nintendo released the game in selected locations in 2016. Since then, it has become the fifth most downloaded application in Japan, and its rating is increasing. The game involves locating, capturing, battling, and training virtual creatures known as the Pokémon. The Pokémon appears on the screen as if it is captured in a real-world location. Initially, Pokémon critics focused on its prevalent technical issues, especially shortly after its launch. However, by the end of 2016, it had been downloaded over 500 million times. Nonetheless, the question of whether companies can maintain customers after the Pokémon GO excitement is gone remains [30].

Children, teenagers, post-teens, and adults are all major subscribers of Pokémon GO worldwide. Rimón explains that her son and his friends spend hours walking and exploring places in search of Pokémon characters [31]. It is therefore evident that the game helps get people away from their bedrooms, TV screens, and computers into the real world. The Pokémon GO developers have therefore achieved what seemed like an impossibility in countries such as Japan and the United States: they have taken people out of their homes and encouraged them to walk and interact with each other while playing the game [32].

The basic rationale behind Pokémon GO is that people have to walk if they want to encounter a Pokémon: “Pokémon GO challenges players to find and capture Pokémon, which requires time, patience, skill, and the freedom to access the game map”. According to Wei, Fernando, and Ong and Green, the Pokémon GO app has the power to motivate people who would not leave the house out of fear and anxiety [33-36]. According to Randazzo, Pokémon GO is a good example for improving players’ health, forcing the user to remain outdoors and serving as a catalyst for a positive life experience from the physiological perspective [37-39].

Based on a survey of 405 Pokémon GO players, Zach and Tussyadiah [40] identify three types of impacts on players: “sense of community (social), mobility (visitation to places), and physical activities. Two dimensions of players’ wellbeing were also identified: improved daily functions and psychosocial functions. Enjoyment of the game, as well as motivation to win a battle, were consistently found to affect these behavioral impacts. Additionally, these factors also increase the probability of players’ spending money on induced consumption, such as for retail, restaurants, and travel.”

Through Pokémon GO, McDonald’s is set to increase the traffic

of Pokémon GO hunters into its premises and convert them into purchasing customers. Nonetheless, the short- and long-term benefits require in-depth consideration [41]. As such, in this business case, I discuss the objectives and benefits in both the short and the long run as well as the market and risk assessment, scope, impact, and interdependencies of the project, among other issues.

### Main marketing objective

Pokémon GO players create value when they play the game, such as capturing big data as well as players’ locations, age, and gender [42]. Pokémon GO has achieved the ultimate challenge of bringing people from all walks of life together for the same purpose. Furthermore, these individuals have similar characteristics in terms of age, lifestyle, and interaction and consumption patterns. The objective of McDonald’s marketing campaign with Pokémon GO was to increase traffic at McDonald’s Japan restaurants. Japanese markets have stagnated, and thus there was a need for a business and marketing strategy that is more inclusive and interactive. Furthermore, because of the changing entertainment patterns among the youth, businesses whose main target groups lie in this category have faced challenges [7]. Moreover, any business that does not provide delivery services has been forced to either shift its business models or include home delivery.

McDonald’s Japan had not been spared. Slow customer traffic had meant a decline in sales and revenue. Therefore, by Pokémon GO, the company expected to first increase traffic and then increase brand loyalty for McDonald’s restaurants. Pokémon GO influenced millions of people and became a phenomenon in Japan. Through the partnership, it aimed to establish McDonald’s as a company that not only actively fosters a change in lifestyle but also embraces outdoor and interactive platforms. McDonald’s is also in a position to sell itself as a brand that encourages an active lifestyle among customers.

### Secondary marketing objectives

McDonald’s has been investing heavily in marketing, especially through social media campaigns. The company has around 1.54 million followers on Twitter. However, these Twitter followers cannot all be converted into active traffic. Pokémon GO does it differently. By using it as an online marketing tool, the company attracted about 10 million subscribers to its social media platforms. Therefore, through this project, McDonald’s Japan intends to increase its social media viewership and traffic by at least 200%. Furthermore, with Pokémon GO, this traffic does not always remain virtual. It can give the business an opportunity to convert virtual into physical traffic in McDonald’s locations. As such, being a Pokémon GO real-world sponsor does not just sell the company virtually. It also brings customers to the business’s doorstep and provides a physical platform to interact with them and sell products. As a result, McDonald’s locations should be among the high-profile places to which Pokémon GO attracts traffic besides parks, historical sites, train stations, and religious buildings.

Another goal the project hopes to achieve is maximizing geolocation-based advertising. This is a historical form of advertising, whose main idea is creating a location-based relationship with the customer. Marketing experts categorize this form of advertising into user-initiated advertising, which responds to the demands of customers in a passive manner and is the most desirable for the company to utilize through this project. This advertising method has been facing massive challenges, leading to most businesses avoiding it. Such challenges include its perception of the target audience, where the customer feels it infringes on privacy or it is uncalled-for marketing [43]. Through the Pokémon GO campaign, the company can evade the challenges

of location-based marketing, since advertising involves bringing the customer to the location rather than going to the customer's location. As such, Pokémon GO is a great opportunity for companies that rely on foot traffic.

There is a long list of benefits that Pokémon GO sponsorship can bring to McDonald's Japan. Here, I discuss these benefits as well as the limitations that the company is likely to face as a result of Pokémon GO campaign.

### Benefits

**Increase virtual branding and social networks:** the business currently has a substantial following on social media. With Pokémon GO attracting more than 10 million visitors through its app daily, this is one of the best avenues McDonald's can target. Having the McDonald's brand appear in Pokémon makes it likely to be seen by the 10 million daily Pokémon GO users. McDonald's CMO mentions that McDonald's shares similar branding colors with Pokémon GO (i.e., Pokémon and Pikachu are yellow, McDonald's is red and yellow) [14]. As a result, the company's brand can appear on simultaneous branding platforms.

**Increase physical traffic:** Pokémon includes lots of physical activities that can both, directly and indirectly, increase traffic to McDonald's locations. As previously indicated, the game uses McDonald's locations as PokéStops and Gyms, where players can compete. McDonald's Japan can then convert such traffic into buyers.

**Workplace motivation:** by hosting Pokémon GO locations such as Gyms within its location, the entire workplace environment at McDonald's Japan is likely to change. The company's employers are among its major assets. Pokémon GO makes work for them more of a game that they can associate with the company.

**Open up new markets:** Pokémon GO has captured a new cohort of customers in the 30 to 40 age group that previous games have failed to attract. These individuals are busy and, as a result, do not venture outside unless during their vacations. However, Pokémon GO has changed the culture of this group. McDonald's Japan can, therefore, exploit this opportunity to sell its products to the new target group [14].

### Limitations

**Short- over long-run benefits:** the fact that Pokémon GO became a worldwide sensation within a few months of its launch is astonishing. However, analysts feel businesses should be cautious about overestimating the traffic the game brings to business locations [44]. McDonald's cannot guarantee to convert the traffic into customers that buy a product. The longevity of the Pokémon GO excitement cannot yet be estimated. McDonald's must consider how long the game is likely to retain or grow its subscription. Given the dynamic nature of gaming, the game may not be relevant in the next few years.

**Technological glitches:** the organizers of the Pokémon GO launch in Japan felt that the servers could be overloaded during the initial days of the launch. There have been delays in launching Pokémon in various parts of the world because of server issues. The same problems were experienced at Pokémon GO festivals.

**Customer traffic timeline:** because of consumers' various cultures as well as behavioral characteristics, it is difficult for McDonald's and Pokémon GO to control the traffic they generate as far as arrival time to their premises is concerned. Traffic to Pokémon GO points is highest in the evening and at night. Normally, these would be the prime

business timelines for McDonald's. The business may therefore not be in a position to serve such high traffic within a short timeframe [14].

### Option Identification and selection

Converting social media and online traffic is a significant challenge for companies worldwide. McDonald's Japan has been facing a similar challenge. According to McDonald's CMO [14], the company has around 1.54 million Twitter followers and 54 million users of the downloadable app, with over 10 million active users. However, the question is why these numbers are not reflected in daily restaurant visits across Japan. Through Pokémon GO marketing campaign, the company sales grew by double digits over the first few months, and traffic into McDonald's locations grew by an estimated 1.5 to 2 million monthly visits across Japan. The major question is projecting sustainability (i.e., how long Japanese people are going to be interested in Pokémon GO). Developers have worked to increase the game's longevity and productivity, such as the recent Yokohama event. By bringing such real-world events to cities where Pokémon has been launched, they not only increase their active subscriptions, but also traffic for local businesses [7]. The game has also improved its features to increase user compatibility. Such changes include the improvement of its GPS tracking where players looking for Pokémon can identify real-time locations. Another feature is the introduction of the buddy Pokémon that accompanies players in-game. Although the initial Pokémon GO excitement is mostly over, there remain a significant number of loyal, active users. Developers are also working to introduce new features that will enable the game to increase and retain players.

The issue of sustainability should thus not be a problem for McDonald's Japan. However, a concern for Pokémon GO developers as the pay-per-activity app. Overall, the assumption is that Pokémon GO is not losing subscriptions at present (Supplementary file - Exhibit 2). Furthermore, the Pokémon deal with McDonald's is just like Google pay-per-click, whereby the company pays Pokémon GO per activity. The only concern is measuring the productivity of Pokémon GO traffic in McDonald's locations, as the companies depend on historical data to determine changes in traffic and sales as a result of the Pokémon GO activity.

### Scope, impact, and interdependencies

Pokémon GO or any other IoT gaming platform is the least labor-intensive opportunity as far as marketing is concerned. However, the major concern is the results the company obtains from investing in such projects. The Pokémon GO project is among the least intensive marketing projects that the company has engaged in, but the returns tell a different story [14]. Moreover, the major responsibility lies with Pokémon developers, who are equally responsible for the success of the deal.

The launch of Pokémon GO at McDonald's Japan involved few people in the company, which believed in the viability of the project, including a small team from the marketing department. Initially, only a small team including the manager, the director, and a very small support team was involved [14]. The company also benefitted from free publicity before and at the launch of Pokémon GO in Japan, as every TV channel, newspaper, magazine, and blog discussed its association with McDonald's. Few activities were thus required from the company, such as declaring itself the official sponsor of Pokémon GO. The excitement of Pokémon GO arriving in Japan also influenced the free publicity McDonald's received during the launch.

Over time, a larger team would be needed to handle the various

logistics and management aspects of the project, and this function may be outsourced. The project would require full-time management and technical teams to streamline the project in terms of input and output data collection, recording, storage, and dissemination. The initial implementation process would involve developing an exclusive database to hold both historical and current market conditions of McDonald's outlets across Japan. Having an exclusive dataset would help the management team measure the productivity and viability of the project over time. The project would be handled in phases. The first phase would include data collection and recording. In this phase, surveys and online data would be collected from consumer surveys, interviews, and secondary data sources. The company would also record its financial data such as daily sales and daily revenues. Second, the data would be processed by a data analysis team, which would then submit reports to the management team and financial analyst.

Through a proper data management system, the company could detect changes in customer traffic patterns and communicate effectively with the Pokémon GO developers to determine future actions. A proper data system would also enable the company to decide whether it should venture into sponsorship deals with newly introduced products. If it feels that Pokémon GO alone can achieve the targeted market and market size, then the company may decide to retain Pokémon GO as its main sponsorship. The project would also require a small communications team that would coordinate both interdepartmental and interorganizational communication for the project.

The project is unlikely to affect any of the other projects the company has initiated. Therefore, it can easily be assimilated into the company's work plan, budget, and timeframe with limited resources. This is because it involves a pay-per-activity advertising model, whereby the company only pays the Pokémon GO developers based on the traffic it generates at McDonald's locations. However, it would be the responsibility of the company to take advantage of the traffic that Pokémon GO generates and convert it into sales.

### Market Assessment: PESTEL Analysis

Here, I use a political, economic, social, technological, environmental, and legal (PESTEL) analysis to assess and explain the project's effects in relation to the market dynamics by identifying the external (macro-level) influences that may affect the organization as part of its strategic marketing.

**Political factors:** The launch of Pokémon GO in Japan did not have a major political impact. However, the government promised to monitor the impact of the game in Japan; Chief Cabinet Secretary Yoshihide Suga said "We want players to enjoy playing it but in a safe manner." [5]. Over time, several issues have been raised, especially because of trespassing on private property by players. Other issues include security concerns for both players and the public [45], such as speeding and accidents as drivers hunt for Pokémon characters. The government has accepted Pokémon GO as part of Japanese culture. The Pokémon week in Yokohama was proof that the game has captivated Japanese people, as an estimated three million people attended the event. The local government was overwhelmed by traffic in terms of providing security, regulations, and order.

**Economic factors:** Pokémon GO launched in Japan when the local economy was in a slowdown. At the time, it might be the first big success story for Prime Minister Shinzo Abe's Cool Japan initiative. A plan to boost the Japan's fashion, cuisine and content - movies, television, music, animation, and gaming-, that according to The Ministry of

Economy, Trade and Industry these industries "are very popular overseas, but they are not necessarily profitable." "Globally, creative content industries accounting for about 7 percent of world exports with an above-average growth rate of 14 percent. "However, exports from Japan's contents (contents) sector were a mere 0.5 percent of total world output in 2012. Using a broader definition of creative goods, the United National Conference on Trade and Development (UNCTAD) estimates Japan accounted for just 1.7 percent of world exports in 2008" [46]. Economists, therefore, questioned the capability of Japan to power up the initiative and the impact on the creative economy of the country [46,47]. The game was expected to raise a lot of income both locally and internationally, which it did. Within the first months of its launch, both the developer and McDonald's stock on the Tokyo Stock Exchange grew significantly. McDonald's shares registered growth of 9.8%. When the company began giving away Pokémon toys with its Happy Meal program, there was a 23% growth in profitability. Nintendo, a partial developer and owner of Pokémon, saw its market value soar. As Japanese businesses had been struggling due to the slow economy, there was a need to change marketing strategy and increase consumer traffic. Pokémon has so far engaged and stabilized companies that depend on foot traffic in areas where it is available.

**Social factors:** The social structure in Japan has influenced the efficiency of the marketing strategies of several food companies [48]. With companies such as McDonald's running impulse businesses, it is almost impossible to predict how its sales are likely to evolve. However, the location-based marketing provided by Pokémon GO has enabled the company to have a smoother traffic flow into its restaurants. For restaurants such as McDonald's, business is also seasonal. Summer is the prime business season because of increased traffic from teens and young people. However, traffic decreases if people have access to new methods of indoor entertainment. Therefore, the market needs activities that can get people out of their houses and visit the business locations. Pokémon and its predecessor Ingress have achieved that: Pokémon GO has shown how augmented reality games can change the social structure of consumers and benefit companies [48].

**Technological factors:** Although Pokémon GO became the most popular augmented reality game, it was not the first. Ingress, Pokémon's predecessor from Nintendo, had the same game model and structure. However, it did not gain popularity until Pokémon was launched, despite enjoying sponsorships from companies such as the Bank of Tokyo-Mitsubishi UFJ. The use of technology in marketing has become more complicated over time, as the rise of social media platforms allow companies to reach their fans in real time without the need for large-scale marketing resources. The development of AR games is shifting the entire marketing world. With the growth in gaming subscriptions worldwide, companies can revolutionize their marketing strategies. However, the longevity of such games and its sustainability cannot be measured. No one can predict what games will succeed Pokémon GO and their influence on consumer behavior.

**Environmental factors:** McDonald's has been at the forefront of environmental protection as part of its social responsibility. Its focus on protecting the environment has been indicated by its long-term partnership with Conservation International [49]. Few environmental concerns about social games such as Ingress and Pokémon GO have been raised thus far. However, any activity involving moving people is likely to be scrutinized by environmentalists. Carbon emissions in Japan are considerably high because of massive industrialization. Therefore, some environmentalists feel that social gaming is likely to increase traffic, leading to rising emissions [43].

**Legal factors:** Mobile games lead to debates on location-aware technologies in relation to privacy and property rights [50]. Few legal factors currently influence the marketing campaign in Japan, as McDonald's does not capture personal data from Niantic. Moreover, the mobile app prevents access to users under 13 year (Supplementary file - Exhibit 1) [51]. It is notable that Pokémon GO is not the first game that has gained universal recognition in Japan. Japanese people have a culture that embraces gaming as part of their lifestyle. As a result, few legal procedures are involved in seeking partnerships and advertisement deals with companies such as Nintendo. Furthermore, only the developer company holds the ownership rights to the game [52,53].

Pokémon GO's terms of service, to which users have to agree, include a clause requiring users to waive their rights to a trial by jury. The players are also required to waive their rights to a class action lawsuit, whereby they cannot participate as individual plaintiffs or as class members in a class action or representative proceeding. Such terms and conditions protect the company against courtroom cases. Instead, issues must be handled through binding arbitration processes, whereby the company's and users' issues are handled through private dispute resolution. Individual Pokémon GO players "shall be required to mount their own cases rather than the band together in a class action, for example, if there is a data breach which affects multiple users in the same way" [54], especially in situations where an issue affects multiple users. However, the legal issues of game users are entirely the responsibility of the developer. Privacy and user data misuse and trespassing have hitherto been the only major legal issues [55].

### Risk assessment

This section summarizes the significant risks associated with the marketing campaign, as well as its management. The major risks to be addressed are those that arise as a result of implementing the project as well as those associated with the organization's inability to make the necessary changes. Marketing campaign strategies based on games reshape consumer behavior and brand interaction [29], and can consequently deliver exponential gains as in the case for McDonald's Japan. However, McDonald's CMO assesses the major risks associated with this project in terms of uncertainty, causing the company to adopt a prudent approach and not over-expect future results. Pokémon GO lost a substantial number of subscribers some months after its launch.

Although the developers have tried to improve the game's features and attract more active players, the future of Pokémon GO is not guaranteed. Hence, the main risk in business and operations is unpredictability: whether the game will have the same impulse today as yesterday. While the gains can be huge, there are significant risks and potential negative outcomes for the business [56]. A bad business design can cost a firm money as well as time. A good example is a game that delivers massive customer traffic within a short period. As a result, the business cannot adjust its resources to serve customers effectively and ends up punishing its valuable customers, while rewarding unproductive ones. Therefore, implementing such a project requires adjusting resources appropriately to offer a similar quality of business as before without the risk of damaging customer loyalty.

The second risk involved with social games is the mobilization of sufficient resources to handle traffic. Games such as Pokémon GO are unpredictable and may become a national sensation overnight. Normally, these games create excitement among players. As a result, there is a rapid flow of traffic into the business, which may be more than the company can handle. For example, the Pokémon impulse required

McDonald's Japan to adjust to the up to two million visitors it was receiving daily. If the company cannot mobilize adequate resources to serve these customers, it risks losing them to the local competition [43]. Sometimes, these game-related impulses may be short-lived, leading to potential losses if the business had invested too much in preparation for the initial traffic. For example, if a company makes an investment worth USD 2 million in preparation for traffic forecasted to generate USD 6 million from the game activity over two months and the game fails to deliver the expected traffic or the traffic does not proceed into sales, the company registers a loss.

### Purchasing strategy to mitigate risk

There are three ways in which an organization can acquire the necessary resources to implement a project: lease, buy or outsource a product before purchasing it [57]. In other words: "To compete effectively in the global marketplace, a firm must have a competent and strategically integrated purchasing organization. It is important that all functional area strategies and capabilities, including purchasing, be consistent with the corporate competitive strategy. It is also critical that a company's suppliers have the capability to meet its strategic priorities" [58]. One of the most efficient purchasing strategy is pay-per-activity. The game developers are responsible for measuring the amount of activity they generate for the advertiser business. The business then pays based on this activity. For example, the Pokémon GO pay-per-activity is worth USD 0.15, whereby their activity includes placing the Pokémon characters at specific locations that favor the company. The most appropriate strategy is buying the required resources to avoid incurring excessive costs.

### Project Organization

This section summarizes the project setup. It describes the project sponsors, project management team and their individual roles, and the stages of the project, including why each stage is important. How the progress of the project was reported is subsequently presented.

### Project governance

The implementation of this project comprised five main stages. For every stage, specific professionals addressed certain project issues. The following is a list of the main activities and departments responsible for the successful completion of each issue.

**Business case development:** This was the first stage of the project and involved the Chief Marketing Officer (CMO) and a small group from the company's marketing team. The company's business case introduced by the CMO justified why the project should be deployed and the business impact on the company.

**Analysis and design:** During this process, the business case was intensively reviewed by a team of marketers. Consultative meetings were held at which the weaknesses and strengths of the business were identified. The implementation design of the project was developed by the CMO and supply chain experts, such as planners and financial analysts, as well as the management team.

**Purchasing and procurement:** The CMO approached the game developers and negotiated rights for the official sponsorship of the game, along with the terms of payment, the structure of the deal, and an exclusive agreement addressing the legal and financial aspects of the project.

**Deployment:** This stage involved the full deployment of company resources towards the implementation of the project, managed by a

small team of highly motivated professionals, with an agile approach to adapt and respond to unpredictable results.

Progress reporting: A small monitoring and evaluation team was responsible for measuring project progress. Various strategies were involved, including consumer surveys and other market research mechanisms, to determine its impact on the business. Progress reporting was periodic and coordinated by the project manager. The CMO reported on the performance of the projects monthly as well as held meetings with the management to discuss and identify any adjustments needed.

## Conclusions

The Pokémon GO marketing campaign of McDonald's Japan faced the challenge of managing an unpredictable volume forecast to set up the financial and operations planning. Few believed in the great opportunity of the project; however, the results exceeded all expectations, showing how games with emerging technologies (smartphones, IoT, augmented reality, GPS) can be successfully used to attract traffic to stores at low cost and with almost immediate returns on investment. The great challenge is to be prepared operationally to respond to potential demand in addition to maintaining the quality and service standards of the company. McDonald's Japan achieved this in an efficient and effective way with its current team, demonstrating outstanding flexibility and agility. It was a beneficial project for both companies. McDonald's Japan increased its sales and won free advertising in the media. Niantic was able to prove the benefits of the B2B model for third parties (e.g., moving traffic to stores), which attracted numerous new B2B clients eager to increase traffic to their shops with low cost investment.

In the end, the capability to design innovative business and marketing strategies lies in the ability of executives to envision a future and connect the points on a map in the most efficient and profitable way. The CMO at McDonald's Japan knew how to anticipate what would later become a trend with the use of Pokémon GO to attract significant traffic to points of sale. He also knew how to act with agility and flexibility, managing an unprecedented project where results, if not uncertain, had at least significant potential for variability in sales and operations. Hence, the greatest strengths of the executive were thinking of a visionary strategy and knowing how to execute it dynamically by adapting to the exponential results. In conclusion, both conditions were necessary and were exhibited by this executive and his small but highly motivated team.

As the popular saying attributed to Henry Ford goes: "Vision without execution is just a hallucination." The phrase has its origins in an ancient Japanese proverb: "Vision without action is a daydream. Action without vision is a nightmare." This case showed how companies can use AR and IoT games successfully in their business and marketing strategies at low cost. Above all, it showed that the leadership and entrepreneurial capacity of executives and highly motivated individuals can extract the full potential of AR and IoT-enabled technologies (e.g., GPS, augmented reality, smart sensors, big data) by forming social communities that share a common lifestyle, culture, and consumer preferences.

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