

# the evolution of

## MOBILE GAMES



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The mobile games sector, a relatively new outgrowth of the entertainment software industry, makes an important contribution to overall computer and video game sales. Thanks in part to Apple's popular iPhone, mobile games have received a burst of attention, driven by strong consumer demand, focused on producing innovative new technologies and creative new products. In fact, PricewaterhouseCoopers estimates that the global wireless games market will reach \$12.7 billion by 2014.



### A NEW PLATFORM EMERGES

The mobile game genre essentially began in the early 1990s when calculator producers, such as Texas Instruments, began to embed the now ubiquitous *Snake* game in their devices. The pixelated reptile that grew in size while gliding through a tiny maze so captivated users that Nokia decided in 1997 to become the first mobile phone provider to include a game in one of its models. In the years since, an estimated 350 million mobile phones have offered *Snake* as a standard feature.

With *Snake's* popularity as inspiration, several companies began to work on technology, informally known as WAP, which would enable mobile phones to transfer game-related data via a remote server. While the early results proved too primitive to attract many adapters, gamers and developers alike began to understand the possibilities for fast action and multiplayer mobile-based games.

The new millennium ushered in to the mobile games sector an abundance of grand ideas, funding - thanks to eager venture capitalists - and new publishers and developers. With many mobile phones featuring color screens for the first time, the enthusiasm was not unfounded. In addition, select phones began to support a version of the popular Java programming language. Together, these developments served to greatly expedite mobile games' sophistication. The free-for-all environment meant, however, that the sector's numerous start-up companies supported a variety of incompatible technologies. Progress suffered as a result.

**5.28 billion**

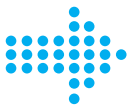
Mobile phone subscribers worldwide at the end of 2010, compared with one billion in 2002.

Even so, mobile games had reached a stage in development where major game publishers needed to decide how to incorporate the new platform into their business plans; the sector no longer would be the domain of small, independent game companies alone. While a few companies launched a mobile games division, most publishers simply opted to license out their most successful titles. After all, gamers already had available to them the portable devices that the major console manufacturers provided.

Different issues have continued to plague mobile games in recent years. The proliferation of 3D games three years ago, in particular, highlighted the discrepancies in the sector's products. With every mobile phone offering slightly different capabilities, game developers and publishers quickly learned that enhanced graphics would not work on certain phones. As a result, companies ended up investing significant time and resources in "porting" a small number of games for the specifications of individual phones. The focus, therefore, remained on adapting old titles rather than on creating new games.

**350 million**

The estimated number of mobile phones that have offered the first mobile phone game, *Snake*, as a standard feature.



## MOBILE GAMES TURN A CORNER

While such problems still hamper mobile games' evolution, Apple's iPhone changed the playing field in a significant, exciting way. The iPhone, as ngmoco's Stephanie Morgan pointed out during the 2009 South by Southwest Festival, allows for higher-quality games than most mobile phones and has created a "wide-open" market for third-party titles. This marketplace, where the barrier to entry for developers is low and games cost relatively little money for consumers, exists predominantly in Apple's online App Store. The App Store revolutionized the sector by establishing an easily-accessed direct connection between developers and consumers that bypasses publishers and phone operators.

Consumers have taken full advantage of the new access, downloading more than 15 billion apps since the App Store's launch in 2008. According to Apple, the App Store now offers more than 425,000 apps from developers that participate in the iPhone Developer Program. While mobile games represent only a portion of the apps downloaded, the extent to which Apple's new technology has galvanized the sector is unmistakable. Every type of gamer, from the most devoted to the most casual, regularly has new entertainment options available at his or her fingertips. "The App Store is like nothing the industry has ever seen before in both scale and quality," said former Apple CEO Steve Jobs. "It is going to be very hard for others to catch up."

Similarly, thousands of developers create a variety of apps for Android, a mobile operating system launched by the Open Handset Alliance. Google's Android Market enables users to access the more than 250,000 apps available for the system. In addition, Amazon developed and launched its own Appstore in 2011 for the Android operating system, which currently offers 14,000 apps. The Android Market and Amazon Appstore network of developers includes well-known entertainment software companies such as Electronic Arts, Namco Bandai America and Konami Digital Entertainment.

Other game developers have exhibited similar enthusiasm, primarily in their quest to push the envelope further by bringing popular console game trends, such as microtransactions and in-game advertising, to mobile phones. For example, downloadable content, perhaps the most lucrative microtransaction, empowers developers to tempt gamers with new additions, such as levels and missions, to their favorite games. Microsoft Corporation, for example, released two additional episodes, available digitally for *Grand Theft Auto 4*. Gamers may also download some full games from the Internet, including titles such as

**55**

The percentage of gamers who play games on their phone or handheld device.

Take Two Interactive's *Civilization V* and Electronic Arts' *Harry Potter and the Deathly Hallows - Part 1*. In fact, purchases of digital game content accounted for 24 percent of all game content sales in 2010, and generated \$5.9 billion in revenue. This included purchases of digital full games, digital add-on content, mobile apps, subscriptions and social network gaming.



## A BRIGHT FUTURE

The UN International Telecommunications Union estimates that 5.28 billion people worldwide subscribed to mobile phone service in 2010, up from one billion in 2002. The mobile games sector owes its bright future to the strong technology habits that these people, particularly the teenagers among them, have developed.

According to the Entertainment Software Association's *2011 Essential Facts about the Computer and Video Game Industry*, 55 percent of gamers play games on their phone or handheld device. The Pew Internet and American Life Project, meanwhile, found that 46 percent of U.S. teens play games on a cell phone or PDA. Combined with 71 percent of teens ages 12-14 playing games on a portable gaming device, the mobile games sector looks likely to enjoy a large consumer base in the coming years.

Mobile game publishers, which now include a variety of organizations and companies from other industries, already have demonstrated an eagerness to embrace a wider audience and explore the potential that mobile games offer. The U.S. State Department, for example, invested \$415,000 in *X-Life*, a mobile game for Middle Easterners designed to teach them about the English language and American history and culture. The State Department hopes that "e-diplomacy might spread cross-cultural understanding between the U.S. and countries in the Middle East and Persian Gulf." In addition, PBS Kids offers several mobile games for young children, including *Super Why!*, a series of mini literacy games based on PBS' popular TV program by the same name, and *Corporal Cup's Food Camp*, which educates players about how to prepare nutritious snacks and the importance of a balanced diet.

Even major companies such as Disney, Viacom, USA Network, and Marvel Entertainment have launched mobile games in an effort to engage their respective target audiences. Disney Interactive Studios developed a collection of mobile games based on popular Disney movies such as "Finding Nemo" and "Tron: Legacy," while Marvel Entertainment launched *Captain America: Sentinel of Liberty* to celebrate the 2011 release of the "Captain America: The First Avenger" film.

The enterprising business model that now characterizes the mobile games sector has set the stage for additional innovations in the years to come. Analysts anticipate that the next generation of mobile games likely will include more multiplayer titles, in-game advertising, and downloadable content. With major game publishers once again rethinking their relationships with the sector, mobile games will play no small role in the computer and video game industry's continued evolution.

**\$12.7 billion**

The estimated size of the wireless games market in 2015, according to PricewaterhouseCoopers.



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