DIGITAL 4SIGHT

Moderator: David Ticoll
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David Ticoll: Welcome to the fifth audio conference of Digital 4Sight's research program *The Hypernet Revolution: Business Model Innovation in the Mobile Economy*.

I'm David Ticoll, Co-Founder and Chief Knowledge Officer of Digital 4Sight. Our topic today is mobile multi-user gaming, and we've drawn our guests from around the world for today's fascinating conversation. I'm really looking forward to this one.

"Why mobile gaming?" you might ask. At our first Hypernet meeting in Palo Alto, for those of you who were there last March, we made the shocking suggestion that the killer application in the Hypernet just might be fun. That's right, fun.

One of the most important implications and capabilities of the Hypernet, of mobile telephony in particular, and also other mobile devices like wireless PDAs, is the ability to bring dead time to life.

The time you spend, driving to work, commuting, waiting for your kid to finish their music lesson, sitting in the airport, all of that time now suddenly becomes available for work or for play. Content providers are quickly learning that in those odd scraps of time during the day we'd much rather play. We already know that mobility and gaming are a winning combination. The most successful gaming platform in history is Nintendo's Game Boy, the battery-operated PDA-sized console that has probably helped many of you get through a long car ride with your kids.

Think about that. These Game Boys are really PDAs. And they were much bigger – they got to be a huge market long before we grown-ups started carrying around our PDAs.

The latest version, the Game Boy Advanced, sold a half million units in its first week, making it the fastest selling US video game system ever and, I dare say, the fastest selling PDA launch ever.

When you move games onto mobile phones and add communications to the mix, a couple of things happen. First, your market grows exponentially.

Twenty million mobile phones are sold worldwide every month, and increasingly those mobile phones have some kind of database capability, even if it is simply SMS. However, the market is potentially much larger than the market for dedicated portable game consoles and very soon will also be bigger than the PC market.

According to Data Monitor, the mobile games market will be worth $6 billion in Europe and the US by 2005. The Asian market, particularly the Japanese market, will be even bigger.

Secondly, when you add communications capabilities, you can build multi-user games for thousands of players. That guy sitting next to you on the train madly punching buttons on his phone isn't catching up on his email; he's launching an attack on another game player.

And when you can detect a gamer's location, the game gets even more exciting. Let me read you a short blurb from a recent Business Week article about Botfighters, one of the games we'll be discussing today.

Bjorn Edran, some fellow in Stockholm, Sweden, lay fast asleep on the couch in front of his TV last month when his cell phone gave an ominous series of beeps. An incoming call? No, it was a drive-by shooting.

"Bjorn, wake up," shouted his girlfriend, Sophia Erickson, "someone is shooting at you." Rather than dive under the couch or reach for a sidearm, Edran grabbed his phone. Too late. He had taken a wireless bullet.

The article goes on to describe how Edran and his girlfriend leap into their car and spend an hour on the highway pursuing the other player. Clearly we are miles away from the gang of young boys or the individual 14-year-old flopped in the basement playing old-fashioned video games in isolation.

Sure, the form factor is much less rich than the wired console games, or PC games for that matter. But the ability to move the game into the physical world and the connection to thousands of gamers more than compensates for the limitations of small screens.

And make no mistake; this is going to be big business. The big players are already getting into the action. Sprint PCS in the US offers more than 40 wireless games. In Japan, NTT DoCoMo found that mobile entertainment drives 52% of its wireless Internet revenues.

Handset manufacturers increasingly recognize that there's a lot of the money to be made in this industry. Not from selling pieces of hardware, but selling services. They've realized that games are a great way to coax users into buying new handsets.

Ericsson has formed a joint venture with Sony to develop handset entertainment applications. Nokia formed an all-consuming Club Nokia, an online community that allows Nokia handset users to download games and screen-savers from the Web onto their mobile phones. Nokia already purchased distribution rights for a wide variety of mobile games.

Another sign of the popularity of mobile gaming is the vendor-set standards in this space. Ericsson, Motorola, Nokia and Siemens founded the Mobile Games Interoperability Forum in July of this year, with the intent of defining mobile game specifications. For instance, the forum will look into interoperability specifications, application programming interfaces and APIs that allow game developers to produce

and deploy mobile games across multiple game servers, wireless networks and multiple devices simultaneously. They group is planning to develop a global standard and develop certification procedures to encourage a wide adoption of their inter-vendor/multi-vendor standard.

This is a real space. It's really coming to life. What I really want to do now is talk to our guests, because I think we've got just a fascinating group of people here who are right in the heart of this industry. In fact, our guests today are actually from three different continents.

From Sweden, we welcome Sven Håling, CEO of It's Alive. Sven, are you there?

Sven Håling: I'm here.

David Ticoll: Great. Sven's company created Botfighters, the game I described where a Swedish man became famous after getting shot via SMS one night in a Botfighters game. We're going to hear right from the horse's mouth about that particular initiative.

Secondly, we've got David Gutteridge, founder of I-Chara, a hybrid social networking and gaming company based in Tokyo, and I think this is more of a friendly game, as opposed to a shoot-'em-up game like Botfighters.

David Gutteridge: Yes, that's right. It's actually more of a social network system with games overlaid on top of it. It isn't strictly gaming, per se.

David Ticoll: That's a very interesting and helpful insight; because that's quite unique perspective from the three other games we're talking about today.

And then from Toronto, we welcome Franke James, Creator of Office Politics, a multi-user multi-platform game aimed at anyone who relishes the dark dealings in the corporate rat race. Welcome, Franke.

Franke James: Thank you.

David Ticoll: In a way, Franke's game could be even more scary than a Botfighters shoot-'em-up. That's based on my experience, at any rate!

Franke James: That's right. We are allowing people to backstab one another using SMS.

David Ticoll: Yes, well I don't think I need to go there. So thank you all for joining us.

To start this dialogue, we're first going to have each of our guests tell us a little bit about how their games, with particular emphasis on the mobility aspect. We'll also look at how the mobility dimension makes their games different.

We'll go in the order of the people as I introduced them, let's start with Sven. Sven, you've had a lot of publicity, because of the Botfighters story, among other things. Tell us a little bit about the game.

Sven Håling: All right. The general type of game we are targeting is called pervasive gaming, the type of game that you join, and is always around you. It surrounds you all the time, 24 hours a day.

By taking that mobile, what we can combine locations, et cetera is to drape an adventure on top of the real world. We overlay an adventure on your daily life, where

you assume a character and interact with other characters that you meet on the street, on the same bus, or anywhere around you.

You might pick up or find virtual items on the street. Entering into a public square, you might receive a warning that the soil is radioactive or it's a virtual swamp. You will have to walk around it if you don't wish to die. We can overlay this adventure and trigger events on your location or interaction with other players.

The tone of the game can be, of course, a "shoot-'em-up" like Botfighters. Or it can be the next game coming, Superfly, which is a virtual soap opera with intrigue and romance, in an attempt to find a girlfriend or boyfriend. These are much more friendly games than Botfighters. The pervasive game industry is a very special niche.

David Ticoll: How many users subscribe to Botfighters right now?

Sven Håling: There are between 7000 and 8000 subscribers. It's nothing fantastic yet. The interesting thing is that they're very loyal. Most of the users have been playing for almost half a year now, and they are creating lots of traffic.

The community aspect of this whole thing is very strong. People can form teams, give themselves names and logotypes. These are displayed on the high score list. The teams fight one another.

There are lots chat room discussions about tactics, the best weapon to beat each kind of body, or how to attack a strong guy that is bigger than each of the members in your group. There's lots of tactics, and a hefty community aspect to the whole thing.

David Ticoll: Okay, great, that's a good introduction. Dave, over to you. Tell us about I-Chara.

David Gutteridge: I-Chara was originally intended strictly as a social networking system.

We developed an AI technology that would look through a database and match user profiles to other people, products and services that they might be interested in. This is, of course, extremely dry from a consumer's point-of-view. Nobody wants to take tests in order to input their user profile.

We wrapped up the whole process into a system that had cute little characters that would interact with people, and hopefully provide interesting conversations through which the user wouldn't really notice or feel that they were being profiled.

It started to take off in lots of directions, and go down deeper into the database. We found it could actually be applied to a lot of different applications, both on the mobile and on the regular Web.

On the other end, we found that there are a lot more ways to elicit user information. One of those sources of information is games. The way in which people play, the kind of games they choose and the choices they make within those games helps our AI figure out what kind of person the players is, and then helps link the player with a community of users with similar interests.

David Ticoll: Give me an example of how you do that profile.

David Gutteridge: From a consumer point-of-view, the character is a resident on your mobile phone.

When we were first developing CHTML, the wireless web had only just started. We were therefore restricted to what we could program on the phone.

The character on your phone would talk to you when you were using your phone, for instance, on the train. It would say “Hi, how're you doing today? What have you been up to?” It also tells you what it has been doing. The character has its own fictitious life. After the character talked to you, it would take the information you provided and add it to your profile. It would use this information to ask you relevant questions in the future.

It's not too big of a stretch to take these characters and put them into situations like an ultimate online situation, where the characters move into games. They don't just hand you a version of Pac-Man to play with.

David Ticoll: If I'm a user, a 22-year-old university student in Tokyo, what do you profile about me? What do you want to know about me?

David Gutteridge: At I-Chara we need to know your interests, hobbies, your taste in music you; the profile we develop is sort of like a marketing profile.

David Ticoll: Right. And then what do you do with that information? Who gets that information?

David Gutteridge: There are two sides. When we started the company, we were only interested in getting people to interact with each other and increasing social groups. We wanted people to be able to develop many different social spheres, and to wear different hats. The mobile aspect will allow you to walk down the street and meet the person who was a high match with you. The thing is, we also have to pay our bills. So the second aspect was introducing advertising – we sell the space, and companies do the advertising.

For instance, Tower Records would be able to see that this group of people is very interested in a particular type of music. Tower could then offer CD specials to our users based on their interests.

To sum up, there are two aspects to our business. First, we increase personal social networks and second, we do a little bit of marketing.

David Ticoll: So how is this experience starting to aggregate? How big is your community? What kind of complications are you starting to see?

David Gutteridge: Our community is currently non-existent. Before we launched the product, we sold the technology to a European company. They are going to take the ball and run with it.

I don't know if I'm allowed to say what they're doing with it at this particular moment. But yes, we unfortunately sold our company before we even got a chance to get really exciting with it.

David Ticoll: But did the community exist? Will the community exist after the product’s second launch?

David Gutteridge: No, the community does not currently exist. The buyer went black with the product when they bought it. They put it under wraps and decided to continue development until they feel it is appropriate to launch it.

David Ticoll: And are they going to launch it in Japan?

David Gutteridge: Oh yes, it's definitely going to be focusing on the Japanese market. They bought a Japanese company, Japanese IP, and they are focusing on launching in Tokyo. I suspect sometime during the spring that they're going to try a second launch.

David Ticoll: So your baby is in somebody else's hands now.

David Gutteridge: Yes. I have mixed feelings about that, because I think it's something that's really going to take off. But, you live and learn. You move on. And I'll just go on to the next thing.

David Ticoll: We'll come back to you in a second.

Now, Franke James. Office Politics, tell us a little bit about that.

Franke James: Office Politics is a convergence game. It's a showcase for new technology. You can play it on Web, wireless, and voice Web, and potentially digital TV in the future.

The basic mission for each player is to unseat the CEO. You would do this through trading vices and virtues to climb to the top. Some of the basic actions are backstabbing and kiss-assing.

It's very much a game about the battle between 'good and evil'. And it's an ethical game of how you climb to the top. And although you can climb faster on vices, it's fraught with perils.

We see it as being pervasive, persistent, and persuasive.

It's pervasive because it can reach out, at any point in your life, whether you're traveling in the car, or you have your cell phone with you, or you're at home using your PC.

It's persistent because of all of the different environments. And it's persuasive because it's a marketing vehicle as well as being a fun game. So from the advertisers' point-of-view, there's an opportunity to showcase their products and build demographic and psycho-graphic profiles.

It has a lot of overlap with what Dave Gutteridge was talking about. And we're getting a very strong response from potential sponsors who want to get in the game.

David Ticoll: Great. And this is hasn't been launched yet?

Franke James: That's right. We're just at the pilot stage. We're looking at beta testing in early 2002.

David Ticoll: Between the three of you, there's one game in production and two games that are in development. I guess in the case of I-Chara, it's actually being redeveloped. Is this the state of the mobile gaming marketplace today? Is it still very much not quite under wraps, but just coming out of wraps?

Franke James: I don't think so. We noticed that Atomic Dove just launched on Telus recently. It's both a contest and a game. Office Politics is a contest and a game as well.

One of the purposes which Telus is talking about it is to make people more comfortable with new technology. What better way to do that than through a contest and a game?

Sven Håling: I agree there. There are lots of companies are launching games. There are lots of games out on portals. Unfortunately from a gaming point-of-view, most are still crap. From a gaming point-of-view they're very, very simple. But we're all learning, and it's a first step.

David Ticoll: Right. How many of them are truly mobile games, as opposed to games that just happen to be on a mobile platform?

Sven Håling: It depends on how you define mobile. The way I use the term indicates that the user must access the game remotely. There are very few games actually using mobility in the game.

Franke James: Ours is definitely planning on using mobility with the GPRS technology being able to track the users.

David Ticoll: How will that work on Office Politics?

Franke James: It'll be tied in with a headhunter function, where people will form teams and be able to to headhunt the best players.

David Ticoll: They'll headhunt them?

Franke James: Yes. They can also backstab them.

David Ticoll: So proximity will be a factor both on the alliance side and on the enemy attack side.

Franke James: That's right. And it's interesting, isn't it, how legislation, like the e911 legislation in the US, opens up the opportunity for games to incorporate this type of technology?

David Ticoll: Yes. Can you just explain that for our listeners?

Franke James: The emergency 911 legislation requires handset manufacturers and telcos to provide location-based information.

David Ticoll: Right.

Franke James: So that's another tool that the game-makers will now have.

David Ticoll: Yes. How about in Japan? How does that work over there? Is the proximity technology readily accessible to gamers?

David Gutteridge: The last I checked on it, there is a location-based service that DoCoMo is offering. But it doesn't seem to be widely available to gaming.

It's not actually very clear as to whether or not it's anything much more than an elaborate self-declaration system where you pinpoint yourself, say “look I'm here” by giving some kind of description. And then the system gives you a map. I think it's used for when you're trying to find the nearest local station and whatnot.

One of the issues or holdbacks is getting information on a third dimension. A lot of businesses in Japan stuff these buildings chock-full of shops, and restaurants etc. and they go up sometimes 13 or more floors in the building. You need to be able to locate not just on an X/Y axis, but also a Z-axis.

David Ticoll: Right.

David Gutteridge: **I** think that's been a holdback to actually launching I-Chara.

When starting I-Chara about two years ago, they kept promising us location-based services just three months down the road. I don't think it's quite there even still.

Franke James: In talks with a global handset manufacturer in the UK, we discovered that the manufacturer has teams working on developing games that will use the location-based services.

Sven Håling: Location-based services have taken off in Europe in the last year. Most carriers are implementing current technology. That is what we're using in our games. Botfighters has been location-based since the setup.

David Ticoll: It's intrinsically location-based in your case.

Sven Håling: Yes, we hook up to the network and tap the location from the switches to use during the game.

David Ticoll: Okay. So moving on to another question. I'll start with you, Sven. Who is your customer? Who buys your application? Who do you sell it to? What's the kind of revenue chain? What's the revenue model for this product?

Sven Håling: We send our bill to the Telco, mobile portals, or in some cases, various types of media companies that are working on extending existing brands to the mobile. But we've developed features to the tastes of the end-users. There's a dual relationship.

If we look back, the telcos never want to share revenue. They only want to pay once, and then never again. That changed recently. Now telcos seek out only revenue sharing deals. The telcos gets a percentage or a premium from the game, plus the fee for all the airtime.

David Ticoll: Right.

Sven Håling: We have been able to get bits of both, to get fixed payments and revenue sharing. However I think that's only available if you have a really good application. Otherwise you are bound to get a pretty low revenue share on the airtime. It's a tough case to make money out of gaming. I think it's fair to say that no game developers are making any money or going positive yet. Very few, anyway.

David Ticoll: Really? Now what our researchers are telling me is that there's a big difference between the Japanese market and the rest of the world. But certainly the European and North American markets, with respect to this issue. Essentially DoCoMo set the standard of taking no more than 9% of revenues and passing everything else on to other people in the supply chain That could mean it goes directly to the content provider. In your case, the game's developer would receive revenue directly; whereas in Europe and North America, there are all these other players who want a piece of the action. As you said, the telcos are loath to do any revenue sharing. And if they do, the percentages are much tougher than 9% for the other people who are contributing the value. Is that true?

David Gutteridge: Yes, that's basically the case.

David Ticoll: I'd like to hear feedback from everyone on this.

David Gutteridge: It's not really quite as rosy as it may sound at first. With NTT being a large entity, they have very high barriers to entry as far as getting to that magical point where they take 9% of your revenues and you just get to bill for the rest.

It does exist though. Awhile back, about March of this year, if I remember correctly, the government body that regulates this thing, Mideass, they insisted that DoCoMo open up the doors on revenue sharing and start allowing just about any content provider access to this billing model.

Government bureaucracy being what it is, I think it's been slow to implement. There are people making money. Disney, for instance, is making money hand-over-fist - millions per month. But, you have to be a Disney-sized kind of guy to really get in there and get onto that pipeline.

David Ticoll: If you're not, what are the economics like?

David Gutteridge: If you're not, it's really tough. You're trying to find revenue models through a couple of other methods.

We looked into a million different types of methods, everything from credit card billing to billing through regular landline phones. This is in addition to your mobile phone bill and to bank transfers.

But the bottom line is, consumers don't really want to play the game that way. There is also this sense that eventually the DoCoMo model was going to break down and become available. Everyone is willing to wait it out.

I think the only people I've ever heard of that were doing any other kind of billing model relatively successfully, although I don't have any numbers, were more adult-themed sites. Their customer markets have credit cards and are willing to use them. But it's a bit of a shady market. And I don't know if anyone has strict numbers on that.

David Ticoll: Thank you. Franke, what are you finding as you go after the North American market on this?

Franke James: Well our revenue model is based on licensing and then revenue share with Telcos and also ad agencies and the companies that they represent. And we will be selling demographic and psychographic profiles as well.

David Ticoll: So are they buying all this?

Franke James: So far we're getting some very good nibbles. It looks very promising.

David Ticoll: No objections in principle to that kind of model?

Franke James: No.

David Ticoll: Interesting. Sven, it sounds like on this issue the European market, despite its success, relative to North America in both mobile, and location-based, and content services, seems to be a little less mature around the issue of sharing the pie.

Sven Håling: I think it's actually starting to change rapidly. There's a lot of debate going on in the press, a lot of pressure being put from various types of organizations and companies on the telcos to change.

In the last week here, the biggest carrier in Sweden changed rapidly from a 50/50 split to an 80/20 split for the content providers. So it's happening quickly.

David Ticoll: So I want to kind of get a little bit more esoteric here for a second and ask some issues around design. What does it take to build a successful multi-user game? What do you need to do to make it work around the design of the game itself, the construction of the social intervention that you're making in a given marketplace, and the infrastructure that you need to back it up?

Why don't we start with Sven on that one?

Sven Håling: The game has to be fun and exciting. It has to have depth: easy to start with and to get the hang of. Then you have to be able to develop it, and dig deeper.

I think community is very important to keep people in there. They need to feel they're belonging to something, to have virtual friends so that you feel that you're part of something bigger

David Ticoll: And what about the infrastructure? What's the back end like for all of this?

Sven Håling: Well you have scalability, speed, and no delays. We're using a JavaBean type of thing for scalability. But capacity is not really an issue yet. It will be eventually.

The biggest technological barrier right now is that carriers don't have unified connection interfaces. We have to dig into the network, hook up to various kinds of servers and SMS gateways and positioning systems.

It's a big integration project every time. That's the biggest problem right now. If they would introduce a plug where we could hook up, that would make things happen much quicker.

David Ticoll: Okay. Dave and Franke, do you have anything to add?

Franke James: I'll jump in right here, because I think that the North American market is very different. An awful lot of people in North America are not as comfortable with the mobile devices and playing games on them. So we have a bigger challenge. We have to find a way to make people comfortable with navigating the games. And we want them to have fun and to stay involved.

David Ticoll: What do you mean by comfortable?

Franke James: A lot of people are just scared of the technology. Games like ours can introduce people to the technology in a fun way. It can actually show them how to send SMS messages in their daily lives, and create the understanding that mobile technology doesn't just have to be for games. Once people experience these new technologies, they'll realize how they can help them in other aspects of their lives.

Sven Håling: Can I jump in with a comment there again? I agree with you. It has to be very simple. If you go into a shop and you buy a PC game for a hundred bucks, whatever it costs, you have a lot of patience, because you can sit there for a couple of hours to really get into it.

But a mobile game, if you don't get the hang of it in 30 seconds say, you don't bother to play it. Therefore, the games have to be very simple and quick to get into. They

have to be very appealing on the first full view. That goes for Europe also. We're not that advanced, I think.

David Gutteridge: I think it might be partly an interface question in the sense that I think one of the reasons why people will sit down and put quite a bit of time into learning a game that goes on their computer is because the interface, the output, everything is quite spectacular. You get really amazing graphics and sound and all sorts of things going on and a level of complexity in the output, which is very satisfying.

If you turned around and you had to put that level of investment of your time and energy to play an SMS game, a thing that's basically bouncing text back and forth to you, I think your cost of effort in to results out is just out of balance.

I think people will start to probably invest more time into learning their online games. Although, fundamentally I believe all games, online or not, should be simple input with complex output. You should always have the simplest input you can make.

I think people will start to raise the bar of how much time they're willing to invest learning a new game when the interfacing gets better and they can start to see some really neat results out of it.

Franke James: I think that there's a great revenue opportunity here for the telcos if they can get the general person to be using the SMS data transfer, because it's worth a lot more money to them than voice transfer.

David Ticoll: Franke, I've never seen your game. Is it purely SMS-based? Just text back and forth? Is there any graphical involvement in there?

Franke James: Oh no. On each platform it's a different user experience. So on the Web, it's Flash, text and voice based. On the wireless it's basically SMS. We're shying away from WAP. Voice uses a regular phone or a wireless phone.

David Ticoll: Now talk about the voice aspect of it a little bit, because you mentioned the voice Web. What is the voice Web?

Franke James: The voice is so much fun. We went down to Nuance's Voice World in 2000, and in 2001 to learn about the new technology and opportunities.

To explain it quickly, Office Politics on the voice Web will host the 'rumor mill'. That's the place that you go to find out what other players are doing so that you'll have a better chance of placing the right bet and climbing the ladder. The voice Web uses your voice to interface with the computer.

David Ticoll: So what happens? Tell me about it.

Franke James: Any person could dial up Office Politics on the phone and say that they want to learn about a particular player or hear a rumor about a particular player. The voice XML will bring up the correct rumors. The rumors are based on the players' actual actions.

It is going to be stock, to a certain extent, in that we'll have recorded rumors. Rumors will be based on players' actual actions. So if they've racked up more lust points for instance, then they're going to have a rumor that has to do with lust.

David Ticoll: Is XML part of your architecture?

Franke James: Voice XML is used for the voice Web. I'm not a programmer so you'll reach the bottom of my knowledge very quickly.

David Ticoll: If you had a multi-platform environment, you might want to send the same piece of information to different kinds of platforms. Of course you're not just looking at going from PC to voice to wireless. There are many different wireless platforms, each of which has its own way of doing things.

Franke James: That's definitely a challenge. But it's interesting how Canada is in the forefront of this convergence opportunity. I was speaking with one of the telcos about it. I asked, "Why do you think that Canada is so far in the lead?" The telcos rep said, "I think it's because they've got so many private companies which own multiple assets. Say a firm owns a newspaper, a television company and a phone company. Those concentrations of assets allow the firm to deploy the content across all media." Even AOL/Time-Warner doesn't have a phone component, like the players do in Canada.

David Ticoll: Yes. That's true.

Sven Håling: We're seeing pretty exciting things in convergence between the PC games and the mobile games.

We have work going on with a PC publisher to create a game that takes place on the street. People will see it on their PC, on a thick client or on a Web client, and expect the same game viewing.

People are gaming on the streets, and remote controlling for their characters on a map. They are interacting with people who are actually out on the street. So it's an exciting type of convergence.

Franke James: That's neat. I was reading on your site, Sven, about your work with Channel 4. There's a beautiful example of convergence.

Sven Håling: Yes.

David Ticoll: Can you explain that, Sven?

Sven Håling: We did a modified version of Botfighters for Channel 4. We took out the positioning component, and called the game Crossfire. The game is tied to a TV format where Channel 4 invites famous people to have a paint ball fight on an abandoned air base. They show the link to the game on the show. They say, "go and sign up and play this same game yourself." So people will sign up on the Web. You build your character to look like one of the people on the TV. Then you play the same game, only mobile.

David Ticoll: Do mobile players do this while watching the show, or afterwards?

Sven Håling: They do it afterwards.

Sven Håling: When you've seen the show, you'll be inspired. You go out and you play the paint ball war, but on your mobile with your own friends.

David Gutteridge: The cool aspect is having the people on the show, each one having a mobile phone, and people writing in saying which way they should go.

You might have clusters of viewers that would be controlling various people within the show and saying, “the guy is upstairs right now” giving messages so that they're almost interacting with the show. That would be quite cool.

David Ticoll: That can get very complicated.

Sven Håling: This kind of interactivity around TV shows is really, really exciting. Today there’s a lot of interactive aspects to TV shows. The next step will be to pull viewers even more into the shows. Take away the border between being on TV and viewing it. You could participate more, and in an interesting way.

David Ticoll: But Sven, this could get very complicated. How do you manage all of these multiple layers? What happens if different players do things that are inappropriate? Or if all the players do the same thing all at once? How do you manage the complexity of all of that? Does it just take care of itself?

Sven Håling: If interactivity with TV show is introduced, you'd need a viewing filtering function. Maybe a time delay. It's a design aspect to keep in mind, so interaction doesn't get out of hand.

Franke James: We were at the ECTS show in London in September. We talked with a number of the big media companies there, including the BBC. Without mentioning any names, the media companies were very much interested in interactive game shows, which are right in this territory.

You're going to have an overlap between people accessing the show via various devices, and the time when the show plays on television.

David Ticoll: Would interaction be limited to dial-up or online access, or would mobile gaming be included?

Franke James: It sounds as though it's being conceived as interactive game shows that are going to have crossover from Web and mobile.

David Ticoll: Would interaction be with traditional TV game shows, which is more Q&A, pretty simplistic stuff? Or would it have the kind of social complexity we're talking about today?

Franke James: We'd certainly like to see Office Politics as a game show -- and the social complexity there. Media companies are thinking about shows like *Who Wants to be a Millionaire.* They’ve been hugely successful with that. I think it's made close to 72 million pounds in console sales in the UK alone.

David Ticoll: It gets interesting when you've got two million users of Office Politics all kind of converging on the same poor virtual CEO or something like that.

Franke James: Yes. Well there's going to have to be a winnowing down as to who are the best backstabbers, who are the best players and which ones are going to be featured on TV.

Sven Håling: We believe that in the short run, until the technology is good enough to make mobile games really exciting, we need to build brands that stand by themselves. The shortcut is to surf on other brands, on TV formats, or things that can give the user the marketing push. If it's on TV twice a week, then people will notice. That's the only way to really get penetration quick right now.

David Ticoll: Let's talk about this for a second, this issue of scalability. How do you scale the game itself? I guess I'm going to push you a little bit on this, Franke. What happens when you have even two or three thousand people all playing - not just playing Office Politics, but all in the same virtual office? Doesn't that get hard to manage?

Franke James: Yes. We have designed it around modules, say 100,000-people modules.

David Ticoll: That's pretty big.

Franke James: Definitely. We will have to close off some modules. Then they can be replicated.

David Ticoll: Even 100,000 people, how do you manage that?

Franke James: Redundancy and good programming. It's not going to be done without a lot of testing and talented programmers.

David Ticoll: Yes. I guess the question that I'm asking of all of you – Sven, Franke and Dave - is there a natural feeling to the growth of at least some of these kinds of games? Is there architectural growth, given the nature of the games themselves?

Even if people love them because of the natural size that a certain game might work at, that could be limiting in the growth of the game in its marketplace.

David Gutteridge: In the case of the kind of thing we were trying to develop, the social network, we have kind of the reverse problem.

When you're developing a social network, you're trying to develop a critical mass. The more people playing at once, the more chance of meeting people with similar interests. You need the network to grow as large as you possibly can get it.

The interaction gets more interesting and more useful to each individual user as you get up beyond the hundreds of thousands of users, and into the millions of people range.

David Ticoll: Right.

David Gutteridge: We estimated that you'd need at least 10,000 people before the system would even really do anything interesting at all. It was a really good problem to have way too many people on it.

David Ticoll: What was that interesting thing that it would do when it had 10,000 people?

David Gutteridge: Since it's a social networking application, it's trying to learn about you and match you with somebody else. If you are in a room with only one other person, and that guy's interests don't match yours, nothing happens.

David Ticoll: I think that's a different nature than It's Alive and Office Politics.

David Gutteridge: Yes, exactly.

Sven Håling: Not necessarily. Everything that's community-based is the place where everybody goes, especially when you're addressing use for kids.

I'll take an example from a large Web community in Sweden. It attracts about a million users, all teenagers, about 25% of the Swedish population. Virtually every night they spend hours chatting, having birthday parties or whatever on the Web,

because that's the place to be. Building social communities is very much being the hyped. Its what the kids like.

David Ticoll: Yes. But those are both social communities. I can see it working and also being easier to regulate. What happens when it's competitive and there are rules?

David Gutteridge: If you develop the social network as being the foundation upon which you can build games, you can cluster players in around games, maybe even the same game. Your goal is to get users to play with other users who are in line with their interests.

David Ticoll: Yes.

David Gutteridge: So if you start through a social network, then people will naturally cluster to it. As more people join, you can refine the level of detail unto which you associate with people. You've designed a very narrow cluster of people, which you then start gaming with.

I'm sure there are other ways of doing it. That's one way to potentially filter players so that you don't get huge clumps of people all approaching the same goal with the same technology.

Franke James: Office Politics is a little bit different because it's a contest, and it's conducted by region. It could be rolled out in Canada, and then rolled out in different parts of the US. Even though players from all over the world could access it, they can't win prizes unless they're within that playing region.

We've had people from all different places including Korea, Switzerland and Spain. It crossed all cultural boundaries. They all understood it.

David Gutteridge: Yes. It's human nature.

Sven Håling: It's interesting that you can break down different groups and teams. We're working with people who form teams. The teams then form clans, clans form subcultures, and so on. They group together so they won't be beating on each other.

You can actually build subcultures that are fighting each other. The more people you get, the bigger the groupings, or hierarchies, if you like, that you can build.

David Ticoll: This is a great conversation. Let's talk a little bit about culture.

We're talking about three different worlds here: North American, which likes to think of itself as the most advanced marketplace in the world; Japan, which is actually more advanced and mobile than any other nation; and Sweden, which has a good track record for mobile technology and mobile experiences but is not so advanced in culture or mobile relationships.

What is unique about the culture that you're working? What drives the way that gaming or that your business evolves that would differentiate it from other parts of the world?

And let me start first with you, Dave, because you're a North American who has been working in Japan. You might have some thoughts about that.

David Gutteridge: Yes, we dealt with the issue. Our investors were interested in going international with whatever we develop.

Right away we were looked at the similarities and the differences between what we were going to do in Japan, and what would be accepted abroad. There were some interesting options.

One of the issues we felt was that a lot of game concepts are fairly similar. People all over the world like to play games. And people all over the world like to interact socially. There are certainly values that are the same across the cultures. It's just a matter of how you develop them and present them in order to make people interested.

For instance, the cute character is king in Japan. There's an insatiable appetite in the market for lots of cute little characters, which doesn't necessarily transplant itself to North America.

People in Japan also really like having agents, or people who help you do things. We launched our characters as being an agent that would interact on their behalf with to help them meet new people.

We felt that if we took that same character and put him in North America, we could probably get the service to go. However, the agent would no longer be a separate identity from the player. That agent would be pitched as your avatar, an actual representation of you in the mobile Internet space. It's little differences like that, but the core value set was more or less constant.

David Ticoll: Table-driven adaptations, in a way.

David Gutteridge: Yes, basically.

David Ticoll: Okay. How about Franke. What are you seeing as you market the program? You mentioned you've been selling it in Europe as well as in North America.

Franke James: Yes. I think that each country that we look at offers different opportunities and challenges in the way the program would be rolled out.

In Europe, obviously the mobile is a much bigger part of the game. The voice Web might not be a part of it. The Web might not be a part of it. We may find that we have to make it modular depending on which country it's going to.

What we've seen with other games that we've developed is that people all over the world will play them and that it's really neat when you get an inquiry from some far-off country. For example, one of the quizzes that we've done has sprung up in Finland, and Norway, and Japan, and China. It's still only in English. And we see great opportunity to translate it into other languages to make it accessible to more people.

David Ticoll: What I think I hear you saying is that you're not seeing significant cultural differences--that there may be technological differences but the cultural differences don't seem to be a factor. And Sven, how about you? What are you seeing?

Sven Håling: There's two aspects, one of corporate culture and one of how people perceive things.

In Sweden, we're a country of engineers. Operators launch technical things. They launch WAP. They launch GPRS. They don't launch services. They don't launch great content. They launch technical stuff, which is bad.

Most of the content application developers in this region are technical people from the bottom. They're not content or media people.

A lot of things you see coming are technically driven. We're learning quickly that technology has to have a nice color.

We also see great differences in perception. If you look at Botfighters in Europe compared to the US, it's interesting.

In Europe people are excited. They think it's great fun. When we speak to Americans, they say, “wow, I love to kill people! There should be blood all over the place.” They're really much more positive to the violent part. Europeans, specifically in countries like Austria or Switzerland, are very conservative. They like the game, but they don't dare to launch it. They feel it might be dangerous.

David Ticoll: Interesting. That may be true.

One of the things that we found in our research is that there are these partially fictional stories of people both in Sweden and Japan ducking out of business meetings because they're in the middle of a game. They've discovered that they're about to be hit and they need to respond. That's far more important than boring stuff that's being discussed in the meeting.

David Gutteridge: There are a lot of extraneous workers in Japan if they have the time to do that.

David Ticoll: I'm going to have to wrap this up now. This has been really great.

I want to thank all three of you, Sven Håling, David Gutteridge, and Franke James. I not only thank you, but also congratulate you for the pioneering work that you're doing in this fascinating marketplace.

I'd also like to thank our producers, Erin Lemon, Claire Vernon and Juliana Bianca, for putting the show together.

Finally, I have two quick but very important announcements. First, mark Friday December 14 on your calendar for our next audio conference. We're calling it *Multimedia at the Mall,* Retailing in the Hypernet. I'll be talking to the CEO of Scan.com and the commercial director of 12Snap, both of them based in the UK.

Second, our final closing Hypernet all members meeting will be held on January 23 and 24 in San Jose, California. I think we are able to announce that the meeting will be hosted by Cisco. This will give us a chance to see some of the things they're up to.

Some of the folks featured in the case studies, and other Hypernet industry leaders will attend. We will get the lowdown from the Digital 4Sight analysts as well. We'll be sending you more information on that major event next week.

If you'd like to receive a cassette recording of the audio conference, please contact Claire Vernon at our office at 416-214-4138.

Thank you everybody, and goodbye.