

## Chapter 8.13

# Mobile Games: Emerging Content Business Area

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### ABSTRACT

This chapter analyzes the development trends in a special field within multi-channel e-business, digital games designed for mobile devices. It presents frameworks with which to analyze business models, industry positions, and strategic alliances of mobile device game developers, publishers, and telco operators. The key conclusions of the paper are that: (1) game developers should focus more thoroughly in the creation of excellent and value-adding game titles for consumers; and (2) mobile operators and mobile game publishers should work actively to create a feasible business environment for market actors and to encourage consumers to consume mobile games. Furthermore, the chapter suggests that the key location in mobile entertainment is shifting gradually from Northern Europe to Asian markets.

### INTRODUCTION

The mobile channel is emerging as a payment and content consumption platform as well as a business-to-business solution area. Since the late 1990s, one of the key development drivers (outside mobile telephony) within the mobile telecommunications business has been mobile games. The industry comprised of various actors creating, publishing, marketing, and distributing mobile games formulates a very interesting analysis area within multi-channel e-business. As an essential part of the cross-media publishing business, for example, there are opportunities to evaluate a development and value creation pattern within complex industrial networks.

Though growth in the industry is taking place in the early 21<sup>st</sup> century, mobile computer games<sup>1</sup> have their history in 1980s' portable LCD game series *Games & Watch*<sup>2</sup> from the Japanese Nintendo. These simple miniature consoles introduced a concept of keeping a small source of digitized entertainment in the pocket and constantly avail-

able. Mobile gaming (games on mobile phones) emerged with Nokia's launch of the *Snake* game in 1997. In 2003, Nokia introduced its N-Gage game deck and wireless online gaming with N-gage Arena<sup>3</sup>. In 2004, the competition in mobile game markets intensified further with world-leading game titles and with the introduction of wireless-network-connected devices by console manufacturers, Sony, and Nintendo.

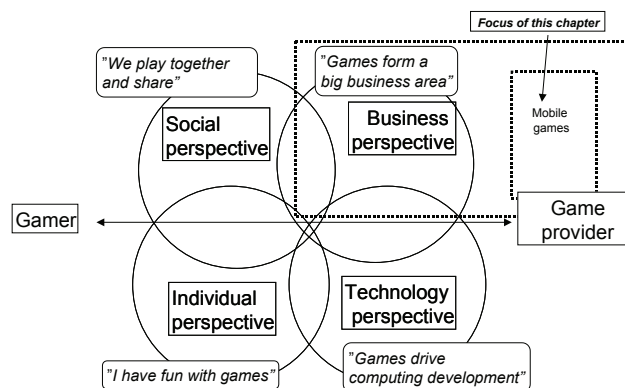
This chapter aims to evaluate selected key business trends in the mobile game markets. The key objective of this chapter is to *analyze and discuss* the challenges in the emerging mobile game industry. In addition, this chapter aims to provide insight into the game industry's business logics and value creation processes. In practice, the objectives are met by answering the following research questions:

1. What are the main characteristics and development trends in mobile game markets?
2. How are mobile game market actors inter-related within the industry value creation process?
3. What are the key revenue and cost models within the mobile game development business?

In analyzing the area of games, four different perspectives can be taken—social, individual, technological, and business. This chapter focuses on the game business, highlighting its mobility-related issues. Figure 1 illustrates the analysis focus. Most research related to games focuses on the three other sections<sup>4</sup>. This chapter aims to fill the gap left by the other research initiatives.

This chapter is not a full-scale market analysis or an academic article. A recent EU-funded research project, M-Gain (2004)<sup>5</sup>, has published a very thorough analysis of the entire mobile entertainment market. This chapter aims to complement the M-Gain analysis with illustrations of the business markets and revenue models. Furthermore, this report is written from a Northern European perspective of the market. Therefore, generalizations on a global perspective are not made. Yet, the business models and industry key findings do have a significant role in the U.S. markets. The analysis is based on the experience of the author in the mobile game markets as well as on several secondary sources. In addition, this chapter is based partly on the author's report published at the European Union founded in the AcTeN Content Market Monitor Series (2004)<sup>6</sup>.

Figure 1. Different analysis perspectives to games vs. the chapter focus



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