

Gartner Says Worldwide Mobile Gaming Revenue to Grow 19 Percent in 2010

Buoyant Market for Mobile Gaming Opens Up Opportunities for Application Store Owners and Handset Vendors

STAMFORD, Conn., May 17, 2010 — Worldwide mobile gaming end-user revenue is forecast to surpass \$5.6 billion in 2010, a 19 percent increase from 2009 revenue of \$4.7 billion, according to Gartner, Inc. The market will continue to see steady growth through 2014, when the market is projected to reach \$11.4 billion.

"The hype around mobile application stores has opened this market up to numerous publishers and developers — further expanding revenue potential and competition in this industry," said Tuong Nguyen, principal research analyst at Gartner. "Although we expect most mobile gamers to continue to gravitate toward 'free' games, we do not expect the ad-supported model to take off within the next three years — despite the success we have seen with this approach in the Japanese market."

Gartner estimates 70 percent to 80 percent of all mobile consumer applications downloaded are mobile games. Moreover, 60 percent to 70 percent of these downloaded games are "free." This trend is expected to continue for the next two to three years.

Other factors that are boosting the global popularity of mobile gaming include the increasing accessibility of mobile games in emerging markets, where alternative gaming media are limited. The growing availability of micropayments for mobile gamers attracts users previously wary of investing larger amounts of money upfront to try out a game and also attracts groups whose disposable income is limited.

Improved user interfaces are a top priority for handset vendors as a competitive differentiator. A growing number of devices are implementing touchscreens and gesture, and enhanced qwerty keyboards will also improve the end-user experience. Furthermore, an increasing number of games are taking advantage of existing device features, such as camera, GPS and accelerometers, to enhance game play.

Communications service providers (CSPs) are also facilitating mobile gaming growth by improving ease of use and access for consumers. Direct billing is one of the most significant value-adds that CSPs can provide their partners — allowing consumers to charge purchases directly to their wireless bills. Improvements to boost access to mobile games via search and recommendation engines will also improve take rates for mobile gaming, while more-competitive data pricing will lower barriers to adoption.

"Mobile gaming will remain an important component of consumers' value-added service offerings, as well as a revenue driver for CSPs," Mr. Nguyen said. "On the high end, consumers will benefit from more-robust devices, such as smartphones, better cameras, more brilliant displays and increased processing power, to improve the gaming experience. Users from developing markets will also benefit as more-capable phones move down-market. Moreover, as more devices become connected, consumer electronic devices, such as tablets and portable gaming consoles, will join this space, adding another aspect to the market."

The popularity of application stores has also increased competition for market share in the developer space by lowering the barriers of entry for developers. Mobile carriers and application store owners both have the opportunity to take advantage of this enthusiasm to expand their mobile gaming offerings to their customers. Developers themselves can also take advantage of this to increase their negotiation power, as well as their channel options.

Additional information is available in the report "Market Insight: Mobile Gaming Expectations Boosted on Application Store and Smartphone Popularity" which is available on the Gartner website at <http://www.gartner.com/resId=1330237>.

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