1997 - 2007:

The First Decade of Mobile Games

Part Two

A special presentation version 2.0 for GDC Mobile 2007

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2003 - 2004:
The Rise of the Global Publisher
The Emergence of the Global Mobile Game Publisher

In the early days, mobile game publishing was a local affair. Local content providers managed the messy creative process on behalf of their local telecom network operator. The roles of developer, publisher and platform service provider were intermingled.

By early 2004, the deck slots were filled in every carrier’s game service worldwide. The only way to introduce a new game was to dislodge a game that was already on the carrier’s menu. This competitive pressure led to a rapid increase in game quality, as well as massive inflation in the price of brand licenses. Development costs soared in 2004.

Telecom companies generally prefer to deal with a limited number of vendors who support them with consistent and reliable service. In keeping with this practice, some mobile carriers arbitrarily limited the number of companies who were privileged to be designated a “publisher”. This decision created early market leaders who gained the benefit of predictable revenue streams.

The stage was set for a phase of consolidation via mergers and acquisitions.

In order to expand market share, the largest companies began to acquire smaller firms with best-selling games and top shelf space. And in order to maximize their investment in high quality games, the early leaders had to expand geographically, selling their titles to more customers in more markets. Often the fastest way to enter a market was to acquire or merge with an existing local publisher.

Also by 2004, the carrier-imposed requirement of delivering multiple versions (“ports”) for an ever-expanding list of handsets required publishers to expand their internal porting facilities. By mid-2004, outsource porting facilities were at a premium, and as a result regional development shops were acquired for their localization & porting capabilities.
Perspectives:

The main shift in the value chain from 2001 to 2003 was the rise in the role of publishers to the detriment of independent developers. Game design, development and deployment increasingly shifted from developer-led to publisher-led.

GM of an independent mobile game developer

Almost every publisher started by outsourcing development to a developer; then switched to an internal development model after making mistakes on non-portable code and being required to backfill for 2 years.

I think it’s only recently that the developer/publisher business model and operational model has really started working and developers are widely used again.

GM of a major mobile game publisher
Timeline of Global Expansion (1)

1999:
Mobile game publishing was regional in Japan, Korea, Europe, US

2001:
First international forays.
- **PicoFun** (Sweden) offers pan-European “LifeStylers” WAP + messaging game in multiple languages across the Continent & UK.
- Japanese companies attempt their first forays into the US. **Namco, Taito** sign direct distribution deals with Sprint PCS and AT&T Wireless.
- Launch of **Wireless Gaming Review** – first professional publication to cover the emerging industry on an international basis.
- European publishers (such as **nGame**) provide WAP games to GSM carriers in South East Asia, Australia and New Zealand.
Timeline of Global Expansion (2)

2002:

Early cross-border expansion

- **Taito, Namco, and G-Mode** participate in the launch of Vodafone Live! With vastly superior game titles, the Japanese publishers seize a huge chunk of the market before European firms **Gameloft** and **Sumea** catch up and, later, surpass them.
- **Cybird** expands from Japan into Korea & China
- **Mforma** (US) acquires **nGame** (UK) and assets of **Riot-e** (Finland)
- Finnish innovators lose their lead-to-market edge: **SpringToys, CodeOnline, Small Planet, Orchimedia** fail to break out of Finnish market.
- **Gameloft** expands from France into US
Timeline of Global Expansion (3)

2003:
First wave of strategic acquisitions & global expansion

Jamdat acquires Hexacto (Canada)
Index (JP) acquires Mobliess (US)
InfoSpace (US) acquires Moviso (US)
In Fusio (FR) acquires Cybiko (US)
CNET acquires Wireless Gaming Review
Namco (JP) opens office in San Francisco
Hudson (JP) opens office in Santa Monica
Timeline of Global Expansion (4)

2004:
Transatlantic and transpacific giants emerge

Digital Chocolate (US) acquires Sumea (Finland)
Mforma (US) acquires MobileGame (Korea), FingerTwitch (US) and BlueBeck (UK)
InfoSpace (US) acquires IOMO (UK), Atlas Mobile (US) and ElkWare (Germany)
Indiagames (India) sells directly into carriers in Europe and US
Aspiro (Sweden) acquires PicoFun (Sweden)
Tom Online (China) acquires majority stake in IndiaGames (India)
ForeSide (Japan) acquires Zingy (US) and Vindigo (US) and Waymobile (US)
SkyZone (Korea) acquires JSmart (US)
InFusio opens Los Angeles office
Square Enix acquires UIEvolution
Sorrent (US) merges with MacroSpace (UK) to form Glu Mobile (US)
Timeline of Global Expansion (5)

2005:
International merger mania peaks as mobile pure plays achieve global scale: EA blinks

Jamdat (US) acquires BlueLava for $137M and Downtown Wireless
InFusio (FR) acquires MobileScope (Germany) and ThumbPlay (US)
Mforma (US) acquires MagusSoft (China)
Yahoo (US) acquires Stadeon (US) to form mobile game studio
Glu Mobile (US) acquires iFone (UK)
Real (US) acquires Mr GoodLiving (Finland)
Shanda Interactive (China) acquires Digital-Red (China)
Disney Wireless (US) acquires Living Mobile (Germany)
Electronic Arts (US) acquires Jamdat Mobile (US) for $680M
Timeline of Global Expansion (6)

2006:
Merger frenzy cools into tactical regional dealmaking

- **Glu Mobile** acquires **iFone** (UK)
- **Waat Media** (US) and **Charismatix** (Germany) combine to form **Twistbox** (Germany)
- **Digital Orchid** (US) acquires **Blue Tech** (Spain)
- **GameVil** (Korea) opens office in Santa Monica
- **Capcom USA** acquires **Cosmic Infinity** (Canada)
- **Oberon** (US) acquires assets of **Blaze** (Sweden) including **Synergenix**
- **Mobile Media** (Norway) acquires **Overloaded** (Holland)
- **Real** (US) acquires **WiderThan** (Korea)
- **TelcoGames** (UK) acquires **Fathammer** (Finland)
- **Sun Media** (China) acquires **Upstart Games** (Ireland)
- **VU Mobile** (US) acquires **CenterScore** (US)
- **Glu Mobile** (US) files for IPO

2007:
The demise of the mega-rollup?

- **Twistbox** acquires North American game studio from **InfoSpace**
North American Rollups led consolidation in the mobile publishing market

Number of Acquisitions by Region

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Portrait of a Market Leader: Jamdat Mobile

The story of Jamdat Mobile encapsulates the history of the medium. This Los Angeles-based mobile game publishing company struggled in the dark days of 2001 just before the launch of domestic Java and BREW game download services. The firm bet heavily on the launch of Verizon Wireless’s “Get It Now” service, and the bet paid off by early 2003, when BREW downloads increased swiftly. At the time, Jamdat held nearly 70% of the Verizon game deck. By 2004, Jamdat had opened up deck space on Sprint PCS and Cingular, and their own portal on AT&T Wireless. The acquisition of Hexacto in Canada gave Jamdat low-cost developers on the same continent and a reliable, scalable porting process. Their US stronghold and the engine of recurring revenue from best selling subscription titles on the Verizon “Get It Now” deck positioned the company to grow up with the richest territory outside of Asia. The firm was ideally situated to scale up for global competition.

Jamdat was not perfect: they stumbled in their first attempt to expand in Europe, and they opened an office in Japan long after that market had consolidated. At the time of their IPO in 2004, Jamdat was still heavily dependent upon North American revenue, with more than 80% of revenue coming from the US, and a vast portion of that from a handful of subscription products on Verizon Wireless. But the management kept their eyes focused on protecting their core franchises, and they milked their wholly owned intellectual property (Bowling, Poker, Casino) for maximum profit per deck slot. Ownership over original IP also gave Jamdat greater flexibility to take advantage of marketing opportunities (bundling, bill inserts, advertising) with their carrier partners: companies that relied on licensed IP were hampered because they did not have the ability to secure an approval fast enough to respond to carrier requests. By virtue of ubiquitous carrier promotions, by late 2004, Jamdat Bowling was synonymous with the mobile game trend in the US. The game was securely lodged on the top-ten best-seller lists on every carrier in North America.

Jamdat matured by seizing key turf in both core gaming and casual games. A succession of best-of-breed licenses cherrypicked from great game libraries, including Activision’s Tony Hawk franchise, Hasbro’s Scrabble, and Warner Bros Lord of the Rings attracted legions of fans, Jamdat’s transition to 3D was timed perfectly. The acquisition of Blue Lava for $137M gave the firm the bona fide world wide perennial best seller Tetris just as the luster of the flagship Bowling title was fading. The acquisition of Downtown Wireless and the best selling Texas Hold’Em title was icing on the cake of a successful 2004 IPO.

Jamdat completed an Initial Public Offering on the Nasdaq Exchange on September 29, 2004
Jamdat’s IPO was priced above estimates at $16. During first day of trading on the Nasdaq Exchange, JMDT was up $7.54 or 41.7% at $23.54

By the time game industry giant Electronic Arts realized that their half-hearted attempt to build an internal studio had failed to establish a toehold in the burgeoning mobile market, Jamdat had been operating profitably as public company for nine successive quarters. The rumor of a last minute bidding war between Yahoo and Electronic Arts guaranteed that Jamdat delivered a terrific return to investors when they were acquired by EA in 2005 for a significant premium. Electronic Arts acquired Jamdat at $27.00 per share for $680 M. At that point Jamdat Mobile was the most successful mobile game publisher in the world, with employees in Los Angeles, London, Montreal, Tokyo, Hyderabad, Honolulu, Bucharest.
Portrait of a Market Leader: Jamdat Mobile

Jamdat vanquished every company that challenged them for supremacy in the US:

- In 2002, the early market leaders by title volume were Sega and THQ. Within one year, neither company had significant market share, leaving a vacuum for startup studios to enter.
- In 2003, pureplay market leaders included Mforma, Nuvo Games, and Sorrent. Within one year, each of these companies had ceded share to Jamdat.
- During 2003 Disney and Sony Pictures were also significant players in mobile content. Jamdat and other startup firms blocked the big movie studios from growing their share of the mobile game segment.
- 2004: Jamdat fended off threats from Japan, including: Namco, Taito, Capcom, Bandai, Cybird, Index/Mobiliss and Square Enix. Only Namco made significant progress in the US.
- 2005: Jamdat expanded into other countries, while blocking the European players GameLoft, InFusio, Digital Bridges and global colossus InfoSpace from making inroads into the US. Within one year, the only European player with significant share in the US was GameLoft.
- 2006: Jamdat defeated both Yahoo and Electronic Arts as these giants sought to enter the US market. Neither company made significant progress. At the time, Jamdat commanded over 30% of the US mobile game market.
A Developer’s View:

“I would say that in general, the traditional US console game publishers have not responded to the EA acquisition of Jamdat. Besides VU Mobile (which is really just getting started) no other major US or EU videogame publisher has entered the mobile space in an active way. THQ, the first major publisher active in the US, has been hampered by a series of missteps. Activision experimented with first party publishing but has retreated back to licensing. Eidos has done some internal development for mobile, but almost everything has been licensed out or co-developed (Tomb Raider especially). The Japanese games companies are getting more active in worldwide mobile, especially Square Enix, but they are buoyed by their success in Japan and their strategic decisions about the long term importance of digital distribution. And no single publisher has invested even 10% annually of what EA did.”

--- US Mobile game developer
Not everyone participated in the drive to global consolidation

• Fueled by recurring revenue, the big US and Japanese companies dominated the transatlantic and transpacific consolidation phase.

• However:
  – Korean mobile game companies were unable to break into international markets.
  – European game publishers acquired other operations within the EU, but failed to expand outside of the EU.
    – Gameloft is the sole exception
    – iPlay and InFusio attempted to expand without great success.
Q: What happened in Korea?

Due to intense competition in the local market, and to the limited amount of investment available, it was pretty tough for Korean publishers to go abroad. The top mobile game companies in Korea only have around 10% of the total market share. Japanese companies like Namco, Konami, Capcom had advantages in entering the US market because they began with established brands and were huge in size compared to small operations in Korea.

President of Korean mobile game publisher
Korea is a hothouse of creativity and innovation, but very few titles are exported. Example: Korean Tycoon Games

1. Tycoon Games are arcade + management simulation.
2. Tycoon Games use the input custom-made for the phone keypad
3. Tycoon Games use the idea of combination

**One on One Match with the Keypad**

百度粥塔伊쿤 (Carp Bread Tycoon) was the first tycoon game in Korea which was a very large hit!

Courtesy of Kyu Lee, GameVil
Regional Trend:
Korean Tycoon Games were not exported

Gas Stations, Chicken Farms, Sushi, Milk Cows, Cocktails, Hamburgers and even Monks are featured in tycoon games!

Courtesy of Kyu Lee, GameVil
Curse of the Crazy Frog

Did Jamba’s sleazy marketing stunt the growth of European mobile game publishers?
Revenge of the Crazy Frog
Did sleazy off-portal marketing stunt the growth of European mobile game publishers?

The European mobile game market differs from the Japanese and American markets in one significant respect: absence of a vibrant subscription games business. European consumers seem to have developed an “allergy” towards subscription offers for mobile content. This may be a factor in the failure of European mobile content publishers to expand successfully in the major American and Asian markets.

In the media business, recurring revenue matters greatly if a company wishes to achieve great scale. Hits are unpredictable, but subscription revenue provides a stable basis of predictable cash flow that can be projected into the future based on historical churn & growth rates. Subscription revenue can be leveraged: revenue from hits cannot, because it cannot be predicted with any degree of accuracy.

An illustration from traditional media: the recurring revenue factor, more than any other, accounts for the massive wave of consolidation which occurred during the 1990s between motion picture studios and the media companies that owned cable TV channels. The movie studios consumed vast amounts of cash but had historically unpredictable revenue streams, whereas the cable TV channels provided steadily growing recurring revenue and controllable cost. Subscription revenue from pay-television channels melted the debt iceberg at Viacom, News Corp and Walt Disney following a decade-long orgy of acquisitions.

Mobile entertainment is no exception to this trend. The engine that propelled global expansion for the Japanese and American giants is stable monthly recurring revenue from subscription games. All of the Japanese giants, including Namco, Konami, G-Mode, Bandai, Taito, and Dwango, grew by leveraging a huge base of subscribers to their mobile game channels. Likewise, in the US at the time of their Initial Public Offering in September 2004, more than 30% of Jamdat Mobile’s revenue came from subscription products in the US.

In Europe, the story unfolded differently. Historically, European consumers tend to be skeptical about bundled subscription offers (which made multichannel television bundling a difficult proposition in the 1990s) Given this context, it was natural that the backlash was swift and intense when unscrupulous online portals began to rely on deceptive marketing practices to “slam” consumers with unwanted subscriptions to mobile content services that could not be cancelled easily.

Aggressive marketing practices were widely employed during the 2004-05 time frame, culminating in a series of investigations by regulatory bodies in the UK, the Netherlands and the US. Verisign’s Jamba/Jamster portal was sued on both sides of the Atlantic for unscrupulous marketing.

To this day, consumers in Europe remain highly skeptical of subscription services. The result is a tiny recurring revenue business. Deprived of this source of steady income, no European mobile game publisher has been able to structure sufficient financing to mount a rollup outside of Europe. Only Gameloft has succeeded in building a global presence. Early leaders such as nGame, Sumea, Mr Goodliving, Small Planet, PicoFun, Iomo, Overloaded, Macrospace and Living Mobile were acquired by US rollups. And the remaining European publishers, iPlay and InFusio, have been thwarted in their attempts to expand beyond the EU.
Perspectives on subscription and unscrupulous marketing:

There has been a **whiplash effect** around the world as a result of the Jamba lawsuits.

The largest carrier in the world, China Mobile, has forced a **double-opt-in** procedure on every consumer who wishes to take a subscription product.

If you ask someone **twice**, “Do you really want this subscription?” it has a **devastating impact** on takeup rates.

Senior mobile data executive
US carrier

Jamba may have pioneered the sleazy marketing, but I don’t know if you can blame Jamba entirely for the European debacle. Buongiorno and others abused their customers as well.

Carrier executive
2005 - 2006: The Era of Big Budgets and Tight Margins
The Big Squeeze: How much revenue should the carrier take?

The percentage of game revenue taken by mobile operators has gradually increased as time passed. In the early days, the Japanese carriers took a small percentage in exchange for providing the billing mechanism, assuming that they would make money on the data transport fees. The results was a thriving content ecosystem. Meanwhile, European celcos took the vast majority of WAP revenue, thereby starving the first generation of European mobile content developers of revenue: the result was that many of the pioneering European mobile game shops lacked the resources to sustain their lead-to-market advantage and were later acquired at a discount by venture-funded US rollups.

Pre-mobile content era:
- Credit card companies take 2 – 3 % on each transaction.
- Game console manufacturers take 25% “path fee” from publishers.

1999:
- DoCoMo takes 9% of all content transactions, thereby fostering a thriving mobile content industry.
- Orange France takes 90% of WAP airtime fees... thereby dooming many early European publishers to bankruptcy.
- Following iMode’s example, SKT in Korea takes 10% of content transactions, plus 4.5% for VM provider

2002:
- AT&T Wireless plans M-Mode launch, decides to model revenue split on DoCoMo’s iMode. After allowing for bad debt, AT&T decides to double their revenue split to 18%, and then rounds up to an even 20%.

2002:
- Sprint PCS launches game service, taking 25% of transactions. This later was raised to 30 -35%
- Verizon Wireless launches “Get It Now” service on Qualcomm’s BREW platform. Carrier takes 25% of gross, with 12% going to Qualcomm and 63% to the publisher.
- Vodafone Live launches in Europe, takes 40 to 50% (in exchange for free airtime on browsing)

2004:
- Orange World unilaterally raises the carrier revenue split to 50 - 60%

2004:
- Cingular notes that Verizon and Sprint are taking more than 30%, and raises their share to 35%
- Korean mobile operators take 30% for high-end games with large file size.
The Big Squeeze: Carrier Revenue Share 1999 - 2006

- DoCoMo: 90%
- Orange WAP: 9%
- SKT: 10%
- AT&T: 20%
- Sprint PCS: 25%
- VZW "GIN": 37%
- Voda Live: 50%
- Orange World: 60%
- SKT (3G): 30%
I’m not sure if I agree with the premise that revenue shares are decreasing for publishers. I think they are becoming more granular. Some carriers take 60% but they genuinely act as the retailer and create excellent results through their investment in marketing. Others take 35-40% and leave the publishers to do most of the marketing. In general there is downward pressure on operator margins today.

-- GM, European Game Publisher

The lack of enthusiasm to market mobile games on the part of mobile operators is due to pure economics. The beauty of mobile data services is ARPU appreciation. This is made possible by music, video and even messaging via subscription services. All of these services require, at a minimum, an upgraded data plan. The problem with games is that they don’t really obligate any consumer to a subscription service in any form. And there’s no retention on a one-time purchaser. On top of that, games offer the carrier the worst economics of any content type.

-- Mobile content executive, US network operator
Meanwhile, game development costs continue to climb.

- Development Cost
- Porting Cost

In Thousands of US $:
- 2002-03: 30
- 2004: 70
- 2005: 100
- 2006: 200

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By the mid-2000s, mobile publishers needed to attain economies of scale merely to break even. The transition to 3D required new investment even as the vast bulk of consumption was done by low end handsets. This stretched resources to the breaking point.

As the capabilities of handsets and networks improved, mobile games grew graphically rich and technically complex. Inevitably, the cost and development timeline for such games expanded. Complex gameplay also required more testing and longer QA cycles. Even today, no standard system for testing multiplayer games across carrier networks has been widely adopted.

Simultaneously, the number of target handsets continued to increase as older phone models remained active for years. Publishers who hoped to make their titles available for the mobile operator’s entire installed base of customers were required to develop for the most advanced handsets and also continuously port to dozens of primitive phone models that spanned generations of devices.

Publishers who could not (or would not) support the carrier’s entire range of handsets were demoted or deprived of marketing resources.
The inexorable rise of mobile game development budgets

Carrier demands for quality and competitive pressure between publishers drive budgets up. Device proliferation demands a vast number of unique shop-keeping units (SKUs). And when regional marketing and promotion and content IP license fees are included, the total budget for a major title nears $500,000 today.

2002-2003: $30K internal development + $5000 porting to dozens of SKUs
2004: $70K internal development + $25K porting to 400 SKUs
2005: $100,000 internal development + $60K porting to 8,000 SKUs
2006: $150K to $200K internal development + $50 to $100K porting to over 10,000 SKU

Trends:
Production budgets for games for high-end phones surpass the $1M mark, while the cost for low-end titles is driven down by the twin forces of Asian outsourcing and Adobe FlashLite.

• High end games that support 2D and 3D, single and multiplayer, web integration, BREW, J2ME and Smartphone and top notch graphics easily cost $500k to $1m.

• 3D titles like Final Fantasy VIII (Square Enix on DoCoMo) and Need for Speed (Ideaworks 3D) cost + $500,000 for development. Porting is less of an issue, since these games run on only a few devices.

• First generation N-Gage games routinely cost $500k to $750k (Pathway to Glory, many others)

• Single player 2D games across a wide range of handsets can still be had for under $100k. The availability of low cost developers in APAC, and the emergence of FlashLite is working to drive these costs down.
The big story here is that while the high end handsets have continued to expand their technical features, the low end has stayed relatively primitive. Therefore, the design, development and porting of one game is more complicated now than it was two years ago.

Future improvements on the handset capabilities are driven by video, TV, photos and blogging instead of games. 3D, more memory, faster processors are all being driven by these consumer features. The games industry gets them “for free”

-- Leading US game developer
There is no “Long Tail” in Mobile Entertainment

The twin constraints of scarce shelf space and obsolescent terminals ensure that there will be no “long tail” effect in mobile for the foreseeable future.

The most overhyped new media meme of 2006 was the “Long Tail” theory promoted by Chris Anderson, editor-in-chief of Wired magazine. Anderson suggests that the combined effects of the Internet, improved search-and-retrieve methodologies and digital distribution will result in unlimited virtual shelf space for content. In Anderson’s view, even an obscure title from long ago can find an audience profitably in a long tail environment. Over time, according to this theory, consumption will migrate away from the hits at the “head” of the demand curve towards the niche interest titles in the “tail” of the curve.

Does Anderson’s theory have any relevance in mobile? Not today.

The mobile handset is inelegant as a means of browsing content. The mobile network operators have utterly failed to introduce a user-friendly means of navigating vast amounts of information via the mobile phone. Browsing, discovery and sampling remain extremely difficult on any mobile phone. Impulse purchasing and serendipity are unlikely to occur in such an environment.

For mobile games today, more than 70% of the consumption occurs on the main menus (best-sellers, top ten lists and “what’s new” lists). It’s far too much work for anyone but the most passionate consumer to delve beyond the top few menu screens.

Meanwhile, old content is not always available for new handsets. With every new title, mobile game publishers must make a strategic decision about scarce porting resources. The process of “back porting” existing titles to new handsets is ceaseless, because carriers introduce new phones at a rate of 5 or more per month. Without back porting, an old title will simply not appear on the menu of new phones. How much porting should be reserved for titles which are currently live on the carrier menu? How much should be allocated for new titles? Eventually even a best seller will be put to rest in order to free up porting resources for newer titles.

Until the browsing/discovery mechanism improves, and until the “back porting” challenge fades, there will be no “long tail” effect for content sold via mobile networks.
Another factor driving up cost is content licensing.

Every brand that could possibly be licensed has been turned into a mobile game:
Toys, movies, TV shows, celebrities, automobiles, motorcycles, board games, console games, events, bands, consumer products, charities, restaurants...

...even Paris Hilton. Sorry.
“Alright, I’ll grant you that there are some good mobile games. But they’re buried by all the crap games.

“For instance, I just saw the head of licensing from Universal, who told me that he’d licensed 60 old movie titles for mobile games. That means his competitors have probably done the same.

“And that means I’ll have to sort through 300 crap games from movie studios before I get to the good games.”
Good brand extension: link to PS 2

“Power Pro” by Konami

- Tamagotchi-type game
- Train your players and build your team on the phone
- Use on the PS2
  - Power Pro is Japan’s biggest selling PS2 game
  - Players from your mobile version give you codes you can punch into the PS2
Hardware Trend: from text messaging to 3D & multiplayer in five years

“During the past five years, the mobile games industry has lived through the equivalent of three major console platform upgrades.”

- Mitch Lasky
SVP Mobile
Electronic Arts
GDCM 2006
Breakthrough Device: Nokia N-Gage

This controversial device was first unveiled at GDC Mobile in 2003. Nokia's entry in the gaming industry was eagerly anticipated. Rumors of the rival Gizmondo launch added a sense of urgency to an preemptive race to seize the mythical "core gamer" as an early adopter of high end smartphones.

Hubris and flawed thinking led to a botched product. The game industry press had a field day, deriding Nokia for the small screen, clumsy keypad, poor battery life and the absurdly cumbersome method of changing cartridges. The first generation device was a disappointment on many levels but it achieved at least one major breakthrough, namely Nokia's lasting commitment to mobile gaming. Nokia has applied the lessons learned from the N-Gage throughout their series 40, 60, 90 phone lines. No other company has provided support so thoroughly and so consistently to the developers. And Nokia has recently announced a newly-revived N-Gage initiative.

The most notable feature of the N-Gage was the networking, which allowed for novel forms of multiplayer gaming, including ad hoc local-area competition via Bluetooth. With ghost racing, community features and mobile blogging features, games using this technology (Pandemonium, Tomb Raider) gave a preview of the unique advantages of a mobile network. Nokia later supplemented this by acquiring Sega's Snap platform to serve as the basis for the nGage multiplayer arena.

Prior to the debut of nGage, mobile gaming was not considered a priority at most handset manufacturers. Following the launch of nGage, many more manufacturers have begun to acknowledge the importance of multimedia content and interactive applications. But none has matched Nokia's level of commitment to the category.
The Developer’s View:

In 2002, Nokia attempted to short circuit the carrier distribution channel by creating a device and publishing business that would pull consumers directly to them instead of through the operator for their content. A short sighted pricing strategy ($299 at launch) and a “core gamer” marketing message doomed the nGage and ensured that at least $200M of Nokia money was wasted.

-- Independent mobile game developer
Nokia’s Commitment to mobile gaming continues.

Nokia has virtualized the n-Gage. The Finnish giant no longer makes a dedicated game deck. But their software for browsing, discovery, trial, consumption, community, multiplayer competition, player matching, teams and more is now embedded in the newest high end Nokia handsets, like these N-series terminals shown here.
Footnote from the lunatic fringe: **Gizmondo**
Mobile game hype gone very, very wrong

2001
Swede Carl Freer convinces the owners of a publicly-traded Florida floor covering company called Floor Décor to acquire his GPS device firm, Eagle Eye. Michael Carrender, a member of Florida cult Meade Ministries, joins as CEO.

2002
Floor Décor is renamed Tiger Telematics, and forms a subsidiary called Gizmondo.
Bo Stefan Eriksson joins Tiger board as a Director.

2004
Gizmondo announces plans for a highly advanced mobile gaming devices.
Gizmondo purchases a 75% stake in London modelling agency Isis.
Gizmondo pays $3.5M to mobile game developer Northern Lights (half owned by Freer and Eriksson) and $4M to Game Factory Publishing for games which were never delivered.
Tiger Telematics share price zooms from 53 cents per share to $32.50 in 2005.
Sony releases PlayStation Portable in Japan.
Nintendo releases DS portable in US.

2005
Gizmondo device debuts at a retail price over $400, combining a mishmash of lame games, plus a confusing blend of technologies: GPS, MMS, MP3, BlueTooth, motion tracking, video and mobile advertising… but, strangely, no phone.
Critics howl with derisive laughter and negative reviews.
Tiger Telematics loses more than $300M between 2004 and 2005.
Gizmondo doors close forever.

2006
Eriksson crashes a rare Ferrari Enzo at 194 miles per hour on a road in Malibu California. Subsequent police investigation reveals that Eriksson is a notorious Swedish criminal previously convicted of fraud, counterfeiting, assault, and more. The Ferrari was stolen from a bank in Scotland and was imported into the US illegally. Eriksson is currently serving a term in a US penitentiary.

Source: Wired Magazine
3D Effect on Game Design
Rapid increase in rendering power

Platform Capabilities

- Black & White
- Color, 2D, Isometric View
- Color, 3D
- Color, 3D, OpenGL ES, Nintendo DS port

Screenshots: JAMDAT Mobile, Sega Mobile, Gameloft

Diagram courtesy of Mike Yuen, Qualcomm

GDC Mobile March 2007
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www.robertterceck.com
3G effect on game download sizes
100x increase in only three years

Resident on Device = ~20KB
Total Game Size = ~20KB

Resident on Device = ~2MB
Total Game Size = ~30MB

PlayStation 1 quality on mass market devices

Screenshots: Gameloft, Disney Mobile, Square Enix
Diagram courtesy of Mike Yuen, Qualcomm
2005: 3G Effect on Game Consumption

"U.S. Surpasses Europe With 3X Lift From EV-DO"

Source: M:Metrics
Future Trends for Mobile Games
Future Trends: Do-it-yourself mobile marketing
www.zannel.com
Future Trends: Outsourced Games Service

Many mobile network operators lack the natural talent for managing a content service. Many of them will decide to downsize their content staff and will rely instead on partners.

Example:

- **BREW Signature Solution for Gaming**
  - A complete gaming service bundled with the device, akin to Xbox Live.
  - Demo shown at 3GSM in Barcelona in February 07.
  - BREW Gaming Signature Solution supports
    - rich on-device discovery
    - publisher-specific micro stores
    - game-based themes throughout the phone UI
    - persistent player profile,
    - achievements/badges,
    - presence,
    - challenge,
    - community services,
    - in-game micro transactions.
  - Timeline: 2-3 years
  - Likelihood: 80%
Future Trends: The next overlooked technology

The mobile games industry has a well-established tradition of neglecting many of the most powerful features on mobile phones, such as: voice command, GPS, MMS, MP3, camera, address book, viral superdistribution. The reasons for this neglect are plentiful, ranging from legitimate security concerns to arbitrary policy decisions. Until these features are integrated naturally into the game play, the mobile phone will be a second-tier console.

What is the next new technology that the mobile game makers will miss? It might be biometric security.

Example:
Face Recognition and fingerprint recognition

These technologies will become prevalent as mobile payment systems replace cash. The game industry gets them “for free”.

Usage?

- Expressive avatars in multiplayer games and messaging apps.
- Verify authenticity of scarce digital objects in virtual marketplace.
- Face recognition as instant log-in to persistent game world or team-based play.
- Machine vision for LBS geolocation verification.

- Timeline: five years
- Likelihood: 20%
Future Trends: Free games

Combination of FlashLite and advertising support will make games free.

What categories of games are yearning to be free? 

**Casual games, classic games and board games.**

- Any game that can be made free will be free.
- Bad news for publishers who milk public-domain parlor games and classic puzzle games for maximum revenue with minimum effort.
  - Sayonara, Sudoku!
  - Time to fold ‘em, Texas Hold’Em!
  - Hello to a flood of Tetris-lookalikes and Bejewelled-clones!

**Timeline: now (go to www.getjar.com)**

**Likelihood: 100%**

FlashLite was limited to Japan for two years. But today, an increasing number of phones manufactured for EMEA, the US and Asia now include FlashLite.
Future Trends: China and India prevail

Today’s mobile content markets are Japan, South Korea, North America and Europe. But these markets are also saturated with console game machines and abundant substitutes for mobile games. Unsurprisingly, penetration hovers below 10% of the mobile population in the industrialized nations.

China and India will be the growth engine for the next phase of mobile games. The reason is simple: household penetration of gaming consoles is insignificant in these countries. In the emerging markets, one’s first computer is likely to be a mobile phone.

The next three years will see an additional billion new mobile subscribers.

Those who can afford a PC and a PS3 and a mobile phone have already purchased them. The next wave of mobile subscribers will be those who cannot afford all three, or even two: they will choose the device that offers the most versatility and utility in addition to gaming capabilities. That device will be a mobile phone.

Timeline: 5 years
Likelihood: 90%
About the author

Robert Tercek is the Founding Chairman of the mobile game symposium at the Game Developer Conference, the world’s preeminent gathering of game industry professionals. He has served as an advisor to the GDC since 1998.

He is one of the foremost experts in the design and programming of content services for new digital platforms. He has supervised the creation of many digital content services internationally, including the first satellite TV service in Asia, the first interactive TV services in the US, the first Java-based multiplayer games on the Web, and the world's first wireless video deployments.

In 2006, Mr Tercek and his partner in MultiMedia Networks co-founded two companies: PeopleJam and Comedy.com. Tercek is currently the President of PeopleJam.

From 2000 until 2006, Mr Tercek played an instrumental role in the worldwide growth of two mobile companies, PacketVideo Corporation and Mforma Group. As EVP Programming and Chief Marketing Officer at Mforma, he was responsible for greenlighting the creative content and the marketing programs for dozens of best-selling mobile game titles, including Call of Duty, True Crime, The World Poker Tour, Marvel’s X-Men, Marvel’s Fantastic Four, Connect Four, Monopoly Tycoon, Top Gun and many more.

Tercek has been active in the game industry since 1993, when he co-founded game publisher 7th Level. His game credits include online and interactive TV versions of the most popular game shows in the world, including Jeopardy!, Wheel of Fortune and the Dating Game, as well as the Monty Python game series for PC and Trivial Pursuit Online.

Earlier in his career, Mr Tercek was a senior executive at MTV: Music Television and at Sony Pictures Entertainment. He launched MTV in multiple international markets. For Sony, he supervised the design and launch of the studio’s online, broadband and interactive TV content.

Mr Tercek has been a featured speaker at many industry events including CES, CTIA, 3GSM, NATPE, E3, MILIA, MIPTV. He is on the faculty of the University of Southern California’s School of Cinema-Television, and he serves on the Board of Advisors for BrightCove and M.Metrics.