



New platforms to boost mobile games

High quality games, innovative business models, devices and distribution channels present challenges to network operators

London 9th June 2009: Following the success of Apple's iPhone and iPod Touch as games platforms, and its App Store as a retail channel, a host of mobile players have launched or plan to launch similar services to try and capitalise on this success. The latest report from media analyst Screen Digest (www.screendigest.com) examines the impact of these new platforms and distribution channels on the mobile games industry in 27 countries worldwide, with a particular focus on the key North American and Western European markets.

Screen Digest believes that new mobile games platforms for smartphone devices will boost the mobile games industry which has shown signs of slowing. Growth in the operator distributed mobile games market, which peaked at over 50 per cent in 2004 and 2005, will drop to just 7 per cent in 2009. New platforms such as iPhone, N-Gage and Android will help grow the market for mobile games outside operators' portals. In total, games for new platforms accounted for no more than 15 per cent of mobile games revenues in the major North American and European markets in 2008.

Apple retains its lead: iPhone games account for 10 per cent of North American mobile games market

Whilst Nokia's N-Gage games platform and Google's application store Android Market also have the potential to grow the market for mobile games outside operators' portals, it is Apple that has the key elements to retain its position at the head of the market.

A range of mobile players, including operators, device manufacturers, platform providers and third party retailers have all launched their own stores; but Screen Digest research suggests that games for Apple's iPhone accounted for over \$100m in revenues in the second half of 2008, taking more than 10 per cent of the North American mobile games market.

It is Apple's combination of high-end appealing hardware, a large developer community, and easy to use retail environment – for which it had already built a strong billing relationship with consumers – that has enabled Apple to maintain its lead.

Java market still the largest

While new platforms and sales channels will grow the market for mobile games outside operators' portals, the market for games from operators will, in the short to medium term, remain the largest. Screen Digest believes that the trend for new platforms and application stores which offer developers a greater share of revenues, a more receptive audience, and a wider array of content, will see smaller publishers reduce or abandon development of games for release through existing operator-run portals. With their operator deals already in place, this trend will present the big publishers with the opportunity to consolidate their lead at the top of the largest market for mobile games.

The App Store effect

For the big publishers the greatest impact of the iPhone and App Store may not be in the extra revenues derived from selling games through the store but in the effect of the App Store's business model on the wider mobile games market. Awareness of mobile games has increased and the success of the business model has already persuaded some network operators to lower their revenue shares and move towards their own application stores. The 70 per cent share of revenues

offered to developers by Apple is now practically the default minimum that new store owners offer to developers and publishers.

Jack Kent, Research Analyst at Screen Digest says "At the moment Apple is out in front – in terms of user experience, range of content and in generating consumer and developer interest in mobile games for its devices. While the market for mobile games on the App Store is strong, iPhone users still only account for a tiny proportion of the market. In Q4 2008, iPhone shipments made up less than 2 per cent of total handset shipments. Handset manufacturers and network operators currently adopt a 'one store for all' approach although platform-specific and on-device stores stand the best chance of success, as far as mobile games are concerned."

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About this research

This report, *New Mobile Games Platforms: Challenges and opportunities*, examines the impact of new platforms and distribution channels on the mobile games market. It assesses the strengths and weaknesses of various mobile games platforms and application stores and how top publishers have responded to the developments in the market. It also features profiles of the mobile games markets in major North American and European countries.

About Screen Digest

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