WHITEPAPER

Mobiles...
Playing the Game

This whitepaper is an extract from:

Mobile Games
Subscription and Download
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Mobiles… Playing the Game

Introduction

Mobile games is one of the fastest growing segments of the mobile content industry. Growth has been stimulated by innovation in wireless technologies and acceptance of wireless communication modes. Asia has already stimulated significant demand for mobile games, with Japan and Korea contributing heavily to the mobile games revenue. The US and European markets are also sizable and there is rapid growth in South America and some specific countries in the rest of the world.

As a large number of game suppliers enter the market, competition will become even more intense, but will stimulate an environment for the development of innovative services and quality games, which will deliver the differentiation necessary for success. Also, as mobile networking technology advances, improved delivery channels will be deployed and sophisticated device-embedded technology will create opportunities for delivery of better graphics sound and even "feel", providing continued enhancement of the user gaming experience and further impetus to market development.

Types of Mobile Games

Mobile games are gaining popularity all over the world as the mobile phone gains acceptance as a multi-purpose communications and entertainment device. To suit the needs and styles of different people, developers design different types of games, which can be classified in a number of ways, including:

- Technology (e.g. embedded games, SMS/MMS games, browsing games, J2ME games, BREW games, native OS games)

- Number of Players (e.g. soloplay or multiplay)
- Genre (e.g. action, logic/puzzle/skill, sports and racing, arcade, role-playing games, card and casino games, movie games, adult games, lifestyle games)

The Hurdles to the Deployment and Adoption of Mobile Games

The market for electronic games generally is well proven and mobile games promises to provide the most pervasive channel of all. The mobile channel has many inherent advantages for the provision of games. It also has some disadvantages, the primary ones being listed in table ES below.

Table 1: The Hurdle for Mobile Games

Issue	Why is it a challenge?
Expanding the demographic	Mobile game adoption is now comparatively widespread. The key for mobile games lies in ensuring that a demographic what was somewhat underserved at the outset – the female gamer – is fully addressed.
User Interface	• Difficulty in discovering services and content; • Difficulty in accessing services and content; • Difficulty in navigating services and content; and, • Difficulty in utilising multiple applications simultaneously
Network Coverage	Even in developed countries, large rural areas remain without any 3G coverage, including many major rail routes where passengers with “dead time” may have the opportunity to play mobile games online – should those games be available. However, many frequently meet only with the message “You are now outside the video service area”, thereby limiting the number of services they are able to access. Furthermore, there is often a significant degradation of coverage in-building, meaning that mobile internet games may well fail to connect, or else drop out, when subscribers are at home.
Service pricing and development costs	As with other forms of mobile content, the danger for providers of mobile games services is that, by pricing games too highly, they risk alienating customers; price games too low and they under-value the content. The issue of pricing is particularly acute for mobile games given the high cost of developing a mobile game relative to most other forms of mobile content, meaning that the profit margins are particularly low. Essentially, there are a number of significant costs involved in game production and development:

	• Licence fee; • Development costs; and, • Handset configuration
Data Cost	High cost of browsing and downloading services and content combined with opaque pricing structures continue to act as a disincentive to service adoption
Handset form, capacity and battery life	The capabilities of the mobile handset are clearly important with regards to gameplay, from a number of perspectives: • Form factor – the handset must enhance the gaming experience; • Capacity – the handset must have enough memory to store a number of games; and, • Battery Life – Next-generation games could impose greater demands on handset battery life. The key concern over form factor is marrying the various needs of mobile users without comprising the core functionalities of the handset, which are to make voice calls and (in most cases) send text messages. Furthermore, games are merely one application which must jostle for position on the handset with music, TV, internet, and so on.
Industry Structure	Operator dominance of value chain can limit opportunities for start-up service providers

Source: Juniper Research

The Opportunity for Mobile Games

Key Drivers

After ringtones, embedded (and subsequently downloadable) mobile games were the first real drivers of mobile content. That said, while mobile games now represent a multi-billion dollar industry, there is a tremendous opportunity for the mobile games industry to become far more lucrative. Table 2 summarises the key drivers for mobile games services:

Table 2: Key Drivers for Mobile Games

Driver	Why is it an opportunity?
Universality	Gameplay is possible on the overwhelming majority of mobile handsets worldwide. It is worth comparing the global mobile subscriber base with those of eight leading games consoles and handsets (namely, the Sony PS2, PS3 and PSP, the Nintendo GBA, DS, Gamecube and Wii, and Microsoft's Xbox 360). As of June 2007, the combined global user base for these consoles was no more than 324m. The global mobile base at the time was nearly 2.8bn.
Low Level of Mobile Games Penetration	Despite the relatively high revenues generated thus far from mobile games, penetration amongst the 2.8bn users is low. The total user base for downloadable games by the end of 2007 is expected to be just 215m, or just 7.2% of all mobile users worldwide at that time.
Technological Advances	The rollout of 3G networks across all developed markets, and many emerging markets, provides the opportunity for users to engage in connected, multiplayer gaming. By mid-2007 there were already 200m 3G users worldwide; this figure will rise to more than 800m by 2010 and nearly 1.4bn by 2012. Furthermore, the increasingly sophisticated handsets appearing on the market are typically much more game oriented, offering attractive, 3D graphics and better gameplay.
Gaming Demographics	The demographics of the gamer have shifted somewhat in recent years to encompass a much wider audience. The original target audience of first generation electronic console games have crept into middle age and thereby extended the addressable market, while an increasing number of female gamers have joined the user base.
Rise in Casual Gaming	Recent years have seen people increasingly move towards playing short-duration games leading to the rise of the "casual" gamer, who plays games to fill otherwise "dead" time, rather than as ends in themselves.
Increased Activity from Leading Brands	The entry of major console games publishers, such as Electronic Arts (EA) and THQ, into the mobile environment has given the market further impetus. Such companies are now increasingly seeking to develop cross-platform titles from the outset. Additionally, major sports, media and leisure brands are also seeking to increase their presence in the mobile space, with games seen as a key method of enhancing their profiles.

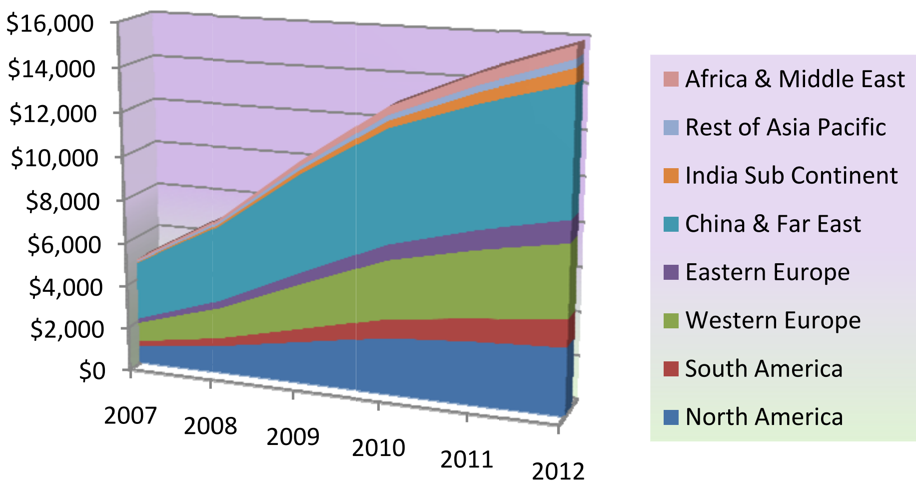
Source: Juniper Research

The Market for Mobile Games

Juniper Research estimates that end-user generated revenues for both one time downloads and subscriptions/rentals of mobile games gives a substantial market of just under $5bn in 2007, growing to nearly $16bn by the end of the forecast period in 2012. Over the five year period covered by Juniper Research's forecasts, the largest regional market will be in China &

Far East. Currently that market is estimated to be contributing total mobile games revenues of nearly $2.7bn. This is forecast to grow to nearly $5.7bn by 2012.

Figure 1: Total End-User Generated Revenues ($m) from Mobile Games (One Time Downloads and Subscriptions). Regional Forecast 2007-2012.



Source: Juniper Research

However, as a proportion of total end-user generated revenue, China & Far East's contribution will decline from 54% in 2007 to 36% in 2012, due both to a marked increase in revenues from developed markets, but also from emerging regions, most notably those in the Indian sub continent. For while there is significant opportunity for growth in China per se, other markets in the region (notably Japan and South Korea) are highly developed and offer comparatively lower opportunities for incremental growth. Thus, the revenue increase over the forecast period in China & Far East is only 2.1x, compared with 3.8x in Western Europe and 3.9x in North America. The most remarkable growth will be seen in the Indian sub continent – 16.2x – primarily because (a) current revenues are low but growing rapidly and (b) the mobile handset is the de facto games console in a region with negligible broadband penetration and no console base to speak of.

Order Full Report

This report is taken from **Mobile Games: Subscription & Download – 2007 - 2012.**

This fourth edition of the mobile games report provides an all-encompassing view of the fast-developing mobile games market. Focusing on downloadable and subscription-based games, the report outlines the strategies that operators, vendors and publishers should employ in order to maximise their respective returns in the mobile games sector. Through a combination of one-to-one interviews with leading company executives and in-depth primary research, this extensive study offers detailed analysis of the major hurdles towards customer adoption and retention. The strategic report also provides company profiles for more than 20 games publishers and developers , together with an examination of gaming business models and a discussion of how the mobile games value chain is likely to evolve. Furthermore, it provides a consistent five year forecasting suite up until 2012.

For more details on this report visit the website www.juniperresearch.com or phone +44 (0) 1256 830002.

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