the Multimedia Research Consultancy

The Global Mobile Games Industry – 10 Years On!

Introduction

UK based research group *the Multimedia Research Consultancy (TMRC)* has just completed a second and substantially expanded review of the world's Mobile Games industry, the culmination of three years of research.

This has involved the production of a worldwide database, in which almost 2,000 actively trading **Mobile Games Enterprises (Developers, Aggregator-Distributors, Publishers and Portals – DAPPs** for short!) have been profiled.

Completely enhanced and updated in the last three months of 2007 the database now covers 1,968 actively trading Mobile Games enterprises in 93 countries - and is around two to three times greater than previous industry estimates. DAPPs dealing with all variants of mobile phone games (i.e. Java, BREW, i-Mode/Doja, Smartphone, Symbian, Mophun, ExEn/EGE, Palm Treo, NSeries/N-Gage, iPhone and Blackberry compatible) have been included.

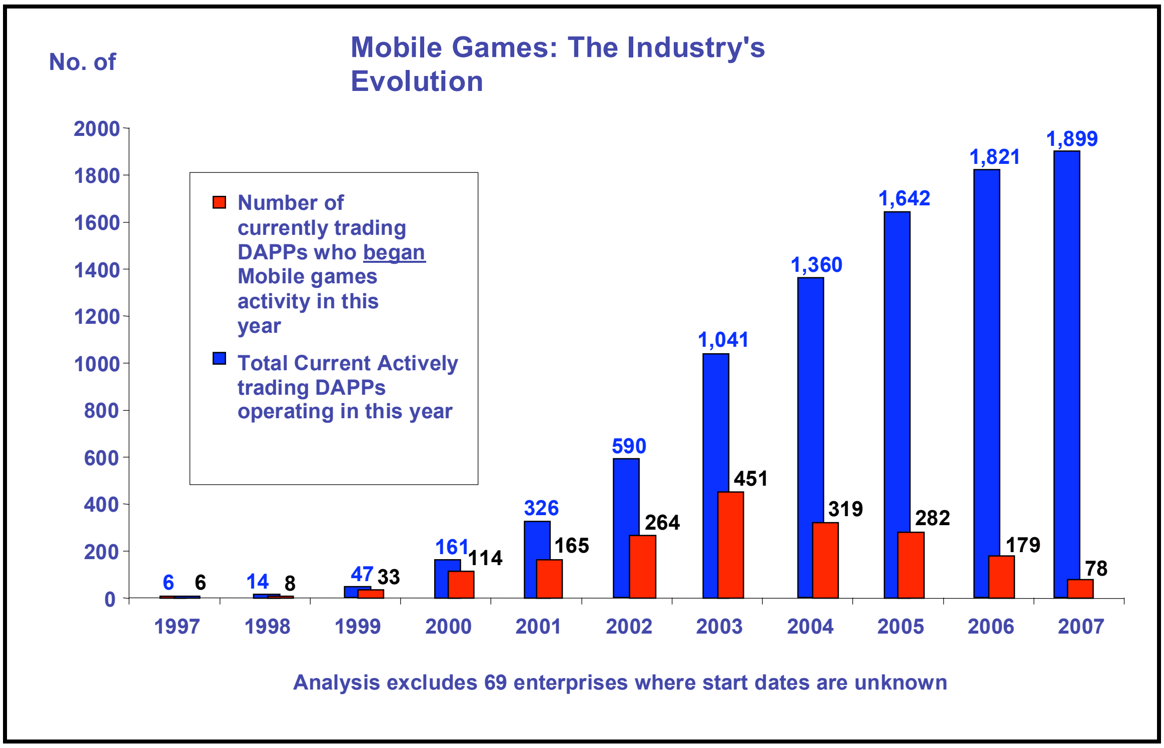
TMRC is confident that the database is more comprehensive, accurate and up-to-date than all known rival sources.

The database is now available for sale (for full details see www.multimedia-research.com). Meanwhile, an analysis of the findings has been used to produce a unique overview of the world's Mobile Games Industry. Selected extracts follow.

The Global Mobile Games Industry: Evolution and Natural Selection

In 2007 the global mobile games industry celebrated its tenth anniversary. A decade earlier *Snake* was the first game to be embedded onto a mobile handset (Nokia's 6110), effectively marking the birth of today's industry.

Following this tentative first step the number of enterprises drawn to the then fledgling industry rose from just six in 1997, accelerating year-on-year through to 2003, when the number of entrants reached its peak (451).



However, whilst the number of market entrants has declined since 2003 the overall total of active enterprises continues to increase year-on-year. We see this as a classic market development pattern suggesting sector maturity and consolidation, rather than decline.

We estimate that 57% of today's actively trading enterprises were originally Start-Ups, having entered the mobile games market within months of being formed. Conversely 43% of the current universe moved into mobile games by diversifying, either from mainstream console, PC or handheld video games, or from other unrelated commercial activities. Our research has revealed that the industry debuts of these Diversifiers generally lagged slightly behind those of the Start-Ups.

Numbered amongst these Diversifiers are a raft of international media and marketing conglomerates, like News Corp (USA), Bertelsmann (Germany), Vivendi (France), Boungiorno SpA (Italy) and LaNetro Zed (Spain), which have diversified into mobile content as a means of extending their reach into new media.

Ephemeral or Here to Stay?

Whilst the number of new market entrants has fallen since 2003 the number of Mobile Games enterprises attaining a sense of longevity and maturity, in what is an aggressively dynamic market place, is encouraging. 53% of enterprises have now been trading for five years or more, dispelling fears that mobile games are just an ephemeral market phenomenon. In fact 17% have now been active in mobile games for seven years or more.

Meanwhile, given the earlier stranglehold on portal development by incumbent Mobile Network Operators, it is not surprising to see that Mobile Games Portals (and, in particular, off-deck D2C Portals) have been around for less time than the other enterprise types.

	Mobile Games Enterprises: Number of Years Actively Trading		
	Trading 3 years+	**Trading 5 years+**	**Trading 7 years+**
TOTAL	**83%**	**53%**	**17%**
Developers	**86%**	**54%**	**17%**
Aggregator-Distributors	**84%**	**55%**	**19%**
Publishers	**85%**	**57%**	**24%**
Portals	**79%**	**62%**	**13%**

The Story of 2007

2007 has maintained the trend of recent years with the Mobile Games industry continuing to consolidate. Whilst there have been some casualties in the past 12 months we estimate that relatively few (<50) could be classed as genuinely defunct (in that their businesses literally failed).

At the same time we estimate that 55 Mobile Games DAPPs were involved in mergers and acquisitions in 2007, most of which were principally designed to provide a complementary strategic fit for the predatory enterprises. In around two-thirds of cases the target enterprises have subsequently been absorbed by their new parents and their trading names eliminated. *Legion Interactive Ltd (Australia)* acquired by *belong group* and *Moai Technology Co Ltd (South Korea)* acquired by *UI Magic* are cases in point.

Meanwhile the remaining third of the targeted enterprises have had their trading and brand identities retained by their new owners, although history suggests that total absorption and elimination of the targets' brand identities cannot be ruled out in the long term. *I-Play (UK)* acquired by *Oberon Media*, *SoGoPlay (UK)* acquired by *SCi Entertainment* and *Alltel Wireless* acquired by *TPG Capital and GS Capital Partners* are prime examples.

Meanwhile, the global mobile games space continues to attract new enterprises, with nearly 80 entering the market in 2007, either as start-ups or by diversification.

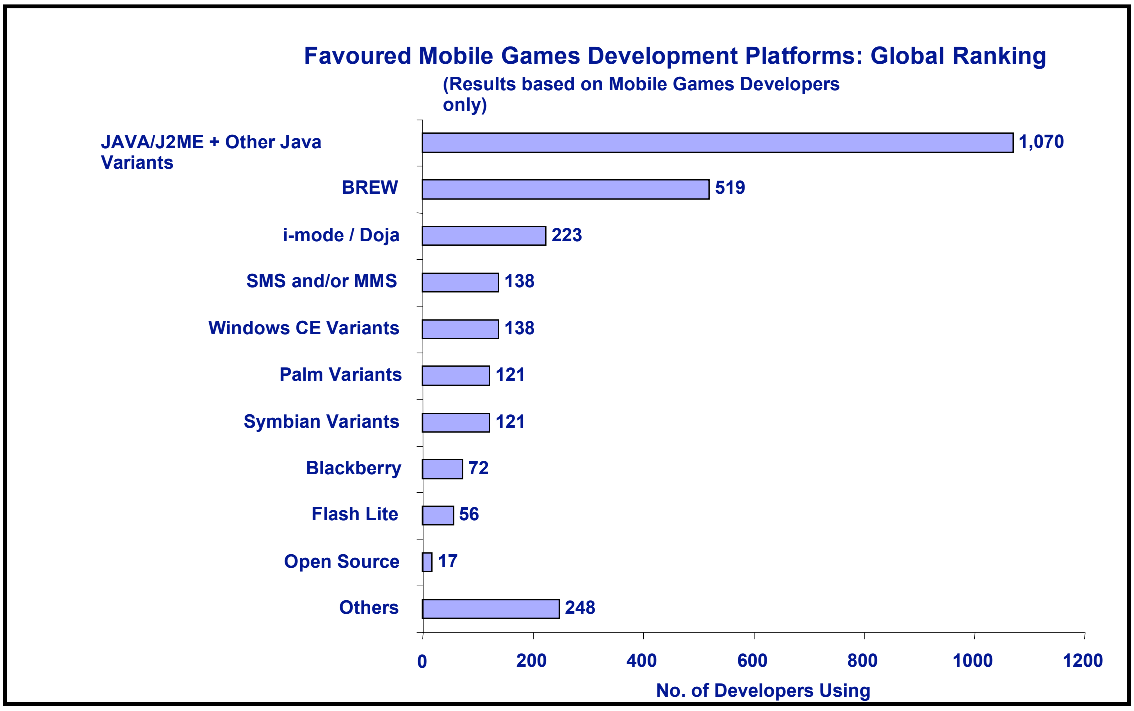
Finally, a small number of enterprises abandoned their mobile games activities (Infospace being a prime example) over the past year, focussing instead on other gaming platforms or moving into other mobile related fields.

2007 in Numbers		
Classification	**Number**	**Observation**
Defunct	Under 50	Have ceased trading
Acquired – Trading and Brand Identity Eliminated	35	Trading and Brand identities of acquired companies eliminated by new parents
Acquired – Trading and Brand Identity Retained	20	By providing a complementary strategic fit the trading and brand identities of acquired companies have been retained by the new parents
New Market Entrants – Start-ups	41	Consists of a high number of D2C Portals in Greater Europe
New Market Entrants – Diversifiers	37	Relatively strong in the Americas
Moved out of Mobile Games, but still trading	10	Have abandoned mobile games to focus on other gaming platforms or other mobile related activities / services

Platform Wars - Java Rules

In Q3/Q4 2007 TMRC's research remit was widened to explore, amongst other things, the development platforms favoured by Mobile Games enterprises worldwide. It shows that Sun Microsystem's Java/J2ME has emerged as the dominant force, with no less than 74% of all developers claiming to have used Java/J2ME in the creation of mobile games. When taking into account all variants of Java (Kjava, Unija etc) this figure rises to 76%. At a regional level the use of Java is at its strongest (83%) amongst developers in Greater Europe.

Qualcomm's BREW, meanwhile, emerges as a distant second, with only 37% of the world's 1,403 developers favouring its use. However, given BREW's historical strength in the Americas it is hardly surprising to learn that 50% of all developers in that part of the world profess to having used BREW, but its strength in Japan/South Korea (57%) is surprising. By comparison it has made relatively little progress in Greater Europe, where only just over a fifth of developers claim to develop using BREW.



Ranked third overall is i-Mode/Doja/i-appli. Only 16% of developers worldwide have created games for i-Mode using Doja and/or i-appli – a figure which rises to 29% in Japan & South Korea the result, of course, of NTT DoCoMo's launch of i-mode in 1999 – the world's first consumer mobile internet service. Its peak usage in Japan and South Korea contrasts sharply with the Americas, where only 10% of developers have produced i-mode compatible games.

Meanwhile, rival platforms such as Microsoft's Windows Mobile and Windows for Smartphones (both Windows CE Variants) currently trail in 4th place (10% of enterprises currently develop for them) followed closely by both the Symbian (9%) and Palm (9%) variants.

Research in Motion's (RIM) niche handheld device – the Blackberry – enjoys modest support in its heartland (Canada and the USA), where 9% of DAPPs create games for the product.

Finally, the relatively 'new kid on the block' Flash Lite is now being used by 4% of all mobile games developers worldwide, whilst simple Q&A MMS and SMS games have, at some stage, been produced by 10% of developers.

As we finalised this update it was clear that many developers were gearing up to develop games for Apple's iPhone - so far the number is barely into double figures, but considerable expansion is envisaged.

Advanced Mobile Games Specialisms

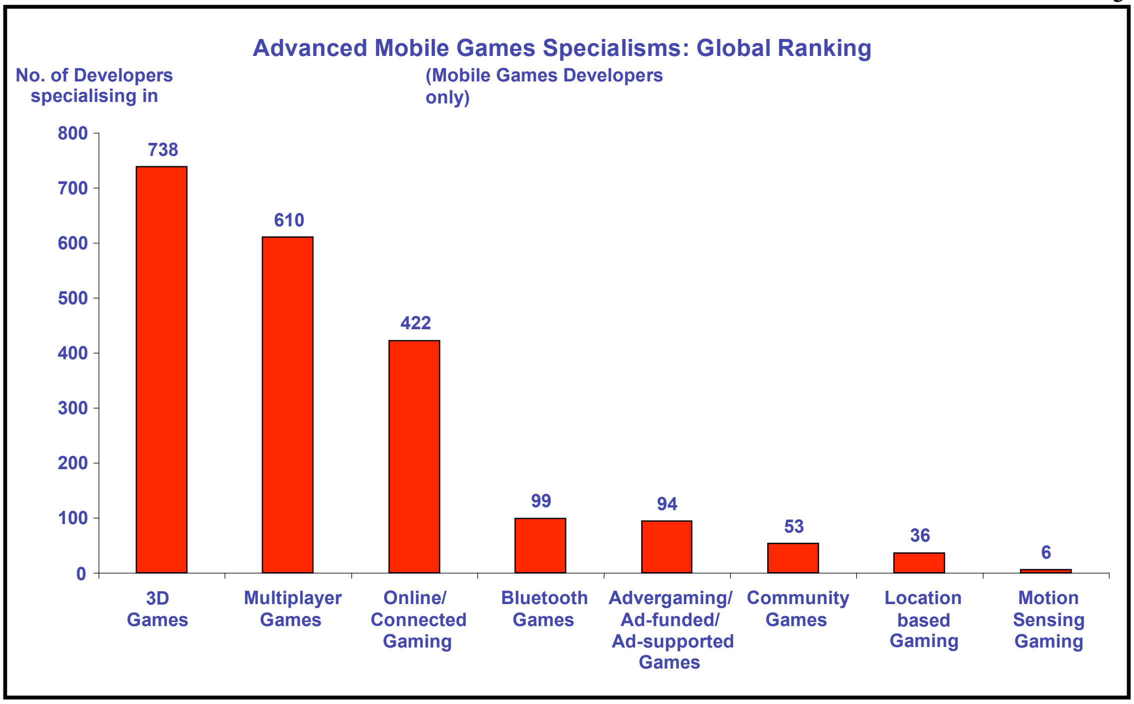
Aside from the development of simple 2D, single player casual games, or rudimentary Q&A MMS and SMS mobile games, our research remit was widened in the second half of 2007 to accommodate developers' *advanced mobile games specialisms*.

53% of the 1,403 developers worldwide now offer 3D gaming capabilities, whilst 43% offer multiplayer games development (typically ranging from simple 'Pass and Play' games, through to sophisticated online / connected games (30%)).

In the meantime 7% have developed ad-funded or ad-supported mobile games (Advergames). Given that the first mobile game to feature advertising appeared in 2001 when Small Planet created a Pepsi Football promotion in Finland its progress to date can only be described that of "a slow burn". However, following the launch of the first ad-supported game download portal in 2006 – courtesy of Greystripe – advergaming has witnessed a surge in activity in the past two years.

Meanwhile, 7% of all developers have produced mobile games incorporating Bluetooth functionality principally for close proximity multiplayer gaming, whilst the relatively new concept of Location Based Games (LBGs) has yet to take off; so far only 3% of developers have created LBGs.

Another recent and potentially exciting development has been the emergence of Motion Sensing Games (MSG) for mobile handsets. In many respects this is a poor man's version of what is being offered by Nintendo's Wii. MSG for mobiles, which uses the handset's camera functionality to detect movement, offers developers opportunities to create games with a more lateral look and feel. At the time of writing we had found only six enterprises offering this specialism. Nevertheless we are confident that Location Based and Motion Sensing Games will provide new creative opportunities for developers going forward.



TMRC Contact Details:-

The two versions of the global Mobile Games DAPPs database (**The Essential Contacts** and **The Full Profiles**)*, as well as customised extracts, were launched in January 2008 and are now available for sale.

*Full details can be found on:
http://www.multimedia-research.com/Global-DAPP-database-2008.html#Content

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