# The potential of mobile gaming

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Today, mobile gaming is a growing source of data revenue for operators and game publishers alike. With an online mobile gaming model, which enables operators to offer an efficient, consistent, and robust access mechanism, a clear and affordable pricing proposition, and a fast and smooth gaming experience, the stage is set for mobile gaming to realize its full potential. Nevertheless, mobile service providers must align pricing models with consumers' value perceptions to promote mobile game uptake among a wider audience.

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As people become increasingly comfortable leading a digital lifestyle, they tend to turn to digital forms of entertainment – be it TV, music or games. Technological advances, coupled with growing demand for a superior gaming experience, have prompted mobile operators and game developers to push the barriers of digital game play. With more than 4 billion mobile users globally, rapid advances in wireless technology have made mobile devices the next frontier in digital gaming.

While handsets still have some way to go to match the deep, rich, gaming experience of dedicated consoles due to form factor limitations, their multi-functionality and widespread availability within a diverse user-base offers the scope to expand the 'digital gaming phenomenon' to the masses.

Several favourable developments in the mobile gaming market, including the availability of diverse gaming genres, increasing sophistication in game quality, and growing consumer interest, position mobile gaming as a steadily growing segment of the digital gaming market.

In terms of revenues, Informa predicts mobile gaming will become a US$7 billion global opportunity by 2013. India, too, is not far behind as the country is expected to lead among most Asian countries in terms of total mobile gaming revenues. In the advanced gaming markets of Japan, Europe and the US, the mobile games industry is expected to grow at a CAGR of 24.6 per cent by the year 2012. This represents the fastest growing digital gaming market segment (CSMG estimate). Therefore, the growth potential is simply unlimited.

Interest in mobile gaming is not a recent phenomenon. Consumers have frequently 'killed time' playing mobile games since Snake was loaded onto handsets in 1997. With the increased availability and growing sophistication of mobile games, mobile gaming is emerging as the dominant mode of everyday entertainment for a rapidly growing number of consumers.

In the early years of mobile games, adventure and sports simulation were the dominant game categories. These genres attracted only a small segment of core gamers, typically 18-30 year old men. As the gaming industry has matured, game publishers have introduced

new genres of mobile games, ranging from life simulations to role-playing to real-time strategy. The availability of diverse game genres is expanding the mobile gaming market to a wider market demographic.

The 'anytime-anywhere' availability of mobile phones coupled with the improved multimedia capabilities of handsets' brings a compelling new dimension to digital gaming. Mobile gaming fits into the fast-moving lifestyles of today's connected, on-the-move consumers and offers a time-efficient source of recreation and enjoyment. Improved affordability and increased personalization have made mobile devices a more ubiquitous media platform compared to dedicated digital gaming devices. With the availability of technologies such as WiFi, GPS, and 3G, combined with superior handset functions (e.g. multi-megapixel cameras, high quality audio, and Bluetooth connectivity) mobile phones offer an exciting gaming platform with unique and innovative potential.

Earlier, independent, predominantly smaller, companies, such as Jamdat, Gameloft, I-play, and Glu, published mobile games. In recent years, several established publishers have entered the mobile games business to leverage their success in the console and PC gaming markets, which has increased monetary resources within the industry, resulting in greater sophistication and improved game quality. New game players are increasingly investing in developing cross-platform titles for the PC, the console and the mobile handset. At the same time, major sports, leisure and media brands seek to increase their presence in the mobile space and view mobile games as a key area to enhance their profiles. Media brands Nickelodeon and MTV have recently unveiled plans to substantially invest in the mobile gaming business.

Although the essential factors needed to grow mobile gaming appear to be in place, current statistics demonstrate that operators have been unable to effectively tap consumer interest and convert players of handset-embedded games into active buyers. Primarily, the high prices associated with the prevalent one-time purchase/download model have held back consumers from purchasing mobile games. According to Informa's estimates, 157 million consumers downloaded mobile games in 2008. This translates to just four per cent of the global mobile population. The small per centage of mobile subscribers who download mobile games today will not be the engine driving industry growth over the next years. A gaming model that appeals to the masses is essential if mobile gaming is to realize its potential.

## The right business model

Until now, operators have largely followed a single model of one-time purchase/download to distribute mobile games. Although some operators offer subscription packages renting out games for a limited time-period, downloaded games are by far the most popular form of mobile game purchase. They account for more than 80 per cent of mobile game revenues. This category includes games that users download to their handsets over-the-air and which are then played offline in single-player mode. The download model has failed to attract a substantial customer-base due largely to high download prices and limited choice.

It has become immensely critical for companies to evaluate the efficacy of their business models in today's global and highly competitive business landscape. Although the mobile gaming business exceeds US$4 billion in global revenues, restrictive models pursued by operators have limited its reach to a small segment of mobile consumers. Mobile operators, game publishers and other stakeholders in the gaming ecosystem need to collaborate to make mobile gaming more attractive to mobile consumers. Operators should consider incorporating new and innovative business models to encourage more people to sample mobile games and to increase the overall size of the addressable mobile gaming market.

The online mobile gaming model allows consumers to play over the operator's data network - without the need to download games onto their handsets – and can reach a critical mass of consumers. This is essential to achieve commercial mobile gaming success.

Mobile online games allow consumers to play over the operator's data network without the need to download games onto their handsets. With an online gaming solution, the operator integrates gaming into the network infrastructure nodes, including billing, operations administration and maintenance (*OAM*), content management system (*CMS*) and provisioning. This enables the operator to build a vibrant gaming brand, which will reinforce customer loyalty when coupled with an improved user experience, usage flexibility, multiple pricing options and low device dependency. These benefits can capture mobile gaming growth opportunities and reach the critical mass of consumers for commercial mobile gaming success. Mobile online games will achieve this by altering the existing constituents of the prevailing download model, namely, customer segments, value proposition, distribution channels, cost structure, revenue streams and customer delight.

With an online gaming model, mobile users become fully fledged mobile gamers. The one-time client download and the one-click-access to games remove the biggest hurdles to gaming uptake - namely the complexity, expense and time taken to download new games. The intelligent interface, personalization options and wealth of available games further enrich the gamer experience, creating a satisfied community of gamers and building a strong revenue stream for operators and developers.

## Operator advantage

With an online model, operators can expose gamers to targeted advertisements, pushing ads dynamically, based on the user's gaming usage patterns and interests. The access to real-time data enables operators to collect and analyze users' gaming behaviour - leading to improvements in gaming strategies.

It is crucial for mobile service providers to align pricing models with consumers' value perceptions to promote mobile game uptake among a wider audience. Mobile online gaming allows operators to introduce a number of flexible micro-pricing options, enabling operators to bring affordable mobile gaming to a wider market demographic. Online mobile gaming pricing plans do not burden consumers with a one-time payment, but rather allow them to pay incrementally for mobile game usage, enabling consumers to control their spending. The value that consumers derive from these 'sachet' pricing models helps operators to effectively promote gaming services to new users, as well as drive usage among existing customers.

Today, mobile gaming is much more than a bundled 'freebie'. It is a stand-alone value-added service and is a growing source of data revenue for operators and game publishers alike. With an online mobile gaming model, which enables operators to offer an efficient, consistent, and robust access mechanism, a clear and affordable pricing proposition, and a fast and smooth gaming experience, the stage is set for mobile gaming to realize its full potential. ●