



Mobile Entertainment analyst

In-depth coverage of the wireless entertainment business

Funding Mobile Content

By Elizabeth Biddlecombe

By their own admission, venture capitalists are most comfortable in the mobile industry when they are helping a handful of PhDs develop some new deep-tech product that solves a thorny problem in mobile communications. Content has not usually been the province of the *RedHerring* crowd. Especially after the heady days of WAP fever, venture capitalists have largely steered clear of the mobile entertainment sector.

"(VCs) have sat on their hands and not helped the process. In general, they have been lousy," says Ralph

Simon, chair of the Mobile Entertainment Forum for the Americas. In the absence of interest from external investors, Simon funded his ring tone company, Moviso, himself. He later went on to sell it to Vivendi for a rumored \$10 million.

Some elements of the mobile entertainment sector are not a good fit for venture capital. Although some ringtone companies have raised significant investment (Shazam for \$6m most recently), these firms generally don't attract significant venture capital. Most professional investors consider this an area

where established media companies like Sony and Bertelsmann will inevitably hold sway because of their vast content portfolios.

John Hall, director of the Communications Fund at Intel Capital says his company has evaluated MMS companies but is concerned by the lack of standards and interoperability.

And, of course, no US-based VC is likely to want to fund gambling or porn. "The opportunities for exit are very small because of the sin factor," says Paul Longhenry,

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Mobile
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Are Mobile Games Disruptive? And How Should People Pay for Them?

By Matthew Bellows

In his influential book, *The Innovator's Dilemma* (1999), Dr. Clayton Christensen identified which qualities make products "disruptive." Disruptive products seemingly come out of nowhere and take a market by storm. They often drive established market leaders out of a particular product category, sometimes out of business. By citing examples like the microprocessor overtaking mainframe and mini computers; hydraulic bulldozers and cranes stealing market share from steam-driven earth movers; and small, light motorcycles grabbing customers from the established "big iron" brands, Dr. Christensen sketches the qualities that make a product disruptive.

Products that sneak under the radar of established competitors share five general characteristics:

They are smaller.

They are cheaper.

They have fewer features.

They are less functional.

They incorporate a crucial new product attribute.

It is this new attribute (usually overlooked or scoffed at by established players) that becomes the thin edge of the wedge - ultimately allowing the disruptive product to prevail.

I've wondered for some time whether mobile games could be considered a disruptive technology in the videogame industry. An invitation to speak to representatives from Vodafone and YDreams gave me the opportunity to consider this possibility more closely, and to flesh out at least one conclusion from this analysis.

Mobile games are clearly smaller, cheaper, less functional and possessed of fewer features than other

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Short Messages

by Cashman Andrus

BREW 2003 Developers Conference: Life Is Good

Qualcomm hosted its annual BREW Developers Conference to a sold-out crowd in San Diego last week and the tone was very upbeat. The event kicked off with an "Extreme"-themed party, complete with a quarter pipe and crew of BMX / Rollerblade-riding youth to zoom up and down it, as well as a portable rock wall for attendees to scrape up their hands on. The second night's bash featured Kool and the Gang, ice sculpture and silhouetted joggers trapped in bottom-lit cocoons. But, even ignoring the now *de rigueur* glitz (not to mention the nicest weather imaginable), BREW 2003 had a solid story to tell. Wireless data services are catching on with consumers, and Qualcomm's integrated solution is working well to provide a clean and easy route to market for operators and developers.

We saw a wide slate of cool new games, from Sony Online Entertainment's Two Cities (a very nicely implemented and expanded version of Battleship) to Sorrent's Yao Ming Basketball, and from Entelepon's multiplayer Tanks game to Dwango's Star Exceed (a vertical shooter with a nifty homing missile feature). But despite the amazing games that keep coming out, the big stories at BREW 2003 were all about the numbers.

Jamdat kicked off the numbers parade, revealing that its BREW content had been downloaded 2.2 million times since September 2002, including free demos. An astounding 12% of those hits were paid downloads of Jamdat Bowling. They also reported that five applications racked up more than 100,000 paid downloads since September. So, that's at least 650,000 paid downloads for Jamdat, and probably closer to 1 million - not

exactly chump change this early in the industry's life cycle.

Verizon added its own numbers to the mix, touting 8.5 million total downloads since it launched in September, with 5.8 million of those clocked since January. Having sold 3.2 million BREW-enabled handsets thus far, the company expects to have 8 million BREW phones in users' hands by the end of 2003. The Get It Now download services were responsible for \$7.50 of ARPU per month for "active users", although Verizon was reluctant to define just what percentage of users that includes. Their reps did say that ARPU was higher for experienced BREW users, and they expect that trend to increase the average over time. Experienced users were also more likely to buy

applications without downloading demos, compared to new users of the service. Of the top ten Get It Now downloads since launch, two are ring tones, seven are games, and one is a picture viewer. Verizon has plans for more BREW-based services, from "information content" apps to a multiplayer games service, to launch later this year.

In addition to Verizon, new operators continue to adopt BREW, with KDDI, China Unicom and newly united Brazilian carrier VIVO among the big players to watch. Each of these operators is large enough to support a developer community on its own, so the total opportunity for global distribution of top games is huge. ■

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Top 10 Applications on Verizon Wireless Since Get It Now Launch:

1. **Modtones™** polyphonic ring tones
2. **Moviso Ringster™** ring tones
3. **Jamdat Bowling** the thrill of achieving a strike
4. **dotPhoto Pictavision™**
photo wallpaper and view photos
5. **Wheel of Fortune®**
one of America's most popular game shows
6. **Jamdat Solitaire**
play one of four fun card games
7. **Jamdat Casino**
slots, blackjack and video poker
8. **The Lord of The Rings™: The Two Towers**
based on the second LOTR movie
9. **Jamdat Football**
10. **EA SPORTSTM Tiger Woods PGA TOUR®**
Golf at Pebble Beach

Source: http://news.verizonwireless.com/top_stories/024.html

The Coming Wave of Mobile RPGs

By Damon Brown

Whoever said that men couldn't handle commitment never met an RPG player. Role-playing games (RPGs) and, since 1997, massively multiplayer online RPGs (MMORPGs), have captured the devoted attention of millions of men (and women) for hundreds of millions of hours. Although it wasn't originally clear that gamers would want to spend the required time with their phones, RPGs are now flooding the mobile marketplace. In Japan and Korea, downloadable mobile RPGs have been popular for a couple of years, and at least one early MMORPG for mobile has emerged. While titles like *Sorcery*, *Eternal Hero* and *Space Seals* brought some elements of RPGs to WAP and European i-mode phones, to date the RPG has been an underdeveloped genre in the US and European wireless arenas.

That's about to change. The first major downloadable RPG comes from Sony Online Entertainment. Originally named *Hero's Call*, the addition of "EverQuest" to its title signaled the company's belief in the game. In early March 2003, CipSoft announced it was about to release the world's first mobile multiplayer RPG, *TibiaME*. At CTIA this year, Jamdat showed off an MS Smartphone version of RPG rockstar *Neverwinter Nights*, and a BREW version is on the way. Mobile Scope recently made it known that the classic RPG, *Wizardry: Proving Grounds of the Mad Overlord*, was coming to mobile. *Vir2L* and *Mforma* will launching *The Elder Scrolls Travels: Stormhold* soon. Dwango America is planning to launch *Samurai Romanesque*, the most ambitious mobile game ever, in the US, and there are several other unannounced but well-known RPGs coming to market.

What took so long?

RPGs, while not nonexistent on mobiles, have been in very short supply: Savvy gamers could have

played titles from Handy Games or *Airborne* a year ago. However, game companies haven't been sure that the average mobile gamer could handle the 30-hour commitment that most RPGs require.

"RPGs are not played in five minutes. (The) game takes much longer than normal games on WAP or i-Mode," says Handy Games' CEO Christopher Kassulke. "You cannot compare RPGs from PCs or consoles to those being played on mobiles. The graphics and gameplay are much more basic. If both get too complex, the game will not be successful."

The Water Guard Dragon, doesn't really allow much character evolution, so calling it a full RPG would be an exaggeration.

"RPG's haven't, at least initially, been perceived as entry-level gaming," says Jens Hultgren of Spark Creative, creator of the Mophun title *Dragon Tale*. "(However,) with gamers gaining experience, projects are taking more serious proportions, and services are becoming more readily available."

Cramming a big world in a tiny phone

Intense character development, multiplayer interaction and evolving universes are commonplace in PC and console RPGs, and mobile game designers have been trying to find ways to emulate this kind of depth within the restricted mobile environment. The pressure increases even more when a mobile RPG is a translation of an open-ended, mas-

sive PC and console game, such as Sony's MMORPG *EverQuest*.

"The biggest challenge for us, which we assume is a big challenge for all developers for mobile phones, is to try to fit something large and complete into the limited power, screen size, and controls of a mobile phone," says Matt Yaney, director of Wireless for Sony Online Entertainment, creators of the just-released *EverQuest: Hero's Call*. "This challenge meant that for *EverQuest: Hero's Call* we had to strip away the layers to offer the core feeling of an *EverQuest* role-playing game on a mobile device."

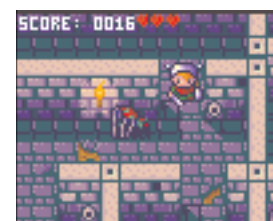
Sony's MMORPG is just a single-player RPG at the moment. However, despite the sacrifices required, Sony Online Entertainment managed to provide a depth rarely seen in mobile gaming, packing 40 to 60 hours of gameplay into *EverQuest: Hero's Call*.

Currently announced only for Japan, Dwango Japan is making similar design decisions about the mobile version of EA's *Ultima Online*. Dwango Japan, like Sony, has let jettisoned all of the multiplayer components except chatting and non-real-time interaction. However, it is trying to maintain the gameplay of the original in other, somewhat innovative ways, such as an evolving world.

"The UOM map is based on the PC's UO (map and) there are going to be at least seven dungeons in the beginning," according to a Dwango Japan spokesperson. "Just like *Ultima Online* on PC, we are planning to set up events, new lands and new dungeons in the future."

Character acting

RPGs deliver a deeper gaming experience than those willing to make the time investment because, instead of adopting an existing character, gamers are taking part in the protagonist's development. We



From Spark's *DragonTale*

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Funding

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an investment partner at 3i. In addition, the porn business suffers intense competition, and in the United States gambling is heavily circumscribed by law. European and Asian funds might eventually prove more adventurous.

Maybe in Mobile Games?

Mobile games development, however, is a slightly more encouraging area for VC investment. It requires more technical expertise, which VCs view as adding "long-term sustainable competitive advantages," and there are plenty of console and content companies that are making money on videogames.

Sorrent, Jamdat Mobile, Airborne Entertainment, Mforma and Digital Bridges are all examples of venture-backed mobile games companies.

"(VCs) have sat on their hands and not helped the process. In general, they have been lousy," says Ralph Simon.

Jamdat raised \$12 million in its second round of fundraising in spring 2001, and it recently secured a further \$8 million. According to CEO Mitch Lasky, part of his company's success involved persuading VCs that Jamdat would make a good acquisition target for established videogame publishers that wanted to protect themselves against the next console innovation, which is likely to strike in 2005.

Airborne Entertainment, both a creator and distributor of content,

has raised between \$8 and \$9 million to date, according to CEO Garner Bornstein.

Chasma, a New Hampshire games publisher, announced in January 2003 it had received a first round of funding from Orchid Venture Partners. Games publisher Sorrent closed its second, up-value, round of \$5.5 million in April 2003. Contrary to the expectations of its management team and early investor NEA, the company attracted so much interest it was able to choose which VCs it wanted.

NEA had invested in Sorrent during its first round, in December 2001. "We were the only startup in the category that got funding in 2001," CEO Scott Orr claims, momentarily forgetting about Jamdat's April 2001 second round. Orr does recall that the process was so difficult that he and his team considered packing it in and going back to the traditional videogames business.

Maybe Not

Despite the success stories, raising VC money for a mobile games company is still tough, as Stuart Scott, managing director of UK-based Blue Sphere Games, found out last year. The VCs that his company spoke with didn't see the justification for its pure-play games strategy and looked for "traditional things that you just can't deliver in a pre-revenue situation," according to Scott.

One industry commentator suggests that Scott's experience reflects the greater conservatism of the UK venture community. Intel's Hall explains that a mobile games publisher holds more attraction for VCs than a developer does because it ensures that "the investment includes enough diversity to get a consistent cash flow." Publishers are also more able to support the vast array of devices now on the market than a small developer would be.

Underlying most investor reluctance is what another commenta-

tor calls a "generational/cultural gap." Backing mass-market services involves predicting the next hit; or as Brendan Richardson, partner at Vision Capital, puts it, "Gambling on the whims of a fickle teenage and Gen X/Y market that has always defied predictive marketing efforts."

Also sees mobile entertainment as ripe for venture investment due to the rapid changes that are occurring in devices and the networks.

But more fundamentally, Richardson says, "Most VCs did not grow up as gamers per se. Generally they're quite good at understanding corporate behavior and IT spending but not very proficient at intuiting consumer behavior - particularly if the consumer target is a generation or two behind themselves."

The small sums of money involved don't help. One analyst reckons you can get a games company up and running for \$50,000. Yet "VCs are under pressure to get big deals," says Stuart Scott. "If we went for a million they probably wouldn't buy it, but if we went for \$3 to \$5 million they would be interested. (But) we don't have a business case that you can justify hanging \$3 to \$5 million on." Scott says his company has raised £0.25 million (US\$0.4 million) to date and is now self-funding.

A More Positive Environment?

But attitudes are changing. Blue Sphere's Scott says the environment has become more welcoming during the past three or four

months, mostly because demand is proven and Blue Sphere Games is profitable. At a recent VC conference (VentureWire's Wireless Ventures) in California, Mitch Lasky, CEO of Jamdat, reported that 2.5 million of the first 8.5 million Get It Now downloads on Verizon Wireless were Jamdat games.

To a room full of investors looking for their next lucky strike, Lasky outlined the market potential. "There are about 50 million Play Stations," he said, "But here you could have 500 million games-capable devices. That is a potentially vast installed base, even if, like PCs, they are not dedicated games devices." And unlike games for the PC or a console, the mobile user doesn't need to go the store - the store is in his or her hand. And at \$3 to \$6 a pop, the price tag fits an impulse buy.

Also speaking at the conference was Stewart Alsop, general partner at New Enterprise Associates (NEA). Alsop was responsible for NEA's initial stake in Sorrent; his interest in digital media content and devices makes him an unusual figure in the VC world.

Alsop sees mobile entertainment as ripe for venture investment due to the rapid changes that are occurring in devices and the networks. These changes open up significant opportunities for investment over the next year or so, with the promise that the value of investments will increase dramatically within a short time frame. Nevertheless, he qualifies his enthusiasm by pointing out that only \$50 million at most of NEA's \$2.3 billion fund would ever go to digital content.

Sven Weber, VP of Siemens Mobile Acceleration in San Jose, California, thinks the pressure is mounting for VCs to find new areas of investment after the dot bomb. However, he says, "It is still a wait-and-see game".

To Paul Longhenry at 3i, the worldwide perspective is less cheery. "In Europe and Asia, a lot of the oppor-

tunity has already been taken," he says.

Seamus McAteer, managing partner at analyst firm Zelos Group, sounded another negative note. He cites the low barriers to entry and the limited size of the market overall as indications that VCs will never be that hot on mobile entertainment. "I don't think the mood will change in the funding of media (businesses)," McAteer says "It's a hit-driven business."

Other Funding Options

Even if the VC community isn't investing heavily in mobile content, there is another funding option: large technology vendors that have an interest in creating demand for their products. Both Bornstein at Airborne and Lasky at Jamdat speak of the value of trade investors in building their companies. For example, Qualcomm, Sun Microsystems and Intel were all involved in Jamdat's \$12 million second round in 2001.

**In Europe and Asia,
a lot of the
opportunity has
already been taken.**

Garner Bornstein says that the presence of Bell Mobility Investment, a separate VC entity owned by Bell Mobility's parent BCE Inc., has proven beneficial to Airborne. "We know what devices are coming down the pipe. We have our finger on the pulse and look two or three quarters ahead," he says.

And, adds David Bollard, CFO of DotPhoto, a large player makes you more attractive to further investment. "It is essential to align yourself with these kinds of companies," he says. DotPhoto has relied heavily on its trade partners, Verizon, Alltel and Qualcomm.

Stat!

Wireless Investment Monitor

	# deals	\$\$\$	Change
1 week ago	1	\$14	-100%
past week	3	\$22	
prvs week	2	\$23	-6%
past month	14	\$149	
prvs month	17	\$155	-4%
past qtr	47	\$555	
prvs qtr	80	\$584	-5%
YTD	34	\$469	
YTD 2002	54	\$400	17%

Source: http://venturewire.com/pr_wireless.htm

Stuart Scott at Blue Sphere Games sounds a note of concern about the drag that such an investor might put on a startup by wanting the small team to help the large conglomerate understand the business. But Sven Weber at Siemens Mobile Acceleration rejects this scenario, saying that in his company's case, the objective is to win the first customer contract within 12 months of making the investment. Furthermore, says Weber, it doesn't matter if that contract is with a Siemens rival. "We're happy to help them talk to our competitors," he says.

Mitch Lasky at Jamdat backs this up. Jamdat sold GSM operator AT&T short-term exclusive rights to the Activision O2 games in Java, despite Jamdat's strong relationship with Qualcomm (BREW) and Verizon (CDMA). Nevertheless, Lasky admits, "Some large strategic entanglement with a nightmarish competitor would have to be explained at board level."

In addition to money, a corporate investor can make introductions that open doors for a small startup. Intel Capital holds speed-dating events where a young company will have 15 or 20 meetings in a day with a roster of investors, carriers and other potential customers. As

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Disruptive?

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videogames. The current slate of wireless games are more or less comparable to Game Boy Color titles. But being a weaker product is not the same as being a disruptive one. For mobile games to earn the moniker of disruptive, and thereby garner the investment dollars that a truly disruptive technology deserves, they must demonstrate a new attribute or feature that attracts consumers to them, despite the platform's other glaring flaws. The demand generated by this new feature funds successive generations of product improvement, while flying under the radar of established competitors. By the time the major players wake up, the disruptive technology has improved its flaws and gathered enough market share to compete head to head.

Most mobile gaming commentators have identified network connectivity as the platform's defining characteristic. But playing against a remote human opponent has long been a part of PC gaming and now

is available on PlayStation2 and Xbox. Microsoft has claimed more than 350,000 subscribers to their Xbox Live service. And connected consoles aren't new: The Sega Genesis console offered gaming against remote opponents in 1994.

I believe that, ultimately, the defining characteristic of the mobile platform is not its connectivity, but its ubiquity. Game-players almost always have their phone with them, and they can almost always (barring network issues) play or download a game.

....the defining
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Mobile entertainment executives who underestimate the power of over-the-air downloads should demonstrate the process to an adolescent. The gleam in their eyes when the game appears tells the story. By removing the physical and temporal barriers to getting a game (it comes to you!), mobile phones drastically increase the ability of people to buy and enjoy videogames. Constant availability, both for play and for purchase, is the characteristic that sets mobile games apart from their platform competitors.

It's an important corollary, a proper investigation of which will have to wait for another article, that ubiquity of the platform does not mean that specific play patterns or game types will dominate. Ubiquity means that everyone can play their current favorite game no matter where they are.

Pay Patterns for Play Patterns

I suspect that the pioneers at Jamdat, THQ and Sega, not to mention the dozens of other corporate or independent wireless startups, knew long before this article appeared that mobile games could be disruptive. Startups (both within and outside larger companies) that can take advantage of ubiquity should prosper. The big dogs of the industry, if videogames follow the examples in Dr. Christensen's book, will dabble but never endorse mobile gaming, and thereby be surprised when the mobile segment of the overall industry tops 10% or 15%. By then, mobile will have improved to the point where it can be competitive with other videogame platforms.

But there are many challenges to overcome before mobile gaming can become a really disruptive force. Most of those challenges (handsets, networks, content) are well documented. One that gets less attention is payment models.

WAP was limited as a creative medium for many reasons, but the lack of effective revenue models was the main one. Developers couldn't get paid for their work. Although the mobile games industry has now adopted an industry business model (half or more of the purchase price goes to the game publisher), consumer product pricing models are still in flux. In Japan, a monthly subscription to a games channel is the most prevalent model. In Europe and the US, dozens of permutations on the retail (per download) model are being tested.

But if the disruptive characteristic of mobile games is ubiquity, developers and distributors of mobile games should do everything possible to make them more ubiquitous. Now that the requisite technology is deployed, the business models are in place, and quality content is flowing into the system, the major

Stat!

Worldwide Handset Shipments and Market Share

Top 5 Vendors, 1Q 2003 (Preliminary)

Rank	Vendor	1Q 2003 Shipments	1Q 2003 Market Share
1	Nokia	38,150,400	35.5%
2	Motorola	16,700,000	15.5%
3	Samsung	13,200,000	12.3%
4	Siemens	8,000,000	7.4%
5	LG	5,620,000	5.2%
	Other	25,916,102	24.1%
Total		107,586,494	

Source: IDC, April 23, 2003

barrier to consumer adoption is price. Some industry executives will dispute this, saying "We have seen very little price sensitivity to mobile game downloads." That may be true for the early adopters currently buying mobile games. But when mobile games expand beyond that niche, pricing becomes more and more

This pricing structure is familiar, of course – coin-operated videogames are still a multibillion-dollar business in the US.

important.

The most intuitive way to remove pricing barriers for mobile games is to charge on a per-play basis. The per-play approach would make the game available for free (the user paying only for the data transmission costs, if any) and assess a nominal fee for each game played. This pricing structure is familiar, of course – coin-operated videogames are still a multibillion-dollar business in the US, even after being eclipsed by the consoles. But mobile pay-for-play dispenses with the limitations of the arcade approach (namely, the arcade) and promotes a sustainable relationship with the customer.

There are at least three major advantages to a pay-for-play model:

1. It removes the final hurdle to trying a game, the upfront cost. Gamers or would-be mobile gamers are free to experiment with various titles until they find one they like.

The cost for experimentation would be nominal – the cost of one game play.

2. It's adaptable. There is no reason that, having completed the initial levels of a complex RPG, the player couldn't be charged more, or charged a subscription, to participate in further levels of the game.

3. It encourages fantastic games. Moneymaking titles will get people to play again and again. Money-losing titles will be the ones, no matter what their brand or their marketing budget, that people abandon after one or two tries.

Various operator representatives have been talking about this model for some time. Representatives from Sprint, in particular, have been promoting their system as one day being capable of "per-bullet" pricing. Despite such talk, there are still technology barriers to implementing a per-play payment system. According to the company, Qualcomm's BREW distribution system is capable of charging consumers on a per-play basis, but BREW developers and carriers have yet to experiment with this model. Cingular has a per-play model for its current slate of SMS games, but the company is not expected to continue this model when they launch their download service nationwide.

It's incumbent on mobile game industry leaders to experiment more vigorously with the pay-for-play model. In order that mobile games can truly be disruptive, all the medium's barriers to ubiquity must be removed. Now that download-capable handsets are everywhere, and a healthy business ecosystem is in place, the last barrier to widespread consumer adoption is the \$3 sight-unseen download. ■

Handset Highlights

Samsung SGH-X400

Modes: GSM/GPRS 900/1800/1900

Target Market: mid-range

Screen: 128 x 160 pixels, 16-bit color, TFT

Apps: Java MIDP

Available: second half of 2003, US and Europe

Samsung gets into the "game phone" action with this new tri-band folder. The keypad highlights the direction controls, but otherwise this handset resembles other modern feature phones.



Nokia 3300 (Europe & Asia)

Modes: GSM 900/1800

Target Market: mid-range

Screen: 128 x 128 pixels, 4,096 colors

Apps: Java MIDP

Available: Q3 2003

One target demographic, one name: two quite different phones. Both use Nokia's series 40 UI and feature set, with substantial music functionality added. The EMEA/Asia Pacific version offers a standard keypad and prominent directional pad.



Nokia 3300 (Americas)

Modes: GSM 900/1800

Target Market: mid-range

Screen: 128 x 128 pixels, 4,096 colors

Apps: Java MIDP

Available: Q3 2003

The Americas version, on the other hand, goes for an alphanumeric thumb keyboard, the better to SMS with. Are we too lazy to triple-tap on this side of the pond?



LG 6000

Modes: CDMA 1xRTT 800/1900

Target Market: mid-range

Screen: large, 260K colors

Apps: BREW 2.0

Available: mid-2003

Announced at CTIA in April 2003, this will be part of a new wave of advanced BREW phones

to ship later this year. The 6000 gives BREW apps access to the embedded camera, and sports an 18-bit color display for accurate photo display.



Mobile RPG's

Continued from page 3

recognize the guy on the screen because it is our creation.

For instance, Ultima Online Mobile is putting the player in control of character in a limited, but promising way, by offering eight different characters for development: Animal Tamer, Bard, Battlefield Mage, Craftsman, Fighter, Healer, Mage and Ranger.

Hultgren of Spark Creative admits that character development is a weakness in Dragon Tale. "Our initial

release of Dragon Tale, The Water Guard Dragon, doesn't really allow much character evolution, so calling it a full RPG would be an exaggeration," he says. "We are implementing this for the Dragon Tale



sequel and believe that one of our larger challenges is to get the balance and evolution patterns just right."

Sony Online Entertainment also found that true RPG character development wasn't possible for them right now, Yaney says. "We knew upfront that we would be single player and unable to provide battle and character systems as complex as (those) found in EverQuest."



All images on pages 8 & 9 are from Sony Online's EverQuest: Hero's Call

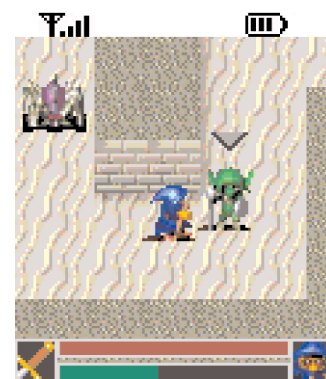
Getting social

While many designers are struggling to fit their RPGs on a mobile, others are going even further and making MMORPGs for cell phones.

CipSoft spent a year and a half cramming Tibia, already a popular PC MMORPG supporting 40,000 players, onto the cell. "Just as in the original title, the game will handle about 1,000 simultaneous users per game world," says Stephan Vogler of CipSoft. "However, we're already working on a future version of the server that will allow even more players on one game world."

Vogler admits that there have been some serious challenges getting game players connected. "There are difficult technical problems to overcome if you want to create a real-time massive multiplayer game on a mobile device. High network latency, memory restrictions and low computing power, to name a few."

Even after dealing with the technical issues, the biggest problem with a mobile MMORPG is money. "(If) the decision was made to create the game a fully connected multi-



player title, (it) could have cost the players far too much per month on their phone bills," says Yaney, Single-player EverQuest: Hero's Call is already asking for days of the player's time.

Managing a little RPG

On the plus side, the limited mobile device forces game design-

Stat!

US Video Game Hardware and Software Dollar Estimates

\$ mil	1997	1998	1999	2000	2001	2002	2003	2004
Total HW	1,788	1,722	1,927	1,636	3,595	3,525	3,057	2,171
Total SW	2,722	3,683	4,177	4,117	4,570	5,507	5,882	6,423
Total US	5,158	6,249	6,915	6,535	9,315	10,230	10,252	9,701
HW Chg	-4%	12%	-15%	120%	-2%	-13%	-29%	
SW Chg	35%	13%	-1%	11%	21%	7%	9%	
Tot % Chg	21%	11%	-5%	43%	10%	0%	-5%	
HW as %	35%	28%	28%	25%	39%	34%	30%	22%
SW as %	53%	59%	60%	63%	49%	54%	57%	66%

Source: Arcadia Investment Corp estimates, NPD TRSTS

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ers to focus on the essential elements of the RPG: good storytelling, direct interactivity and form after function.

"The small screen and limited input capabilities required a complete redesign of the user interface," says Vogler of TibiaME. One positive result of this redesign was simplification and better control than the PC counterpart. "TibiaME is much easier to use than the PC title. The Series 60 version of TibiaME has the (same) touch and feel as a Game-Boy Advance game and will also be accessible to people who have never played an online game before."



Other companies, such as Handy Games, have found simple, yet elegant solutions to mobile RPG limitations like disconnections. "We implemented an auto-save function, which is standard in 90% of our mobile internet games," Kasulke reports. "So the next time a user logs in, he continues at the same position he quit the game, whether by normal log-out or connection loss."

There are still many hurdles to leap before there can be great RPGs on mobile devices. The phone's human-computer interface limits immersiveness, and phone memory and processing power hampers game complexity. Gamers are calling, though. With the slew of new RPGs on the horizon, game designers should be able to quickly learn from one another's mistakes. ■

Stat!

Worldwide Converged Device Shipments and Market Share

Top 5 Vendors, 1Q 2003 (Preliminary)

Rank	Vendor	1Q 2003 Shipments	1Q 2003 Market Share
1	Nokia	980,000	57.3%
2	SonyEricsson	190,000	11.1%
3	Motorola	127,000	7.4%
4	Samsung	88,000	5.1%
5	Handspring	70,000	4.1%
	Other	255,557	14.9%
Total		1,710,557	

Source: IDC, April 23, 2003

Funding

Continued from page 5

John Hall at Intel Capital says, the company can open doors to Hollywood or the international operator and VC communities. Intel also introduces its portfolio companies to one another. For instance, Jamdat and Cash-U, two of Intel's three mobile entertainment investments, are now collaborating.

In the Meantime...

Even if the investment doors appear to be slamming in the face of mobile entertainment, there is value in the rejection. Sven Weber at Siemens Mobile Acceleration says he is always happy to hear from companies he has rejected that want to find out why. He encourages such companies to "get active feedback rather than just...moving on."

Feedback may lead to rethinking strategy, perhaps strengthening the defensibility of your proposal. In the meantime it comes down to creative bootstrapping, perhaps even giving up life's luxuries for a while. Patience has to be a major part of any strategy, especially because, as Bob Jones, a serial investor and MD of data network-

ing company Equinet in the UK, says, "A lot of angel investors have had their fingers burnt – it will take another year for them to get their confidence back."

Meanwhile, court eminent individuals from the industry who will endorse your company. Try to develop relationships with mobile operators. That might need to happen via a publisher or platform partner because carriers are not keen to deal individually with the thousands of developers out there.

But Scott Orr sounds a final note of caution. He counsels against meeting up with just any VC that shows an interest, advising mobile content companies to make sure the VCs are believers in the market and are genuinely likely to invest. "Some have no intention of investing but are interested. Who better to give them an education than a company (like yours)?" he notes.

"Stick to your knitting," says Stuart Scott at Blue Sphere Games, who was constantly told that his company should change its strategy. Scott Orr at Sorrent agrees. "Don't panic", says Orr. "When you least expect it, someone will show up who will save the day." ■

Games We Like

By Matthew Bellows

Habbo Hotel

Before you read any more of this article, you should know that Habbo is not really a game. Reduced to its essence, Habbo Hotel is a Shockwave-based online community. So what's to like? The architecture, the style, the population, the lurking, the beauty contests, the business models, building your room, and persuading everyone in a room to dance, among other things.

Launched initially at www.habbohotel.fi, Habbo has franchised itself to Switzerland (.ch), US/UK (.com)

and Japan (.jp). As of

March 2003, Sulake claimed 5.5 million registered Habbo users. New "locations" are planned for Spain, Italy and Germany this year.

The first step for checking into Habbo Hotel is creating an on-screen Habbo avatar. As in most RPGs, you specify hair color and style, face color and shape, clothes and shoes. By keying in a mobile phone number,

you connect to one of the many Habbo payment systems, although the only costs associated with Habbo come much later. Then the various locations of Habbo are presented to you. You select a room and off you go.

As in the Peanuts cartoons, there are no adult characters in Habbo Hotel.

Every avatar, regardless of age, looks 14. There are moderators, both embodied and not, who monitor conversations for banned words and character names. This has spawned codes for forbidden topics, i.e., "asl" or "s.a.t.s" in Habbo means "sex" to the rest of us. Further chat language has evolved beyond my parsing ability.

It's also not uncommon to see utterances like "..... j." floating over Habbo heads. This is because you have to be "near" a conversation to hear it. So while moving from room to room is instant, geography does matter in this world. As you approach a group of Habbos, you start to see the conversation in comic-like word bubbles. Only when you are next to the group can you read everything that's being discussed.

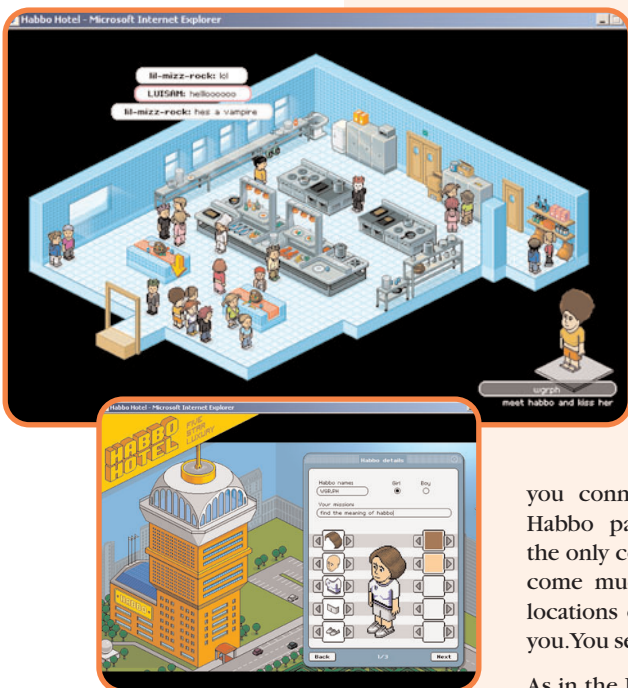
Intellectually, at least in the public areas, the conversations are not heavyweight. Most of the early fun of

As in the Peanuts cartoons,
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in Habbo Hotel.

Habbo is its style. Architecturally, Habbo Hotel is equal parts Matt Groening's Futurama, Legoland's mad genius and George Jetson's interior decorator. To explore any of the Public Spaces (Rooftop Rumble, Dirty Duck Pub, The Kitchen) is to see the future of online environments. But things get very interesting, both architecturally and sociologically, when you go into the Guest Rooms. Places like "Blondes Model Agency" and "Beauty Contest" cater to the Habbo social climbers, while "Rare Trades" and "Furni Shop" harbor budding capitalists.

Creating your own Guest Room is easy once you've bought Habbo Credits. Using IVR, SMS, credit cards, pre-paid youth cards, and other methods, it's fairly easy to buy Habbo Credits. You spend them building and decorating a room for yourself. When you purchase furniture, a gigantic hand reaches into the game carrying your goods. Thus, the Habbo bottom line is met. Sulake's business model relies on selling virtual furniture for actual currency. The company also receives sponsorship money from consumer product companies (such as Proctor and Gamble) to build custom Habbo environments. According to the company, business is going very well.

Unlike the Sims Online, Habbo Hotel doesn't pretend to be more than an enormous avatar-based chat session. It distinguishes itself through attractive and consistent style, an intuitive interface and a dynamic community. Although it's not strictly speaking a game, stopping in at the Habbo Hotel should be required of all mobile entertainment investigators. Sulake's money-for-nothing model could be an interesting exemplar for the wireless world. ■



Stat!

Percentage of Sales by Rating All Platforms, All Titles

	1997	1998	1999	2000	2001	2002
Everyone (E)	72%	73%	73%	69%	66%	58%
Teen (T)	20%	18%	21%	24%	24%	27%
Mature (M)	8%	9%	6%	6%	9%	14%

Source: Arcadia Investment Corp estimates, NPD TRSTS

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