



# Mobile Market Insights

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## Retail Channels Control \$ 8 Billion Mobile Game Opportunity

The addressable market for any mobile service encompasses the number of people that own devices that are capable of accessing that application. To access a mobile game download service for example, a person will need a device or devices that are capable of accessing the online catalogue, selecting and requesting the chosen game, quickly downloading and storing the file being transmitted and finally playing the game.

Dealing with the first of these categories, Strategy Analytics Wireless Device Strategies (WDS) service has developed forecasts estimating the installed base of cellular handsets capable of wirelessly accessing, storing and playing download games (predominantly Java and BREW based although other formats may be supported (e.g. Mophun, ExEn).

Estimating the number of people that will use mobile games services and the frequency with which they will use it requires an assessment of a host of other factors; when will services be made available, what kind of services will they be, how will they be priced, who are they marketed at. Our forecasts make assumptions about demand that are based on the most likely supply side scenarios. Wherever possible, these take into account the experiences of relatively established offerings, such as ringtones, as proxies by which latent demand may be measured.

The price at which services are offered will clearly impact demand and usage. While different pricing models can exist including subscriptions, pay as you use and combinations of the two, for the purposes of our model, we assume that every download can be assigned an average value equating to end user spend (excluding VAT). We also assume, whether it is made explicit to the end user or not, that spend consists of two components; a charge for accessing and using the service (a service charge) and a charge for transporting the data across the cellular network (a transport charge).

There is some uncertainty as to the direction in which the Average Selling Price (ASP) for mobile games will head over the next few years. On the one hand, the increasing sophistication of mobile devices, and in particular the addition of 3-D graphics, will undoubtedly raise the price of games at the top end of the spectrum. On the other hand, the growing number of games retailers and volume of content may result in some price competition and erosion. On balance, we believe that price points for games downloaded Over the Air (OTA) will remain relatively stable in North America over the next 5 years with ASP's falling from \$5 per unit in 2002 to \$4,43 in 2008.

Part of this price stability is reflected by the dominance of carrier retail outlets (portals) as the premium channel to market in North America. Carriers will, as they do today, offer a portfolio of games that target different consumer segments. Although we expect the price of games at the top end of the market to rise as high-end phones assume more of the attributes of portable consoles, the capabilities of the cellular network, represent a further constraint on the market for products that are downloaded OTA. Games that are priced upwards of \$14 are likely to be sufficiently large in size (in excess of 5Mb), that their distribution will prove uneconomic except over fixed networks, with transfer to the handheld device taking place over a USB or short range wireless connection (IrDA or Bluetooth). Although the threat of the intelligent user bypassing pay to use portals altogether will only increase over time, we do not see this as a major threat to carrier OTA retailing in the next 5 years. As data from Handango indicates (Figure 5-3), games written in Java retail at an average of just over \$4, compared with upwards of \$10 for those written for native Operating Systems such as Symbian, Microsoft and Palm.

In markets such as Europe, we do not believe that independent retailers will introduce significant price competition. The history of the ringtone market has shown that the vast majority of independent content retailers have not competed with carrier offerings based on price alone. Although operators in Europe are charging up to EUR5 for premium titles, independent providers that are using IVR, PSMS and credit card billing functionality are typically are charging in excess of this for games.

Source: Ericsson

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## Mobile Can Be a First-Rate Platform

Trip Hawkins, Electronic Arts founder and CEO of mobile entertainment company Digital Chocolate, kicked off Game Developers Conference 2007 with his GDC Mobile keynote, "Making Mobile Phones the Ultimate Game Platform." Hawkins continued this theme, stating that the current mobile games/entertainment business model is not working well. Only about five percent of users have successfully downloaded games, and these customers are typically the same users over and over again; consequently the market is not really expanding. These people also typically buy just one game every 3-4 months. Nevertheless, Hawkins said that this is "not the end, but the end of the beginning."

Hawkins reminded everyone that mobile is still in its very early days. Currently about 10-15 percent of the games content is original, but another 15 percent is comprised of licensed properties, which he said is basically an "abuse of the mobile ecosystem." A ton of money is being diverted because license holders want to see their properties out there, but this deluge of licenses is "exploitative," Hawkins said. "If that's what we settle for as an industry, shame on us," he proclaimed. There is plenty of room for more originality and competition in the mobile space, he stressed. Hawkins believes that mobile can stand on its own with Hollywood and sports leagues. Right now, mobile is looked at by a lot of people as a second-rate platform—the industry has an "inferiority complex"—and a lot of the experiences are

derivative, but mobile can be first-rate, Hawkins said.

Ultimately, what it comes down to—why we play and why we use media—is the social benefit. Games and other media can serve as conversation starters; the idea is to have a shared experience. The current mobile model, which is generally a solitary way of killing time, is just flat out wrong, Hawkins said. The idea of the social experience is everything. Hawkins even cited some studies pointing to the connection between a person's social health and biological health. It's this social value that mobile gaming needs to leverage. And while the Internet has done well to capitalize on this, Hawkins noted that mobile does have an advantage in the billing department because it's done through the carrier. People are often sensitive about their information being accessed on the web, but that's not a concern on mobile.

Some of the requirements that Hawkins outlined for improving the mobile experience included improving filtering software for language, appropriate use of market segmentation (targeting content for different groups and different regions of the world), improving user interfaces, and incorporating more user-generated content (a sort of web 2.0 on mobile). Being able to personalize/customize the experience could go a long way. Hawkins also said that the industry needs to stop blaming the carrier deck for its problems. On the web, there's viral

discovery, word of mouth and people sending links to one another. The mobile industry needs to be more pro-active in this area. SMS, MMS and free trials are all techniques the industry can use to push mobile forward. The industry also has a marketing/perception issue. Because a lot of the early mobile games have been of poor quality, most people generally think mobile games are bad. The mobile industry needs to address this problem, or else hundreds of billions of dollars will be left on the table.

The mobile industry may be in its very early days still, but Hawkins believes it will be a \$100 billion a year market in the U.S. before long and that mobile games will play a large role in that.

Source: Gamedaily



## GSMA Introduces Mobile Innovation Programme

A programme to help small and medium-sized companies developing new mobile products and services to reach mobile operators and end-users, has been introduced by the GSM Association (GSMA), a global trade association representing over 700 GSM mobile phone operators.

The GSMA said the Mobile Innovation Programme is intended to stimulate and showcase innovation around

mobile services and align this with the requirements of the industry and its customers.

The programme will incorporate a global membership of innovators, operators and investors, exchanging ideas and establishing business relationships within the community. The GSMA said the programme's website, which can be found at <http://www.mobileinnovation.org>, will develop into a portal and host

networking tools, discussion forums and a directory compiled from the shortlists produced for each Innovation Summit.

The top 50 small companies targeting the mobile sector will be identified by senior executives from mobile operators and venture capitalists, before a new Mobile Innovation Summit in Macau in November, at the GSMA's Mobile Asia Congress.

Source: Ericsson



## Women Dominate Mobile Phone Gaming Market

Women like to play games on mobile phones more than men, according to an analyst firm that has studied the gender gaming habits. Apparently, Women represent 59 percent of U.S. mobile gamers, says the study released by market research and consulting firm Parks Associates.

The report, "Electronic Gaming in the Digital Home," also reveals females comprise 61 percent of those who play mobile games between one and four hours monthly, and 58 percent of those who spend more than four hours per month playing games on a cellular phone. "The results were mildly surprising," Parks Associates director of research John Barrett said Friday. "The balance is a little stronger for mobile gaming compared with online gaming, but I think that's because you

don't have the presence of shoot-'em-up games typically played by males online." The study surveyed 2,000 U.S. gamers with Internet access. The numbers are consistent with the demographics of Internet gamers, of which women are also the majority, according to Barrett.

Theorizing on why women, rather than men, might prefer mobile gaming, CosmicTap.com blogger Anthony Citrano said "Men think a little more compartmentalized about objects, whereas women are more likely to accept that a phone isn't just a talking device, but rather a music device, entertainment device, gaming device." Men are more likely to say "my phone is my phone, I talk on it," said Citrano, who also co-founded the conference

PopTech, now in its sixth year, attracts a mix of entrepreneurs and inventors in science and technology. Evan Schwartz, co-founder of

Thumplay Inc., an online retailer of mobile content like ringtones, games and wallpaper, agrees with the study's findings. "At Thumplay, we see more woman than men downloading games to their mobile phones," he said. "In the past month, our numbers show that about 58 percent women vs. 42 percent men have downloaded mobile games."



Source: Techweb

## Mobile Game Audio Gets Boost from Faith West's mXMFTool

Mobile content technology developer Faith West, from which leading ringtone services provider Moderati spun-off, is now applying its considerable mobile audio prowess to the game industry.

This month, Faith West is introducing a remarkable improvement in audio quality with their new product, mXMFTool. This new tool leverages the flexibility of open standards, allowing developers to create robust ringtones, mobile game audio and other applications. Faith West is also bundling a library of 125 royalty-free mobile game audio sound effects with mXMFTool, making it easier than ever for developers to enhance the mobile game experiences for their consumers. These in-house sound files include animal noises, human actions, sports effects, weapons, vehicular noises, and environmental sounds in standard Mobile DLS format. Because the collection's offerings are license-free,

developers can freely add sounds to their applications with or without customization.

"Increasingly, we've found that customers want to include more and more sophisticated audio in their applications," says Haruko Kurata, Director of Faith West, "and mXMFTool allows developers to make highly creative use of their limited resources."

"Right now, Mobile XMF is doing for audio what 3G is doing for data. Sound designers can generate as realistic a level of sound as MP3, while keeping file sizes small and as easy to manipulate as MIDI."

mXMFTool is also optimized for use with the Qualcomm(R) CMX (TM) multimedia engine software, which is installed on more than 250 million handsets worldwide. Developers can preview content using the CMX emulator, as well as check compatibility with CMX-based phones. mXMFTool is the only XMF/DLS authoring tool that

features CMX emulation.

This flexibility makes mXMFTool one of the first comprehensive tools of its kind for creating these new sound formats. With an intuitive UI and a robust feature set that includes batch XMF conversion, DLS file size optimization, wave editing and CMX compatibility, it's expected to have high uptake among developers eager to add sounds that match their visions.

mXMFTool is one of many new innovations from Faith West, which first launched polyphonic ringtones service under the Modtones(TM) brand in June 2002 and quickly became an industry leader in mobile content. The company changed its name to Moderati, Inc. in March 2005, while remaining a subsidiary of Faith, Inc. In February 2007, BellRock Media purchased Moderati's content business.

Source: Ericsson



## Eidos Enters Mobile Market With “Tomb Raider: Legend”

Eidos Interactive Ltd., one of the world's leading publishers and developers of entertainment software, is ushering in a new era by bringing their games to mobile and establishing direct relationships with the major carriers and MVNO's in North America. The first title that will be launched is “*Lara Croft Tomb Raider: Legend*”, available Summer 2007.

Taking place in the universe of *Tomb Raider: Legend*, the game places the player in control of the adventurous

Lara Croft. Emulating the gameplay and cinematic action of the full version, the mobile game lets Lara jump, sidestep, roll, shoot, and climb, and uses the grappling hook to navigate the 3D environment.

*Tomb Raider: Legend* takes advantage of the increased processing power and graphic capability of the latest 3D handsets, resulting in a mobile gaming opportunity like no other. With a revolutionary game engine, users will encounter an unprecedented gaming

experience. The level layouts and game mechanics, as well as the game's control scheme, are designed from the ground up for the mobile medium.

Dave Clark, Vice President, New Business Development at Eidos, commented "Eidos is planning to take their core brands to mobile over the coming months and the new releases promise to bring exciting gameplay onto user's handsets."

Source: FierceMobileContent



## A leader in Mobile Gaming

A focus on cutting-edge Mobile Java 3D technology has made Sony Ericsson a preferred choice among game developers and a leader in mobile gaming.

Peter Ahnegård, content acquisition manager, Games & Graphics at Sony Ericsson, says the company has become a leader in Mobile Java 3D technology.

### A preferred choice among game developers

Ahnegård says the benefit for game developers using Sony Ericsson's platform is that they do not have to make changes to every game they produce to fit the various Java handsets on the market. "Our strategy is to base a number of devices on the same Java platform version. Not only does this save developers a tremendous amount of time and money, but it also means operators can spend less time on game verification later on," he says.

### Making games easily accessible to consumers

Sony Ericsson is not only focusing on making it easier for game developers to create games. The company is also making sure playing and accessing games becomes more attractive to consumers.

The Fun & Download service, which can be accessed through the company's website and WAP service, is meant to make it easy for consumers to download all kinds of content, from video clips to games. "We now have a very good games offering on the portal and traffic has increased thanks to improved accessibility and promotions. Today, the major part of revenue from Fun & Downloads is games," Ahnegård says.

Another such service is PlayNow, which can be accessed through the menu option on phones. "Sales have

accessing PlayNow and we'll continue to develop the service in the year ahead by adding new functionality and improving the user interface." Ahnegård says.

### More generic games

In an effort to encourage people to play more games, Sony Ericsson is pre-installing games on all their devices. "Our job is to make sure operators have a solid and extensive offering for each device we introduce to the market," Ahnegård says.

### The future

Ahnegård says Sony Ericsson is focusing on improving the gaming platform for the next generation of mobile phones. "We are looking for the best hardware and platform solutions to be able to help developers create exciting, high-quality games targeting different consumer segments," Ahnegård says.

Source: Ericsson

## Magazines go mobile

Hearst Magazines, with more than 73 million readers around the world, is filling a void in the mobile market by offering made-for-mobile websites for Good Housekeeping, House Beautiful and Redbook magazines. Research shows that 25 percent of its readers have web-enabled phones.

The mobile sites target women aged 35-plus with content, interactive tools and user-generated contributions. Crisp Wireless provided the platform and built the mobile sites. Crisp Wireless' mLogic platform uses an extensive device database to ensure sites are optimized for different handsets and carrier capabilities.

Debra Bluman, of Crisp Wireless, says:

"We are helping customers discover new audiences and build brand loyalty with mobile channels. Brands are translating into made-for-mobile sites and these sites act as an additional contact point with readers."

The company also offers its mLogic MicroSite Builder tool, with which customers can easily create their own mobile websites.

"With the sites for Hearst, we were working with established brands. This is a space where the magazines can give their readers something extra. The sites offer interactivity such as click-to-call, downloads, polls and trivia questions," Bluman says. The three magazine sites have "Talk

to us" buttons, where readers can send in tips and ideas. The sites use a combination business model of downloadable content and advertisements. Bluman says that while the sites will generate some revenue, the main purpose is brand building.

Stacy Morrison, Redbook editor-in-chief, was quoted in a press release in May as saying: "The goal is to meet women where they are living their lives every day, and more and more that means with a cell phone at the ready."

Source: Ericsson



## SMS gives marketing campaigns a boost

SMS marketing campaigns are among the fastest growing in the mobile advertising segment. Eurovip Mobile Services provides promotional mobile services combining direct marketing, mobile coupons and data mining.

SMS marketing blog textually.org, citing research firm eMarketer, reports that USD 421 million was spent on mobile phone advertising in 2006. Joachim Alvarez, founder of Eurovip Mobile Services (formally Splashi AB), says the popularity of SMS marketing has surged over the past year. Sweden-based Eurovip has several stand-alone mobile marketing products that can also be packaged together for targeting new segments and improving customer loyalty. Svenska Dagbladet (SvD), one of Sweden's largest daily newspapers, has approximately 7 million temporary address changes each year. During 2006, the newspaper ran a trial giving selected subscribers the

option to receive a mobile coupon that could be redeemed for a paper copy, rather than having to submit a temporary address change.

Alvarez says the service, which Eurovip helped launch commercially at the beginning of 2007, has been generating several mobile coupons per day. In addition to helping SvD save on administration costs, the service also can compensate customers if their newspapers do not arrive. "The customer service department can send a rebate coupon or even a voucher for a free coffee as a way to make up for the subscriber's inconvenience," Alvarez says. This immediate compensation can significantly improve customer satisfaction.

Since April 2007, Eurovip has also been helping Flygbussarna, Sweden's national system of airport coaches, run a series of mobile marketing campaigns aimed at increasing the number

of travelers aged 18-26. Mobile users are encouraged to send an SMS to a special campaign number; in return they receive a mobile coupon which can be used to buy discounted tickets. After they redeem their discounted tickets, users are sent a customer survey to their mobile phone.

Early signs indicate that the campaign is off to a successful start. "The fact that 40 percent of participants responded to the survey is a good sign," Alvarez says.

Eurovip charges a start-up fee of about EUR 1600 per implementation as well as a fee for each SMS sent. Alvarez says Eurovip's niche is in providing off-the-shelf mobile marketing solutions that are proven commercially and can be up and running almost immediately. "Recycling is something we like,"

Source: Ericsson



## Evaluation of the Mobile Business

After the emergence of internet players, such as Google, Skype and eBay in the mobile arena, the industry is slowly starting to realize that in order to succeed, you have to tailor services to the mobile and put the user in control. One interesting example of this is the **X-Series**, launched by 3 in the UK, Sweden and Hong Kong, which introduced internet services to the mobile phone. Consumers pay a flat rate for a package that includes services such as Google, Skype, eBay and MSN Messenger.

In order to use a specific X-Series service, you just click on the corresponding icon without connecting to the operator's portal. This is an important operator step towards opening the walled garden and participating in open ecosystems. It will take some time before the model is generally accepted and we will see different operators choosing different paths. Several business models will

coexist and new ones will emerge, including applications financed by advertising.

The mobile is becoming an indispensable part of people's everyday lives, a part of the lifestyle. An English girl, interviewed as part of a focus group study, said: "The mobile is my secretary and my friend; I couldn't live one day without it." This illustrates how important mobiles have become. Today, 85 percent of those aged 15 to 24 do not leave their home without their mobile. Mobiles will increasingly use open operating systems and become much more powerful. A phone today has similar capacity to a PC from about 1995.

Another trend is that user-generated content is moving from the web into the mobile world. One example of this is See Me TV, launched by 3 in the UK. The service allows you to send a personal video via MMS and get paid when it is downloaded by other users.

It is very important to have an "almost insane user focus" (an expression used by Morgan Stanley to describe the new internet players) in the beginning. For some, this is even more important than making money in the first months, as the best user experience will quicker generate a user base. YouTube is an excellent example of this: its user focus has given it millions of users that now attract advertisers. It is also invaluable to find ways of letting users comment on and suggest improvements to new services before launching them commercially, as well as after launch.

Source: Ericsson



## New mobile operator in Serbia

The new mobile operator in Serbia starts marketing campaign with new brand VIP. The entrance of a third mobile operator into the market will increase competition in mobile telecommunications and confirms the high expectations of market growth in the country.

VIP is part of Mobilkom Austria Group that last year was granted license in Serbia for GSM and

UMTS networks.

Mobilkom Austria paid €320 Million for the license for the third operator and made an investment of €100 million and hired more than 300 employees in 2007. The price of € 320 Million includes a 10-year license for GSM 900/1800 and UMTS and will be automatically extended upon expiring for another 10 years. With this

investment, Austria has confirmed its status of major investor in the region and this has also opened the ways for bringing the Serbian economy closer to the European Union.

VIP pre-launch its operations with very attractive offers only six-months after having been set up.

Source: Ericsson



## Mobile search makes life easier for expats in China

Shanghai-based mInfo, a leading provider of mobile search services, will now offer Guanxi SMS, an English-Chinese mobile search service targeting foreign professionals living and working in the country.

With an estimated 5 million expatriates living and working in China, as well as a further 30 million foreign visitors each year, the market for English-language mobile search here is significant. This will especially be true in 2008 when the Olympic Games take place in Beijing.

Wang Graylin, CEO of mInfo says "The service is particularly useful to expatriates who cannot speak Chinese,". Mobile users can search for directory information in English or Pinyin (phonetic

Chinese). They can then choose to receive their answer in Chinese characters – something very useful for non-native speakers when traveling in and around China.

The Guanxi service is available on all the major mobile operators in China, including China Mobile, China Unicom, China Telecom and China Netcom. "Loyalty to the service is very high," Graylin says. He estimates there are 100,000-200,000 users of Guanxi SMS each month who conduct an average of at least one mobile search per week.

Guanxi SMS is the latest addition to mInfo's portfolio of mobile search products, which includes mobile search services over SMS,

WAP, IM and downloadable search applets focused on the local Chinese audience. Graylin says that mInfo's mobile search is the only product of its kind to support natural language search – the ability to ask full questions or use complete sentences.

With the number of mobile phones in China being five times greater than the number of computers, Graylin says his company's mission is clear: "Make mobile search the essential tool that enriches people's daily lives, and help gather and disseminate information to the masses."

Source: Ericsson



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